

National Reform Programme **2015**

April 2015

Table of contents

| | |
|---|-----------|
| 1. Introduction | 1 |
| 2. Macroeconomic scenario | 3 |
| 3. Follow-up on the country-specific recommendations | 5 |
| 3.1. Tax system (Recommendation 2) | 5 |
| 3.1.1. Reductions in labour charges | 5 |
| 3.1.2. The shift to other tax bases and the reduction of tax expenditures | 6 |
| 3.2. Ageing (Recommendation 3) | 7 |
| 3.2.1. Employment of older workers | 7 |
| 3.2.2. The unemployment system and the end-of-career jobs | 7 |
| 3.2.3. Measures concerning retirement | 8 |
| 3.2.4. Long-term care | 9 |
| 3.3. Labour market (Recommendation 4) | 10 |
| 3.3.1. Further reducing the unemployment traps | 10 |
| 3.3.2. Strengthening the alignment of education and employment and combating youth unemployment | 11 |
| 3.3.3. Strengthening accessibility of the labour market for immigrants | 12 |
| 3.3.4. Enhancing professional mobility | 13 |
| 3.4. Competitiveness (Recommendation 5) | 13 |
| 3.4.1. Modernising wage setting | 13 |
| 3.4.2. Retail trade and (professional) services | 14 |
| 3.4.3. Energy distribution costs | 15 |
| 3.4.4. Research and Innovation | 15 |
| 3.4.5. Eliminating the mismatch between demand and supply and tackling early school leaving | 16 |
| 3.5. Greenhouse gas emissions (Recommendation 6) | 18 |
| 4. Follow-up on the Europe 2020 targets | 20 |
| 4.1. Employment | 20 |
| 4.2. R&D and innovation | 22 |
| 4.3. Education and training | 26 |
| 4.3.1. Higher education | 26 |
| 4.3.2. Early school leavers | 27 |
| 4.4. Energy and climate | 28 |
| 4.5. Social inclusion | 31 |
| 4.5.1. Ensuring the social protection of the population | 31 |
| 4.5.2. Reduction of child poverty | 32 |
| 4.5.3. Active inclusion of persons far from the labour market | 32 |
| 4.5.4. Fight against inadequate housing and homelessness | 33 |
| 5. Other reform measures and the use of structural funds | 34 |
| 5.1. Industrial policy | 34 |
| 5.2. Entrepreneurship and SMEs | 35 |
| 5.3. Structure funds and investment funds | 37 |
| Annex 1: Reform Programme of the Flemish Region and the Flemish Community | 39 |
| Preface | 39 |
| Executive summary | 41 |
| 1. Macro-economic developments in the Flemish Region | 45 |
| 2. Measures for the implementation of country-specific recommendations | 50 |
| 3. Progress concerning the realisation of the Flemish Europe 2020 objectives | 65 |
| 4. Additional reform measures in implementing the annual growth analysis 2015 and the use of the structural funds | 78 |
| 5. Institutional issues and participation of stakeholders | 84 |
| Annex 2: Reform programme of the Walloon Region and the French Community | 89 |

| | |
|--|------------|
| 1. Introduction | 89 |
| 2. Response to the specific recommendations by country | 90 |
| 3. Thematic objectives of the Europe 2020 strategy | 102 |
| 4. Complementary reform measures | 109 |
| Annex 3: Reform programme of the Brussels Capital Region | 115 |
| 1. Introduction | 115 |
| 2. The Brussels-Capital Region macro-economic and demographic context | 117 |
| 3. The Brussels-Capital Region's responses to the specific recommendations made to Belgium | 119 |
| 4. Measures for the EU2020 targets by the Brussels Capital Region | 131 |
| Annex 4: Reporting table for the assessment of CSRs and key macro-structural reforms: description of the measures | 148 |
| Annex 5: Reporting table for the assessment of CSRs and key macro-structural reforms: quantitative assessment | 159 |
| Annex 6: Reporting table on national Europe 2020 targets and other key commitments | 162 |

1. Introduction

With the measures taken and proposed in this NRP, the governments are convinced they are responding to the country-specific recommendations Belgium received from the Council in July 2014. As the programme indicates, fulfilling the European commitments also requires a strong involvement of the different federal entities in the European procedures and projects from the EU2020 Strategy's initiatives.

In its country report¹, the European Commission calls on Belgium to pursue an ambitious policy to remedy the observed macroeconomic imbalances. It is the governments' conviction that the present programme is consistent with this essential requirement. The programme is the result of a close collaboration between the Federal government and the governments of the Regions and the Communities². On several occasions, the social partners and the civil society were also involved in drafting the programme and monitoring its progress. Belgium is well known for its social dialogue, ensuring constructive relations between employers' and workers' organisations. The permanent dialogue and mutual collaboration with the various branches of our economy are a priority to the different levels of government.

In the past years, the governments concluded agreements on institutional reforms in our country which materialized in the sixth state reform that entered into force on July 1st, 2014. In the next chapters, aspects hereof, insofar as they pertain to structural reforms, will be discussed. Indeed, the state reform increased the competences of the Regions and the Communities, further adding to the importance of good collaboration between the Federal government and the Regions and the Communities. Therefore, efforts will focus on this collaboration in order to raise the country's efficiency, all the while respecting the competences of every level of government. Both on the (inter)federal level and on the level of the Regions and the Communities, preparations were made to ensure a smooth transfer of competences.

Given this new institutional context, the contribution of the federate entities to the setting-up of structural reforms complying with the country-specific recommendations and enabling our country to meet the EU2020 targets has become of a greater importance. Therefore, the reform programmes of the Communities and the Regions, enclosed as appendices 1, 2 and 3, are an essential part of the National Reform Programme. They give more detailed explanations on the measures taken by the different Communities and Regions for the implementation of the country specific recommendations. The drafting of these programmes increases the involvement in and the support for the European Semester among the stakeholders on the level of the federate entities.

¹ European Commission, Country Report 2015 Including an In-Depth Review on the prevention and correction of macroeconomic imbalances, February 2015.

² The National Reform Programme 2015 is prepared in accordance with the political organisation of Belgium, as described in the Belgian Constitution (federal government/authority, Flemish Region, Walloon Region, Brussels Capital Region, Flemish Community, French Community, German-speaking Community). In this context, this document contains references to:

- the Flemish Region and the Flemish Community respectively, that, as defined in the Belgian Constitution, exert their competences in the Dutch language region and, concerning the Flemish Community, with respect to its subordinate institutions in the bilingual region Brussels-Capital, also denominated "Flanders";
- the Walloon Region, that, as defined in the Belgian Constitution, exerts its competences in the French language region, also denominated "Wallonia";
- the Brussels Capital Region, that, as defined in the Belgian Constitution, exerts its competences in the bilingual region Brussels-Capital, also denominated "Brussels";
- the French Community, that, as defined in the Belgian Constitution, exerts its competences in the French language region and with respect to its subordinate institutions in the bilingual region Brussels-Capital, also denominated "Federation Wallonia-Brussels".

Box1: competencies – in broad lines – of the federal state and the federate entities regarding structural reforms

Federal state: taxation, wage formation, framework conditions

Regions (Flemish Region, Walloon Region, Brussels Capital Region): labour market policy, innovation, industrial policy, climate and energy

Communities (Flemish Community, French Community, German-speaking Community): education, care

In the past 12 months, elections were held for the federal, regional and community parliaments. The government agreements of the federal state³ and of the federated entities⁴ were concluded for the next five years. The 2015 NRP is, of course, closely in line with those agreements. The governments confirmed their determination to achieve the EU2020 targets.

The structural measures listed in this NRP aim at the sustainability of our societal model in the medium and long term. They are complementary to the budgetary measures elaborated in the Stability Programme. For the governments, the structural and budgetary measures of course form one and the same package, which sets the following priorities.

The first priority concerns the tax shift. A lower taxation of labour is believed to be essential to increase our employment rate. The shift towards a more growth-enhancing tax system is ongoing and will be continued.

A second priority, also aimed at boosting employment rates and growth, is to improve cost and non-cost competitiveness, the latter primarily by support of training and innovation. Adapting the wage formation system is also an integral part of these improvements.

Activation forms the third pillar of government policy, in particular an increased participation of older workers and measures in favour of the employment of youth in order to meet demographic challenges and the battle against youth unemployment. This, again, complies with the country-specific recommendations.

³ Federal government, Government agreement, October 2014. Dutch version: http://www.belgium.be/nl/over_belgie/overheid/federale_overheid/federale_regering/beleid/regeerakkoord/. French version: http://www.belgium.be/fr/la_belgique/pouvoirs_publics/autorites_federales/gouvernement_federal/politique/accord_de_gouvernement/.

⁴ Walloon government, Oser, innover, rassembler, 2014-2019, July 2014 (http://www.wallonie.be/sites/wallonie/files/publications/dpr_2014-2019.pdf). Flemish government, Government agreement, July 2014 (<https://www.vlaanderen.be/nl/publicaties/detail/het-regeerakkoord-van-de-vlaamse-regering-2014-2019>). Brussels-Capital Region, Government agreement 2014-2019, July 2014 (Dutch version: <http://be.brussels/files-nl/over-het-gewest/de-gewestelijke-bevoegdheden/regeerverklaring-2014-2019>; French version: <http://be.brussels/files-fr/a-propos-de-la-region/competences-regionales/accord-de-gouvernement-2014-2019>). Government of the French Community, Fédérer pour réussir 2014-2019 (http://www.federation-wallonie-bruxelles.be/index.php?eID=tx_nawsecured1&u=0&g=0&hash=fa4f2fbbe606cd8abff62564b4da2e8c76a72a49&file=fileadmin/sites/portail/uploads/illustrations_documents_images/A._A._propos_de_la_Federation/3._Gouvernement/DPC_2014-2019.pdf).

2. Macroeconomic scenario

The macroeconomic scenario is described in the Stability Programme⁵. This scenario incorporates all available information - i.e. figures and agreed measures - up to mid-March 2015⁶, excluding possible measures ensuing from the budget review. Compared with the 2014 National Reform Programme, the economic conditions are less favourable: growth estimates and forecasts for 2014 and 2015 (even for 2016) are revised downwards. Yet, employment growth estimates and forecasts for 2014 and the whole 2015-2016 period are only marginally impacted, since it is particularly the productivity growth forecasts that have been revised downwards. Inflation forecasts are revised markedly downwards. Growth and employment prospects over the medium term remain unchanged and are characterised by a stable growth of economy and employment.

For the short term, the projection relies on the Economic Budget of February 2015, which has been adjusted to take into account some recent developments⁷. The international environment for 2015 is the same as in the Economic Budget. For 2016, it is largely based on the European Commission's Winter Forecast⁸. As regards the years beyond 2016, it is mainly based on the economic forecasts produced by the European Commission within the framework of the European Semester⁹. Other sources are used, particularly the last IMF¹⁰ projection for non-EU countries and the United States and prices quoted on the futures market for some financial and price variables.

In 2014, growth stood at 1%. In 2015, it should slightly intensify to reach 1,2%. The output gap should gradually close by 2019¹¹. Employment growth should already strengthen this year and accelerate in the coming years, in accordance with economic activity. As a result, the employment rate should gradually rise from 67,6 % in 2015 to 69,6 % in 2019.

In 2015, inflation should remain markedly low due to the wage freeze in 2015, the sharp decrease in oil prices (in euros), the negative output gap and low international inflation.

⁵ Belgian Stability Programme 2015.

⁶ Perspectives économiques 2015-2020, Economische vooruitzichten 2015-2020, FPB, March 2015.

⁷ Budget économique 2015, Economische Begroting 2015, FPB, INR/ICN, 12 February 2015.

⁸ European Economic Forecast-Winter 2015, European Commission, February 2015.

⁹ European Commission, CIRCABC

¹⁰ IMF, World Economic Outlook, October 2014.

¹¹ The output gap assessment is derived from a potential output estimate calculated according to the European Union's method, but applied to statistical concepts and forecasts of the Federal Planning Bureau.

Table 1: Key figures of the macroeconomic scenario 2015-2019
Evolution in %, except when mentioned otherwise

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|------|------|------|------|------|------|
| GDP | 1,0 | 1,2 | 1,5 | 1,6 | 1,7 | 1,6 |
| Consumer price index | 0,3 | 0,2 | 1,2 | 1,2 | 1,3 | 1,4 |
| Health index | 0,4 | 0,5 | 1,0 | 1,2 | 1,3 | 1,4 |
| Domestic employment (evolution in thousands) | 14,5 | 24,6 | 36,6 | 39,7 | 37,6 | 31,9 |
| Domestic employment (evolution in %) | 0,3 | 0,5 | 0,8 | 0,9 | 0,8 | 0,7 |
| Employment rate (20-64 year) | 67,3 | 67,6 | 68,0 | 68,6 | 69,1 | 69,6 |
| Unemployment rate (Eurostat definition) | 8,5 | 8,4 | 8,2 | 8,0 | 7,9 | 7,8 |
| Productivity per hour | 0,4 | 0,5 | 0,6 | 0,8 | 0,9 | 1,0 |
| Output gap (level) | -1,5 | -1,4 | -1,1 | -0,7 | -0,3 | -0,1 |
| Current account balance (National Accounts) (in % of GDP) | -0,8 | 0,3 | 0,2 | 0,4 | 0,5 | 0,6 |

Annex 5 shows an impact assessment for some important new measures that are incorporated in the projection presented above.

3. Follow-up on the country-specific recommendations¹²

3.1. Tax system (Recommendation 2)

“THE COUNCIL RECOMMENDS to improve the balance and fairness of the overall tax system and prepare a comprehensive tax reform that will allow shifting taxes away from labour towards more growth friendly bases, simplifying the tax system, closing loopholes, increasing VAT efficiency, broadening tax bases, reducing tax expenditures and phasing out environmentally harmful subsidies.”

The federal government has committed itself to fundamentally reform the tax system in order to simplify it, to make it more equitable and to realise a shift from taxes on labour to other sources of income in its legislative term.

The federal government has already approved measures that allow to shift a part of the tax burden on labour to consumption, environmental taxes and capital, and to limit tax expenditures. It will amplify this shift within the constraints of the budgetary path it has set. The three regions have taken steps in this area as well.

3.1.1. Reductions in labour charges

The fixed professional expenses have been increased to raise the net income of workers, without additional costs for the employer. This increase will influence the wages immediately since the adjustment of the scale of the flat-rate professional expenses has been directly integrated in the calculation of the payroll tax. This measure benefits all employees¹³, but the effect is more important for the low wage workers since the percentage of deductible expenses decreases as the labour income increases.

The fiscal employment bonus in favour of low wage workers will also be increased as from 2016¹⁴. This bonus consists of a tax credit. It is calculated as a percentage of the amount of money the worker benefits from as a part of the social employment bonus (decrease of the personal social-security contributions). The increase of the tax bonus will also be reflected in the calculation of the payroll tax so that it will have an immediate impact on wages.

The percentage of the partial exemption from payment of the income tax for night work and shift work will also be raised as from 2016¹⁵.

On the para-fiscal level, the reduction of contributions for the first three recruitments in SME's as of 2015 has been reinforced to stimulate the creation of jobs in companies: the reduction of employers' contributions for the first three jobs has thus been increased with 50 EUR each quarter.

Furthermore, before the end of the legislative term, the government will reduce the base rate of employers' contributions for all employers with the objective of reaching 25%, particularly through the use of the flat-rate, structural reduction budget and the budget for high wages budget, as well as the budget for the transition of the general exemption for payroll tax to 1%. The intention is that no employer will lose by this reform. The contribution percentages of less than 25%, particularly for low

¹² The first recommendation is treated in the Belgian Stability Programme 2015.

¹³ With the exception of those who opt for the deduction of the real costs.

¹⁴ The competitiveness pact adopted at the end of 2013 provided for a gradual increase of the reduction percentage from 14,4% to 20,15% in 2015, to 25,91% in 2017 and to 31,66% in 2019. The increases originally planned for 2015 and 2017 will be implemented simultaneously in 2016, which results in a decrease to 25,91%.

¹⁵ This also concerns a combination of two measures initially planned for 2015 and 2017 in the competitiveness pact.

wages, will remain. Following the sixth state reform, the reduction of employers' social security contributions for target groups has become a competence of the regions. By simplifying target groups policies (see 3.3.1.), the Flemish Region creates additional space for a reduction in the wage cost of target groups.

3.1.2. The shift to other tax bases and the reduction of tax expenditures

The reductions in charges that have been described in the previous paragraph will be offset by the increase of several other taxes and the introduction of new charges.

The tax base for VAT collection has been enlarged. The delivery of electronic services, telecommunication and broadcasting by European corporations to individuals with an address in Belgium are submitted to VAT in Belgium since January 2015. As of July 2015, the VAT exemption for medical care concerning surgery and treatments will no longer be applied to cosmetic or aesthetic interventions, with the exception of treatments for therapeutic purposes. As of 2016 the seniority requirement for applying the lower VAT rate of 6% for construction work will be tightened up to private houses older than ten years, instead of five years hitherto.

Several measures concerning excise duties have been taken as well. As of 2015, they will be annually indexed, with the exception of excise duties on tobacco and beer, taking into consideration the inflation and the competitive risk. The excise duties on tobacco will be adjusted in order to partially replace the ad valorem excise duties by specific excise duties. As from 2016 the excise duties on diesel will be increased gradually through the application of the positive ratchet system. For professional diesel this increase will be neutralized via the refund system.

As of 2015 the revenues from capital taxation will increase through the higher tax on stock exchange transactions.

The revenues of corporation tax will be raised as well. The intermunicipal associations that develop economic activities and end their accounting year as from July 1st 2015 will be submitted to the corporation tax. This tax liability will be able to guarantee a fair tax competition between private and public sector.

Moreover, the contribution of the banking sector will increase as from 2015, due to a measure targeting the risk capital allowance. Specifically, a part of the own capital of credit institutions and insurance undertakings will be considered representative of the part of prudential capital on which a reduction for the deduction for risk capital has been calculated. A reform of the sector-specific "subscription tax" will also be introduced in 2016.

A "transparency tax" (tax scheme of legal arrangements) will be established in 2016. The objective is to collect the tax in case the normal tax levy is being evaded through a legal construct, while avoiding double taxation and the taxation of individuals who are not the beneficiary of the income. The revenues received from or distributed by a legal construct will be taxed in the form of a fiscal fiction as if they were directly held by the actual beneficiary.

Furthermore, the fight against tax fraud will be intensified in the area of electronic commerce. The procedures for controlling and collecting have been modernised as well, and the administrative cooperation, both in Belgium and abroad, is being enhanced.

In addition, the fiscal expenditures have been decreased due to the non-indexation during the period of 2015-2018 of a series of tax reductions that are not related to employment¹⁶.

The three regions will implement a reform for vehicle taxation. As of 2016 they will introduce a per-kilometre charge for trucks larger than 3,5T, with pricing based on three criteria (kilometres travelled, weight and environmental performance of the vehicle). The Flemish Region continues her pilot project 'mobility budget', of which the results are expected in the summer of 2016. The objective is to allow the employee to choose between different modes of transportation and to decrease the use of company cars.

Regarding the reduction of subsidisation of environmentally harmful activities, the Walloon Region has decided not to prolong the financial compensations that were granted in the form of a reduction of excise duties on energy products in the context of the sectoral agreements of the second generation (2014-2020).

In the context of a tax reform due in 2017, the Brussels Capital Region considers a shift from tax on labour to property. The flat-rate regional tax and the surcharge set by the municipalities of 1% of the personal income tax would be abolished and the real estate tax would be revised to attract new tax payers. The loss of revenues would be compensated by an increase of the ratio of property tax. The objective of the reform is to make the tax system less complicated, fairer and more profitable for the inhabitants of Brussels. Synergies between the regional and communal tax system have been foreseen as well, in order to simplify the communal tax system and make it more transparent.

3.2. Ageing (Recommendation 3)

“THE COUNCIL RECOMMENDS to contain future public expenditure growth relating to ageing, in particular from pensions and long-term care, by stepping up efforts to reduce the gap between the effective and statutory retirement age, bringing forward the reduction of early-exit possibilities, promoting active ageing, aligning the retirement age to changes in life expectancy, and improving the cost-effectiveness of public spending on long-term care.”

3.2.1. Employment of older workers

In line of previous reforms of the labour market and pensions, several structural reform measures have been taken to prolong the career duration even more. The possibility to make use of systems of early retirement out of the labour market was reduced. The elderly are encouraged to continue working through activation measures and the abolishment of financial benefits. By decreasing the gap between the effective and legal pension age, the costs of the demographical ageing could be decelerated. This is achieved by reforming the unemployment system, the end-of-career jobs, and the pensions.

3.2.2. The unemployment system and the end-of-career jobs

The age requirements of the system of unemployment with company supplement, previously called the early retirement, have been made more strict, to discourage the use of this system. As of 2015, the

¹⁶ It concerns tax reductions on replacement incomes, tax exemption of the first revenues of savings deposits, dividends of recognised cooperative corporations, shares or dividends of societies with a social purpose, long term savings, pension savings, the tax credit that has been transferred from energy saving investments, corporate employer shares, low-energy and passive houses, electric vehicles, development funds, donations and domestic employees.

age to make use of the system of unemployment with company supplement has been increased from 60 to 62 years for entrants¹⁷, with certain transitional arrangements for specific groups or in case of restructuring of the company.

The specific end of career credit (private sector), which allows for a decrease of working hours until retirement, was limited. The time credit between 50 and 54 years has been abolished and the limit of new applications has been raised from 55 to 60 years since January 2015, although a phasing-out period has been foreseen for long careers, arduous occupations and restructuring companies. The seniority allowance for the older unemployed (individuals older than 50 years with a career record of at least 20 years who have been unemployed for at least 1 month) will be abolished for new entrants starting from 2015.

The principle of availability for employment for the unemployed will be gradually extended until the age of 65 with a system that is adjusted to the specific properties of this group, which is to be concretely elaborated by the Regions. The Flemish Region extends the activation of aged job seekers to the age of 65, so that the increase in the employment rates of individuals older than 55, realised in the Flemish Region in recent years, can be increased. As of 2015, individuals making use of the system of unemployment with company supplement will be required to accept personal guidance¹⁸.

3.2.3. Mesures concerning retirement

The government has committed itself to implement a new pension reform in order to guarantee the financial and social sustainability of the pension system. This will be based on the principles of the report of the Commission for Pension Reform 2020-2040 and will be realised in close consultation with the social partners. To this end, a national advisory pension committee will be created.

Various measures were already taken on the short and medium term, to increase the retirement age. These measures are currently in different stages of execution.

The age and career length requirements to the early retirement system have been tightened. In 2015 and 2016, the already planned growth trajectory for age and career length requirements is maintained. As a consequence, the former will amount to 62 years and the latter to 40 years in 2016. Then, the career length requirement is increased to 41 years in 2017 and to 42 years in 2019. The age to which early retirement is possible is raised to 62.5 years in 2017 and 63 years in 2018. Several transitional measures have been provided for those who do not satisfy the requirements concerning age and seniority. The exceptions for very long careers were also adjusted.

The diploma bonus in the public sector pension system (for the career length requirement in case of early retirement) will be phased out starting from 2016 and will have disappeared completely at the end of 2029.

The legal pension age will be raised from 65 to 66 years in 2025 and to 67 in 2030. The details of the implementation concerning arduous professions and part-time retirement will be fixed in consultation with the National Pension Committee.

To encourage a prolonged career, the ceilings on professional revenues that are allowed in combination with a retirement pension will be abolished in 2015, if the legal pension age has been reached or

¹⁷ Through the agreement reached by the social partners at the end of 2014, transitional provisions have been established.

¹⁸ Individuals aged 60 with a career of 42 years, or aged 62 with a career of 43 years, are completely exempt of job searching. Specific measures have been established in case of restructuring companies and for arduous occupations.

after a career of more than 45 years. When these requirements are not met, there will be an easing of the sanction for trespassing the allowed limit.

The principle of career unity in the calculation of pensions will be gradually abolished, so that those who continue working after accomplishing the reference career (namely 14,040 days), can build additional pension rights.

The reform of the survivor's pension continues with a gradual raise of the age at which the survivor's pension is granted, in order to increase it from 50 years in 2025 to 55 years in 2030. A transition allowance limited in time will be granted in case the minimum age to benefit from the survivor's pension is not reached.

Due to its limited stimulating effect on career prolongation, the pension bonus system shall be abolished as of 2015 for those who do not yet meet the requirements to receive this benefit. The advantage remains the same in other cases.

In addition to the regulations regarding legal pensions, the government encourages the development of private pension savings (third pillar pension) by reducing the rate of advanced taxation from 10% to 8%.

The goal in the long term is to base the calculation of retirement pensions onto a points system that will correctly reflect the built-up rights by 2030. A legal basis will be established to allow for automatic adjustments of the legal and early retirement to the demographic and financial evolution of the pension system and the increase of life expectancy, while taking into account the arduous occupations. Furthermore, the pension system of the public sector will be adapted, in consultation with the social partners, and aligned with that of the private sector. The government will also stimulate the development of additional (second pillar) pensions in the public sector.

The government of the French Community plans to allow every retired individual who wishes so (retired teachers and certain qualified individuals), to share their expertise and professional experience in social advancement education until the age of 70. The objective is at the same time to react to the lack of teachers in certain specialisations, and to encourage education for bottleneck jobs and active ageing.

3.2.4. Long-term care

The sixth State reform provides for a considerable transfer to the federated entities of competences concerning the elderly and long-term care (care homes, day-care and short stay facilities). The provision of care would thus be better adapted to the local needs and become more efficient.

To guarantee the financial sustainability of the care for the elderly, the government of Wallonia wishes to reserve the care homes to those who require it most, and to improve the cost bearing of home care and intermediary formulas (such as day-care and short stay facilities). The same logic would be applied to the care of the disabled. Concerning elderly assistance, the government wishes to change from a system of revenue supplements to a system of interventions relative to the needs and treatment requirements of those in a situation of dependence; gradually a cost bearing for the expenses of autonomy will be provided. The enhancement and the reorganisation of the first line of care belong to the objectives of the government, as well as the electronic exchange of medical records.

The Flemish government wishes for more attention to be given to the profile of the level of care of care homes residents, in order to optimise the financing within the available budget. The other priorities concern a larger possibility of day-care, postponement of residential intake, a reorganisation of

the first line care tuned to the patient and an enhanced coherence between the offer of care and the offer of support through the organisation of integrated care.

The Joint Community Commission, competent for bilingual personal matters in the Brussels-Capital Region, provides for the adoption of a new license regime for structures of home care that set up hospital activities at home.

At the federal level new regulations stipulate the use of oral medication in care homes as of April 2015. To avoid wastage, the medication will hence be delivered per dose instead of per package.

3.3. Labour market (Recommendation 4)

“THE COUNCIL RECOMMENDS to increase labour market participation, in particular by reducing financial disincentives to work, increasing labour market access for disadvantaged groups such as the young and people with a migrant background, improving professional mobility and addressing skills shortages and mismatches as well as early school leaving; across the country, strengthen partnerships of public authorities, public employment services and education institutions to provide early and tailor-made support to the young.”

3.3.1. Further reducing the unemployment traps

In recent years, the unemployment traps in the Belgian tax benefit system have been addressed systematically. Since January 2015, these efforts were reinforced by a raise of the standard tax deduction for professional expenses, increasing thus the net income for all workers, proportionately most for the low wage earners. Moreover, it was recently agreed upon to implement¹⁹ a further increase of the lowest net wages, and limitations to earning on top of retirement systems for all the over 65s have been abolished.

As the Commission's Country Report already indicates, the remaining traps mostly concern single parents. In addition, the partners of benefit claimants and people who combine part-time work with part-time unemployment benefits risk to end up in a trap.

To enhance the integration of this latter group, it was decided to reduce the level of part-time unemployment benefits (in effect since January 1, 2015) and to further reduce the amount of the benefits after two years. Temporary unemployment (which makes it possible to absorb reduced enterprise activities) was also made less attractive, and the access to unemployment benefits for young people who have insufficient work experience (the integration allowance), which was already limited in time previously, was further tightened (see also sub section 4). The measures to render unemployment benefits even more digressive entered fully in effect this year. Some exception schemes were also reduced, as were the increased allowances for older long-term unemployed. Furthermore, anyone who is fired will have to commence searching for a new job within one month after the resignation was announced.

On the demand side, the recruitment of job seekers will be promoted through a rationalization of the existing target group measures. The transfer of competences for these measures to the regions will be used by them to focus on the most relevant groups, thereby reducing the number of reductions and rendering them more transparent and more efficient. The Flemish Region chose to focus on the mi-

¹⁹ A budget of 127 million euro will be provided on an annual basis. The increase will take place through the tax system by strengthening the fiscal work bonus. The associated social work bonus, affecting social contributions, may also be considered.

nus-24-year-olds, the over-55s and workers with labour disabilities. The Walloon Region plans foremost to strengthen the target group measure in favour of young people starting their first professional experience by supporting private sector employers hiring young people, the lower-educated among others, through a reduction of social security contributions within a certain period, while the Brussels-Capital Region announced that it will opt in principle for young people, long-term unemployed and low-skilled workers. The German-speaking Community wishes to rationalize the existing measures.

Furthermore, the federal government takes additional steps for the creation of jobs in the catering industry and for young people. The catering sector is supported in order to permit a more flexible use of workers through so-called "Flexi jobs". In that same perspective overtime performed by full-time workers in the catering sector is made cheaper by exempting them of tax and social security. Additionally, by the creation of 8000 newcomer jobs for young workers with on-the-job training, a budgetary revenue of 80 million euro is realised (less social expenditures, more tax revenues).

The remainder of the trap effect is mainly the result of taxation. A more drastic solution can be expected from the proposed shift of taxation from labour to other administrative tax bases (tax shift - see recommendation 2) and the announced reform of the personal income tax.

3.3.2. Strengthening the alignment of education and employment and combating youth unemployment

A good basic training, followed by a smooth transition from school to work and an adequate education system focused on "lifelong learning" are key in the fight against youth unemployment and in the preparation of the labour market for future challenges.

The communities and regions therefore strengthen co-operation between the world of education and training on the one hand and employment authorities and social partners on the other hand. With the support of the ESF 10 the French Community therefore developed 10 territorial co-operation structures, supplemented by industry agreements comprising the establishment of agreements on traineeships, the training of teachers and the provision of specialized training centres based on a needs-analysis. In the Flemish Community too, co-operation is strengthened through education qualifying pathways. The job seekers obtain an education qualification through a VDAB (the Flemish PES) job coaching-pathway at a teaching or training partner. The focus is on sustainable employment in view of filling in labour market bottlenecks. In the Brussels Capital Region, the emphasis is primarily on creating synergies between the regional government (competent for employment) and the communities (responsible for education and training)

Special attention in co-operation is given to all forms of alternating learning or work-place learning, where training and education are combined. The transfer of the last federal competences in this field to the communities provides a good opportunity for strengthening and rationalizing. The Flemish Community is working on a harmonization of the present rules, so as to achieve a fully-fledged system of "dual" learning and working that is also open to young people over 18 thus allowing them to acquire a qualification. The French Community deploys a single structure, and will elaborate by the beginning of the school year 2015-2016 a single statute and a single contract.

The strengthening of education is the best way to prevent youth unemployment. For young people who drop out of school or are unemployed and do not find a job within four months, all the Belgian authorities have committed themselves to implement the recommendation on the "young people's guarantee". The implementation plans are to be adjusted based on the new government agreements and the first experiences in the field, while the necessary measures are developed to monitor the

guarantee. In the French Community additional resources from the “Youth Employment Initiative” within the ESF framework are also deployed.

The guarantee has led to a marked increase in the offer of traineeships. In addition, focus is on reaching the unregistered NEET youngsters, through co-operation with youth organizations and social media. The regions have in this context also exchanged their experiences with this target group through an interregional seminar.

Finally, young people that have not found a job after 18 months despite the guarantee, will be proposed a full-time job for one year in the Brussels Capital Region and the Walloon Region.

3.3.3. Strengthening accessibility of the labour market for immigrants

The access to the Belgian labour market is difficult for various groups, such as the low-skilled workers, the long-term unemployed, the elderly and persons of foreign origin. As the Commission’s Country Report states, this is primarily a structural problem and in order to do something about it, the focus will primarily be on an overall improvement in the functioning of the labour market, including through the modernization of the labour legislation and wage setting (see recommendation 5) and through a reduction of taxes on labour. The strengthening of education, and particularly the reevaluation of technical education and alternating learning, will in term contribute to a significant improvement of the labour market integration.

Furthermore, a strengthening of the guidance for jobseekers will also mainly benefit these groups. The transfer of the monitoring of the search behaviour to the regions provides them with additional opportunities. In that context, the Brussels Capital Region decided to transfer means for direct job creation measures to guidance for jobseekers and the Walloon Region strengthens the training of job coaches in the field of diversity management. In the Flemish Region, the monitoring and supervision of the availability of jobseekers will be strengthened. For example, the activation of older jobseekers will be extended until the age of 65 years.

The difficult labour market integration of people of foreign origin does not only affect newcomers. To contribute to a better integration, both the federal and the Flemish government will impose for their own services a target. The Walloon Region and the Brussels Capital Region will support the labour market integration of people of foreign origin via the 2014-2020 ESF programming.

However, a policy aimed at newcomers remains essential. Therefore, the federated entities have elaborated integration pathways with a strong emphasis on language skills. Attending French language courses will therefore gradually become mandatory in the Walloon Region, as is already the case in the Flemish Region with Dutch language courses. The Flemish Region also carries out a mandatory language screening for foreign jobseekers. The non-work related influx of immigrants has also been limited in recent years, and the transfer of competence for labour migration to the regions makes it possible to better align the inflow with labour market bottlenecks. One of the problems is the sometimes difficult process to get a foreign diploma recognized in Belgium. The Brussels Capital Region has therefore set up a specific help website. Flemish education pays additional attention to the language skills of the students and the jobseekers.

Although there is finally no evidence that labour market discrimination would occur more in our country than elsewhere, obviously it must be vigorously confronted. The various authorities are co-operating together in an “Inter-federal Equal Opportunities Centre” and take the necessary initiatives each for their own area of competence.

3.3.4. Enhancing professional mobility

The Belgian labour market is not sufficiently mobile. Therefore the right woman and man are not always in the right place, and moreover, the economic restructuring is rather jerky. To remedy this the unification of the statute of blue-collar and white-collar workers will be further completed. In addition, wage determination will match better the skills and productivity of the workers instead of increasing in a mere linear way on the basis of age and seniority. The number of industry bargaining structures (the joint bargaining committees) too will be reduced. Labour law will be modernized, which means, inter alia, that the laws on collective redundancies will be evaluated. In line with this, the efforts to actively guide workers in restructuring will be further strengthened, in which, as it was the case during the previous years, will be called upon the support of the European Globalisation Fund.

In order to harmonize the opportunities for career interruption, the different systems will be brought together in a single career statement, thereby also gradually eliminating the differences between the public and private sectors. The Flemish Region has already started to facilitate additional support for care leaves.

The reforms that the regions and communities will enforce in the field of lifelong learning (see recommendation 5) will contribute to an enhanced professional mobility. This is especially true for training in the field of bottleneck skills.

3.4. Competitiveness (Recommendation 5)

“THE COUNCIL RECOMMENDS to restore competitiveness by continuing the reform of the wage-setting system, including wage indexation, in consultation with the social partners and in accordance with national practice, to ensure that wage evolutions reflect productivity developments at sectorial and/or company levels as well as economic circumstances and to provide for effective automatic corrections when needed; by strengthening competition in the retail sectors, removing excessive restrictions in services, including professional services and addressing the risk of further increases of energy distribution costs; by promoting innovation through streamlined incentive schemes and reduced administrative barriers; and by pursuing coordinated education and training policies addressing the pervasive skills mismatches and regional disparities in early school leaving.”

3.4.1. Modernising wage setting

A number of recent measures have been taken to keep wage development in the Belgian economy in check. A temporary suspension of automatic wage indexation (‘index jump’) will lead to a one-off non increase of gross wages of 2% with the index, and this will only be partially compensated through the limited wage cost increase in 2016 (wage norm) which the social partners included in the recent national wage agreement (G8 agreement²⁰). The ‘index jump’ covers private and public sector wages, as well as social benefits. Other, already planned, reductions in wage costs have also been confirmed.

²⁰ An increase of at most 0,5% of the total payroll cost to the employer (all charges included). Moreover, in 2016 the maximum margin for the wage cost evolution may be increased by no more than 0,3% of the net payroll cost, without additional costs for the employer.

This wage moderation will be continued over the coming years, aiming at the elimination of the supplementary wage cost handicap that was built up with respect to the neighbouring countries since 1996.

Moreover, the government commits itself to a reduction of the legal rate for employers' social security contributions through the integration of different reductions in the basic rate, aiming at a rate of 25%. This would substantially increase the transparency of the system, in particular for foreign investors. Moreover, labour taxation will be reduced to make sure Belgium no longer figures among the top-3 countries with the highest tax burden.

The law that regulates wage setting and in particular the wage norm that sets an upper limit to wage increases, will be reformed. In this context, a correction mechanism will be introduced to correct the maximum wage increase for the next two years by deducting the difference between the effective wage increase in our country and in the reference countries (Germany, France and the Netherlands) in the two previous years. The surveillance of the wage norm will be made stricter.

In the context of this reform, automatic wage indexation will be preserved, although the practical modalities of the indexation mechanism can be adapted, as has been repeatedly the case in the previous years.

3.4.2. Retail trade and (professional) services

The Federal Government has confirmed its willingness to ensure a healthy and fair competition, helped in this by a better collaboration between the Price Observatory, which will continue its analysis and monitoring, and the Competition Authority, which will be reinforced in order to fulfil its "role of policeman".

In 2015, the Federal Economic Inspection will continue its preventive and repressive actions against mass fraud towards companies. It also relies on stimulating e-commerce through the fight against unfair trade practices of non-regulatory websites and an effective follow-up on complaints regarding online purchases. Since February 2014, BELMED, the electronic platform for the amicable settlement of disputes, has been extended to B2B disputes. The Economic Inspection will continue the development of this electronic platform, especially to make it compatible with the European platform ODR (On-line Dispute Resolution). As far as loss-making sales are concerned, the prohibition scheme was slightly eased ²¹.

As far as territorial restrictions on supply for retail trade are concerned, a working group has been created at the Benelux level in order to determine the potential restrictions and the opportunities to address these.

Following the transfer of competence regarding the commercial establishments, the Regions have adopted their new framework. This transfer will lead to a substantial administrative simplification, enabling the granting of integrated permits.

The Directive on the recognition of professional qualifications²² has to be transposed by January 18th, 2016. The cases related to the professions of architects, automobile experts, bookkeepers-fiscal specialists, land meter experts, psychologists and real estate agents are in treatment at the moment. The law protecting the psychologist degree has been extended (submission to ethical rules²³ and yearly provi-

²¹ Article VI. 116, § 1, paragraph 2, of the Code of Economic Law, entered into force on 31 may 2014.

²² Directive 2005/36/EC as amended by Directive 2013/55/EC.

²³ Law of 21/12/2013 - Belgian Official Gazette 04/02/2014 and implementation decree (Royal Decree 02/04/2014 - Belgian Offi-

sion of the administrative fee and update of the list of psychologists²⁴). Regarding the automobile experts, the internship by the institute of automobile experts was recognized.

As regards access to the profession, the regions have this authority for commercial and craft professions as from January 1st, 2015. The enterprise counters will remain competent for the registration in the Crossroads Bank for Enterprises (CBE). The Cooperation Agreement on the implementation of the Services Directive confirming the mission of one stop office assigned to the authorised business one-stop shops, entered into force on March 2nd, 2015.

3.4.3. Energy distribution costs

Distribution rates for electricity and natural gas²⁵ are, since January 1st, 2015, set by the regional regulators²⁶, who developed tariff methodologies. In the Flemish Region, these prices will temporarily compensate the distribution pricing sales of 2008-2009. In the Walloon Region, the entry into force of the *progressive and equitable pricing*, initially scheduled for January 1st, 2015, has been postponed to 2017 to avoid slowing down the adoption of the 2015 rates because of methodological difficulties.

Regarding the *support mechanisms for renewable energy*, alternative solutions are discussed in the Flemish Region to eliminate the surplus of green certificates and to make the support mechanisms even more effective. In the Walloon Region, a Decree amending the period for granting *green certificates* for photovoltaic installations built between 2008 and 2011 was published by end December 2014 in order to reduce the cost to consumers²⁷. Support mechanisms will be evaluated and reformed in consultation with stakeholders and the control of energy costs will be, in fact, a priority of the Marshall Plan 4.0.

Regarding *the independence and the competences of the regulator*, measures were taken in 2014 at the federal level to comply with the requirements of the third package "Single Market". For the few outstanding issues, an EU-Pilot procedure is pending with the Commission's services. In late December 2014, a Decree on the *gas market organization* was adopted by the Walloon Government, intended in particular to improve the protection of end customers as well as the operation of the free market and to strengthen the competences and independence of the regulator.

3.4.4. Research and Innovation

Aware of the complexity of the *Belgian system for innovation*, the Belgian authorities plan to streamline and to simplify the measures. The Federal Government will conduct an inventory of aid, premiums and federal subsidies for research. It will maintain the partial exemption from payroll tax for researchers. The extension of tax deductibility for patent income to revenues of software licenses will be discussed in a budget-neutral framework and the reporting of research projects will be made possible via an electronic office in order to reduce administrative formalities.

cial Gazette 16/05/2014).

²⁴ Ministerial order of 4 December 2014 (Belgian Official Gazette 16/12/2014).

²⁵ In addition to the amounts assigned to cover the actual distribution costs of the distribution system operators (including a fair margin for investment), these costs also include public service obligations, which may vary from region to region, social and environmental obligations, as well as purely fiscal components, and finally the VAT.

²⁶ Regulators: Vreg for the Flemish Region, Brugel for the Brussels Capital Region and Cwape for the Walloon Region.

²⁷ 79,000 installations are concerned. The Decree should reduce of about 12 to 13 million the amount of green certificates on the market for the 2018-2027 period, a saving of over 780 million euros for all Walloon consumers, while maintaining a 7% profitability rate. The few installations that could see their profitability impacted below 7% will benefit from particular arrangements.

In December 2014, the Walloon Government has drawn the first lines of the reform of its *research and innovation policy*. It is intended to improve the transparency of multiannual research strategy around structuring axes, in connection with the regional strategy for smart specialization and to streamline the various calls. In that sense, the Government ensures the strengthening of the economic impact of the aid. The new Decree 'research' will be approved in 3rd reading in April 2015, together with the new multi-year strategy for research and innovation.

The Flemish Government continues its commitment to an *ambitious strategy for research, development and innovation (R&D&I)*. From this strategy arise the principles of customer focus, efficiency, reduced thresholds for companies seeking information and asking for state aid, simplification of the various instruments enabling better targeting while reducing the administrative burden. In addition, a growth-oriented clusters-policy is underway to support clusters with ambitious competitiveness programmes.

The Brussels-Capital Region launched a comprehensive audit of administrative procedures for *financial support for R&D projects*. The Region also intends to speed up the digitalization of funding application procedures for R&D projects. Finally, a pilot project was launched for the use of lump sum payments for expenditures on R&D projects in order to reduce the administrative burden.

In both the Flemish Region and the Walloon Region, one organization is now responsible for the *centralisation of economic and innovation support measures for businesses*. These are respectively the "Agentschap voor het Innoveren in Ondernemen" (incorporating the "Agentschap Ondernemen en de bedrijfsgerichte diensten" of the IWT²⁸) and the "Agence de l'Entreprise et de l'Innovation" (and its subsidiary the Agence wallonne du Numérique). Their purpose is to increase the coherence and the accessibility of the measures. In addition to creating a single point of contact for businesses, transparent, simple and rapid procedures are implemented through a massive digitalization operation. The Brussels-Capital Region has adopted the same logic. As a result, the organizations in charge of innovation, support to businesses and business development are clustered to provide a single gateway for the applicants and to maximize synergies.

3.4.5. Eliminating the mismatch between demand and supply and tackling early school leaving

De Unemployment in Belgium goes hand in hand with a relatively high number of vacancies, indicating a mismatch between supply and demand. The causes are varied, but to tackle them adequately the alignment of the training offer with labour market needs must be strengthened. Within the framework of enhanced co-operation between the education and employment authorities (recommendation 4), an improved analysis of the training needs (both the current "skills mismatches" and the future training needs) is also required, followed by the elimination thereof. Much attention continues to be given to the formal certification of acquired competencies. Also the recently introduced requirement for minus-21-year-olds to have completed their studies successfully prior to qualifying for the integration allowance, fits in avoiding unqualified people dropping out of education.

Early school leaving will be further reduced in the various communities. The French Community re-orientes the available means to create space to prevent school failure and increase the quality of education. In secondary education the common basis will be strengthened by postponing the choice of a specific direction, and there will be a common external certification test. Within the various education systems, and in co-operation with the labour market actors, initiatives will be taken to strengthen the fight against early school leaving, amongst others by offering a second chance. The Flemish Commu-

²⁸ The Agency for innovation through science and technology.

nity is working on an integrated approach to truancy and dropouts, thus guaranteeing the right to a quality education and appropriate counselling for all pupils. This integrated policy primarily aims at preventive actions to prevent truancy. This policy is elaborated in co-operation with the local authorities, the pupil guidance centres and other local partners. Young people at risk of dropping out of school will receive extra guidance, in co-operation with the welfare sector. The Brussels Capital Region is funding local projects to prevent early school leaving, in collaboration with the education authorities. The German-speaking Community is committed in particular to promoting the mental and physical health of children and young people.

With the transfer of some powers in the field of lifelong learning that had remained federal until now to the communities, there is a need for a reassessment of the remaining federal framework as well as a simplification of the existing instruments at the regional level. The federal government has therefore asked the expert group on competitiveness and employment to draft a report on a training target in replacement of the outdated agreement to spend 1.9% of the total payroll on training. The Flemish Community is working with the social partners on a new integrated training incentive making it possible for the workers to attend refresher or retraining courses, while the Walloon Region has launched its Pact for Employment and Training. Within the context of this pact, that maps out the principles and methods of dialogue with the social partners in order to carry out the reforms with respect to employment and training during this legislature, the reorganization of financial incentives to lifelong training and the creation of an individual "lifelong training account" will be reflected upon.

3.5. Greenhouse gas emissions (Recommendation 6)

“THE COUNCIL RECOMMENDS to ensure that the 2020 targets for reducing greenhouse gas emissions from non-ETS activities are met, in particular as regards buildings and transport; to make sure that the contribution of transport is aligned with the objective of reducing road congestion; to agree on a clear distribution of efforts and burdens between the federal and regional entities.”

Belgium is committed to cut greenhouse gas emissions (GGE) in the non-ETS sectors²⁹ by 15% between 2005 and 2020. The intra-Belgian burden sharing concerning the climate and energy package is not yet decided, but it will be done as soon as possible. The National Climate Commission has resumed its works on this topic on 30 January 2015³⁰.

In order to meet the targets, the Regions and the federal government continue their actions and start up or propose new initiatives.

The Flemish mitigation plan 2013-2020 (approved in June 2013) defines an important greenhouse gas emission reduction path for all non-ETS sectors. In this respect, the 2014-2019 Flemish government agreement stipulates that at least half of the reduction efforts to be made in the Flemish Region must be achieved through a decrease of greenhouse gas emissions within the Region. To this end, the Flemish Region will adopt all internal measures that can be technically and economically implemented and that are socially acceptable. Most climate-related measures that are integrated in the plan are funded by the political domains responsible for their implementation.

Moreover, the Flemish Climate Fund provides a financial framework for new measures regarding climate policy. When the Flemish mitigation plan was adopted, € 20 million were made available in the Fund, which made it possible to finance a first series of measures during the 2013-2014 period. Most of these measures are related to the buildings and transport sectors. The 2014-2019 government agreement states that the Climate Fund resources will first and foremost be allocated to energy saving measures for buildings.

The different political domains concerned examine the conceivable options for reducing the Flemish greenhouse gas emissions, which would supplement the measures and funds mentioned in the Flemish mitigation plan.

The *Climate Decree* adopted in February 2014 should enable The Walloon Region to meet its total (ETS and non-ETS) greenhouse gas emission reduction commitments, i.e. a 30 % decrease in 2020 and a 80 to 95 % decrease in 2050, compared to the 1990 level. It provides for the approval of an *Air-Climate-Energy Plan* in the beginning of the legislative term with a list of concrete measures to reach the targets; this plan is now being prepared and its guidelines are set out in the Walloon regional policy statement 2014-2019. It will focus on the most efficient measures and will ensure the consistency between policies. The Marshall Plan 4.0 will also focus on the energy efficiency of buildings, making use of the experience of the first Employment-Environment Alliance for sustainable construction which will be reoriented and reinforced. The possibility to broaden sector agreements to include the tertiary

²⁹ Those sectors include the residential sector, the tertiary sector, agriculture, transport (excluding air transport) and the non-energy-intensive industry.

³⁰ In the meantime, the Flemish mitigation plan is based on an indicative reduction plan of -15% for non-ETS sectors in the Flemish Region by 2020, compared to 2005. The Walloon regional policy statement 2014-2019 plans to finalize the target allocation first; to this end, the Walloon government has referred this topic to the conciliation committee in December 2014. It is also a major issue for the Brussels Capital Region that will chair the National Climate Commission in 2015.

sector and SMEs will be examined. A second Walloon sustainable development strategy focusing on several specific areas for action will be developed and approved in 2015. As concerns mobility, there are plans to develop a global approach reconciling accessibility, environment and energy efficiency and to implement a "Transport and Logistics" strategy.

Existing and recently adopted measures and initiatives include the Walloon strategy underlying the action plan on energy efficiency (March 2014), the first interim assessment of the environmental impact of the 1st Employment-Environment Alliance (2014), the reform proposal on Housing-Energy cost allowances (February 2015), the 2nd generation sector agreements (which added obligations regarding the means used to the obligations to reach results), the allocation of funds (around € 274 million) under the FEDER 2014-2020 programme for measures enabling greenhouse gas emission cuts in the buildings and transport sectors and investment plans/projects for promoting the inland waterway transport of goods.

The Brussels-Capital Region has committed itself to dramatically cut greenhouse gas emissions by 30% (40%/capita) in 2025, compared to 1990. To continue the efforts made until now, the Government of the Brussels Capital Region will soon adopt the integrated Air-Climate-Energy Plan which provides for an array of measures around several pillars focusing on energy-consuming and greenhouse gas and air pollutant emitting sectors.

While awaiting this final approval, the Government has already implemented a series of measures in line with the Air-Climate-Energy Plan targets, including the setting-up of a common certification system for all three Regions, the introduction of facilities powered by renewable energy sources (April 2014), the drafting of a study on the real development potential of electrical and natural gas-powered vehicles (started in January 2015), the setting of environmental performance standards for regional and local captive fleets (May 2014).

As regards more specifically the greenhouse gas emissions from *transport*, but also the road congestion issue, the Regions will keep on working towards the setting-up of a kilometre-based charging system for trucks heavier than 3.5 tons. This system will enter into force in the first half of 2016 and will replace the present Eurovignette system (see also the reform plans of the three Regions). In July 2014, the public-law interregional entity Viapass granted the charge collection contract to the consortium Satellic. In February 2015, the three regional governments adopted legislative texts in first reading with a view to introduce a kilometre charge that will replace the Eurovignette in the the first half of 2016. The conditions and tariffs are now being negotiated with the sector.

While awaiting the intra-Belgian agreement on "burden sharing", the federal state carries on with the measures already in place concerning greenhouse gas emission cuts in the key non-ETS sectors on the basis of its competencies. These measures mainly include biofuels, the tax system and rail transport

4. Follow-up on the Europe 2020 targets

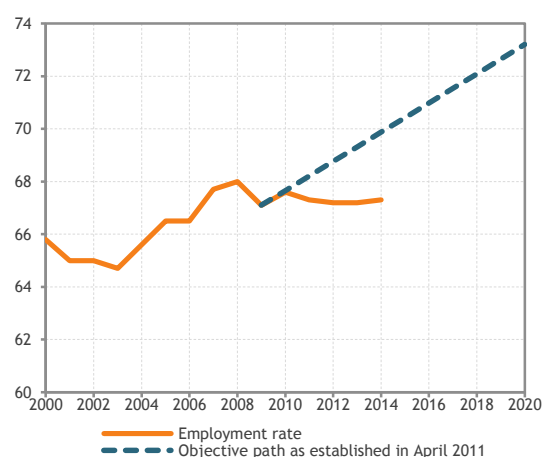
4.1. Employment

Table 2: Employment targets

| | BE2010 | BE2013 | EU2013 | BE2014 | BE2020 | Required job creation 2013-2020 |
|--|--------|--------|--------|--------|---------|---------------------------------|
| Employment rate 20-64 | 67,6% | 67,2% | 68,3% | 67,3% | 73,2% | 431.407 |
| Female employment rate | 61,6% | 62,1% | 62,5% | 62,9% | 69,1% | 251.930 |
| NEET (percentage of young people neither in employment, education or training) | 10,9% | 12,7% | 13,0% | 12,0% | 8,2% | |
| Employment rate 55-64 | 37,3% | 41,7% | 50,1% | 42,7% | 50% | 182.283 |
| Employment rate gap between non-EU citizens and Belgians | 28,4% | 28,8% | 12,9% | 28,1 | < 16,5% | |

Source: Eurostat.

Graph 1 Employment rate 20-64 and pathway towards the 2020 target



Source: Eurostat.

To achieve the ambitious goal of an employment rate of 73.2% by 2020, the federal government wants to put the main emphasis on job creation in the private sector. This will be done in close co-operation with the social partners and the regions.

A more detailed analysis of the labour force potential shows that in particular the employment rate of women, the low skilled, the people of foreign origin and the elderly should increase.

In addition to the measures described under recommendation 4 and 5, the further strengthening of the possibilities for combining work and family life are thus particularly privileged. On the federal level, the possibility of a limited compensation for the loss of income suffered temporarily by reducing the working hours for the education of children,

or for taking care of seriously ill family members is extended by one year. The French Community provides 7,300 additional childcare places by 2019 and the Flemish Community inserts its regulation on bonuses in the thematic leaves (which allow to temporarily leave the labour market in order to attend to caring responsibilities). The Sixth State Reform additionally makes it possible to strengthen the coherence between care for sick children and after-school care. To pursue the fight against the gender pay gap, the federal government completes the systematic screening of the prevailing sectorial wage scales, at the end of which the social partners will be invited to draw the necessary conclusions.

Interregional mobility between the Belgian regions is encouraged through intensive co-operation between the employment services of the different regions under "Synerjob", which is regularly evaluated and adjusted. Judging from the available data, the inter-regional mobility increases effectively. In addition, the EURES-network is optimally used to align supply and demand equally with other countries. Thus, the Walloon Region and the German-speaking Community recently concluded an agree-

ment with North Rhine-Westphalia, Saarland, Lorraine and Luxembourg. The Flemish Region closely co-operates with the Nord-Pas de Calais and Kent (EURES Channel); with Zeeland and West Brabant (Scheldemonde); and with Limburg, Liège and Aachen (EURES Meuse-Rhine).

To reduce the proportion of long-term unemployed, extra attention will be paid to them in the coming years. The Flemish Region is committed in this context to the integration of the various initiatives aimed at gaining work experience (several of which became recently a regional competence) in one system. The Walloon Region and the French Community provide additional resources within the ESF framework (EUR 250 million) to better integrate persons with the biggest distance to the labour market.

Entrepreneurship is equally encouraged, including initiatives aimed at jobseekers or people of foreign origin (who may be assisted in the Brussels Capital Region by a "tutor", an experienced entrepreneur). The Walloon Region pays additional attention to enterprise creation within the ESF.

Finally, the federal government is strongly committed to the rehabilitation of disabled persons. To this end a reintegration program will be developed.

4.2. R&D and innovation

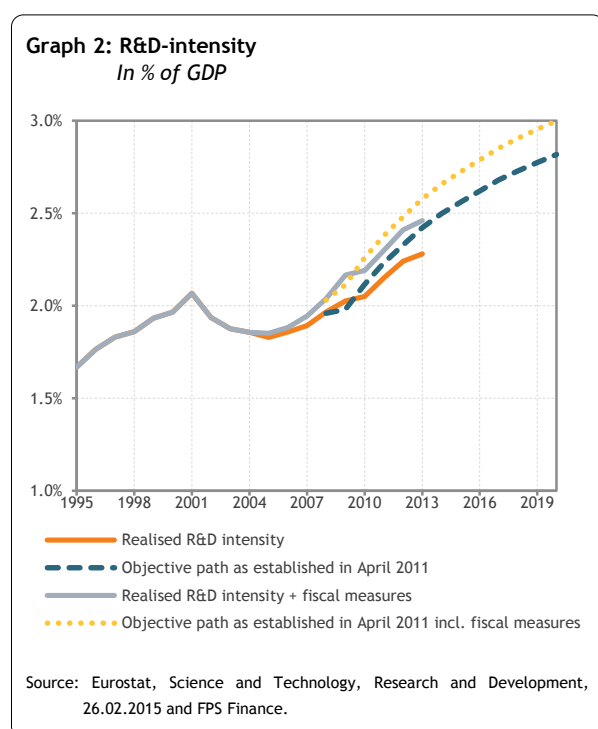
In the 2011 National Reform Programme, the Belgian Government set the goal of bringing R&D expenditures to 3% of GDP in 2020, including the budgetary cost of federal fiscal measures benefiting R&D. The Gross Domestic *Expenditure on R&D* (GERD) in Belgium for the year 2012 was 8.7 billion euros. This represents an R&D-intensity of 2.24%. For 2013, the forecasts indicate an increase in the intensity of R&D to 2.28%.

Table 3: R&D-targets
in % of GDP

| | BE2010 | BE2011 | BE2012 | BE2013 | BE2020 | Required change 2012-2020 |
|--|--------|--------|----------|----------|--------|------------------------------|
| R&D-intensity* | 2.05 | 2.15 | 2.24 (e) | 2.28 (p) | 2.82 | 0.58 |
| Fiscal incentives for R&D (%)** | 0.14 | 0.15 | 0.17 | 0.18 | 0.18 | 0.02 |
| R&D-intensity, incl. fiscal incentives | 2.19 | 2.30 | 2.41 (e) | 2.46 (p) | 3.00 | 0.60 |

* Source: Eurostat, Science and Technology, Research and Development, 26.02.2015. (e) estimation; (p) prognosis.

**Source: Federal Public Service Finance.



When this target and the path to reaching it were drawn up, the last year for which official data on R&D-expenditures had been published was 2007. The actual R&D-intensity in 2008 and 2009 was higher than the projected levels, but the consequences of the crisis were palpable and the work carried out in the following two years fell short of projections. In 2011, R&D expenditures in Belgium amounted to 8.2 billion euros, or an R&D-intensity of 2.15%. That same year, the payroll tax exemption for R&D staff reached a total amount of 0.58 billion euros, or 0.15% of GDP. Preliminary estimates of the most recent R&D expenditures appear to show no sign of change.

The plans for supporting innovation developed by the various federal entities endeavour to integrate the European guidelines in this area, particularly those outlined in the context of the "Innovation Union" and to make the innovation systems a part of the European Research Area. Despite the economic crisis and the resulting budgetary difficulties, the Belgian authorities have taken steps to support research and innovation, particularly with an accent on responses to social challenges.

Various initiatives have been launched in order to strengthen the *collaboration between entities, as well as on the international scale (particularly within the framework of Horizon 2020)*. In January 2015, an online database on innovation was launched in order to bring together the expertise available at different levels. A joint call targeting collaborative projects with SMEs, was launched in early 2015 by the three regions. The main objective of the BEL-SME program is to strengthen the competitive capacity of

SMEs by: (i) increasing collaboration between SMEs from different regions, (ii) increasing the cooperative and competitive capability of SMEs to work in interregional R&D networks; (iii) helping them to develop new products, processes or technical services that exceed the existing state of the art and have good market opportunities by lowering the economic risks.

At the ESA Council at Ministerial level in December 2014, the *Federal government* made a commitment to contribute to ESA in the amount of 238.14 million euros (maximum 253.26 million euros) for the development of a latest-generation launcher, the evolution of the VEGA launcher, as well as for the support for the exploitation of the existing launchers for the period 2015-2016; contributions to the costs for exploitation of the international space station for the period 2015-2017; and participation in programmes in the area of Earth observation, telecommunication and navigation. Also at the federal level, the fiscal policy for supporting R&D has been maintained and reinforced, particularly with regard to the partial exemption from the payroll tax for researchers. In 2013, the "reductions in the payroll tax for R&D personnel" reached 0.70 billion euros and the "tax credits for research and development" reached 0.35 billion euros (2012). Fiscal deduction for income from patents amounted to 193 million euros in 2012.

The *Flemish government* continues to focus on an ambitious strategy for R&D and innovation, and is striving to achieve a high quality fulfilment of the 3%-standard (of which 1/3 through public funding). In this context, values will be applied such as service-mindedness, efficiency, lowering thresholds for companies looking for information and requesting government support, and simplification of the instrument mix for more effective results and less red tape. A growth path for, among other, science and innovation has been planned for the new governing period 2014-2019. The economic and innovation policy is resolutely geared towards the transformation of the industrial fabric and the growth of Flemish SMEs. In 2014, the Flemish government invested €2.18 billion in science and innovation policy, of which €1.35 billion was for R&D. In the EU-regional policy for the programming period 2014-2020, the budget to which the Flemish Region is entitled will decline. However, in light of the importance of the changeover to a knowledge economy and society, in the ERDF Operational Programme submitted by the Flemish Region, a higher amount – both in relative and in absolute terms – has been foreseen for R&D&I (138 million euros in 2014-2020 - based on the assumption that R&D&I represents 40% of the total ERDF resources for "investment in growth and jobs" (Objective 2) and Interreg (Objective 3)).

The new 2014-19 Policy Note for Work, Economy, Science and Innovation contains the following priorities for R&D&I: (a) investing in versatile employees and companies (including via the STEM-action plan 2012-2020, or the SOFI-fund for research-based spin-offs); (b) investing in an excellent knowledge base with a strategy for researchers and other knowledge workers (career aspects, attracting international talent, mobility from and to industry, etc.) with as special priority, attention for young researchers and the transition of doctoral graduates to the labour market. From autumn 2014 onwards, the new strategic research centre for the "smart manufacturing" industry, "Flanders Make", has been set up with an annual contribution from the Flemish government of 8.4 million euros; (c) investing in simplified, customised service (the draft Flemish Parliament Act on science and innovation (2014) includes all R&D&I actors in a single, joint Framework Act, and in order to increase customer friendliness and improve accessibility of the service level as well as the support instruments, a new Agentschap voor Innovatie en Ondernemen (AIO) (Agency for Innovation and Enterprise) will be established (integrating Enterprise Flanders (AO) and the business oriented services of IWT (agency for Innovation by Science and Technology)); (d) investing in European, international and interregional networks (such as the Vanguard Initiative, the EU Horizon 2020 programme, bilateral collaboration with certain regions and countries inside and outside of the EU, and participation in research themes within the initiatives of the EU Joint Programming, Joint Technology-initiatives, ESFRI (research infrastructure), KETs (key enabling technologies), and EIT-KICs (in inno-energy, ICT laboratories, raw materials, health); (e) activation of the innovation potential of SMEs and large businesses

through focused instruments for innovative starters, innovative companies and innovation followers (examples are the VIS-IV-trajectories for the so-called "innovation-followers", the "SPRINT-projects" for large companies with a (too) small or no research department, a second "ik innoveer!"-campaign, and an IWT call for innovation projects early 2015 within a new interregional support instrument BEL-SME (in total, an indicative amount of € 750,000 has been allocated for this call); (f) supporting innovation through public procurement (with a focus on opportunities for SMEs).

In December 2014, *the Walloon government* sketched the initial outlines for the reform of its research and innovation policy. This will include clarifying the multi-year strategy for research and innovation based on structural lines, which will particularly incorporate the Region's strategy for smart specialisation, the European priorities and other Belgian entities. The system of support for research will be reconfigured in order to reduce the number of calls for submissions and to encourage collaboration and the emergence of structural actions. Special attention will be paid to supporting platforms for innovation technologies and for the industrial application of research. Refocusing activities from different categories of actors onto their primary missions will be sought, at the same time as supporting dialogue between fundamental research and applied research. The new multi-year strategy for innovation as well as the new draft Research Decree will be approved by the government in April 2015. In addition to alignment with the European framework on support for RDI, the text will allow the introduction of measures for financing infrastructure associated with research projects and the grouping of research centres on a voluntary basis. At the budgetary level, public budgetary credit for R&D will continue to rise, and will be supplemented starting from 2015 by resources derived from structural funds (€ 440 million for the period 2014-2020 have been earmarked for the Innovation axis of the ERDF programme, and nearly 2 million are allocated for the ESF), which will finance advanced facilities in the research bodies, support for research projects and application of the results, particularly focusing on SMEs, loans to innovative enterprises, demos and tests, and the dissemination of innovation and creativity. In the context of the policy on "Pôles de compétitivité", a budget of € 47 million has been granted following the 11th call for projects. On an annual basis, € 41 million will be budgeted in the framework of the Marshall Plan 4.0 to support the research projects of the Pôles, increased by 15 million in 2017 and 2018. Furthermore, significant budgets were earmarked in the spring of 2014 for the support of 2 innovation platforms which stem from the dynamic created by the Pôles (Proton therapy - € 47 million; Reverse metallurgy - € 41.5 million). Various projects were also launched for interregional or international cooperation with regard to RDI (ERA-Nets, KIC raw materials). A dialogue was initiated with the actors concerned, particularly the Pôles de compétitivité, in order to reinforce the participation in European programmes (Horizon 2020), associated with the Region's strategy for smart specialisation. Its involvement in the "Vanguard Initiative" also forms part of this.

Within the framework of the Marshall Plan 4.0, the Walloon government also plans to place the accent on supporting the creation and development of innovative companies. In the context of the Plan Creative Wallonia, a pilot project for creativity cheques was launched, 2 living labs were opened ("e-health" and "smart gastronomy"), and 7 creative hubs designed to spread creative economy practices within the territory were initiated and will be made permanent with the support of the ERDF. Furthermore, the support campaigns for innovative entrepreneurship and start-ups have been continued. The Agence de l'Entreprise et de l'Innovation (AEI), a new single point of contact for companies, has been operational since January 2015. A Digital Plan, which has also been given a budget of some € 200 million, is in preparation. The goal will be to develop the digital economy and its dissemination throughout all sectors, particularly in the areas of health, smart cities and mobility.

In 2014, *the Brussels Capital Region* provided € 32.1 million in support to R&D projects. In addition, 20% of the ERDF resources for the period 2014-2020 (€ 95 million in total) in the Brussels Capital Region are reserved for reinforcing research, promoting innovation and encouraging knowledge transfer. For 2015 the Region has planned an R&D budget of € 39.7 million. In 2014, in the form of Co-create, the Brussels Capital Region launched a new R&D instrument designed to bring Brussels resi-

dents, the research and innovation sector and the business world closer together, through living labs. There was also a first call for submissions about 'Sustainable Food ' and the projects will be selected in the course of 2015. Also in the course of 2015, the projects selected concerning a research platform on data protection (budget € 7.8 million) will be started. In line with the implementation of the Regional Innovation Plan, in 2014 the Brussels Capital Region reinforced the support to regional R&D actors to enable them to participate in European R&D programmes and partnerships. In 2014 the Region joined the ERA-net Smart Cities and Communities, the article 187 Joint Technology Initiative ECSEL, and the article 185 Joint Programme Ambient Assisted Living II (AAL II). Various projects were launched in the context of interregional or international cooperation with regard to RDI. Furthermore, the government of the Brussels Capital Region has launched Strategy 2025, which aims to revitalise the Brussels economy with a 10-year vision for the combined implementation of policies for employment, economy, research, training and education. This will include the development of a new Regional Innovation Plan 2015-2020, which will ensure the gradual increase in the credit made available to Innoviris, the regional Institute for research and innovation.

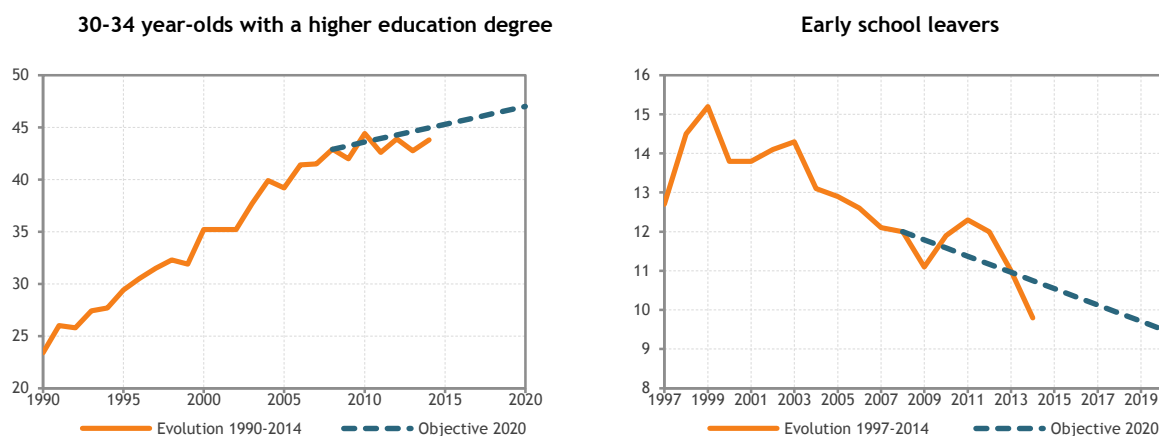
4.3. Education and training

Table 4: Education targets

| | BE2012 | BE2013 | EU 2013 | BE2014 | BE2020 | Required change 2013-2020 |
|--|--------|--------|---------|--------|--------|------------------------------|
| Percentage of 30-34 year-olds with a higher education degree | 43,9 | 42,7 | 36,9 | 43,8* | 47,0 | +3,2 |
| Percentage of early school leavers | 12,0 | 11,0 | 12,0 | 9,8* | 9,5 | -0,3 |

Source: Eurostat, Statistics Belgium (*)

Graph 3: Education and training indicators
Percentages



Source: Eurostat, Statistics Belgium.

In Belgium, education policy comes under the remit of the Flemish, French-speaking and German-speaking Communities; training policy belongs to the competences of the Communities and Regions. The following part discusses new initiatives by the Communities and Regions with regard to the EU2020 objectives on education and training.

4.3.1. Higher education

Belgium has made the commitment to raise the share of people aged 30-34 years with a higher degree to 47% by 2020. This objective is more ambitious than the global EU target (40%). In 2014, 43,8% of the population aged 30-34 years had a higher degree, a share that has remained stable during the last few years.

In the Flemish Community, universities and colleges of higher education have made their offer and organisation substantially more flexible in recent years. Such a change has brought many benefits. Nevertheless, the increased flexibility led to a more complex offer and an increased length of education. That is why measures are taken to encourage students to choose a full-time subject package, and when necessary, to swiftly redirect them either within or outside their educational establishment. The school guidance test to be taken at the completion of secondary education is a novelty. Once a student chooses a subject, he/she should be properly informed of the possibilities open to him/her. A compulsory but non-binding school guidance test will be organized together with the education partners concerned, so that students gain a proper insight into their future opportunities. In addition to the

school guidance test, emphasis is also placed on a good diagnosis when starting higher education and on compulsory but non-binding admission tests for each study programme or cluster.

In the Flemish Community, higher vocational education will become an integral part of higher education. In this way, a growing number of young people will have the chance to get a higher education degree and improve their chances of success in the labour market or could subsequently pursue, through a shorter study path, professional training leading to Bachelor's degree.

In the French Community, priority goes to implementing the reform of higher education landscape, which will also be assessed. In October 2014, the Government adopted a draft decree approving the statutes of the five academic centres which play a central role, particularly in the fields of collaboration and synergy between institutions. At the end of February 2015, the Government also approved a draft decree amending the decree "Landscape" upon request of the sector. The aim was notably to simplify and harmonise the appeal procedures and to adjust the structure of academic studies. Students who have successfully completed 30 credits of their study programme can from now on complement their curriculum without repeating a year. Moreover, reorienting mechanisms are proposed as from the January exam session. The structure of the Agency for the Evaluation and the Quality of Higher Education has also been adapted to meet European standards. The role of higher education in lifelong learning will be reinforced, with the support of the European Social Fund, particularly through systems for valuing prior experience, the expansion of pilot experiments on work-linked training, stronger links with employment and training actors. Finally, the Government plans to re-finance and reform the funding system of higher education.

4.3.2. Early school leavers

The rate of early school leavers in Belgium should be reduced to 9.5% by 2020. This objective is also more ambitious than the global EU target (10%). In 2014, the Belgian rate amounted to 9,8%, compared to 11% in 2013, demonstrating that the policies of the federated entities in these matter are successful

4.4. Energy and climate

The climate and energy topic of the Europe 2020 strategy encompasses the following three targets for Belgium: (1) a 15 % reduction in greenhouse gas emissions by 2020 compared to 2005 in sectors not covered by the EU Emission Trading Scheme (i.e. non-ETS sectors), including emission ceilings for the period 2013-2020 (referred to as linear path to target), (2) a 13 % share of gross final energy consumption from renewable energy sources by 2020, and (3) an indicative target of reducing primary energy consumption by 18 % compared to projections for 2020. The following table and graphs illustrate each target and show where Belgium stands today with respect to those three objectives.

Table 4: Climate-Energy Targets

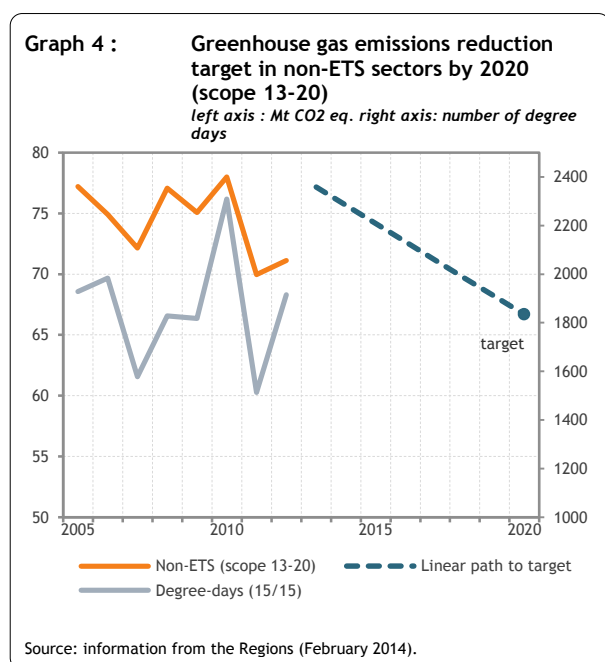
| | BE2012 | BE2013 | BE2020 | Required change 2013-2020 |
|---|--------|--------|--------|---------------------------|
| Greenhouse gas emissions - non ETS (scope 13-20)(Mt CO ₂ eq) | 71.1 | n.a. | 66.7 | -4.4 ⁽³⁾ |
| Share renewables (%) ⁽²⁾ | 7.4 | 7.9 | 13.0 | 5.1 pp |
| Primary energy consumption (Mtoe) ⁽²⁾ | 46.2 | 47.4 | 43.7 | -3.7 |

pp: percentage points; na: not available

⁽¹⁾ These figures are based on information from the Regions (February 2014).

⁽²⁾ The figures are published by Eurostat (energy balances and SHARE2013 published in February 2015).

⁽³⁾ This figure relates to the required change between 2012 and 2020.



In 2012, greenhouse gas emissions in the non-ETS sectors slightly increased. Nevertheless, they were 8% under the 2005 level (i.e. halfway towards the 2020 target) but also below the starting point of the reduction path for the 2013-2020 period. To a large extent, these emissions depend on heating needs³¹. And 2012 was colder than 2011. Since 2008, correcting for temperature effects, non-ETS emissions have dropped steadily³².

After a strong increase in 2009 (see graph 5), the share of renewables in gross final energy consumption grew steadily but at a more moderate pace between 2010 and 2013. Still, this share remained above the indicative path mentioned in Belgium's national renewable energy action plan sent to the European Commission in November

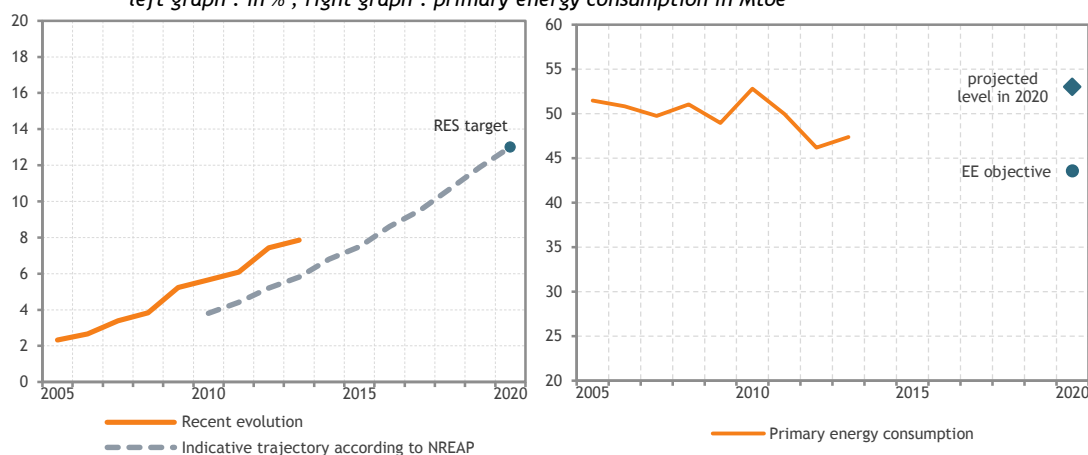
2010: 7.9% vs. 5.2% in 2012. In 2013, the gap with the 13 % target by 2020 is about 5 percentage points.

³¹ In Belgium, about one third of non-ETS greenhouse gas emissions come from the residential and tertiary sectors whose emissions are mainly generated by heating buildings (cooking and production of domestic hot water being the other emission sources). Nevertheless, this breakdown varies significantly from Region to Region.

³² It should be noted that the method to report the consumption of petroleum products changed in 2008. This change impacts the consumption and thus transport emissions, in particular, and explains in part the sharp increase in emissions in the non-ETS sectors between 2007 and 2008.

Finally, primary energy consumption, the indicator selected to set the indicative energy efficiency target, increased in 2013 after two consecutive decreases in 2011 and 2012. In 2013, primary energy consumption (47.4 Mtoe) remained some 3.7 Mtoe above the Belgian objective of 42.7 Mtoe in 2020.

Graph 5 : Target for the share of renewable energy sources in gross final energy consumption (left) and the energy efficiency objective (right)
left graph : in % ; right graph : primary energy consumption in Mtoe



Sources: Eurostat (February 17th, 2014), NREAP, EC (DG Energy, PRIMES baseline 2007).

NREAP = National Renewable Energy Action Plan (November 2010); SER = renewable energy sources ; EE = energy efficiency

Note : the figures for 2012 are still provisional.

The responsibilities in the field of energy and climate policy are divided between the Federal Authority and the three Regions. The division between the Regions and the federal level of climate-energy targets and the corresponding opportunities is currently being discussed. Policy measures that are outlined and decided at different levels of governance can contribute to achieve several goals. This is particularly so with regard to the GHG reduction targets in the non-ETS sector and the improvement of energy efficiency for which numerous common measures exist. These measures are not listed here but are described in detail in Chapter 3.e.

As regards the RES target, the Regions have pursued their strategy (or action plan) to develop renewables.

In 2014, the Walloon Region reformed its system of green certificates aimed at supporting renewable electricity production. Moreover, specific measures relating to some renewables have been implemented, like the selection of projects for anaerobic digestion facilities in agricultural areas, the injection of biogas into the natural gas network, the Quali watt Plan for the small-power solar photovoltaic and the increased premium for a solar water heater. A study is currently underway to review the development strategy of renewables in line with technological, economic and societal developments. FEDER 2014-2020 will also support renewable energy projects.

In 2014, the Brussels Capital Region pursued its efforts and kept adapting its support to green electricity production by adjusting the parameters values of the green certificates' mechanism to market realities.

Upon approval of a burden sharing cooperation agreement with the Federal Authority and the two other Regions, the action plan renewables 2020 will be submitted to the Flemish Government. This plan should guarantee further growth of renewable energy generation, while ensuring that the target

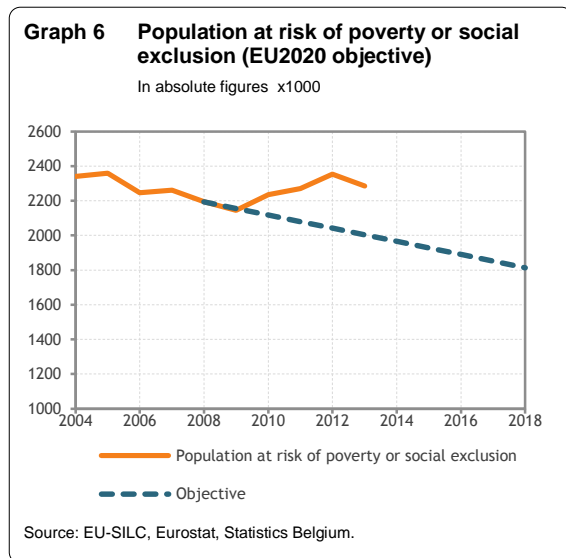
is achieved in the most cost-efficient way. The Flemish Government is committed to strengthen the investment climate for renewable energy. The current system of green certificates for green electricity generation and cogeneration is being adjusted. The current support mechanism for green heat is being further developed. Other initiatives complement the aforementioned mechanisms like bi-methane production and its injection into the natural gas network and the obligation to provide for a system of renewable energy generation in all new offices and houses, schools (already in force), and non-residential buildings (under examination).

4.5. Social inclusion

Table 5: Social inclusion target (absolute figures x1.000)

| | BE2008 | BE2013 | BE2018 | Required decrease 2013-2018 |
|---|--------|--------|--------|-----------------------------|
| Population at risk of poverty or social exclusion | 2.194 | 2.286 | 1.814 | 472 |

Source: EU-SILC, Eurostat, Statistics Belgium.



Between 2012 and 2013, the 'at risk of poverty or social exclusion' indicator shows a slight decrease, but since 2008 the development remains within the margins of statistical significance. There is no trend in favour of the achievement of the objective of reducing the number of people at risk of poverty or social exclusion by 380.000 units by 2020 (EU-SILC 2018), compared to 2010 (EU-SILC 2008).

4.5.1. Ensuring the social protection of the population

In order to guarantee the quality of social protection, the *Federal Government* wants to ensure the financial sustainability of the social systems, to adapt them to the needs of modern society and to

improve their accessibility. In this respect, the increase of the employment rate is essential. The government agreement provides for the gradual raising of social assistance benefits and minimal social security benefits up to the European poverty threshold. The budgetary envelopes for linking the benefits to the development of the general standard of living will be fully used during this parliamentary term. Within the framework of the allocation of the budgetary envelope 2015-2016, the minimum benefits (social assistance and social security) will be raised by 2% (on top of inflation). Some older pensions and invalidity allowances are increased by 2% and the holiday pay for pensioners, as well as the adjustment premium allocated to persons with an invalidity allowance, who have been unable to work for at least two years, are raised. The minimum pension for single self-employed workers is raised up to the level of that of salaried workers and the minimum pension for a mixed career (small minimum) is raised up to the minimum for a pure career as a salaried worker. Social assistance for people of working age will be modernised. The government will work towards a more objective and more transparent calculation of maintenance allowances. It will fight against frauds related to the fact of gaining recognition as indigent.

The launch of the third *Federal Plan against Poverty* for the period 2015-2019 is scheduled for June 2015. In the course of 2015, a *new Flemish Action Plan against Poverty 2015-2019* will also be developed. The Decree on the fight against poverty will be updated (including the integration of the subsidies intended for the local fight against child poverty into the Municipalities' Fund and the confirmation of the coordination and implementation role entrusted to local government). With a view to the prevention of and the fight against social under-protection, social rights are (whenever possible) granted automatically and proactive information on social rights is given. The objective is to strive to administrative simplification and local coordination. The poverty impact test will be further extended. Each Flemish Minister will formulate structural measures. The possibilities offered by the State Reform will be fully utilised. In the *Walloon Region*, a *regional plan* for combating poverty is also being developed.

An integrated policy for preventive social action will be conducted, with particular attention to the fight against poverty among children and seniors. In July 2014, the Walloon Government has designated the Walloon Anti-poverty Network as privileged partner. The aim is to strengthen the dialogue with the poorest thanks to a working plan assessed on an annual basis. The setting up of the coordinating committee for fighting against over-indebtedness aims at identifying the actions that will make it possible to strengthen preventive missions. The Social Cohesion Plans, which have been evaluated positively, will be continued until 2019, but simplified at administrative level. The allowance for assistance to the elderly, which has been regionalised, will be adapted in order to switch to interventions according to needs and benefits and to respond to situations of dependency. On this basis, an 'autonomy coverage' in favour of all seniors will gradually be set up.

4.5.2. Reduction of child poverty

By the end of the year 2015, a second *National plan for fighting child poverty 2015-2019* will be developed in consultation with the Regions and Communities. In the *Brussels Capital Region*, the French-speaking Brussels Government has strengthened the nursery plan. 16 million € have been made available for new places in care facilities for children aged 0 to 3 years. The plan focuses on the creation of more places in existing socially accessible collective child care facilities that practice the parent contribution in areas where the needs are greatest. In the *Flemish Government Agreement*, the fight against child and generational poverty is considered a priority and therefore, there is a focus on families with young children. As part of a reform of the family benefits (post-regionalisation), a social supplement that takes account of the size of the family will be provided for children living in families with low incomes. A final assessment of the action plan 'Rights of the Child' 2011-2014 will be submitted to the *Governments of the Walloon Region and of the French Community* during the first half of 2015. It will contain recommendations with a view to the next action plan 2015-2019.

4.5.3. Active inclusion of persons far from the labour market

Together with all parties involved, the *Federal Government* will eliminate as far as possible the barriers to employment for persons receiving unemployment benefits, allowances for incapacity for work or social assistance benefits. Under the 'Individualized Social Integration Project' (ISIP), a community service is set up for the recipients of the integration income. This service respects the client's initiative and focuses on a gradual social and professional reintegration. The CPAS (PCSW – Public Centres for Social Welfare) shall be further encouraged to make the recipients of the integration income move to sustainable work and social integration. After consultation of the sector, the ISIP will be extended to other recipients. The scheme of the socio-professional exemption will be optimized. The Federal Government will promote diversity and will set, on the basis of the socio-economic monitoring, a quantitative objective for its own services. Persons with medical, mental, psychological, psychiatric problems or persons living in poverty face difficulties to have immediate access to (paid) employment. For this reason, the *Flemish Government* analyses how it could gradually implement, within the budgetary limits, the Decree on the paths for integration into the labour market and the care paths. The activation and guidance paths are developed as a matter of priority. The paths for fighting poverty are integrated into the activation paths. There is a collaboration with the INAMI (NIHDI - National Institute for Health and Disability Insurance) and other actors in order to support labour market participation of persons who receive sickness and invalidity allowances. Under the European Social Fund's programme 2014-2020, the *Governments of the Walloon Region and of the French Community* have approved in February 2015 the projects in the first call. Within this framework, 250 million € has been allocated to the improved accessibility of measures which aim at inclusion, at guiding job seekers or at combating discrimination in the labour market. Among the projects supported are: accompanying services for migrants towards socio-professional integration, training of persons with disabilities, (pre)training of job seekers, literacy,...

4.5.4. Fight against inadequate housing and homelessness

In May 2014, a cooperation agreement on roof- and homelessness has been signed between the *Federal Authority and the federated entities*. The ETHOS typology has been accepted as framework definition. The 'Housing First' pilot project, launched in five major cities, is extended until 2016 and expanded to three medium-sized cities. In the *Brussels Capital Region*, on the one hand, the coordination of the emergency reception of homeless persons during the winter period has been strengthened by the establishment of a single coordinator, the Samu Social. The Region has invested in buying a building in order to have a structural tool for the reception of wandering families. On the other hand, in order to achieve long-term goals, programmes providing access to housing and support programmes are developed. A call for projects has been launched for the development of partnership strategies of the 'Housing First' type. In the *Flemish Region*, the framework decree on social housing is assessed and simplified. The calculation of the rent takes into account, among others, the energy performance, the renovation of the housing and the income of the occupants, and a regional differentiation becomes possible. In this way, the transition to the private rental or buyers' market is favoured and social housing becomes available for the most deprived persons. In order to counter energy insecurity at its source, the promotion of energy efficiency is pursued. In February 2015 the *Walloon Government* has approved the reform of the Housing – Energy bonuses for individuals. The bonuses will be more targeted at the most efficient works in terms of energy savings or at essential works in terms of sanitation/renovation. The methods for calculation of the amounts of the bonus will be reviewed and modulated according to the recipient's income level, with a maximum ceiling. A supplement per dependent child is also provided for. The zero-interest or reduced loan schemes will be intensified. Efforts are being undertaken in order to diversify housing solutions, in line with the provisions of the UN Convention on the Rights of People with Disabilities. In terms of reception of seniors and persons with disabilities, the Government will focus its action on the systems that further encourage autonomy, while residential services are reserved for the most dependent persons.

5. Other reform measures and the use of structural funds

In an economic climate where growth models and sources of competitiveness are changing rapidly, the industrial policy and the development of entrepreneurship play a key role. This has been confirmed by the European Council of March 2014 that highlighted the importance of a strong and competitive industrial base.

5.1. Industrial policy

The regions have incorporated the industrial policy as an important pillar of their economic policy. They emphasise *competitiveness poles and clusters*, adding some variations related to their own specific economic development. The three regions have all taken the route of *smart specialisation* in support of the economy and the employment.

In the Flemish Region, the '*nieuw industrieel ondernemen*' (NIO) keeps on being developed as an ambitious and mobilizing project. An effective industrial and innovation policy must support in a horizontal way the system innovations that are necessary to achieve breakthroughs in responding to societal challenges. The Flemish "smart specialization" strategy aims to create a powerful synergy between excellent knowledge actors and effective economic actors. Through a customized range of instruments, we are able to strengthen the process of entrepreneurial discovery, where the necessary commitments of the actors involved are recorded in 'cluster pacts'. In such a cluster pact, each participant will include his responsibilities in a result-oriented manner. Operating in this way significantly contributes to anchor the key economic activities in the Flemish Region. A major challenge is to extend the support schemes to developments which are closer to the market. Complementary to the development of a strong knowledge base with the new strategic research centre "*Slimme Maakindustrie*" (Flanders' Make), the project "*Made Different*" has been approved and renewed within the Flemish call for project submission "*Fabriek van de toekomst*". This project is to give a strong impetus to accelerate the implementation of seven transformations for factories of the future: introduction of new, simultaneous production technologies and processes, implementation of a 'digital factory', creativity, networking, sustainable, ecological and self-learning production systems. The goal is to achieve the preservation and the growth of employment and economic growth in the Flemish manufacturing industry. There is also a broadening of the scope with some additional sectors. The aim is to prevent, thanks to this large-scale productivity offensive, the relocation of the manufacturing industry with a view to sustainable establishment of knowledge in the Flemish Region.

As founder of the Vanguard Initiative, the Flemish Region is also participating to several pilot projects of interregional cooperation in the domains of European interest, e.g. the KETS (advanced manufacturing and bio-economy). European networks around the demonstrational and pilot production in new value chains are being constructed. 3D-printing is one of the pilots led by the Flemish Region, together with the southern part of the Netherlands.

Also involved in the Vanguard Initiative, the Walloon Region participates in the development of a *smart specialization platform at European level in the field of Advanced manufacturing* and in particular in the pilot project about 3D printing, by involving the competitiveness cluster MECATECH and the research centre SIRRIS. Several poles are also developing European partnerships (KIC raw materials) and international partnerships (USA, Switzerland). In the Walloon Region, the consolidation of industrial policy through the "*Pôles de compétitivité*" (*Competitiveness clusters*) remains at the heart of the Marshall Plan 4.0, to be adopted in early 2015. This policy will be refined in a logic of deepening *smart specialization* strategy in the Region, with a focus on the dynamics of innovation, creativity and industrial development, on the involvement of SMEs, internationalization (including via the European pro-

grammes) and the development of the circular economy. € 41 million will be budgeted annually for the funding of research projects as part of the cluster policy, reinforced by € 15 million in 2017 and € 15 million in 2018, as well as € 4 million each year for training projects, and € 4 million for the international component. As part of the 11th call for Cluster, 12 projects were selected for an amount of € 47 million. In addition, two platforms for innovation in the fields of protontherapy and metal recycling were supported to the tune of respectively € 47 million and € 41,5 million. In February 2015, an investment fund dedicated to chemistry and life sciences, with a budget of € 13 million, was established on private initiative, with the support of public funds.

Regarding *resource efficiency*, the Walloon Region is conducting several actions for the support of the circular economy (awareness, expertise and support for the implementation of projects), which will be developed with the support of ERDF, namely for the establishment of an investment Fund, and as well within the framework of the Marshall Plan 4.0. Support activities for food and non-food short circuits are also strengthened. Regarding food circuits, for which the Walloon Region has had a specific policy for many years, the resources allocated to one-stop shop DIVERSIFERM were increased. Calls directed to the construction sector were also launched in 2014 (sustainable materials, recycling of construction materials), and funding of € 2.5 million was allocated to the VERDIR project (Valorisation de l'Environnement par la Réhabilitation Durable et l'Innovation Responsable), which combines urban agriculture and biomass production in an approach of systemic economy.

During the Extraordinary Social Summit of 10 October 2014, the Brussels Capital Region has initiated the 2025 strategy to develop a *forward-looking vision of the revitalization policy of the Brussels economy* over a period of 10 years. To this end, the 2014-2019 parliamentary term will focus on 2 major axes: the Economy-Employment axis and the Job-Training axis. *Competitiveness poles* of regional dimension will be set up by the Government, in consultation with the relevant sectors, which will bring together, within a consulting and partnership approach, enterprises, training centres and research units in selected areas. The Government will ensure the development of a *circular logic* in its business parks and will raise the awareness of business centres to adopt the same logic. Continuing its *smart specialization* strategy, a new strategic platform (Bridge programme) was launched in 2014, dedicated to computer security, complementing other platforms focused on promising niches of expertise identified by the update of the Regional Programme for Innovation, such as green building and e-health.

5.2. Entrepreneurship and SMEs

At the federal level, many measures have been adopted in order to maintain and to increase the competitiveness of the Belgian economy, and to encourage entrepreneurship. The *economic measures* adopted in the first quarter of 2014 cover the reform of the status of the SPRL-S, the extension of the protection of the principal residence of the self-employed persons and the code of conduct for SMEs to make credit agreements more transparent and understandable for them.

On the fiscal side, the measures include the permanent registration of the tax concept of "liquidation buffer", the determination of the monthly salary as the basis for the tax exemption for the "social liabilities", the VAT exemption for small businesses whose annual turnover does not exceed € 15.000, the raising of the maximum allowed turnover to be able to submit quarterly VAT returns, the introduction of the MOSS (Mini One Stop Shop), which makes it possible to submit, electronically, only a single VAT return for services provided in another Member State, and the adaptation of the legal framework to promote "crowdfunding", a concept that is also analysed in the Walloon Region, through making the requirement to publish a prospectus more flexible. Regarding the *social security obligations*, the measures consist of an increase of the quarterly reductions in contributions paid by employers for the first three jobs, and for the self-employed workers, of a pension reform, an adjust-

ment for granting maternity support, a modification of the calculation method for social contributions and an equalization of their pensions to those of employees through the program law of 19/12/2014³³.

Finally, in terms of *public procurement*, the circular of 16/05/2014 was approved. The circular is to implement a sustainable procurement policy within the federal administration, with the possibility to divide the procurement in lots so as to facilitate access for SMEs. It covers different aspects such as the requirements related to candidates or tenderers, the verification and payment deadlines and the administrative simplification.

The federal government recently added to this a package of measures aiming to foster the development of young SMEs and micro-companies and digital investments and to increase the competitiveness of Belgium as regards e-commerce and logistics.

In practical terms, start-ups will be supported by the setting-up of a tax shelter through which the possession of new shares of SMEs younger than 4 years leads to a 30% tax reduction in the personal income tax as far as they are held during 4 years. For micro-companies, this tax reduction even amounts to 45%. Crowdfunding platforms can also enjoy this tax reduction on the same terms, with the additional possibility to benefit from an exemption from withholding tax on loan interests for the issue of EUR 15.000 of new interest-bearing loans with a term of at least 4 years. Moreover, micro-companies and other SMEs will hence enjoy a payroll tax exemption of 20% and 10% respectively during their first four years of existence. Furthermore, a one-time deduction is provided for digital investments by SMEs. The cost of all these support measures is estimated at EUR 29,75 million for 2015.

The competitiveness of Belgian e-commerce and logistics in comparison with neighbouring countries will be restored by making terms and conditions of employment more flexible in agreement with social partners, for example as regards night work. Thanks to this measure, approximately 1350 new jobs will be created in 2015 and 2700 in 2016 (with a budgetary income of EUR 10 million and 40,5 million respectively).

At the regional level, many efforts are made to *stimulate the entrepreneurial spirit* and the access to entrepreneurship.

In the Walloon Region, the implementation of the Walloon *Small Business Act* (SBA), which has been recognized as best practice by the European institutions (cf. Guidebook "Regional Implementation of the SBA"), will be continued. Various projects will be developed in this context, with a focus on administrative simplification (compatible SME test, reduction in payment periods, access to public procurement, etc.), on support for entrepreneurship (including in relation with education) and on internationalization (through a revitalization plan for exports). In December 2014, the "*Affaires à suivre*" platform was initiated to facilitate the transfer of businesses for small businesses and self-employed workers whose turnover is less than € 500.000. The efforts to ease *companies' access to finance* will continue, especially with support of the ERDF. Following the regionalization of the Holding fund, the SOWALFIN Group is now the only institution to finance self-employed workers, micro-businesses and SMEs. The financing platform Euroquity was inaugurated in early 2015 to educate entrepreneurs about the importance of diversifying financing forms and to put them in contact with investors. Regarding *administrative simplification*, the class 3 environment permits were dematerialized and payment terms were further reduced. As part of the Marshall Plan, priority will be placed on the support and the creation of innovative companies. The new "Agence pour l'Entreprise et l'Innovation", in

³³ The program law will effectively enter into force on 08.01.2016. The Council of Ministers of 13/02/2015, however, passed a measure to partially anticipate the equalization of independent pensions with those of employees as of the 05/04/2015.

place since early 2015, becomes the single reference point for businesses; it will deploy its activities with the support of the Structural Funds. Aid to firms (for investment and export) is reformed to simplify and to strengthen the impact, particularly in terms of job creation and growth.

The Brussels-Capital Region will adopt before the end of this summer the *SBA* in the form of a Charter, namely to strengthen entrepreneurship and to provide a more favourable environment for the development of SMEs. The Region will boost its existing strategy for the attractiveness to and the presence of foreign investors on its territory, in favour of SME and micro-businesses. Various actions are taken for SMEs, namely an individualized support through "Enterprise Europe Brussels" and the Brussels Contact Point to facilitate their access to the SME instrument Horizon 2020 and to the COSME programme, so as to support innovation and their international growth. Innoviris also supports innovation of SMEs. A *training and coaching programme* is also set up for potential exporters or beginners: BEST (Brussels Export Starters Program), E-marketing and e-commerce and sending out expats and Customs procedures in Belgium. In addition, the Brussels Capital Region attaches great importance to the inclusion of women in the business world through the platform "Women in Business". Finally, measures have also been taken to *encourage job seekers to start their own business*, notably through the "Accompagnement à la création de son emploi" (ACE), the activity cooperatives grouped in the non-profit organization Job Yourself and the business centres and counters of local economy.

Being awarded in 2014 as the "European Entrepreneurial Region" (in which fits the Small Business Act of the Flemish Region), the Flemish Region continues its policy towards *a favourable environment for enterprises*. The Flemish Government wishes to facilitate access to entrepreneurship, to strengthen the entrepreneurial skills; it invests in the framework conditions for innovation-based entrepreneurship and wants to activate the entrepreneurial potential of students and job seekers. In the Flemish Region, measures are taken to raise awareness among all active people of entrepreneurial culture throughout the career (for job seekers, workers or entrepreneurs). Syntra Vlaanderen, a central player, will constitute a tandem with the future "Agentschap Innoveren en Ondernemen" (AIO) in order to promote, in a more integrated approach, the entrepreneurship and the development of entrepreneurship education. The objective is to develop a forward-looking entrepreneurial training, taking into account the training needs of businesses and sectors by a constant monitoring of trends, developments and growth poles for business life. There are also plans to set up additional instruments to *develop synergies* between internships and education. The Flemish Region is implementing actions in order to make enterprises more innovative by direct or indirect implication. Various measures are taken to encourage administrative simplification for enterprises and especially for SMEs. In 2015, an environmental permit has been established. The digitization of building and environmental permits (environmental office) represents a simplification of administrative burdens as well as an increased efficiency and improves the quality of the permit issuing process.

5.3. Structure funds and investment funds

For the 2014-2020 programming period, four Walloon provinces qualify as transition regions, while the Flemish and the Brussels-Capital regions as well as the province of Walloon Brabant fall in the category of most developed regions. Moreover, the three regions will participate in the same programmes as in 2007-2013 (Interreg program IV) for cross-border and transnational cooperation. The provinces of Liège and Hainaut as well as the Brussels Capital Region also qualify for the initiative 'jobs for young people', which is implemented in the framework of the ESF programs. Belgium enjoys European co-funding of more than EUR 2,3 billion (current prices).

The different ERDF and ESF programs of the Belgian authorities were approved late 2014 by the European Commission, allowing their effective start in 2015. The selection of projects by the different governments is underway.

The set priorities are closely in line with the objectives of the strategy "Europe 2020" and will complement the regional strategies developed in this framework, notably in connection with the recommendations made by the Council. Regarding the ERDF, the aim will be to support the competitiveness of the economy and particularly of SMEs, R&D and innovation, consistent with the strategies of regional smart specialization, development of renewable energy and effectiveness in the use of resources, but also the development of social and training infrastructures. The priorities developed in the framework of the ESF include life-long learning, integration of young and vulnerable people in particular into the labour market, entrepreneurship, social inclusion, the fight against discrimination and the fight against early school leaving. The Flemish and Brussels-Capital Regions finally focus on urban development and the revitalization of some priority areas in the context of the "Integrated Territorial Investments" that the European Commission has for the first time introduced for the programming period 2014-2020.

Annex 1: Reform Programme of the Flemish Region and the Flemish Community ³⁴

Preface

This present Flemish Reform Programme 2015 is the fifth in a row that the Flemish Region and the Flemish Community have drawn up in the framework of the European Semester. It is the first submitted by the new Government of Flanders, and it takes into account the new powers transferred to the Flemish Region and the Flemish Community as a result of the sixth state reform of Belgium in July 2014. With these powers, the Flemish Region and the Flemish Community are better able to respond to the country-specific recommendations of 8 July 2014 and to achieve the Flemish Europe 2020 objectives. This more compact reform programme also takes into account the relevant elements of the Country Report Belgium 2015 that the European Commission published on 26 February 2015.

In a difficult economic climate, the Flemish Region and the Flemish Community continue to focus on structural reforms for sustainable, inclusive and productive growth. The Flemish Region and the Flemish Community are determined to achieve healthy public finance, but also remains committed to investments that relate to urgent social needs and to infrastructure and knowledge that are necessary for stimulating economic recovery.

The Government of Flanders is convinced that drawing up its own reform programme is an important lever for involving public authorities and stakeholders within the Flemish Region and the Flemish Community more closely with the European Semester. When drawing up the 2015 reform programme, consultation was not restricted to the Flemish Parliament and the social partners. The Liaison Agency Flanders-Europe (VLEVA) was also involved. Points of attention and good practices emerging from the dialogue with the VLEVA members, including the (supra) local authorities, were also considered by the editorial board. True to tradition, the Flemish Region and the Flemish Community also contribute to the national reform programme and was actively involved in the bilateral meetings with the European Commission. Since the Flemish Region is one of the few federated states in the European Union that has its own reform programme, it regularly makes its expertise available in the Europe 2020 monitoring platform of the Committee of the Regions.

With this reform programme, the Flemish Region wishes to increase the interaction between the Flemish and European institutions. In October 2014, the Flemish Region sent a contribution relating to the mid-term review of the European 2020 strategy. In addition to many proposals on the content and on governance issues, the Government of Flanders also proposed a reinterpretation of the charging of major growth-promoting public investments within the European System of Accounts (ESR 2010). According to the Government of Flanders, it would thus be possible to include crucial investments in the public infrastructure in the budget through depreciation, in compliance with the principle of corporate accounting. Specifically this means that in the budget these investments may be spread over a period that is longer than the actual construction period. The Government of Flanders remains open to a dialogue with the European Commission about this.

³⁴ This document is the English translation of the Flemish Reform Programme (FRP) 2015. The official version of the FRP (in Dutch) was approved by the Flemish Government on the 27th of March 2015 and can be found at <http://www.vlaanderen.be/nl/publicaties/detail/vlaams-hervormingsprogramma-2015>.

Geert Bourgeois

Minister-President of the Government of Flanders

Executive summary

The Flemish Region is an active link within a *multi-level governance context*. The current Flemish Reform Programme 2015 (FRP) is an important expression of the ownership of the Flemish Region within the European Semester.

The FRP is structured as follows:

Part 1 describes the macro-economic developments in the Flemish Region;

Part 2 outlines the structural reforms and the policy measures that provide an answer to the country-specific recommendations of 8/07/2014;

Part 3 discusses the policy initiatives that bring achieving the Flemish Europe 2020 objectives a step closer;

In *part 4* the link is made with the annual growth survey 2015 (AGS);

The last part, *part 5*, illustrates the governance in the European Semester. It deals with the involvement of the Flemish Parliament and the social partners, and also includes a number of good practices that indicate how various stakeholders and the (supra) local authorities can make a significant contribution to achieving the Europe 2020 objectives and also in implementing the country-specific recommendations.

The policy answers to the country-specific recommendations 2014 (part 2) which, together with the measures described in part 3, allow progress on the Europe 2020 objectives, have a central place in this FRP. A number of messages formulated by the EC on 26/02/2015 in its country report³⁵ about Belgium are also taken into account. A short summary of the most important measures and initiatives:

The Government of Flanders is determined to achieve sound *public finances*, but also remains committed to investments that relate to urgent social needs and to infrastructure and knowledge that are necessary for stimulating economic recovery. It is important that these policy impulses are grounded in strong foundations, whereby a balanced budget is being pursued;

Labour market: the Flemish Region continues its efforts to lead everybody into a job through: a simplification of the target-group policy; setting up a system of temporary work experience within subsidised employment; the expansion of the activation of the older unemployed to an age of 65; reinforcing the monitoring and control of the availability of the unemployed, the labour migration policy. The Flemish Region also focuses on stronger careers by adopting a coherent policy around labour market-driven education and the introduction of a mandatory language screening for the non-Dutch speaking unemployed. With regard to the link between *education and labour market*, the focus is on a better alignment aimed at remedying early school-leaving, an integrated dual system of learning and working, the Youth Guarantee Implementation plan;

³⁵ http://ec.europa.eu/europe2020/pdf/csr2015/cr2015_belgium_nl.pdf

Education: the focus is, among other things, on a strong primary education, a modernisation of secondary education, the Flemish qualification structure, the reinforcement of higher vocational education, and so on;

Climate and energy: measures will be taken to lower the energy bill via cost efficiency. In addition, reference is also made to the Flemish migration plan and the Flemish climate fund. Many measures in the building sector (third Flemish action plan energy efficiency, transition sustainable housing and building etc.) and transport sector (Flanders Mobility Plan, kilometer charge for heavy vehicles, ecological reform of the traffic taxation, integrated public transport policy, more environmentally friendly mobility and logistics chains etc.) must reduce the emissions of greenhouse gasses;

Concerning *research, development and innovation*, the 3% target for research and development (R&D) is reconfirmed and in the coming years resources will be made available to bring us closer to the realisation of this target (growth path). Attention will continue to be paid to broaden innovation support and invest in a simplified customised service;

With regard to *poverty*, the focus is on a more structural and less project-driven approach to the Flemish policy for combating poverty. Important measures in this context include deploying instruments that prevent insufficient protection, the evaluation of the poverty test, and drawing up a new action plan for combating poverty 2014-2019.

Summary of the Europe 2020 core indicators

| Core indicators Europe 2020 | 2005 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Target 2020 | distance |
|---|--------|--------|--------|--------|--------|--------|------|----------------|--|
| Research and development Gross domestic expenditure for R&D (%) | | 2.06 | 2.12 | 2.29 | 2.40 | 2.42 | | 3 | 0.58 ppt Place 7 out of 28 (in 2012) |
| School leavers Early school leavers (%) | | 8.6 | 8.6 | 9.6 | 9.6 | 8.7 | 7.5 | 5.2 | 2.3 ppt Place 9 out of 28 (in 2013) |
| Higher education 30 to 34-year-olds with higher education diploma (%) | | 43.6 | 43.1 | 45.0 | 42.3 | 45.3 | 44.1 | 47.8 | 3.7 ppt Place 9 out of 28 (in 2013) |
| Employment rate Employment rate among total population, aged 25 to 64 (%) | | 72.3 | 71.5 | 72.1 | 71.8 | 71.5 | 71.9 | 76 | 4.1 ppt Place 10 out of 28 (in 2013) |
| Greenhouse gas emissions non-ETS | 44,509 | 45,381 | 44,733 | 46,405 | 42,928 | 43,273 | | | Effort sharing between Regions is nec- |

| Core indicators Europe 2020 | 2005 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Target 2020 | distance |
|--|------|------|------|-------------------------|------|-------------------------|-------------|---|---|
| greenhouse gas³⁶emissions scope 13-20 (kton) | | | | | | | | | essary <i>Place 17 out of 28 (in 2012)³⁷</i> |
| Energy efficiency Savings final energy utilisation non-ETS (GWh, % compared to 2001-2005) | | | | 10,818 GWh (5.7%) | | 16,499 GWh (8.8%) | | (Flemish target 9% energy saving compared to average 2001-2005) | |
| Primary energy utilisation excl. Non-energetic (Mtoe) | | 32.9 | 32.0 | 33.8 | 31.6 | 31.1 | 32.0 | | <i>Place 15 out of 28 (in 2013)</i> |
| Renewable energy Share of renewal energy in gross final energy utilisation (%) | | 2.9 | 3.9 | 4.5 | 4.5 | 5.6 | 5.8 | Effort sharing between Regions is necessary (Flemish indicative objective 10.5% ³⁸ in 2020) <i>Place 25 out of 28 (in 2012)</i> | |
| Poverty or social exclusion Composite indicator (% people in poverty or social exclusion) | | 15.2 | 14.6 | 14.8 | 15.0 | 16.0 | 15.4 | 10.5% =-30% -280,000 persons compared to 2008 | 4.9 ppt <i>Place 1 out of 28 (in 2013)</i> |

From the table above, the following conclusions can be drawn with regard to the Flemish Europe 2020 objectives:

R&D: The efforts by the Government of Flanders to earmark more funds for R&D have been worthwhile: a percentage of 2.42 was achieved in 2012 (compared to 2.12 in 2009), which is the highest figure ever and an increase of nearly 15% compared to 2009.

Climate and energy objectives: the disadvantage is the lack of the effort sharing agreement for the non-ETS greenhouse gas emissions for the period 2013-2020. Progress was made in the area of reduction of

³⁶ For the 2013-2020 period, Europe only imposes a Belgian objective for the non-ETS sectors.

³⁷ The position is based upon the evolution of the total Flemish greenhouse gas emissions in the period 1990-2012.

³⁸ Note of the Government of Flanders of 31/01/2014 concerning the recording of the annual gross domestic production of green energy and indicative sub-objectives per renewable energy source.

the total Flemish greenhouse gas emissions: the emissions in 2012 were 8% lower than the reference year 1990 (the Flemish greenhouse gas emission reduction objective for the period 2008-2012 was 5.2%). The share of renewable energy was, in 2012, 5.8% (a doubling since 2008) and in energy efficiency we almost achieved the interim target of 9% energy saving in 2016 (compared to the average 2001-2005);

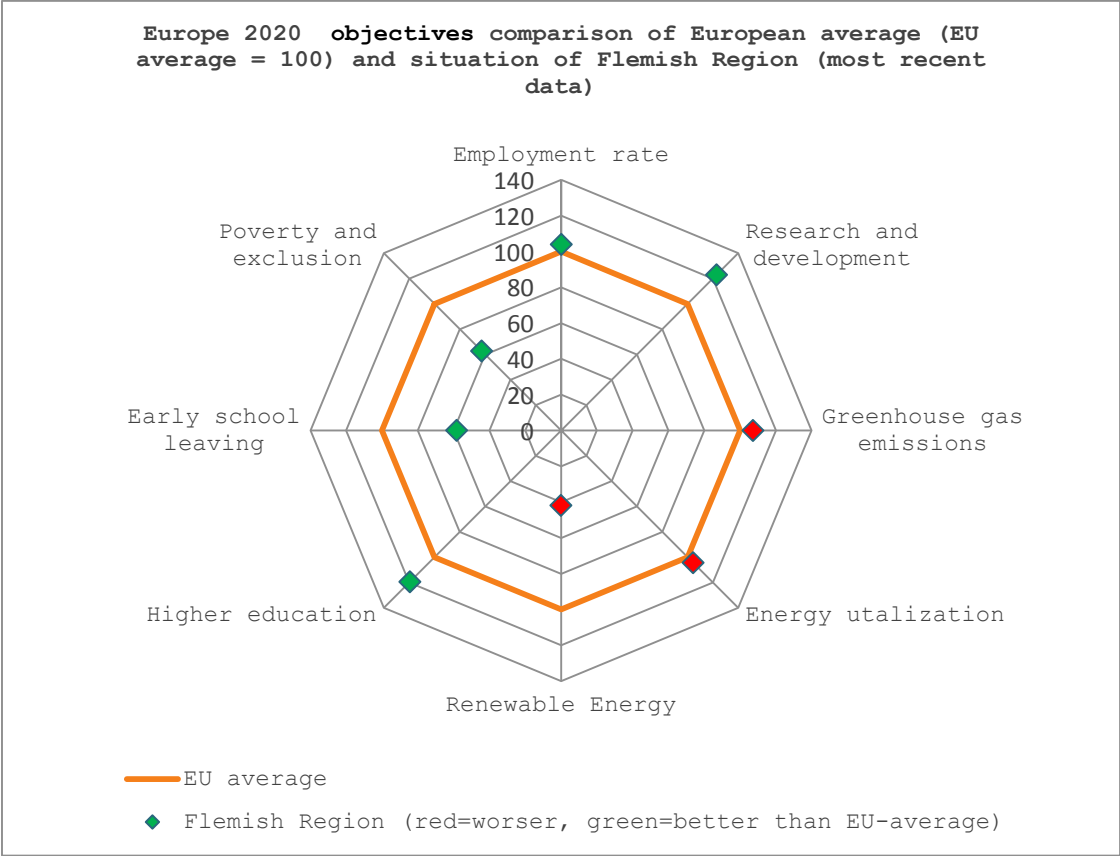
Employment objective: the Flemish Region remains under the pre-crisis level of 2008, an employment level of 71.9% was noted for 2013;

Education: the Flemish Community has already met the EU objectives and continues the downward trend of early school leavers, so that a figure can be noted for 2013 of 7.5%. As far as the share of 30-34-year-olds with a higher education, 44.1% was achieved;

Poverty or social exclusion: the figures remain relatively stable; no downward trend is as yet noticeable.

Concerning poverty or social exclusion, the Flemish Region scores highest (place 1) in comparison with the EU member states. In R&D, it holds place 7, in education place 9 and in employment place 10. As far as climate and energy objectives are concerned, the Flemish Region lags behind, with a 15th place (primary energy utilization), a 17th place (greenhouse gas emissions) and a 25th place (renewable energy).

Within a European comparative perspective, it can be stated that the Flemish Region scores better in four of the five Europe 2020 objectives than the EU average, but that, with regard to climate and energy objectives, it scores below the EU 28 average (see figure below).



Source: Eurostat, processed by SVR.

1. Macro-economic developments in the Flemish Region

1.1. Structure and economic climate

The *gross domestic product (GDP)* is the most pervasive gauge for the produced prosperity in a country or region. It is also frequently used in international comparisons. The source of the macro-economic key figures is the database of HERMREG.

The GDP of the Flemish Region is estimated for 2014 at € 200.8 billion purchasing power parities (PPP). That represents 57.7% of the Belgian total. The Flemish economy is thus larger than that of fourteen EU countries, including Denmark, Finland and Ireland. The Flemish GDP per inhabitant in 2014 is estimated at € 31,200 per inhabitant. That is more than average in the EU28 (€ 26,400 PPP). If we state that EU28 = 100, the Flemish Region has an index of 118.1 in 2014. Of our neighbouring countries, the Netherlands and Germany have a slightly higher GDP per inhabitant (€ 33,200 PPP and € 32,700 PPP). France scores lower (€ 28,400 PPP). Belgium owes its somewhat higher GDP per inhabitant (€ 31,500 PPP) to the presence of the capital Brussels. Capital city areas contain many seats of administration, business and financial institutions and are the generators of prosperity. But in Belgium, the Brussels Capital Region is geographically small. That means that quite a few people from the Flemish Region (and the Walloon Region) commute to the capital area and contribute to its GDP, while they take their income home with them. The situation is not the same or is less so in other capital areas, such as Greater London, Ile-de-France or Lazio Roma, where living and working takes place much more in the capital area itself. Corrections can be made to this by using commuting matrices. This then means that the GDP per inhabitant of the Flemish Region rises to € 33,700 PPP, higher than in the three neighbouring countries mentioned afore. With the EU28 = 100, the Flemish Region has an index of 127.4.

The GDP per inhabitant can be dissected into three factors: work productivity x employment level x share of population at working age:

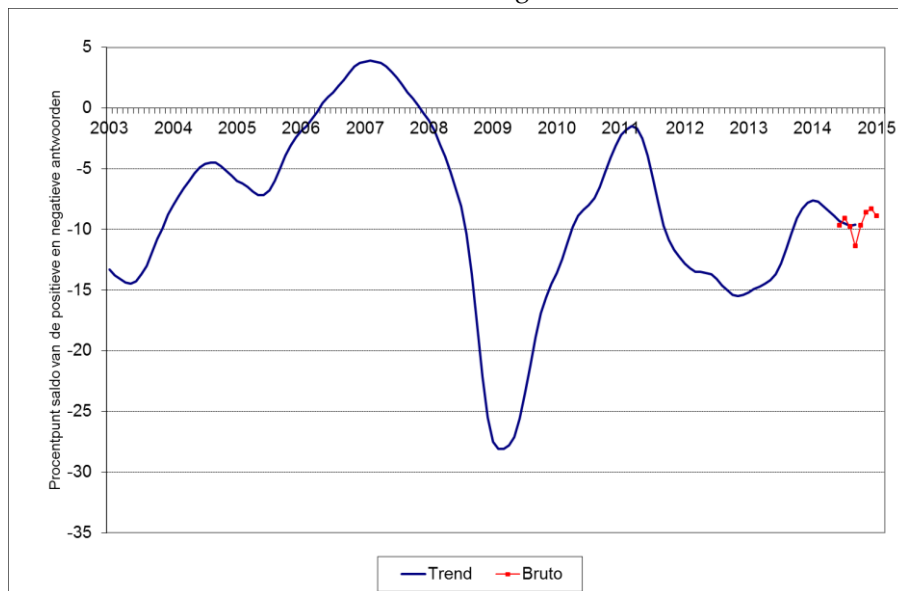
High work productivity is irrefutably a trump from the Flemish economy. In 2014, the work productivity is estimated at € 76,100 per worker. Corrected for commuter work, this even reaches € 77,500. Thus the Flemish Region performs significantly better than the EU28 average (index 126.6 without commuter correction, index 129.1 with commuter connection). Only G-D of Luxembourg and Ireland are more productive. The result for Belgium is between the two Flemish values. In the longer term, the Flemish Region is losing some of its lead: in 2003 the indices (at EU28 = 100) were 135.0 and 137.5, without and with commuter correction. That is a concern because a high work productivity forms the basis for high wages;

The Flemish employment level is estimated at 63.5% for 2014. With correction for commuter movements, that would be 67.3%. That is an average result (EU28 = 66.8%); Germany and the Netherlands are doing significantly better (77.1% and 76.2%).

The number of inhabitants at working age, finally, is, in the Flemish Region, 64.6% in 2014. Here again the Flemish Region does not stand out. The EU28 scores higher (65.9%). The same is true of the Netherlands and Germany (66.4% and 66.3%). Again France is not doing as well (63.3%). The Belgian result (65.5%) is higher than the Flemish result. This is because of the score of the other two regions (particularly the Brussels Capital Region).

The Flemish Region has – in common with the other European countries – to deal with relatively low growth figures. The settlement of the Euro crisis, budgetary cut-backs and geopolitical tensions have created uncertainty and a certain reticence among manufacturers and consumers. In February this year, the Federal Planning Bureau (FPB) readjusted the growth prospects for the Belgian economy downwards to 1% in 2015 (in September 2014, the FPB predicted a real growth of 1.5% in 2015). This is due to weaker growth prospects for our trade partners and by calculating in the austerity measures that were taken by the government. The regional mid-long-term model HERMREG estimates the Flemish real economic growth at 1.5% for 2014. A recent estimate for 2015 will become available this summer. The Flemish economic curve revived in the course of 2013, but since February 2014 there has again been a weakening. This lasted until the autumn of 2014, when the more recent gross values no longer declined. Yet the level of the Flemish economic curve is lower than, for example, in 2006-2007, years of good economic climate and growth.

General economic curve for the Flemish Region



Source: NBB.

The unemployment level (15-64 years, LFS definition) for the Flemish Region was 5.1% in 2013. This is noticeably lower than the Belgian (8.5%) or EU28 (10.8%) averages. The deteriorating economic climate did bring an increase of the unemployment level in recent years (it was 4.3% in 2011 and 4.6% in 2012). The Flemish youth unemployment level (15-24 years) is higher (16.6%), but here again, Belgium and the EU28 score worse (23.7% and 23.4%).

The overall Flemish employment level in the age group of 20-64 was 71.9% in 2013. That is higher than in Belgium (67.2%) or the EU28 (68.3%). Yet there is a concern: the objective for 76% for the Flemish Region by 2020 has not yet been reached. In addition, the Flemish employment level among the older employees (55-64 years) is, with 42.9%, below the EU28 average of 50.1%.

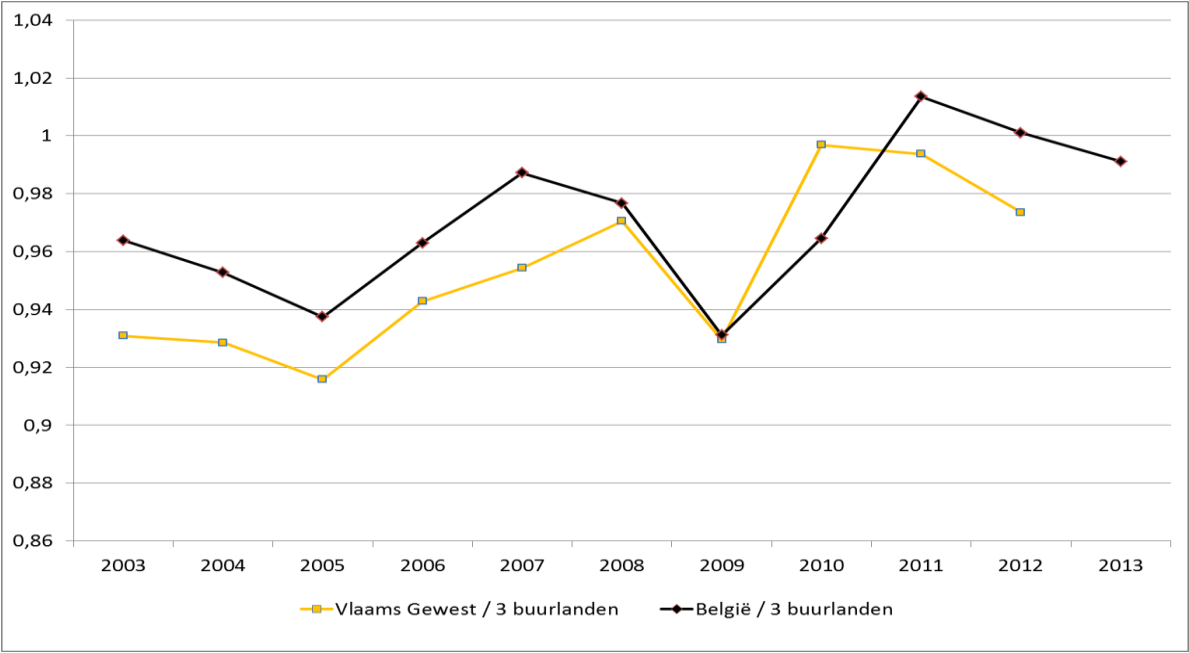
1.2. Competitiveness

The Flemish Region is confronted with a labour cost handicap that has been built up historically (it was already present before 1996). According to the secretariat of the Central Economic Council (CRB) in the Technical report published in December 2014, the *wage handicap* with regard to Germany, France

and the Netherlands – the three main neighbours that are also Belgium’s three primary trading partners – which had risen from 1996 to 2013 by 4.2% had, in 2014, fallen somewhat to 2.9%. The absolute level of the Flemish wage cost does indeed remain higher than in the three neighbouring countries. In 2012, the unit labour cost (ULC = average labour cost per employee and self-employed person) can be estimated at 51,138 euros per worker in the Flemish Region, which is 26.6% more than the average of the 3 neighbouring countries. If restricted to just industry, the Flemish labour unit cost is 60,681 euros per worker, or 18.7% higher than the average of the three neighbouring countries. The recent data about the Flemish unit labour cost do not cause any surprise. The Flemish labour cost is historically high and compels companies to invest in labour-saving and productive ways of manufacture.

The *wage cost per product unit (WPPU)* is the ratio of the wage to the gross added value. It indicates to what degree the salary costs can be compensated by the work productivity. Thus it is an important indicator of competitiveness. Below is a graph for the industry in the Flemish Region, Belgium and the average of the three neighbouring countries. The focus is placed on the industry because it is most subject to international competition. The WPPU in the Flemish industry was, according to SVR calculations, 0.626 in 2012.

Wage costs per product unit in the industry, comparison Flemish Region – 3 neighbouring countries and Belgium – 3 neighbouring countries, 2003-2013



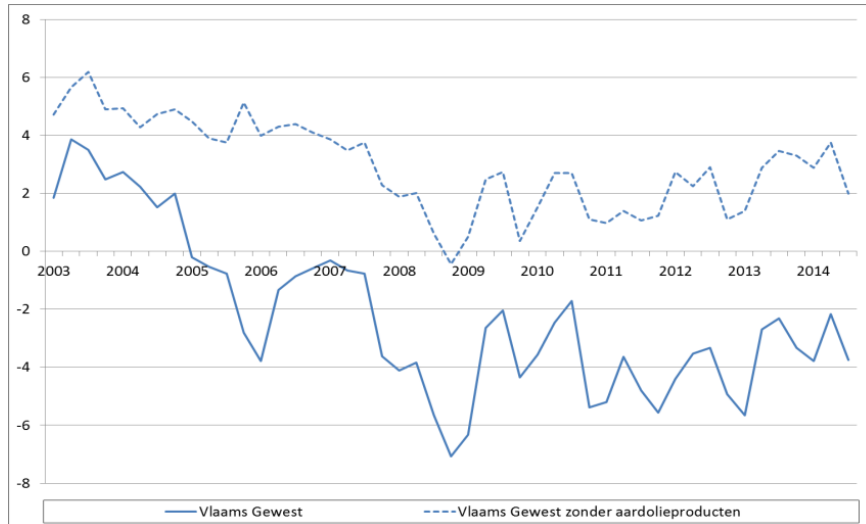
Source: INR, Eurostat, processed by SVR.

The high productivity means that the Flemish industry can for the moment carry the relatively high wage costs, but this trump (= value < 1) is gradually being eroded (see graph). Belgium as a whole does less well in most years. This is mainly due to the relatively expensive wage costs in the Brussels Capital Region. It should further be stated that the calculations for the whole economy (incl. trade and services) suggest a less favourable position for the Flemish Region than for the 3 neighbouring countries.

The *export performance* is another important measure for the competitiveness of an economy. The total Flemish export in 2011 consisted of 81% goods and 19% services. The importance of services is increasing as time passes by. In 2003, the ratio goods/services was 84%/16%. Now the normalised trade balance for goods will be discussed. That is the balance of export and import expressed in % of the

sum of export and import or $(X-M) \times 100 / (X+M)$, with X the export of goods and M the import of goods.

Normalised balance of the trade balance, Flemish Region,
1st quarter 2003 – 3rd quarter 2014, in %



Source: INR, processed by SVR

The total trade balance was positive (surplus of export over import) until 2005. This then deteriorated systematically until the start of 2009. Recently, from 2013 until the third quarter of 2014, the total trade balance has become less negative. The import of crude oil is an important explanatory factor. Without oil products, the Flemish trade balance would almost always be positive (and recently increasing).

The table below gives some details about the geographic destination of the Flemish export. The EU28 is and remains the most important Flemish export market, if only because of the location of the Flemish Region between large and prosperous West European countries. In 2013, 67.5% of Flemish export went to the EU28, of which 42.5% to the three neighbouring countries (source: INR). Nevertheless, as years pass, the importance of the EU is declining to the benefit of emerging trade blocks. This also leads to a gradual diversification of the Flemish export.

| Geographic distribution of Flemish export in 2009, 2012 and 2013 (%) to the emerging trade blocks | 2009 | 2012 | 2013 |
|--|------|------|------|
| <u>EU28</u> | 74.5 | 68.0 | 67.5 |
| <u>3 neighbouring countries</u> (DE, FR, NL) | 47.6 | 43.5 | 42.5 |
| <u>EU13</u> (new EU member states) | 4.2 | 4.3 | 4.4 |
| <u>BRIC</u> (Brazil, Russia, India and China) | 5.2 | 7.7 | 7.5 |
| <u>Asian Tigers</u> (Hong Kong, South Korea, Singapore and Taiwan) | 1.6 | 1.9 | 1.8 |
| <u>Next-11</u> : Bangladesh, Egypt, the Philippines, Indonesia, Iran, Mexico, Nigeria, Pakistan, Turkey, Vietnam, South Korea. | 3.0 | 3.7 | 3.8 |

Source: INR, processed by SVR

1.3. Conditions for an innovative economy

An important condition for expanding an innovative economy is the presence of *a well trained labour force*. This requires first of all sufficient people working.

When *the Flemish Region is compared with the rest of Europe*, the Flemish Region is doing well in the area of unemployment (5%) and youth unemployment (16.6%), but the Flemish employment level is rather average (71.9%) (2013) and the Flemish Region scores poorly for the employment of those older than 55 years (42.9%) (see further under 3.1.1.). The Flemish Region wants to have 76% of the Flemish inhabitants of a working age at work by 2020. With that 71.9%, the Flemish Region is more than 150,000 workers away from that target. To reach an employment level of 76%, the participation level must increase and additional jobs must be created in the economy, which will allow more low-skilled and employees with a migrant background to find work. In addition, the focus must also be on working longer and on sustainable careers.

The education level (see further 3.2.1.) remains clearly higher than the EU average or in the three neighbouring countries, but the lead of the Flemish Region is eroding slightly over time. Sufficient expenditure on *research and development* (R&D) (see further 3.3.1.) is an important requirement for growth into an innovative economy. The Flemish Region, with 2.42% (BERD: 1.62, non BERD: 0.80) of R&D-expenditure to GDP (data 2012), is still below the 3% target, but there has been a rising tendency since 2009 (2.12%). The Scandinavian countries are at the top, but Germany as well invests relatively more in R&D than the Flemish Region. A concern is that the R&D efforts in the Flemish Region are concentrated within large companies, frequently multinationals. Innovation comprehends the introduction of new or updated product or process innovations or organisational or marketing innovations. In 2012, 56% of the Flemish companies were innovative according to the CIS survey, which is a high figure. In Europe, only Germany and the G-D of Luxembourg have a higher score.

2. Measures for the implementation of country-specific recommendations

Introductory comments

On 8/07/2014 the Council made six country-specific recommendations³⁹ to Belgium. These concern the budget, the tax system, pensions and ageing, labour market participation, competitiveness and greenhouse gas emissions. The measures with which the Flemish Region will implement those aspects from the recommendations that are relevant to it will be summarised here.

2.1. Country-specific recommendation 1

Following the correction of the excessive deficit, reinforce the budgetary measures for 2014 in the light of the emerging gap of 0,5 % of GDP based on the Commission services 2014 spring forecast, pointing to a risk of significant deviation relative to the preventive arm of the Stability and Growth Pact requirements. In 2015, significantly strengthen the budgetary strategy to ensure the required adjustment of 0,6 % of GDP towards the medium-term objective, which would also ensure compliance with the debt rule. Thereafter, until the medium-term objective is achieved, pursue the planned annual structural adjustment towards the medium-term objective, in line with the requirement of an annual structural adjustment of at least 0,5 % of GDP, and more in good economic conditions or if needed to ensure that the debt rule is met in order to put the high general government debt ratio on a sustained downward path. Ensure a balanced contribution by all levels of government to the fulfilment of fiscal rules including the structural budget balance rule, through a binding instrument with an explicit breakdown of targets within a medium-term planning perspective.

2.1.1. Ensure a balanced contribution from all government levels concerning compliance with the budgetary rules

The Government of Flanders aims for sound public finances whereby a balanced budget is pursued.

Through the 6th state reform, the budgetary mass of the Flemish Region and the Flemish Community rises considerably in 2015 and the Flemish Region and the Flemish Community also receive many additional powers. This means that, more than ever before, it can map out its own policy that strengthens families, businesses and associations. Since a solid budgetary basis is the best starting position for the challenges that the Flemish Region and the Flemish Community will be facing, a balanced budget will be introduced for the 2015 financial year, despite the difficult environmental factors (disappointing growth, impact-limiting European budgetary rules). When drawing up the budget, measures for a total amount of 1.15 billion Euro were taken. In the first place, budget savings were sought in the internal operation of the Flemish Authorities: more efficient governmental structures, working resources and focus on core issues. In addition, the level of cost recovery of a number of services was raised and the expenditure for some of the new powers was reduced.

These efforts make new policy efforts possible to the amount of 98 million euro. This means new investments will be made in 2015 in welfare, education and mobility. Additional budget space has also been created for investment in innovation, the living environment and increased ICT use. The focus is

³⁹ http://ec.europa.eu/europe2020/pdf/csr2014/csr2014_council_belgium_nl.pdf

on both urgent social needs and on the infrastructure and knowledge that are necessary for stimulating economic recovery. In order to achieve effectively the proposed balance with this budget for 2015, the Government of Flanders will carefully monitor the implementation of the budget and make adjustments if necessary. The first budget adjustment for 2015 has already been planned and will be finalised in April.

2.2. Country-specific recommendation 2

Improve the balance and fairness of the overall tax system and prepare a comprehensive tax reform that will allow shifting taxes away from labour towards more growth friendly bases, simplifying the tax system, closing loopholes, increasing VAT efficiency, broadening tax bases, reducing tax expenditures and phasing out environmentally harmful subsidies.

2.2.1. Lowering the taxation on labour

Pursuant to the sixth state reform, the fiscal autonomy of the regions has been expanded. The regions have, for example, been given wider powers for raising surcharges on personal income tax. In addition, the fiscal expenditure for acquiring or retaining a house is now an exclusively regional matter. In the context of the consolidation of the Flemish public finance, the surcharges in the Flemish Region will not be increased. The conditions for the system of the home bonus will be adjusted in order to keep the cost manageable. The sixth state reform also gave the regions the power to reduce the employer contributions for target groups. See further under 2.4.1 (*answer to CSR 4*).

2.2.2. A more environmentally friendly tax policy

A recent study about a *greening of the tax system* researched - on behalf of the Flemish Authorities - the economic, ecological and social effects of introducing various environmental taxes (federal and Flemish) and using these incomes for lowering the wage cost or raising the net wage (lowering personal income tax) in the Flemish Region. In addition to the positive environmental impact, these measures still have a slightly positive impact on the GDP, the ISEW and employment. The results can now be used for the development of an actual scenario for a shift in taxation.

The inter-regional political agreement of 21/01/2011 for reforming motor vehicle taxation proposed an *ecological reform of the car taxation* with a fundamental change in the tax base. Replacing the tax horsepower as tax basis with an environmentally-related measure leads to a sustainable, ecological reform of the motor vehicle taxation, based on the principle of 'the polluter pays'. The intention is that the implementation of this reform will be budget neutral, so that the overall tax burden for the road user will not be increased.

2.2.3. Introducing mobility budget

The aim of the *mobility budget* is to offer employees a choice between various valid transport alternatives for their personal mobility requirements. The use of a personal, multi-modal mobility budget offers the possibility of reducing the kilometers driven by company cars and in this way contribute to a modal shift that can reduce the impact of road transport on the environment. In order to be able to implement a mobility budget on a larger scale, consultation with the federal government is ongoing, so that the necessary amendments to taxation and social security and labour legislation can be intro-

duced. Currently a test project is being held, initiated and supervised by the Flemish Institute for Mobility, which, among other things, facilitates the introduction of a mobility budget for a larger number of partners.⁴⁰ The first results are expected in the summer of 2016.

2.3. Country-specific recommendation 3

Contain future public expenditure growth relating to ageing, in particular from pensions and long-term care, by stepping up efforts to reduce the gap between the effective and statutory retirement age, bringing forward the reduction of early-exit possibilities, promoting active ageing, aligning the retirement age to changes in life expectancy, and improving the cost-effectiveness of public spending on long-term care.

2.3.1. Make public expenditure on long-term care more efficient

The sixth state reform offers new financial levers. In the care for the elderly, a policy will be implemented that allows the elderly with a personal budget to find their way within a network of care.⁴¹ The increase of the care intensity profile of residents in care centres is a concern for optimising the financing within the present budget resources. Other concerns in the care for the elderly relate to making more day care possible (Decision of the Government of Flanders concerning the collective autonomous day care) and for postponing for longer the need for residential care. Mention can also be made of the policy aims to reorganise the first-line health care into ‘patient centred’ care and to achieve a better cohesion between the care and support providers by means of an integrated care organisation.

2.4. Country-specific recommendation 4

Increase labour market participation, in particular by reducing financial disincentives to work, increasing labour market access for disadvantaged groups such as the young and people with a migrant background, improving professional mobility and addressing skills shortages and mismatches as well as early school leaving. Across the country, strengthen partnerships of public authorities, public employment services and education institutions to provide early and tailor-made support to the young.

2.4.1. Everybody at work

To achieve the ambitious objective of an employment level of 76% by 2020, the Government of Flanders is first investing in filling jobs via a *Flemish target group policy*. Since we assume a federal structural linear reduction in the costs of labour, we are stimulating the recruitment and retention in work of certain target groups with a greater distance to the labour market. To increase the efficiency and effectiveness of the target group policy, the number of measures are restricted to three target groups, namely the youth, people above the age of 55 and persons with a labour handicap. This way we create extra room for reducing the wage costs of these target groups and thus offer them more chances on the labour market. This reform is part of the Job Pact that is being developed by the Government of Flanders and the social partners. A first concept note was approved by the Government of Flanders on 23/01/2015. The note has been submitted to the social partners for their opinion.

⁴⁰ More information about the test project is available via <http://www.vim.be/projecten/i-mobiliteitsbudget>.

⁴¹ Prior to the sixth state reform, resources were made available by the federal government via protocol agreements for granting additional recognitions such as Rest and Care Homes (RVT).

The Joint Employment Report of the EU warns for the rise in long-term unemployment. In the last year, the share of the long-term unemployed in the total unemployed population rose further from 45.3% to 48.7% in 2013. The Flemish Region scores better than the EU average with 32.8%, and is also better than the Brussels Capital Region (56.7%) and the Walloon Region (51.6%). Nevertheless 1 in 3 of the Flemish unemployed have been out of work for longer than 2 years. In 2014, the Flemish Region had an average of 60,522 unemployed who were out of work for longer than 2 years and thus could, theoretically, satisfy the conditions for work experience. On average, 56% of the long-term unemployed is low-skilled. 53% is older than 50, 24% is immigrant and 26% has a work handicap. At the same time, 300 C-IBOs, the IBO for the long-term unemployed, have been started.

In its Work Programme 2015, the EC announced that it would frame a recommendation to the member states to combat long-term unemployment. *In the meantime, the Flemish Governmental agreement has announced a thorough reform.* Measures that focus on subsidised employment will be transformed into employment instruments in the private and public sectors (including those at local level) which promote the inflow and transfer of the unemployed. Specifically a *system of temporary work experience* will be provided whereby the focus is on *activating the long-term unemployed*. Measures, including the following, will be (partly) integrated: PWA (local employment agencies), article 60 par. 7 and article 61, ProjectGescos and WEP+.

As foreseen, the implementation of the Flemish Parliament Acts on *collective customised work* and local service economy commenced at the beginning of 2015 and special attention will be given to the transfer trajectories. We shall evaluate the Customised Employment and Local Service Economy Acts for, among other things, the transfer achieved and its sustainability, the duration of the trajectories and the strengthening of the competencies of the individual employees, the effects on the organisations and we shall adapt where necessary. A limited *growth path for the social economy* is expected.

The *Flemish activation policy* will also focus, during the government period, on *the youth* and in particular unskilled school-leavers. We shall also work further on a better alignment of education and the labour market with a view to remedying leaving school prematurely. In response to the Youth Work Guarantee, we guarantee that every young unemployed person will receive a customised proposal. And we shall invest even more in formulas for workplace training and stimulate the recruitment and deployability of low-skilled young people.

The Flemish (LFS) youth unemployment figure (in 2012: 12.8%) has for years been significantly lower than the European average (in 2012: 22.8%), the youth unemployment in Walloon (27.1%) and in the Brussels Capital region (36.4%). In recent years, the Flemish youth unemployment reached a peak of 16.6% in 2013, while the EU average remained more or less stable at around 22.4% in 2014. This rise is largely due to the continuing weak economic climate.

In order to remedy the outflow of unqualified young people, the focus will also be on work place learning and Work Experience for the Young (WIJ!). Together with the 'instapstage' (a paid work placement which young people can undertake in a company, non-profit organisation or public service) and the Individual vocational training (IBO), the WIJ! is part of a three-fold approach to work experience for unqualified young people which should in time result in a qualification obligation and work experience guarantee for the whole group of unqualified school leavers.

In 2014, 2945 young people were given the opportunity of following a *Work Experience course*, and virtually half of these took place in the province of Antwerp (1470). WIJ! courses were also started in the provinces West (287) and East (695) Flanders, Limburg (434) and Flemish Brabant (59). At the same time, 589 work placements were organised, which primarily reached the early school leaver (485) target group. In the coming years, more than 6000 young people without a diploma will receive customised supervision in order to increase their chances of a job. We are talking here about young people

between the ages of 18 and 25 who never completed school and are now sitting at home unemployed. In the coming three years, nearly *eleven million euro* has been reserved for this.

In 2012, 11,979 *IBO programmes* were started; at the end of 2014 there were 12,838. This means that around 76% of the objective has been achieved. With the on-going economic climate, employers are less eager to recruit full-time employees, which has caused a decline in the number of vacancies for *IBO*.

There is a relative difference between the (sub)regions within the Flemish Region with regard to the *scope of IBO and WIJ!*. There could be several causes for this: external labour market factors, the nature of the cause, and local involvement. That is why the focus in 2015 will be on increasing local involvement and intensifying contacts with sectors in order to achieve a higher range. As far as *WIJ!* is concerned, the range will be increased to beyond the central cities.

The activation of the *older unemployed* to the age of 65, will be extended and a target group discount will be instigated to lower the wage costs for recruiting those older than 55. The Flemish Region will also improve the labour market position of persons with a migrant background by focusing more strongly on an integrated language policy.

The *monitoring and control* of the availability of the unemployed will be increased. In consultation with the federal government, the normative framework for legislation concerning suitable positions, active search behaviour, administrative control and sanctions will be refined. The VDAB (Flemish public employment service) would be able to execute these powers more efficiently if they were fully integrated into its customised-driven intermediary and guiding model. The VDAB shall also be authorised to *monitor the search behaviour*. If an unemployed person does not make sufficient effort or does not comply with agreements, a *sanction* will be imposed. The exemption from monitoring of availability can only be granted in a process towards work recognised by the VDAB. The VDAB shall update the framework for the rights and obligations of the unemployed, the employer and the intermediary agency and then communicate clearly and transparently.

the Flemish Region is working on a *labour migration policy* that is part of an overall Flemish labour market policy. After all, the Flemish labour market does not stop at the borders. Collaboration with The Walloon Region, the Brussels Capital Region, the neighbouring countries and the rest of Europe is necessary. Initially the focus must be on the activation of the current labour reserve, and also on a further increase of inter-regional mobility with the Brussels Capital Region and The Walloon Region.

In addition, work must be undertaken on an active labour migration policy for employees and the self-employed that is attuned to the specific needs of the Flemish labour market. A flexible inflow of highly-educated employees, and also of medium skilled, is expected through a dynamic list of bottleneck professions. The new framework as a consequence of the *Single Permit directive* should be transparent, simple and straightforward, taking into account the combined permit for labour and work.

We improve the *labour market position of unemployed persons with a migrant background* through the activation and competence policy. We shall focus even more on an integrated language policy, actions to strengthen competencies and specific guidance and work experience programmes for low-skilled young people, with a specific focus on urban issues. We shall also fight discrimination on the labour market, aiming both to prevent and remedy it.

The Government of Flanders also wishes to remove a number of obstacles to recruitment with new targets for colleagues with a migrant background, women in top and middle management and colleagues with a handicap. The actions for a diversified staffing policy is part of the new *equal opportunities and diversity plan* that was approved by the Government of Flanders on 30/01/2015.

2.4.2. Stronger careers

The core is more customisation in the supervision and support of the unemployed and the employed, and a decisive competence policy in the companies. This vision requires a reversal by employers and employees in the classical thinking, from job security to *career security*. For this reason, we want to strengthen people in their career so that they can make the transition from unemployment to work, from family to work etc. and can, when necessary, adjust their career.

A coherent policy around *labour market driven education* will be followed. This means an integration of the various existing instruments (training vouchers, paid educational leave, training credit) into one instrument that allows the employed to retrain or to reorientate themselves in order to start a different professional career. The support can be in the form of financial support or additional leave or a combination of both. The support is given through a customised and demand-driven financing system.

Because an inadequate knowledge of Dutch is a major obstacle for employment – in particular for persons with a foreign background – a *mandatory language screening* will be introduced for all non-Dutch speakers as part of the process of finding a job. If knowledge of Dutch is insufficient, a training in the language will be given during the counselling process by VDAB or VDAB partners. The Dutch course can be followed as an integral part of a vocational training or on the workplace. Anyone who refuses to learn Dutch will be sanctioned in the same way as a refusal to participate in other trainings.

The current agreement framework for the *basis education in Dutch (NT2)* will be adjusted to actual enforceable agreements. The NT2 curriculum will be adjusted to the needs of the participants, including the provision of more widely spread entry moments and more intensive basic education and more integrated courses. The best possible geographic dispersion will also be ensured. For this, the supply of training providers for basic education will be increased.

2.4.3. Focus on the combination of work and family

Now that *service vouchers have been transferred to the regions*, the possibility arises of giving a permanent impulse to the employment level by supporting the employed in the way they combine their work and private life. In addition, the system of service vouchers is an important instrument in the fight against moonlighting and the activation of low-skilled and long-term unemployed.

After working out sufficient alternatives to ensure that the unemployed are attracted to the service voucher circuit, the *obligation to recruit 60% unemployed or persons on benefits* will be abolished. A better integration and language acquisition for employees with a foreign background will be ensured. Additional home care and service vouchers are complementary yet clearly separated from each other.

The Flemish Region supports the combination of work and family. For all employees, *one Flemish system for support of thematic leave for care* will be worked out, complementary to the federal benefits for these thematic leaves for care.

The Flemish Region is building further on *high quality day care for babies and toddlers* and the out-of-school care will, in collaboration with all partners, be better attuned to the everyday life of school children with a view to a good combination of work and family. To achieve affordable and high quality child care, a growth path has been planned against the background of the provisions in the Flemish Parliament Act for child care for babies and toddlers. The Government of Flanders is aiming to

achieve step by step sufficient, high quality child care for babies and toddlers that is accessible for everyone. The care must be both affordable for the parents and financially acceptable for the care sector. Achieving the growth path must be seen in combination with achieving a progress plan act for child care of babies and toddlers, so that monitoring is possible, also in the long term, as to whether the objectives of the Act have been reached.

2.4.4. Give all children a firm foundation through strong primary education

In order to have the best chance to pass through compulsory education with success, it is important that children participate as soon as possible in infant education, in particular with regard to a fluent acquiring of Dutch from a young age on. Thereby, a *high participation of children in infant education* is crucial, considering the positive impact this has on the rest of the school career. Thus more attention will be given to the very youngest from the age of three. We shall also see what role the new provisions such as the Houses for the Child can play. We shall also collaborate with the Pupil Guidance Centres (CLBs) and Kind and Gezin (Child and Family) in this, the latter to encourage non-registered toddlers to attend nursery school, and we shall do this for all groups in the population.

In primary education, the focus is on the general education of the child, through an integrated approach. We shall concentrate strongly on sharing expertise (via practical research and by exchanges between schools) about issues such as differentiation, the development of competencies of primary school teachers and the transition between primary and secondary education.

2.4.5. A comprehensive policy on study entitlement, truancy and school drop-outs

In order to guarantee the right of every pupil to quality education and pupil counselling (study entitlement), a *comprehensive policy concerning study entitlement, truancy and school drop-out* shall be developed. These three themes are closely associated with each other and demand a similar approach. A more detailed version of this integrated action plan will adopt actions and be supplemented from existing action plans⁴². These will be further implemented within the framework of this plan.

We shall focus on combating school drop-out by working out a preventive policy on truancy and a confrontational policy will be embedded locally for young people who threaten to drop out and do drop out. In this way, the Flemish Community wants to guarantee study entitlement for every young person, in order to ensure that as many young people as possible obtain an education qualification.

This integrated action plan will first be deployed in preventive actions to combat truancy. We shall work together with local councils, the CLBs and other local partners to see how this “confrontational” policy can be developed for young people who play truant and threaten to drop out of school prematurely. The study entitlement should be guaranteed for every pupil by setting up a continuum of education-welfare trajectories customised for those young people who are in danger of dropping out or who cannot for the moment be cared for within an education context. This will take place in collaboration and in dialogue with the education partners and other policy areas such as welfare and Work, but also with local councils.

⁴² The action plan for school drop-out and the action plan for truancy and other forms of cross-border behaviour

2.4.6. Modernising secondary education

Internationally, Flemish secondary education ranks among the best. To retain this position, the strengths must be developed further and points of improvement tackled, and the focus must be on quality education for every pupil. The orientation programme for pupils will be strengthened and the connection to higher education and the labour market will be improved.

The *secondary education master plan* will be implemented in close consultation with the education world and the social partners. In the first level, pupils can explore their interests, talents and competencies. There will be sufficient room to challenge strong pupils and to give additional support to those pupils who need it. In the second and third levels, the current study curriculum will be updated and rationalised. The hierarchy between the various forms of education will be eliminated.

Each course of study must ensure a good connection with higher education and/or the labour market. Thereto, a better alignment between exit qualifications and the entry competencies of higher education will be set up, and all labour market-driven courses of study will lead to one or more professional qualifications. In particular, there will be more attention for upgrading the technical and vocational education. Work-place learning will be a structural component of the labour market-driven courses of study. Since 1/09/2014 work placement is compulsory in more than 140 courses and this obligation will be extended in the coming years.

2.4.7. Remove discrepancies between skills offered and demanded: new dual system learning and working

Dual learning means that young people can now acquire experience on the workplace, in this way earn a qualification and thus be better prepared for the labour market. The aim is to simplify the many systems of learning and working. On 23/01/2015 the Government of Flanders passed the *concept note dual learning*. The concept paper has been submitted to the Flemish Education Council (VLOR), the Flemish Social and Economic Council (SERV), and Syntra Flanders.

The integrated dual system of learning and working shall be considered, both in policy and socially, as equivalent to all other forms of secondary education and will offer perspectives for both young people and entrepreneurs. The new Flemish power - the industrial apprenticeship system - is a lever for this. The sectoral translation of this policy takes place through the instrument of sector covenants. Dual education forms are a fully-fledged education with qualifications and a useful instrument in the fight against unskilled drop outs and youth unemployment. A dual learning-work trajectory can also be a suitable solution for young people without a diploma who are older than 18 and can help them gain qualifications.

Dual learning will thus be developed as a fully-fledged training programme that is aimed towards an education qualification. If that proves infeasible, the minimum that the Flemish Community wishes to deliver is a recognised professional qualification or a modular certificate. Via dual learning, young people can be well prepared for their entry into the labour market and they will also have qualifications allowing them to enter higher education. In this new system of learning and working, every young person who is ready for the labour market will have some actual work experience. The learning component will be more strongly combined with, and adjusted, to the work space experience than is the case at the moment and is thus inextricably connected with the work experience. Young people of school age who are not (yet) ready for the labour market will receive a specific offer from education.

The actual objectives for the new dual system of learning and working are: (i) improvement of screening and induction, (ii) simplification and harmonisation of the agreements and status of the youth, (iii) simplification of the incentives for training companies, (iv) reinforcing the sectoral approach, (v) uniform regulation for the recognition and quality assurance of training companies, (vi) the regulation of course supervision (in its various facets) and (vii) strengthening the matching processes and the learning time.

In addition to the discussion on shaping the future dual learning, efforts are also being made to improve the current working. In this respect, the focus is on reducing the number of young people in *Part-time Education* that are ready for work and do not yet have any work experience (this is around 1,400 young people) and to provide more young people with work experience.

2.4.8. Diploma conditions for acquiring job seeker benefits

The new federal government has taken measures towards making job seeker benefits and the diploma conditions attached to it more stringent. Until the age of 21, young people must be able to submit proof that they have successfully followed a training. This encourages young people to complete their training. On 30/01/2015, the federal minister of Work and the ministers of education of the communities made agreements about the precise nature of these diploma conditions for acquiring *job seeker benefits* to the age of 21. As a consequence of this, a larger group of young people (mainly from vocational and special education) can, from 1/09/2015, continue to count on the job seeker benefits. In this way, the ministers hope to stimulate young people to obtain the highest possible qualification.

2.4.9. Achieve a smooth transition from education to the labour market

The *Flemish Qualification Structure* (VKS) describes which competencies are necessary for working in professions and links these to trainings. The VKS is currently being actively implemented. The competencies required for entering a certain profession are described in recognised professional qualifications. In the future, labour market-driven trainings shall increasingly result in one or more professional qualifications. As the implementation progresses, thought will be given to a strategy for keeping existing qualifications up to date so that they can anticipate new developments and innovations. The Education policy and Work policy areas will work on a *joint system of quality assurance* for trainings within and outside education that lead to a professional qualification, including courses leading to recognition of competencies. Work will also be undertaken on an *integrated RPL-policy*, compliant with the principles of the European recommendation about validating informal and non-informal learning.

The secondary education master plan provides for integrating *work-place learning* in all labour-driven courses of training. Work-place learning shall, however, also be strengthened and expanded in adult and higher education. An unequivocal and manageable legal framework will be developed for all forms of work-place learning and we shall study how the existing articles for work-place learning can be harmonised. This focus on work-place learning also demands sufficient quality apprenticeship places for pupils and students, both in secondary and higher education. For this, a dialogue with the employer organisations and sectors will be initiated in order to reach the necessary agreements and commitments.

The *STEM action plan 2012-2020* (*Science, Technology, Engineering and Mathematics*)⁴³ is being fully implemented. In 2014, STEM education became more attractive thanks to improved STEM didactics. The

⁴³ On 20/01/2012, the Government of Flanders filed the **STEM action plan 2012-2020**, which aims at making more people choose

focus is on strengthening competencies of teachers via refresher courses, encouraging school projects and deploying engineering coaches. The process of study and career choice is being optimised through study choice instruments such as the 'education selector' (onderwijskiezer) and the passion for STEM outside education is encouraged by means of founding a network of STEM academies. In addition, communication campaigns promote social appreciation of STEM professions and the sectors are encouraged to undertake actions about STEM. On 23/01/2015, the Government of Flanders split the existing developmental objectives and attainment targets of the current world orientation learning area into two new learning areas: 'science and engineering' and 'people and society'. Thanks to this, primary schools can, from the coming school year, place a greater accent on sciences, technology and engineering. The teaching team will be able to focus even more strongly on STEM. In secondary education, the share of STEM study certificates has risen compared with the past two years (44.6% of the total number of study certificates in the 2012-2013 school year), while in higher education the rise continues (25.8% of the total number of diplomas in the 2013-2014 academic year). Science, engineering and education will be stimulated from the infants class to higher education.

Finally, an updated action plan for stimulating *entrepreneurial spirit and behaviour* through education will be developed.

2.5. Country-specific recommendation 5

Restore competitiveness by continuing the reform of the wage-setting system, including wage indexation, in consultation with the social partners and in accordance with national practice, to ensure that wage evolutions reflect productivity developments at sectorial and/or company levels as well as economic circumstances and to provide for effective automatic corrections when needed; by strengthening competition in the retail sectors, removing excessive restrictions in services, including professional services and addressing the risk of further increases of energy distribution costs; by promoting innovation through streamlined incentive schemes and reduced administrative barriers; and by pursuing coordinated education and training policies addressing the pervasive skills mismatches and regional disparities in early school leaving.

2.5.1. Reduce the impact on the energy bill through a more cost-efficient energy policy

Despite various amendments to the certification system for green energy and cogeneration (CHP), their costs rose sharply in recent years. In the coming years, these costs and their impact on the energy bill will, due to existing commitments, increase further. Furthermore, between 2009 and 2014, considerable amounts for certificate costs were not charged to the energy bill which will have to be charged in the coming years. These 'debts' are due to the certificate surpluses on the quota requirements for suppliers (many more certificates were issued than suppliers had to submit) and to the frozen low network tariffs (which meant that the network operators were unable to pass on their costs for buying up certificates at a minimum price).

The certificate costs that have not been charged by the network operators will, in the coming years, end up in the network tariffs. Within the framework of the sixth state reform, the power to set the tariffs of the gas and electricity distribution was transferred from the federal authorities to the regions on 1/07/2014. At the end of 2014, the Flemish energy regulator VREG approved the distribution network

a career in the exact sciences and engineering. The basic principles are: more attractive STEM education, well supported teachers, a carefully developed study and career choice, more girls in STEM training and professions, focus on excellence, an adjusted training mix, encouraging contributions from sectors, companies and knowledge institutions, focus on a high social appreciation of technical professions.

tariffs for electricity and natural gas for the period from 1/01/2015 to 31/12/2016. The VREG has chosen income regulation as methodology because it stimulates efficient business operations by network managers. The new tariffs reflect as well as possible the actual costs of the network managers, so that no new non-charged costs arise. The new distribution tariffs will also compensate the balances of the distribution system operator for 2008-2009. The balances for the period 2010-2014 have not yet been set; the Court of Appeal in Brussels is considering the question to stipulate which regulator is competent to determine the exact amount of these balances.

With regard to the surpluses in certificates for green energy and cogeneration, the governmental agreement of the new Government of Flanders provides for a further *reform of the support mechanism for renewable energy*. Various options are open for clearing the surplus in certificates (such as extending the banking of the certificates, an increase in the quota for cogeneration and green energy certificates etc.). In addition the aim is to make the support mechanism more efficient and more effective (such as a phasing out of the support for technology that is ready for market introduction, a gradual transition from operating aid to investment aid for solar panels etc.).

The Government of Flanders decided to compensate the indirect emission costs for those sectors that are exposed to a 'carbon leakage' risk. Financing for these compensations will be provided by the Flemish Climate Fund (that will be fuelled with the income from the auction sale of emission rights).

2.5.2. Business-friendly government

To achieve more customer friendliness and a better accessibility to the service provision and support instruments, a *new Agency for Innovation and Entrepreneurship (AIO)* will be set up. This integrates Enterprise Flanders (AO) and the business-driven services of the Agency for Innovation by Science and Technology (IWT). The objective is to bring support measures directed at innovation and those for economic support more in line with each other and to focus on one integrated and closely aligned support "tool box" with which Flemish companies and international companies wishing to locate in the Flemish Region can be supported as well as possible. Also, procedures will be made simpler and more transparent. One integrated digital portal (www.vlaanderenonderneemt.be) supported by the AIO will be expanded into a unique front office of the Flemish Authorities where the (future) entrepreneur can pose all his questions to the Flemish Authorities.

The incorporation of the new AIO reflects the decision in the governing agreement to *organise the Flemish Authorities in a more efficient way* by, for example, merging entities and policy areas and a further rationalisation of the management support functions. After the Government of Flanders gave its approval during the previous government period on 20/09/2013 to a concept note which proposed discontinuing 10 entities by integrating them into other entities, the governmental agreement will now discontinue an additional 20 entities. The reduction in the number of entities will result in an increase in the average size of the entities of the Flemish Authorities, which will benefit the efficient operation of these entities. During a merger operation, maximum effort will go into clustering tasks in a logical way and thus put an end to the current fragmentation of the range of tasks.

In addition, a *growth-driven cluster policy* is under development which will support the clusters in achieving ambitious programmes for competitiveness. In compliance with the SOETE I and II reports, a strong rationalisation of the innovation landscape will be achieved so that more critical mass arises and the service to companies is being streamlined.

2.5.3. A coordinated education and training policy

The *Youth Guarantee Implementation Plan* (YGIP) forms a framework for collaboration between the policy areas of Education and Work and the job placement service VDAB. To further optimise the collaboration and integration, the Flemish YGIP shall be updated in compliance with the policy lines of the new Government of Flanders. Actions around the prevention of early school drop-out and the *mis-match* of skills remain of primordial importance.

The collaboration between the Education and Work policy areas will thus be strengthened, both at the civil service and the political level. The social partners and the field will also be involved as much as possible. Thus the reform of the new dual system of learning and working will be directed by an inter-ministerial committee.

2.5.4. Address regional differences concerning early school-leavers

In the *Brussels Capital Region* (BCR), early school leavers continue to be a major problem. On the one hand, the Flemish policy applies in its entirety in the Flemish education offered in the BCR, on the other, close collaboration is undertaken with the competent Brussels instances. The Government of Flanders, for example, participates in the “Task Force Education, Training and Labour market” of the new Government of the Brussels Capital Region. This Task Force met for the first time on 21/01/2015. Its assignment is to shape the foundations of the “Work, Training, Education and Business Alliance”. It will give priority to drawing up a register of the education and training mix, exposing the needs of the evolving labour market and economy, proposing collaborations for apprenticeships and starter jobs and investigating how companies can be stimulated to notify the Employers Service of Actiris of their vacancies.

In addition, it is cooperating with the Flemish Community Commission (VGC) to develop actions aimed at preventing premature school leavers which could qualify for financing from the European Social Fund.

2.6. Country-specific recommendation 6

Ensure that the 2020 targets for reducing greenhouse gas emissions from non-ETS activities are met, in particular as regards buildings and transport. Make sure that the contribution of transport is aligned with the objective of reducing road congestion. Agree on a clear distribution of efforts and burdens between the federal and regional entities.

2.6.1. Emissions of greenhouse gases from non-ETS activities

The *Flemish Mitigation Plan 2013-2020* provides for a trajectory for considerably reducing all non-ETS sector greenhouse gas emissions. It was agreed, as part of the Flemish governmental agreement 2014-2019, that at least half of the Flemish reduction efforts would be achieved through reduction of its own greenhouse gases. For this, the Flemish Region will take all internal measures that are technically and economically feasible and socially acceptable. Most of the climate measures included in the plan, will be financed by the policy fields that carry the responsibility for their implementation.

In addition to this, the *Flemish Climate Fund* offers a financial framework for additional climate policy. When the Flemish Mitigation Plan was approved, an amount of 20 million euro was available in this fund; this was used to finance the first series of measures for the period 2013-2014. A large part of

these measures are in the building and transport sector, such as the increased premium for those who have their walls insulated and their windows replaced at the same time, an acceleration in making social dwellings energy-saving, the expansion of the number of electric charging points on parking lots in the Flemish Region (i.e. carpool parking and Park & Rides, see further 3.4.1.), the deployment of logistics consultants for small or medium-sized firms (SMEs) and energy consultants in the farming sector, for national heritage sites (see further 2.6.2.) and for tourist infrastructure, expansion of the quay-side energy inland waterway infrastructure for inland waterway shipping etc. The governmental agreement 2014-2019 states that the resources for the Climate Fund will, in internal policy, be prioritised for deployment in energy-saving measures.

The various policy areas involved are investigating the options for reducing the Flemish greenhouse gas emissions in addition to the measures and funds included in the Flemish Mitigation Plan.

2.6.2. Contribution of the building sector to the reduction of greenhouse gas emissions

The measures for reducing greenhouse gas emissions by the building sector are in particular aligned with the implementation of the European guidelines concerning energy efficiency and the energy performance of buildings.

In this connection, the Government of Flanders filed the *third Flemish Energy efficiency action plan* on 28/03/2014, which was submitted to the EC on 30/04/2014 as part of the national action plan. The Flemish action plan contains a first step towards a long-term vision of the thorough renovation of the existing housing stock. The new Government of Flanders has resolved to solidify this first step. The starting point is the Energy Renovation Programme 2020, which will be evaluated and adjusted to 2030 in consultation with the stakeholders.

In the shorter term, the Government of Flanders will revise the premium system for roof insulation and high efficiency glazing, by including a clear phasing out scenario, with the aim of accelerating the investment decision. In addition, extra stimuli will be included for thorough energetic renovations, towards the nearly zero-energy (nZE) performance level for existing housing that will be stipulated in consultation with the construction industry. The Flemish nZEB action plan will be implemented for housing development. The current Government of Flanders wishes to assess the nearly zero-energy levels already stipulated and the path for stricter levels every two years until 2021 against the progressive cost optimum.

Other measures concern raising the quality of the EPC for residential buildings, the implementation of the EPC for non-residential buildings, strengthening the programme for social roof insulation etc.

The Flemish Region also contributes to the core objective 'climate change and sustainable energy provision', research and development and employment with an *improvement of the building portfolio*. This takes place in collaboration with various interested parties via, among other things, a transition consultation where experiments are conceived with as large a social return as possible. Some examples: collective renovation of homes, achieving sustainable neighbourhoods, and test projects in, for example, adjustable construction (= future-driven). The achievement of test projects and the emergence of new business models will be coached, whereby the coaching will be financed from a rolling fund. In this way, the Government of Flanders will also promote the emergence of innovative market segments and employment. The creation of pleasant living and working places, with wherever possible attention for a well-considered and future-driven spatial implantation also aims for effects such as discouraging the use of the car, the improvement of social cohesion etc. This total vision aiming at various aspects of sustainability is translated into a number of assessment instruments for sustainable build-

ing. The Flemish Region promotes the use of these instruments for each type of building or environment: homes, office buildings, care infrastructure, school buildings, neighbourhoods etc. A permanent thematic consultation on 'sustainable building' between the various governmental services must remedy existing bottlenecks, so that sustainable building is given every chance.

Also the *Flemish Heritage* is a link in an innovative recycling economy and an economic use of space and materials and recycling of the protected real estate is an absolute priority. Resources from the Flemish Climate Fund will be used to train energy consultants for national heritage buildings. Energy-saving measures for monuments with a residential function will be integrated in practice. The emphasis will shift from only insulation and an individual approach to different energy-saving and collective initiatives.

2.6.3. Contribution of the transport sector to the reduction of greenhouse gas emissions and road congestion

The *Flanders Mobility Plan* proposes an integral policy response and will be implemented in conjunction with the policy plans concerning spatial planning and living environment. The final approval of the draft Flanders Mobility Plan by the Government of Flanders is planned in the spring of 2016.

With regard to the variable congestion charge, the Government of Flanders reached an agreement on 13/02/2015 about the replacement in the first half of 2016 of the current system of the Eurovignette by a *kilometer charge* for *heavy vehicles* from 3.5 ton Maximum Authorised Mass (MAM). Negotiations about the conditions and charges will be held with the sector. Trucks will have to pay for the use of all major arteries, and for parallel roads that could otherwise be used as rat runs. The kilometer charge will be collected using an exceptionally modern system. Special measuring equipment will be built into the trucks. Special control gates will be placed on the toll roads to identify trucks without measuring equipment. There will also be mobile checks to apprehend frauds. The Flemish governmental agreement states that during this term, consultation will be held with the other regions and the actors involved about whether, and under which conditions, a kilometer charge for *passenger cars* could be introduced in a budget neutral manner.

Integrated public transport policy Connections of the city and suburban transport to the railway will be guaranteed by, among other things, aligning the transport plans of the public transport operators and by further implementation of an integrated ticket system based on the MoBIB card norm. The integrated ticket is an integral part of the ReTiBo (Registration and Ticket System with On-board computer), which makes it possible to chart travel streams in an objective way, and to better coordinate supply and demand in an efficient way. Smart traffic lights on regional roads must guarantee a better traffic flow of public transport. In 2015, the fleet of hybrid buses of De Lijn will be more rapidly expanded and deployed optimally on the inner city and suburban routes. In the longer term, De Lijn will focus more on fully electric (city context) and hydrogen powered buses (inter-city routes).

More environmentally-friendly mobility and logistics chain. A more varied and combined use of the various means of transport will be actively pursued. For passenger transport, particular attention will be given to developing the nodes (Park & Rides, public transport, carpool parkings) where the various transport systems meet each other and which, in particular, can be reached easily and safely by pedestrians and cyclists. The development of an integrated bicycle route network is aimed at stimulating the use of the bicycle for school and commuter traffic. In addition, the Supra local Functional Bicycle Route Network ("Bovenlokaal Functioneel Fietsroutenetwerk") and the bicycle free-ways will be extended in regions sensitive to congestion.

In *freight transport*, the focus will, among other things, be on: (i) a cost efficient transshipment from one mode of transport to another, (ii) bundling of cargo and reducing empty transport, (iii) the innovative deployment of adapted vehicles, both on main routes and for the last mile, (iv) a better spread of the vehicle pressure outside peak hours. For the Iron Rhine project, money will be invested in a major study into possible routes, together with the Netherlands and North Rhine-Westphalia. The attractiveness of inland waterway shipping will be stimulated further by completing and optimising the network and also improving its quality. This will be done to achieve co-modality and to ensure that more shipping will mean fewer trucks, less congestion and a better trafficflow. The focus is on facilitating emission-reducing technologies onshore power supply, hydrogen and LNG and a sufficient range of waterside industrial estates will be provided, for example along the Seine-Scheldt axis and the Albert Canal (Economic Network Albert Canal). Both the Seine-Scheldt connection and the revaluation of the Albert Canal have already been integrated into the European 'North Sea – Mediterranean TEN-T-corridor'. The Flemish Region will continue its efforts to obtain maximum European co-financing for its most important infrastructural projects. The focus will be on increasing the market share of inland waterway shipping in the transport of pallet goods and waste streams; new product groups will be tapped.

2.6.4. Intra-Belgian burden-sharing

The national greenhouse gas emission projections will be updated around 15/03/2015, after which the Flemish emissions will also be assessed, taking into account the internal Belgian burden-sharing with regard to the 2013-2020 objectives. The Intra-Belgian burden-sharing with regard to the 2020 Climate and Energy Package has, however, not been finished and will be completed as quickly as possible. In the meantime, the Flemish Mitigation plan assumes a provisional indicative reduction objective of -15% for the non-ETS sectors in 2020 compared to 2005.

3. Progress concerning the realisation of the Flemish Europe 2020 objectives

Introduction

The Flemish Region and the Flemish Community are also following very closely the progress of the Flemish Europe 2020 objectives. We discuss here the state of matters concerning the progress in the Europe 2020 objectives and the measures that have been taken in that area.

3.1. Employment rate

3.1.1. Background

In 2013, 71.9% of the Flemish population between 20 and 64 were at work. This shows that the total employment level has remained about the same in recent years. At this rate of growth, achieving the 76% objective by 2020 is a big challenge. The economic recovery after the crisis has still not arrived and the increasing ageing of the working-age population is holding back progress. Furthermore, a number of specific groups are under-represented in the labour market: women, older employees, low-skilled, persons with a migrant background and persons with a disability.

| core indicator | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Target 2020 | Distance |
|---------------------------------|------|------|------|------|------|------|-------------|--|
| Employment level (20-64) (%) | 72.3 | 71.5 | 72.1 | 71.8 | 71.5 | 71.9 | 76 | 4.1 ppt Place 10 out of 28 (in 2013) |

The Flemish Region is doing better than the Walloon Region (61.8%), the Brussels Capital Region (58%), the Belgian average (67.1%) and the EU28 average (69%). This European average conceals very large differences in employment between the member states, where there is a gap of 26.1% between the first (Sweden) and the last place (Greece). In 2013, the Flemish Region had to allow our neighbours, with the exception of France and the G-D of Luxembourg, and the Scandinavian countries to pass us by together with several other member states.

In order to reach the overall European 75% objective (76% for the Flemish Region) by 2020, it will be necessary to follow various paths, from increasing labour participation for many vulnerable groups such as older unemployed, persons with a migrant background etc. to stimulating the re-entry of the silent labour reserve among women.

| Sub indicators | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Target 2020 | Distance |
|--|------|------|------|------|------|-------------|-------------|----------|
| Employment rate group with reduced chanc- | | | | | | | | |
| 15-24 (%) | 31.7 | 28.6 | 28.8 | 29.4 | 28.1 | 27.7 | | |
| 50-64 (%) | 49.1 | 50.9 | 53.1 | 53.6 | 54.6 | 56.5 | 60 | 3.5 ppt |
| 55-64 (%) | 34.3 | 35.8 | 38.2 | 38.9 | 40.5 | 42.9 | 50 | 7.1 ppt |
| Women (%) | 66.1 | 65.7 | 66.7 | 66.4 | 66.2 | 66.9 | 75 | 8.1 ppt |
| Non EU-nationality (%) | 47.2 | 46.9 | 44.4 | 46.3 | 42.7 | 46.4 | 58 | 11.6 ppt |
| Born outside EU (%) | 56.3 | 53.4 | 53.4 | 53.0 | 51.8 | 54.9 | 64 | 9.1 ppt |
| With work disability (%) | - | 37.5 | 33.5 | 38.6 | 38.7 | 40.4 | 43 | 2.6 ppt |

The *labour participation of the 15-24 age group* is generally low because a large number of those in this age category is still studying. This is also the case in the Flemish Region (28.2%) in 2013, and to an even higher degree in the other 2 regions, where fewer young people are in work than the average in the EU28 (32.4%). In a number of member states, mainly countries where young people combine their studies with a (part-time) job such as in the Netherlands (62.7%), the 15-24 age group shows a higher employment rate.

The *Flemish 50-over 55* remain increasingly longer at work in recent years and the crisis has not led to a disruption of this trend, not even in 2013. This age category, where, internationally, the Flemish Region scores badly, is still far removed from the objectives, respectively 60% and 50%.

After a break in 2009 and 2011-2012 in the growth that took place for years on end in the *women's employment rate*, the employment of Flemish women (66.9%) in 2013 seems to have latched on to the climbing figures. With around 2 out of 3 women at work, the Flemish Region rises above the EU28 average and that of the other 2 Belgian regions, but is still a long way removed from the 75% objective.

In common with the Brussels Capital Region, the employment of the *Flemish persons with a work disability* increased in 2013 (and thus reduced the distance to the Flemish 43% objective). That is also true for the employment of persons with a migrant background in the Flemish and Walloon Regions. The employment rate of both persons with a non-EU nationality and those born outside the EU shows an increase in 2013. The distance to the stipulated targets (58% and 64% respectively) is still large and we do not score so well in a EU-European comparison perspective.

3.1.2. Measures

For a summary of the recent measures that contribute to achieving the employment rate objectives, please refer to part 2. The measures were included there since these offer a direct response to the country-specific recommendations, more specifically the demand to increase labour market participation (see 2.4., answer to CSR 4.).

In the Flemish action plan for reducing the *gender career gap*, specific attention will be given to vulnerable groups, such a single parents, parents with a migration background, re-enterers and the low-skilled.

3.2. Education

3.2.1. Background

The *share of premature school leavers* clocked off in 2013 at 7.5%, and this continued the decline started in 2012. Yet the Flemish Europe 2020 objective of 5.2% remains rather far off. As far as the *share of the 30-34 year olds with a higher education degree*, a slight decline was seen in 2013 (44.1%) compared to 2012 (45.3%), but the Flemish objective of 47.8% certainly remains in sight. With the EU, the Flemish Region is not doing badly with a ninth position, but it is certainly not in the top.

| core indicators | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Target 2020 | Distance |
|--|------|------|------|------|------|------|-------------|--|
| early school leavers (%) | 8.6 | 8.6 | 9.6 | 9.6 | 8.7 | 7.5 | 5.2 | 2.3 ppt Place 9 out of 28 (in 2013) |
| 30 to 34-year-olds with higher education diploma (%) | 43.6 | 43.1 | 45 | 42.3 | 45.3 | 44.1 | 47.8 | 3.7 ppt Place 9 out of 28 (in 2013) |

3.2.2. A comprehensive policy on study entitlement, truancy and premature school drop-outs

The policy on study entitlement, truancy and premature school drop-outs was discussed under 2.4.5. (*answer to CSR 4*).

3.2.3. Giving students the best chance for success

In recent years, universities and high schools have achieved a far-reaching flexibility in their curricula and organisation, with considerable positive effect. The conclusion is, however, that this has caused an increase in complexity and that there are also a number of disadvantageous consequences, such as the length of studies increasing. That is why measures are being taken to stimulate students to adopt a full-time package in student points and, when that proves necessary, to make a faster reorientation both within and outside the current institution.

Following a good study choice path ensures that the pupils choose specifically for learning and that, more than today, the course of study chosen reflects their talents. The orientation test at the end of secondary education is new and forms the conclusion of this study choice path. When choosing a course of study, each pupil must know what the possibilities are. In consultation with the education partners involved, a *mandatory non-binding orientation test* will be introduced so that pupils can obtain a good insight into their further possibilities. This test is an important instrument in the support given to the choice of study and profession.

In addition to this orientation test, the focus will also be on a good commencement diagnostic at the start of higher education, and mandatory, non-binding entrance tests per course or cluster of courses. Because of the complexity of developing valid entrance tests, a start will first be made with an entrance test for the integrated teacher training for nursery education, primary education and secondary

education and an entrance test for the exact and/or engineering sciences. Entrance tests can subsequently be developed for other courses in higher education.

3.2.4. Strengthening higher vocational education

The *higher vocational education (HBO5)* will be developed into a mature part of higher education. Via this path, more young people will have the chance to obtain a higher education qualification and to stream into the labour market or subsequently follow a shortened course for a professional bachelor education. Since 1/09/2014, the university colleges, centres for adult education and secondary schools with HBO5 nursing are jointly responsible for the HBO5 courses. Together with these partners, we are working on an optimisation of the HBO5 landscape. The intention is to eliminate the differences within the HBO5 mix which exist between university colleges, secondary schools and the centres for adult education in the area of staff legislation, student provisions, examination disputes, grants etc. A study will also be made into how the financing system for the HBO5 can fit in better with that for higher education.

3.3. Research and development

3.3.1. Introduction

The *R&D indicator* (being the R&D expenditures as % of GDP) for the Flemish Region is 2.42% (BERD: 1.62, non-BERD: 0.80) in 2012. This represents a total expenditure of 5.204 billion euro. It is a better score than the EU average but less good than the EU top regions and countries. In 2014, the Government of Flanders invested 2.177 billion euro for science and innovation policy, of which 1.354 billion euro for R&D. Of this, 48% was intended for non-targeted and 52% for targeted research. In 2012, the Flemish Region spent 0.71% of the GDP on R&D (publicly funded). This is better than the score for the EU28 (0.67%) and for Belgium as a whole (0.66%).⁴⁴

| core indicator | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Target 2020 | distance |
|--|------|------|------|------|------|------|-------------|--|
| Gross domestic expenditure for R&D (%) | 2.06 | 2.12 | 2.29 | 2.41 | 2.42 | | 3 | 0.58 ppt Place 9 out of 28 (in 2013) |

The Government of Flanders continues to work on an *ambitious strategy for R&D and innovation*, whereby the focus is on a qualitative implementation of the 3% target. Thereby, the principles apply of customer-orientation, efficiency, lowering the thresholds for companies that want information and apply for public support, and the simplification of the instrument mix to be more effective with less red tape. Other policy areas will also be stimulated from the economic and innovation policy towards greater entrepreneurial behaviour and commercialization of innovation. To achieve the best possible leverage and valorization and marketisation, the *government resources* for economy and innovation *will be deployed as efficiently as possible*. The *principle of excellence* applies for the deployment of *innovation*

⁴⁴ For additional information concerning the policy with regard to Science, Technology and Innovation in Flanders, see the publication "STI in Flanders" <http://www.vlaanderen.be/nl/publicaties/detail/sti-in-flanders-science-technology-and-innovation-policy-and-key-figures-2014-1>

resources and the government budget for R&D must generate a *multiplier effect* whereby private R&D investments are attracted. Since the marketing, valorisation and marketisation of research and innovation strengthens our economic fabric, the economic and innovation policy will be resolutely directed at the *transformation of the industrial fabric and growth of Flemish SME's (small and medium-sized firms)*.

In September 2013, the EC proposed an *innovation output indicator (IOI)* based on technological innovation, skills and economic structure, competitive strength and dynamism. The value for a member state is calibrated to that of the EU28 in the base year 2010 (= 100). A high value indicates a positive position and vice versa. For the first time, the score at Flemish level was calculated: for 2012, the Flemish Region obtained an IOI score of 90.7, which can be called mediocre. That is less than in all the neighbouring countries and the Scandinavian EU member states. The Mediterranean and new member states, however, do less well.

That the Flemish Region in absolute value scores less well on this indicator is not illogical because this indicator is strongly determined by the output of large international R&D-intensive companies. For the Flemish Region, it is therefore important to monitor the evolution rather than the absolute position in the ranking.

| sub indicator | 2010 | 2011 | 2012 | Positioning |
|------------------------------------|------|------|-------------|-------------------------------------|
| Innovation output indicator | 91.2 | 91.8 | 90.7 | <i>Place 13 out of 28 (in 2012)</i> |

The policy note 2014-19 Work, Economy, Science and Innovation contains a number of objectives for the research field (see later 3.3.2 to 3.3.5) concerning “investment”: the creation of long-term preconditions for creating business and employment potential that is necessary as an answer (or as preparation) to the radical transitions of our society and our economy. A number of other objectives (see later 3.3.5 and 3.3.6) relate to “activation”: taking efficient and targeted measures, when it is determined that (despite the potential present) the desired initiative is not achieved.

3.3.2. Investing in versatile employees and companies

Investing in skills includes, among other things, the objective around the deployment of a well-founded choice of study and profession; the STEM action plan is also part of this (see 2.4.9., answer to CSR 4).

Investments will also be made in the *preconditions for innovation-driven entrepreneurship*. First, we can refer to the investments in knowledge acquisition and innovation. The support of R&D&I projects at the initiative of the companies takes place through a target-group driven approach. The offer is differentiated according to the needs of the companies. At large (multinational) companies and other R&D intensive companies, the multiplier effect of public support in the form of additional private investments in R&D is crucial. For traditional small or medium-sized firms and non-knowledge intensive large companies, the focus is placed on supporting projects that contribute to the ‘transformation of the industrial fabric’ and the growth and competitiveness of the individual companies (acquiring innovation capacity, accessible project support at small or medium-sized firms). The existing investment supporting instruments at PMV will be deployed to the maximum, including the SOFI fund for the benefit of spin-off companies.

3.3.3. Investing in an excellent knowledge base

In its efforts to reach the 3% objective for the R&D indicator, the Government of Flanders has committed itself to achieving 1/3rd of this through public financing. For this, a *budgetary growth path* for, among other things, science and innovation, is foreseen in 2014-19. Those extra resources will be spread in a balanced way across the whole innovation chain, with a maximum efficiency in the deployment of resources in addition to the leverage effect towards the private sector. For 2015, 20 million euro extra has been earmarked in the ESI field for the Hermes Fund for the support of Economy, Science and Innovation. Through the growth path for the integration of higher education, 1 million euro extra from the policy area Economy, Science and Innovation has been earmarked for R&D and from the Education policy area 55.7 million euro extra for science and innovation, of which 35 million for R&D.

Excellence must be the starting point when making choices with regard to the support of research, for the encouragement of internationalisation or extending new research infrastructure. A new management agreement 2014-2018 was signed between the Government of Flanders and VITO, whereby the annual allowance of VITO was raised during this period. In May 2014, the Government of Flanders approved the new strategic research centre in the smart manufacturing industry. From the autumn of 2014, the Flemish research centres Flanders Mechatronic Technology Center, Flanders' DRIVE together with research groups from the five Flemish universities have bundled their strengths in "*Flanders Make*". That will support the companies in the manufacturing industry in the Flemish Region in strengthening their international competitive position and to make innovative entrepreneurship possible in this industry (see further 4.9.).

In order to boost the participation in European programmes, an evaluation will be made into how the various target groups (on the one hand companies, in particular the small or medium-sized firms; on the other, the universities and research institutions) can be helped to the optimum, taking into account their specific needs and level of experience. To create the maximum leverage with Horizon 2020 (R&D&I) and ESIF (regional policy), the Flemish science and innovation strategy will be aligned with the *European financing and policy instruments*.

A *strategy for researchers and other knowledge workers* will be developed, with attention for career aspects, flexible work, attracting foreign talents, mobility from and to the industry, progression and multi-discipline training. A system of innovation work placements (traineeships) will also be developed in the future. Priority attention will be given to young researchers and the progression of those holding a doctorate into the labour market.

The Government of Flanders wants the Flemish universities, strategic research centres and Flemish public knowledge institutions to have a state of the art *research infrastructure* at their disposal. Opening these infrastructures to companies will contribute to the strengthening of the competitiveness of Flemish companies. Initiatives in this include support to the Flemish Super Computer (FSC), to medium-large and heavy research infrastructure (via the Hercules Foundation) and (further) participation in the various initiatives of the *European roadmap for research infrastructures*, ESFRI. A Belgian ESFRI roadmap is in preparation; the Hercules Foundation in collaboration with the EWI department will participate in this on behalf of the Flemish Community. In the framework of SALK (Strategic Action Plan for Limburg Squared), the decision was taken at the end of 2013 to extend a VIB research group in the field of autoimmune deficiencies in the Bio-Medical Research Institute (BIOMED) of the Hasselt University. In the spring of 2014, iMinds Health was launched on the campus of the Hasselt University. It is a digital innovation centre that must address the challenges of the care and health sector.

Research institutes are being stimulated to publish their research results in open access and to release the research data that provides the foundation for the publications as open data. The access to infor-

mation about publicly financed research in the Flemish Region will be ensured from the FRIS research portal.

3.3.4. Investing in a simplified customised service

See 2.5.2. (answer to CSR 5).

3.3.5. Investing in European, international and inter-regional networks

The Flemish Region is very active in supranational and cross-border networks and subscribes to diverse international objectives. Examples are the participation in the EU Horizon 2020 programme, the OP 2014-19 with focus on R&D&I, Joint Programming, ESFRI, EIT etc. the Flemish Region, as founder of the *Vanguard Initiative*, is also active in various pilot actions for inter-regional collaboration in fields of European importance such as the KETs (advanced manufacture and bio-economy). Work is being undertaken on European networks for demonstration and pilot production in new value chains. One of the pilots in which the Flemish Region, together with South Netherlands, is the leader, is 3D printing.

3.3.6. Activating the innovation potential in small or medium-sized firms and large companies

Companies (in particular small or medium-sized firms) that as yet innovate too little will be made more innovation-driven, brought into contact with innovation inside and outside their sector, and their innovation capacity will be increased. Targeted instruments will be provided for this for innovative starters, innovative companies and innovation followers. Examples are the VIS-IV trajectories for innovation followers, the “SPRINT projects” for large companies with a (too) limited research department or with no such department at all. A strategic innovation support will also be introduced to support the focus strategy of FIT, which aims to attract targeted foreign investments.

3.3.7. Innovation-supporting purchasing by the government

The drafting of an ambitious plan for innovative purchasing and procurement will be supported, and this plan must emphasize on chances for small or medium-sized firms.

3.4. Climate and energy

3.4.1. Introduction

The climate and energy theme of the Europe 2020 strategy contains the following 3 objectives for Belgium: (1) a reduction in greenhouse gas emissions by 15% in 2020 compared to 2005 in the sectors that do not fall under the European emission trade system for energy-intensive companies (non-ETS sectors), according to a linear declining emission reduction programme between 2013 and 2020, (2) a share of 13% renewable energy in the gross final consumption of energy in 2020 and (3) an indicative objective to reduce the primary energy use by 18% compared to the projections towards 2020 (based

on Primes 2007 Baseline scenario). The Intra-Belgian burden-sharing with regard to the 2020 Climate and Energy Package has not yet been completed.

For greenhouse gas emissions, the Flemish Region is using a provisional indicative reduction path for 2013-2020. This formed the basis for the Flemish Climate Policy Plan that was approved on 28/06/2013 by the Government of Flanders. The total Flemish greenhouse gas emissions in 2012 were 8% lower than the reference year 1990 (the Flemish greenhouse gas emission reduction objective for the period 2008-2012 was 5.2%). For the 2013-2020 period, Europe only imposes a Belgian objective for the non-ETS sectors and no longer for the ETS emissions.

The Government of Flanders aims to save at least 9% of energy in 2016 on the basis of the average final energy consumption (2001-2005), in accordance with the objective of the energy efficiency directive. In 2012 the energy saving was 16,499 GWh (8.8%), which means that the objective for 2016 has almost been achieved. The Flemish action plan for energy efficiency shows that the final savings that are expected at the end of 2016 will be 162% of the proposed target value. The Flemish primary energy use has shown a declining trend since 2006, with the exception of the cold years of 2010 and 2013, and amounted to 32 million tons oil-equivalent in 2013.

The renewable energy objective for the Flemish Region is still to be stipulated in accordance with the internal Belgian burden-sharing. The Flemish Region does, however, have, as a guideline, the objective of 10.5% of renewable energy by 2020. After a strong development in 2009 and a more moderate growth in 2010 and 2011, the share of the renewable energy sources in the gross final energy consumption has increased considerably in 2012 and 2013. In 2013, 5.8% of the gross final energy use was derived from renewable energy sources.

| core indicators | 2005 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Target 2020 | distance |
|--|--------|--------|--------|-------------------------|--------|---------------------------------------|-------------|---|----------|
| Greenhouse emissions non-ETS greenhouse gas emissions scope 13-20⁴⁵ (kton) | 44,509 | 45,381 | 44,733 | 46,405 | 42.928 | 43.273 | | Effort sharing between Regions is necessary <i>Place 17 out of 28 (in 2012)</i> | |
| Energy efficiency Saving final energy use non-ETS (GWh, % compared to 2001-2005) | | | | 10,818 GWh (5.7%) | | 16,499 GWh (8.8%) | | (Flemish target 9% energy saving compared to average 2001-2005) | |
| Primary energy use, excl. Non-energetic (Mtoe) | | 32.9 | 32.0 | 33.8 | 31.6 | 31.1 | 32.0 | <i>Place 15 out of 28 (in 2013)</i> | |
| Renewable energy Share of renewal energy in gross final energy utilisation (%) | | 2.9 | 3.9 | 4.5 | 4.5 | 5.6 | 5.8 | Effort sharing between Regions is necessary (Flemish indicative objective 10.5% in 2020) <i>Place 25 out of 28 (in 2013)</i> | |

3.4.2. Flemish measures for reducing greenhouse gas emissions

Various measures have already been discussed under 2.6.1. and 2.6.2 (*answers to CSR 6*) that must lead to a reduction of the greenhouse gas emissions.

In the implementation of the European Clean Power for Transport Directive 2014/94/EU concerning the roll out of the infrastructure for alternative fuels, Belgium, and thus also the Flemish Region, must draw up a national policy framework no later than 18/11/2016. At this moment, a Flemish policy plan is being prepared for the implementation of this directive.

As far as the *implementation of infrastructure for electric vehicles* is concerned, mention can be made of the construction of charging points. Currently, the 1st phase of the implementation of charging points at carpool parking places and Park & Rides by the Road and Traffic Administration is up and running. The Flemish Climate Fund is intervening financially in order to prepare the parking areas ("carpool parking places") owned by the Flemish Region for use. In addition to the 319 charging points in the living lab platforms, the number of planned charging points, in the context of approved support files Ecology Premium Plus, is estimated at around 400. Outside the living lab, charging points are also being installed in company parking lots, (semi) public parking lots and the public highway. A sum-

⁴⁵ When determining the Belgian non-ETS objective, account was taken of the increase of additional emissions under ETS from the period 2013-2020 (scope 13-20). The non-ETS greenhouse gas emissions are therefore expressed taking into account this ETS scope expansion.

mary of this will be made operational based on a new survey among the operators of the charging infrastructures. The results of this survey will be published in the final report of the Programme Office⁴⁶.

During the coming months, the establishment of *Low Emission Zones* will be elaborated further in the form of a Flemish Parliament Act and implementing decree and it is the intention that municipalities should be able to start using the measure from 2016.

When drawing up the *Spatial Development Policy Plan for Flanders*, the focus will also be on a resilient space that can absorb the shocks of the consequences of climate change. The network supplies essential ecosystem services in both rural and urban areas, including water storage, air purification and temperature regulation. A green-blue arterial network through the open and built-up space offers society many advantages in the area of climate regulation, rural experience, and recreation possibilities... and is a conscious part of spatial planning and area development.

3.4.3. Flemish measures for improvement in energy efficiency

Supplementary to the measures of the building stock (see 2.6.2. *answer to CSR 6*), the Government of Flanders wishes to stimulate further the energy efficiency in companies. For the target group of energy-intensive companies, the *energy policy agreement* instrument was approved in 2014 by the Government of Flanders. The energy policy agreements came into effect on 1/01/2015, following on from the cessation of the benchmark and the audit covenant, and runs until the end of 2020. If there is a high entry percentage, then one can expect an annual energy efficiency improvement of 1%. Large businesses must also carry out a compulsory energy audit no later than 1/12/2015. The new Government of the Flemish Region shall also study ways in which the energy efficiency of other companies can be stimulated. For small or medium-sized firms, a benchmark tool will be developed step-by-step so that they can compare their energy consumption and technology used within their sector.

In addition, the Flemish Mitigation Plan (see 2.6.1., *answer to CSR 6*) contains energy-efficiency measures for all non-ETS sectors, including the measures stated for the building stock and the aforementioned energy policy agreement.

3.4.4. Flemish measures for the increase in the share of renewable energy

After the approval of a cooperation partnership with the Federal Government and the other two regions, the *renewable energy action plan 2020* will be submitted to the Government of Flanders. This plan must guarantee a further growth in the production of renewable energy, whereby the objective will be achieved in the most cost-efficient way.

The Government of Flanders wishes to strengthen the investment climate for renewable energy. The current certificates system for green energy and CHP will be adjusted (see 2.5.1., *answer to CSR 5*).

In addition to the production of green electricity, the Flemish Region will also focus on the production of *green heat*. The current support mechanism of cogeneration certificates will be adjusted and continued (see 2.5.1., *answer to CSR 5*). In addition, a Flemish heat plan is being prepared as implementation of the European energy efficiency directive. An assessment will be finalised no later than the end of 2015 of the potential for qualitative cogeneration and for efficient district heating and cooling. In addi-

⁴⁶ <http://www.proeftuin-ev.be/>.

tion, a roadmap will be developed to encourage the expansion of the heat networks (public and private) and to arrive at a Flemish regulatory framework for heat networks, heat services and heat markets. The current support for green heat will be continued. New calls will be organised for the allocation of investment support for installations larger than 1MW, for residual heat recuperation projects and for the injection of biomethane. Based on the first projects for the production and injection of biomethane in the natural gas network, policy will be developed that stimulates the production of biomethane.

At the start of 2014, the obligation to integrate a system of renewable energy generation became effective for all new houses, offices and schools. The new Government of Flanders shall also strive to determine a cost optimal minimum share of renewable energy for non-residential buildings, other than offices and schools.

The Government of Flanders decided on 20/3/2015 to accelerate the achievement of the renewable energy objective with a so-called 'Fast Lane': the placement of wind turbines in those areas where the least nuisance is caused. One working group searches for suitable areas and another working group investigates ways to accelerate procedures.

3.5. Poverty and social exclusion

3.5.1. Introduction

The Flemish Region wants to reduce the number of people in poverty or social exclusion by 30% between 2008 and 2020. That means that by 2020, the number of persons in the Flemish Region in poverty or social exclusion according to the EU2020 definition must drop by 280,000⁴⁷. Despite the many measures that have been taken both before and since the adoption of the Poverty Act in 2003, the poverty situation in the Flemish Region has not been sustainably improved. A side remark here is that the Flemish Region is at the European top with regard to poverty or social poverty; as far as child poverty is concerned, we have dropped in the European ranking to a fourth place.

| core indicator | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Target 2020 | distance |
|---|------|------|------|------|------|------|------------------------------|-----------------------------|
| Combined indicator (% persons in poverty or social exclusion) | 15.2 | 14.6 | 14.8 | 15 | 16 | 15.4 | 10.5% | 4.9 ppt |
| | | | | | | | (= -30 % or -280,000 persons | Place 1 out of 28 (in 2013) |

In order to achieve the objectives above, an integrated policy is necessary that starts from a shared vision on poverty reduction that permeates all policy levels and policy fields. Within the Government of Flanders, the minister for poverty reduction coordinates all measures in the area of poverty reduction. The instruments of the Poverty Act, such as horizontal and vertical permanent poverty consultation,

⁴⁷At the same time, the Government of Flanders is aiming for a 30% reduction by 2020 on the 3 sub-indicators of the EU2020 indicator individually. That means a 30% reduction in the number of persons with a household income under the poverty risk threshold, a 30% reduction in the number of persons in serious material deprivation and a 30% reduction in a household with very low work intensity.

will be deployed. The implementation of the poverty policy will be described in a *new Flemish Poverty Reduction Action Plan 2015-2019*.

3.5.2. A more structural approach to the Flemish poverty reduction policy

The Flemish poverty reduction policy must evolve into a more structural and less project-based approach, transcending policy levels and areas. The Flemish governing agreement shifts the battle against *child poverty* and generation poverty to the fore as priorities within the poverty reduction policy. That is why the focus will be even more firmly on families in poverty with young children.

| Core indicator | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Target 2020 | distance |
|---|------|------|------|------|------|------|-------------|--|
| % children with a standardised available household income under the poverty risk threshold after social transfers | 9.9 | 9.8 | 11 | 10.4 | 11.5 | 12.1 | 5% | 7.1 ppt Place 4 out of 28 (in 2013) |

The current Poverty Act dates from 2003. The Government of Flanders will evaluate this act and update it where necessary, in order to better contribute to the objectives concerning poverty reduction. The integration of the subsidies for local child poverty reduction in the Municipality Funds will be included in that and the directing role of local councils will be made more explicit.

There to, the Government of Flanders will first concentrate on *preventing* people ending up in poverty or social exclusion, to which aim, instruments will be deployed that fight under-protection. Wherever possible, the aim will be the automatic allocation of social rights. Should this prove impossible, we shall see whether further administrative simplification is possible and concentrate on proactively informing people about their fundamental social rights. In addition, there is a need for a local coordination and direction, considering their role in combating insufficient protection.

A second objective for preventing poverty is a systematic prior assessment of changing or new legislation on effects on people in poverty and the poverty situation in the Flemish Region. The *poverty assessment* will be implemented further to check whether any proposed legislation does not create new poverty or social isolation or retain people in poverty.

The third objective is the focus on a correct *public perception* of poverty. For this, a broad social backing for poverty reduction will be assured by actively involving both public and private actors in the development and improvement of solutions for this problem.

In addition to measures for the prevention of poverty, structural measures for *combating* poverty are also required. Each Flemish minister shall formulate concrete measures in this area and take actions for each of the fundamental social rights that belong to his/her area of authority. Thereby, the opportunities offered by the transfer of powers in the framework of the sixth state reform, will be identified and used to the full in the fight against poverty.

A social premium will be provided for children who grow up in a family with a low income in order *to combat child poverty*. The income limit of this premium is family dependent and thus takes into account the size of the family. The Government of Flanders will assume as quickly as possible the payment of the Flemish family benefit from FAMIFED (at the earliest from 1/01/2016 but no later than 31/12/2019).

The active inclusion of people distant of the labour market. For certain people (for example, people with a medical, mental, psychological, psychiatric problem (MMPP) or people in poverty), it is difficult to step immediately into (paid) work. For them, the Government of Flanders is investigating how they can gradually implement the Flemish Parliament Act concerning work and care trajectories within existing budgetary possibilities. The priority is given to elaborating activation and orientation trajectories. The poverty trajectories will be structurally embedded in the activation trajectories. The Government of Flanders also gives attention here to persons re-entering the labour market. The RIZIV and other actors are reviewing how they can cooperate in order to support persons with sickness and incapacity benefits in their labour participation. In order to gradually shape these programmes, the Government of Flanders will consult with the work, welfare and care fields, and also with the local and federal public authorities.

Combating inadequate housing and homelessness. The framework decision on social rent will be thoroughly evaluated and simplified. In the future rent price calculation for social housing, other things will be taken into account, including the energy performance and renovation of the dwelling, the income of the inhabitant and regional differentiation will be made possible. The Government of Flanders wishes to promote advancement to the private rental or ownership market by those who can climb the housing ladder. In this way, social housing can be made available to the most needy. In order to address energy poverty at the source, further emphasis will be placed on the energy renovation programme (ERP 2020).

Participation by the target group contributes to a better and more effective policy on poverty reduction. Finally, the poverty policy will be underpinned by investing in knowledge development where there are still gaps, by cross-fertilisation of various types of available knowledge in the policy preparation, execution and evaluation, and through a thorough monitoring of the evolutions in the area of poverty and social exclusion.

Most measures will be further finalised and made operational in the coming months.

4. Additional reform measures in implementing the annual growth analysis 2015 and the use of the structural funds

Introduction

In the AGS 2015⁴⁸, an integrated approach around three pillars (structural reforms, investments and budgetary responsibility) takes central place. For 2015, the EC recommends focusing the attention on seven important reforms. The measures the Flemish Region is taking in this will be discussed briefly here (4.1 to 4.7) and, in addition, the industrial policy (4.8) and the use of structural funds (4.9) will be examined.

4.1 Improve the dynamic of the labour markets and tackle the high unemployment

The main conclusion when we look at the evolution of the **training participation of the employed** in the Flemish Region is that since 2006 a downward trend can be detected: from 9.6% to 7.1% in 2013. Women participate slightly more in training than men and older employees lag somewhat behind the rest.

| sub indicator | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Pact 2020 | distance |
|------------------------------|------|------|------|------|------|------|-----------|----------|
| lifelong learning (%) | 7.6 | 7.4 | 8.2 | 7.5 | 6.8 | 7.1 | 15 | 7.9 ppt |

The Flemish Region attaches great importance to 'lifelong learning'. In its contribution to the mid-term review of the EU2020 strategy the Flemish Region proposed to introduce a new objective on lifelong learning. This must be reflected in the policy. With regard to the level of participation to lifelong learning many challenges remain.

Concerning adult education, starting from the various studies and part evaluations into the operation of this sector, we shall work closely with the education partners on a shared policy vision and an up-to-date description of the social assignment. The focus will be on making the institutions more decisive for adult education, so that they can address their assignment with a maximum autonomy. But at the same time without sacrificing the current accessible operation and regional embedding. In order to achieve this, we shall strive for an organisational redeployment and a more modern financing system. This will induce the institutions to use the resources as rationally as possible and to deploy them more for vulnerable target groups. In addition, a better cooperation by the adult education with other suppliers of vocational training, the business community, welfare institutions, the social-cultural and youth sector and local authorities will be accomplished. In addition, as already indicated, we shall work on an integration of the various training incentives to promote participation in structural lifelong learning, with attention thereby for those workers who currently participate less in training.

⁴⁸ http://ec.europa.eu/europe2020/pdf/2015/ags2015_nl.pdf

Furthermore, the Government of Flanders will continue to focus here on upgrading vocational trainings (see 3.2.4) and systems of dual learning (see 2.4.7., answer to CSR 4).

4.2 Pension reforms

See in particular the measures taken (see 2.4.1., answer to CSR 4) with regard to the activation of older unemployed persons up to the age of 65.

4.3. Modernising the system of social protection

The Flemish Region will be taking measures for *high quality health care* and in this connection reference can be made to e-health care and more specifically to Vitalink⁴⁹. Vitalink is the new, digital platform of the Flemish Authorities for the secure sharing of care and welfare data. Every care provider, from general practitioner to home nurse, can, in a simple way, access correct and complete patient information, so that collaboration between care providers is possible through Vitalink.

| Sub indicator | 2003 | 2007 | 2010 | 2013 | Pact 2020 | distance |
|----------------------------------|------|------|------|-------------|-----------|----------|
| workability Employees (%) | 52.3 | 54.1 | 54.3 | 54.6 | 60 | 7.9 ppt |
| workability Self-employed | | 47.7 | 47.8 | 51.4 | 55 | 3.6 ppt |

The *share of the Flemish employees that has a high-quality job* in the area of psychological fatigue (work stress), well-being at work, learning possibilities and work-personal life balance has risen from 52.3% in 2004 to 54.6% in 2013. Between 2004 and 2007, the workability level increased by 1.8 percentage points; subsequently, the growth stagnated with the arrival of the economic crisis. Conversely, the *share of employees that is confronted with one or more workability problems* has declined from 47.7% in 2004 to 45.4% in 2013. Work stress remains the greatest bottleneck for the workability of salaried jobs. Although the overall workability increased between 2004 and 2013, the current tempo of growth is insufficient to reach the final aim of 60% workable jobs for employees by 2020. In 2013, a *workability level among self-employed persons* was noted of 51.4%. While there was hardly any evolution in the workability level of the self-employed between 2007 and 2010, there is an increase in 2007 of 3.6 percentage points in comparison with the measurement in 2010. If this growth rhythm is maintained, the 55% objective by 2020 seems feasible. In common with employees, work stress is also the most important bottleneck for the self-employed to obtain more workable labour.

The focus on supporting initiatives and raising awareness is indicated to increase the workability of jobs and also measures that focus on a good combination of work and family (see 2.4.3., answer to CSR 4) could mean an important added value here.

4.4. Improving the flexibility of the product and services markets

The Flemish Regulating Body for the Electricity and Gas Markets (VREG) has, since the liberalisation, brought transparency to and made the client aware in the energy market via the price comparison module V-TEST, the module for comparing the customer-friendliness of the suppliers. For other measures concerning the energy sector, see 2.5.1. (answer to CSR 5). As far as access to a profession

⁴⁹ <http://www.vitalink.be/VitaStart.aspx/>

(business skills, ambulant trade, funfair activities, empowerment pork-butcher), a review will be made in the autumn of 2015 per sector to see what is required for modernisation and simplification. With regard to the simplification of regulated professions, this will be aligned to the service directive and the guideline on professional qualifications. The Central Examination Committee will also become regional and anybody without a diploma will be able to sit an exam there to acquire the necessary document for performing the profession, for example hairdresser.

The policy about core strengthening will be continued and the Integral Commercial establishment Policy Act will be approved, taking into account the formulated opinions. The tool box chosen for this (RUPs/regulations for demarcating core shopping areas and areas with few shops, retail regulations, trade agreements, maximum integrated permit etc.) will be put into operation.

4.5. Improving the preconditions for company investments

In 2015, the *integrated environmental permit* will be introduced. The digital building request and the digital integrated environmental permit (Environment Desk) will lighten the administrative load, increase efficiency and improve the quality of permit provision. The *Complex projects Act* will be introduced. The investor, the management and the public will be involved from the very start of a project. This must lead to more widely accepted plans and permits. This method will be extended to all permit and planning processes and will be further deployed for pre-consultation and mediation, partly via the operation of the *Accelerated Investment projects*. During this term of office, land use plans will evolve into legally competent and achievement-driven environmental plans, which will also contain supportive actions. In the short term, the *environmental effect reporting* will be implemented and the spatial planning process will become part of the same and integrated social choice process.

The Flemish Authorities are recognised as one of the leaders for achieving the European policy objective concerning “*end-to-end e-procurement*”. All the processes of a public procurement will be handled digitally, with increased efficiency, transparency and accessibility of public procurements as important positives. With the implementation of e-invoicing, the receipt and issuing of electronic invoices will become the standard procedure. The electronic catalogue was also implemented and proposed at the start of January 2015. All applications in the framework of e-procurement also deliver information for reporting. This allows the Government of Flanders to comply with its (future) EU reporting obligations and also evaluate and adjust its policy.

| sub indicator | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Target 2020 Digital Agenda |
|--|------|------|------|------|------|------|---|
| Share of citizens (16 to 74 years of age) that have used internet in the past year to contact the public authorities (%) | 26.9 | 43 | 47.2 | 49.5 | 52.1 | 51.3 | 50% target Digital Agenda for online contact |
| Share of citizens (16 to 74 years of age) that use internet to send forms to the public authorities (%) | 11.7 | 19 | 24.1 | 26.7 | 32.3 | 33.7 | 25% target Digital Agenda for online sending of completed forms |

The Government of Flanders wishes to simplify the access to *entrepreneurship*, to strengthen business competencies, invest in the preconditions for innovation-driven entrepreneurship, and wants to activate the entrepreneurial potential among pupils, students and the unemployed. For many years, the Action plan Entrepreneurship and Entrepreneurial Education has contributed to these objectives.

The Government of Flanders remains *focused on entrepreneurship* and especially on the *entrepreneurial culture*, and supports initiative in all stages of the life course career. This also includes the investment in the knowledge base of businesses, together with the preconditions (investment resources, HR, training etc.) that allow them to take a lead in tomorrow's economy. A study will be made into how entrepreneurial spirit and behaviour can be stimulated with a learning line running from infant to higher education and by bringing partners of the school into the class to promote entrepreneurship. We shall also study how to acquaint students with the business community and whether there is a need for additional instruments for creating places for a broad application of work placements (traineeships). Entrepreneurial spirit and entrepreneurship will be viewed both as a possible choice of profession and as a personal development of the pupil.

Together with the future Agency for Innovation and Entrepreneurship (AIO), Syntra Flanders must, as central actor, form a tandem for a more integrated approach for the promotion of entrepreneurship and the further development of entrepreneurial education. The exercise is to extend entrepreneurial education so that it is future-driven, taking into account the training needs of companies and sectors and with a permanent monitoring of trends, developments and growth poles in the business community.

Measures shall be taken to stimulate the development of talent and competencies of (potential) entrepreneurs throughout their life course careers. Those interested, whether unemployed, employed or active entrepreneurs, work throughout their career on the further development and strengthening of the competencies in the area of entrepreneurship.

Entrepreneurship must also become an obvious and attractive option for the unemployed job-seekers. That is why the VDAB will, in the future, stimulate the unemployed to go into business, for which they must systematically receive insight into the many possibilities of entrepreneurship and are directed to channels for support at the start-up of a self-employed activity. Under a starters initiative of the future AIO, a "right to a business plan" will be started.

4.6. Improving the quality of investments in research and innovation (R&I)

See the measures stated in 3.3.3.

4.7. Improving the efficiency of the public administration.

The Flemish Authorities make extensive use of contemporary information and communication technology (ICT). Together with an internal organisation (towards fewer units within the Flemish Authorities), more solutions are being worked out for mutual sustainable solutions. The Flemish Authorities public services must also offer solutions that are already common practice in the private sector (e.g. digital consultation of own file) and as an integral solution, from one virtual desk. The governmental services must thereby perform as one government and preferably in collaboration and consultation with the various administrative levels. That is why the local authorities are also partners in the expansion of that integrated service provision. To address these challenges, the Government of Flanders will

be strengthened by the foundation of the Flemish Information Agency. This Agency must ensure that a breakthrough is made in the area of use of information and ICT in the Flemish Authorities. The standardisation of information and ICT and the digitisation of the inter-administration data traffic is a priority in this. That information management implies openness and transparency but also cautiousness concerning investment. A maximum recycling of existing mutual, robust ICT building blocks and platforms will not only lead to gains in efficiency, but also facilitate integration and an increase in the uniformity of the service provision of the Flemish Authorities.

4.8. Use of the EU Structural funds 2014-20

The *ESF Operational Programme 2014-2020* was approved by the EC at the end of November 2014; it has a European budget of 393.3 million euro. This is an action-driven programme to further strengthen the Flemish labour market. The ESF programme focuses on the structural bottlenecks in the Flemish labour market: the supervision of the unemployed directed at those groups with a low employment rate, social inclusion of groups with reduced chances of job entry and actions in the context of lifelong learning, with, among other things, training, competence management and career supervision. In addition, spearhead actions will be held aimed at the Roma, social economy, premature school drop-outs, practical jobs, entrepreneurship and the NEET youth.

The *ERDF Operational Programme 2014-2020* was approved by the EC in mid-December 2014. The total budget made available for the Flemish Region by the EU, 345.5 million euro, is smaller than in the previous period 2007-2013. The objective “Investing in growth and jobs” has 173.5 million euro available and the territorial collaboration (through the same Operational Programmes as before) 172 million euro. The budget earmarked for research, development and innovation has risen. This clearly shows that the Flemish Region attaches great importance and commits itself to the change to a knowledge-based economy and society, also with the support from the EU programmes.

Further shape will be given to the *European territorial cohesion policy* in the Flemish Region: the focus is on area-driven processes and strategic projects from below – with regard for the identity and strengths of a region and a strong involvement by the citizens and society involved. The territorial perspective is an integral part of the future cohesion policy in the Flemish Region. The territorial approach will form an important perspective in various programmes, whereby an assessment will be made into how a city or regional-strengthening approach can be included whereby particularly attention is given to *cities* and their immediate environment. For the programme period 2014-2020, the EC introduced the concept of “Integrated Territorial Investments” (GTI). In the Flemish ERDF programme, 3 areas are identified: GTI Limburg, GTI West-Flanders and GTI Kempen. The resources deployed are from ERDF and ESF funds.

4.9. Industrial policy

The *new industrial entrepreneurship (NIO)* is being further developed as an ambitious and mobilising project. An effective industrial and innovation policy must support horizontally the systemic innovations that are essential for achieving breakthroughs in answering social challenges. Examples of this are the bio-based economy, the sustainable material management, the opportunities of sustainable energy technology, the ICT applications (‘Internet of Things’, ‘Big Data’, ‘Cloud’ and other Industry 4.0 concepts), but also nutrition, mobility and care. The various initiatives for stimulating innovation and entrepreneurship will be further streamlined in order to be able to generate more impact.

A 'smart specialisation' is aimed at creating a powerful synergy between excellent knowledge actors and high performing economic actors through making strategic choices. With selective support, we reinforce the process of 'entrepreneurial discovery' whereby the necessary commitments from the actors involved are recorded in "cluster pacts". Each participant will record his result-driven responsibilities in a cluster pact. We hereby contribute to an important degree in the embedding of the economic activities crucial for the Flemish Region. An important challenge here is *to extend the support trajectory* to developments closer to the market. And consequently, actual development of (socially relevant) business opportunities can be supported within the cluster operation. All this in compliance with the R&D&I regulations, so that leverage can be stimulated, for both classic and new forms of private (co-) investments.

Complementary to the expansion of a strong knowledge base with the new SOC Smart Manufacturing Industry (*Flanders' Make*), a large-scale project '*Made Different*' within the Flemish call '*Factories of the Future*' (*FoF*) by Enterprise Flanders, has been approved and extended: this aims to give a strong impulse to an accelerated implementation of seven transformations for factories of the future, with the aim of retaining and growing employment and achieving the economic growth within the Flemish manufacturing industry. The transformations to be made for a 'factory of the future' include the introduction of new, simultaneous production technologies and processes, the implementation of a 'digital factory', creativity, networking, sustainability and environmentally-friendly, self-learning production systems. It is an expansion of the structure: apart from a focus on the technological manufacturing industry, the structure will also be expanded to the textile industry, the wood and furniture industry and the foods sector. The aim is to use this large-scale productivity offensive to combat the de-localisation of the manufacturing industry with an eye for sustainable embedding in the Flemish Region. The project objective is 50 companies as factories of the future and 500 companies that take steps toward a FoF⁵⁰.

| Sub indicator | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | Pact 2020 |
|--|------|------|------|------|------|------|------|----------------------------------|
| Share of industry in the total gross value added | 17.4 | 16.3 | 16.2 | 16.2 | 15.7 | 15.5 | 15.5 | Increase in added value |
| Share industry in total employment | 15.9 | 15.2 | 14.6 | 14.3 | 14.1 | 13.8 | 13.5 | Retention of employment industry |

⁵⁰ <http://www.madedifferent.be>

5. Institutional issues and participation of stakeholders

5.1. Enhancing the support base

The Flemish Region attaches considerable importance to enlarging the support base of the European Semester and the Europe 2020 strategy. The success of the Europe 2020 strategy in the Flemish Region is the joint assignment of the Government of Flanders, the (supra) local authorities and the various stakeholders. Several initiatives aimed at strengthening the support base that are being taken to answer as much as possible the call from the EC to involve as many partners as possible when drawing up the reform programmes.

5.2. Involvement of Flemish Parliament

In recent years, the FRP was clarified by the minister-president in the Flemish Parliament, but this took place after the Government of Flanders had already submitted its reform programme to the federal government. To strengthen the involvement of the Flemish Parliament, the subject of the FRP will, from the European Semester 2015, be discussed in advance in the Flemish Parliament⁵¹. This took place on 17/03/2015 in the Committee on General Policy, Finances and Budget.

5.3. Involvement of social partners

The social partners were also involved in drawing up the FRP. An exchange of views took place during a meeting of the VESOC (Flemish Economic and Social Consultative Committee) on 20/03/2015.

5.4. Involvement of (supra) local authorities and stakeholders

On 19/01/2015, the Flemish Authorities organised in collaboration with VLEVA, a consultation, whereby the VLEVA-members⁵² entered into a dialogue with the Flemish Authorities concerning their input in the FRP 2015. Points of attention and practical examples were included by the editorial board of this FRP. As illustration, we include a number of practical examples that show that the (supra)local authorities and stakeholders, often in collaboration with the Flemish Authorities, have taken many measures and initiatives that achieve the country-specific recommendations and respond to the realisation of the Europe 2020 objectives:

Increasing the employment rate (CSR 4, Europe 2020 objective)

Local authorities have an important role in increasing the participation in society of young people, long-term unemployed, and persons with a migration background through supervision programmes to jobs and facilitating customised work. Cities, municipalities, and OCMW's (public centres for social welfare) work together with many partners in their territory, they invest in the social economy, where countless valuable jobs for the group with reduced chances of job entry, such as in the social and sheltered workshops (shortly customised companies) and innovative projects in the local service economy. This makes an important contribution to the employment rate in the Flemish Region. The Government

⁵¹ Pursuant to Article 84/1 (Flemish Reform Programme) of the Regulations of the Flemish Parliament.

⁵² <http://www.vleva.eu/leden>

of Flanders recognises the importance of the efforts of local authorities and these are given a directing role in social economy. In addition, the VDAB and the councils of the cities of Antwerp and Ghent are developing cooperation agreements in which they deploy their resources to detect and activate NEET young people and other unemployed distant of the labour market.

Closing the gap between skills offered and demanded (CSR 5)

Little is known about the required industry-specific skills. In the context of the LEEDS programme⁵³ of the OECD, Flemish partners (Flemish Authorities, City of Ghent, Province of Antwerp, POM West-Flanders and Flemish Knowledge Centre Water (Vlakwa) carried out a study into “*Boosting skills for greener jobs in Flanders*”.

Vlakwa has, together with 15 water-intensive sectors (which generate 20 percent of the total employment), set up actions (with attention for commercialising the know-how about water management that has already been acquired within the companies), with the purpose of strengthening the competitiveness of Flemish companies.

Approach for climate change (CSR 6, Europe 2020 climate and energy objectives)

The Flemish Network for the *Covenant of Mayors*⁵⁴, set up by the Association of Flemish Cities and Municipalities in 2012, interacts seamlessly with the objectives for reducing of CO₂ emissions. In addition to the signatory cities and municipalities, the provinces, joint authorities, VITO, the Government of Flanders and other partners also participate. Half of the Flemish municipalities signed the covenant and this makes the Flemish Region one of the leaders for this European initiative. Signing implies a commitment to a strong local energy policy. After a baseline measurement or inventory of the CO₂ emissions on the municipal territory, an energy action plan will be drawn up and implemented with a biennial audit by the EU. The Network guarantees knowledge sharing and exchange, which is an important stimulus for creating cross-links with other policy areas and the transition to increased sustainability. The municipalities are not in this alone, but are supported by the provinces, which are also a driving force for signing the covenant or for strengthening actions. The Flemish Authorities as well support the municipalities by providing an annual update of the CO₂ inventory at municipal level.

In a *climate neutral province*, things are taken a step further and the emission of greenhouse gases is in balance with the absorption of nature and the soil. A baseline measurement and the consequences of climate change (for example, a climate effect sketch book) provide the starting point. New actions and measures will be elaborated in a climate plan. The provinces will do this together with municipalities, schools, companies and the civil society, but also with citizens. The climate parliament and the four-pronged policy of the province of Limburg, the citizen ambassadors in East Flanders and the climate ambassadors in Flemish-Brabant are an illustration of the efforts for a broad support base. This participatory working method reflects the quadruple helix principle to achieve the climate objectives together. Schools will be assisted to work around energy and climate within the framework of environmental care. The province of Antwerp has involved the Provincial Institute for Environmental Education and Kamp C, where pupils learn about sustainable development. Citizens and municipalities in every province can approach the Provincial Support Centre for Sustainable Building for advice about energy-saving and sustainable building. Limburg was the first province to set climate neutrality as its objective; since then, Flemish-Brabant and East Flanders have also taken this step. Antwerp wants to be climate neutral as an organisation. West-Flanders is also working on a climate policy.

⁵³ local economic and employment development

⁵⁴ www.burgemeestersconvenant.eu.

Cities, municipalities and provinces are focusing increasingly on a *better and more environmentally friendly mobility*, whereby the bicycle moves to the foreground. The functional bicycle route network exists for a while, but the concept of ‘bicycle free-ways’ is increasingly becoming a reference for a sustainable and carbon free mobility solution. Projects are on the way in the coming years in all provinces to achieve, together with the Flemish Region, cycle free-ways or to integrate them further. Municipalities are working on the bicycle route network and are considering increasing the number of cycling paths, where cyclists are the most important road-users. Bike-sharing systems are very successful and bicycle sheds and parking lots will be increased. Local authorities are well positioned to stimulate their residents to use the bike through promotional campaigns.

The provinces have, together with their South Netherland colleagues (specifically, the provinces of Zeeland, North Brabant and Limburg) and the Flemish Authorities seized the possibility offered within the Interreg A border region Flanders-the Netherlands programme for a strong development of the WaterstofNet (Hydrogen Network). This is a continuation of the project “Hydrogen Region Flanders/South Netherlands” which began under Interreg IVA during the 2007-13 programme period. In the 2014-2020 period, the Hydrogen Network will focus on further adaptations of the technology, whereby contributions will be made to indicators for the objectives in the area of innovation and in the area of carbon-free economy. The actual applications concentrate on logistics and mobility and the sustainable generation of hydrogen via renewable energy sources.

Poverty reduction (Europe 2020 objective)

OCMWs supervise young parents in poverty by entering into help assistance programmes with them which propose primarily a broad approach: the focus is not only on, for example, work, but also on health, housing, participation. They also join forces with local partners to create a broad platform in the fight against (child) poverty. In the area of child poverty, the Flemish Authorities, together with the VVSG⁵⁵, the provinces and the Network against Poverty and other partners, has set up a learning network for the development of vision and policy.

5.5. Afterword

In keeping with tradition, the Flemish Region and the Flemish Community have delivered their contributions to the production of the *national reform programme* (NRP) of Belgium. The FRP 2015 is included as an annex in the NRP. In addition, the Flemish Region and the Flemish Community participated actively in the European Semester 2015 at the bilateral meetings with the EC that were mainly devoted to the implementation of the country-specific recommendations.

The Flemish Region and the Flemish Community assume ownership with their own reform programme within the European Semester. This is one of the reasons why the Government of Flanders submits the FRP directly to the European Commission. The FRP also makes an important contribution to the operation of the Europe 2020 monitoring platform of the Committee of the Regions.

⁵⁵http://www.vvsg.be/sociaal_beleid/kinderarmoede/Pages/VVSG-pagina-2011.aspx

LIST OF ABBREVIATIONS

| | |
|---------|---|
| AIO | Agency for Innovation and Entrepreneurship |
| AGS | Annual Growth Survey |
| BCR | Brussels Capital Region |
| BERD | Business Expenditures on R&D |
| BIOMED | Biomedical Research Institute |
| BS | Belgian Official Gazette |
| CHP | Combined heat and power |
| CLB | Pupil guidance centre |
| CIS | Community Innovation Survey |
| CSR | Country-specific recommendation(s) |
| EC | European Commission |
| EER | European Enterpreneurial Region |
| EIT | European Institute of Innovation & Technology |
| ERDF | European Regional Development Fund |
| EPC | Energy Performance Certificate |
| ERP | Energy Renovation Programme |
| ESFRI | European Strategy Forum on Research Infrastructures |
| ESIF | European Structural and Investment Funds |
| ESF | European Social Fund |
| ETS | EU Emissions Trading System |
| EU | European Union |
| FAMIFED | Federal Agency for Family allowance |
| FIT | Flanders Investment and Trade |
| FPB | Federal Planning Bureau |
| FRIS | Flanders Research Information Space |
| FRP | Flemish Reform Programme |
| ERP | Energy Renovation Programme |
| FoF | Factory of the Future |
| GDP | Gross Domestic Product |
| GTI | Integrated Territorial Investments |
| GWh | Gigawatt hour (unit of energy) |
| HBO | Higher Vocational Education |
| INR | Institute of National Accounts |
| IBO | Individual Vocational training in the enterprise |
| ICT | Information and Communication technology |
| IOF | Industrial Research Fund |
| IOI | Innovation output indicator |
| IWT | Agency for Innovation by Science and Technology |
| KETS | Key Enabling Technologies |
| K&G | Child & Family |
| LFS | Labour force survey |
| LNG | Liquid Natural Gas |
| MAM | Maximum Authorised Mass |

| | |
|--------|--|
| MMPP | Medical, mental, psychological, psychiatric problems |
| NBB | National Bank of Belgium |
| NEET | Not in Education, Employment, or Training |
| NT2 | Basic course in Dutch as second language |
| nZEB | nearly Zero-Energy Building |
| NIO | New industrial entrepreneurship |
| NRP | National Reform Programme |
| OCMW | Public centre for social welfare |
| OECD | Organisation for Economic Co-operation and Development |
| OP | Operational Programme |
| PMV | Flanders Holding Company |
| PPP | Purchasing Power Parities |
| PWA | Local Employment Agency |
| ReTiBo | Registration and Ticket System with On-board computer |
| RIZIV | National Institute for Health and Invalidity Insurance |
| R&D | Research and Development |
| RPL | Recognition of prior learning |
| RVT | Rest and Care Homes |
| SALK | Strategic Action plan for Limburg Squared |
| SERV | Flanders Social and Economic Council |
| SME | Small and medium-sized enterprise |
| SVR | Research Centre of the Government of Flanders |
| SOFI | Spin-Off Financing Instrument |
| STEM | Action plan Science, Technology, Engineering and Mathematics |
| TEN | Trans European Network |
| ULC | Unit Labour Cost |
| VDAB | Flemish Public Employment Service |
| VESOC | Flemish Economic and Social Consultative Committee |
| VGC | Flemish Community Commission |
| VIS | Flemish Cooperative Innovation Networks |
| VLEVA | Liaison Agency Flanders-Europe |
| VLOR | Flemish Education Council |
| VVSG | Association of Flemish Cities and Municipalities |
| VITO | Flemish Institute for Technological Research |
| VKS | Flemish Qualification Structure |
| VREG | Flemish Regulating Body for the Electricity and Gas Markets |
| VSC | Flemish Super Computer |
| WEP | Work Experience Projects |
| WPPU | Wage cost per product unit |
| WIJ | Work Experience for young people |
| YGIP | Youth Guarantee Implementation Plan |

Annex 2: Reform programme of The Walloon Region and the French Community

1. Introduction

The strategic directions of the Walloon Government and the French Community for 2014-2019 are respectively detailed in the Regional Policy Declaration (RPD) and the Declaration of Community policy (DPC).

The *Walloon Government* programme focuses on three key points:

- *Innovation* is an essential vehicle for enhancing productivity, and will be at the heart of the regional redeployment strategy. The innovation strategy pursued by the Government will consolidate and amplify the competitiveness clusters policy, with cross-cutting policies for developing circular economy, ICT and innovation in the broad sense, to benefit all sectors. A more intensive collaboration with the French Community is hence planned.
- *Simplification*: to streamline processes and support systems to economic activity and employment, and to simplify SME's requirements through the Walloon Small Business Act (SBA). The simplification of structures and support mechanisms will also be pursued in other areas (public housing, energy and housing, ...).
- *A common project*, through a renewed economic and social development pact. This is to ensure the involvement of the economic and social partners in the implementation of the regional strategy, to conclude a pact for employment and training in close synergy with the initiatives taken by the French Community and to enhance dynamics and territorial intelligence.

Furthermore, the Government announced the adoption, for spring 2015, of a *Marshall Plan 4.0*; consultation with the social partners on this issue was initiated in December 2014. The results and evaluations of the Marshall Plan 2.green, will also feed reflections. This plan globally achieved its objectives and was implemented during the period 2009-2014. Significant results were obtained in different areas (competitiveness clusters, research and innovation, training, entrepreneurship and employment, languages, export, renovation ...).

The Marshall Plan 4.0 will refocus on those key competitive factors likely to structure a *genuine industrial policy based on innovation and supporting employment creation* such as innovation, including digital innovation, training (in synergy with the community responsibilities), the energy and raw materials costs and the development of circular economy, and the attractiveness of the territory. It will specifically focus on:

- Supporting a training and guidance policy to enhance employment opportunities, in synergy with the responsibilities of the French Community;

- Reinforcing the logic of innovation, including refining the competitiveness clusters strategy (smart specialization), support for industrial development and business growth with key stages of development (creation, internationalization, transmission, innovation , ...);
- Supporting efficiency and energy transition (for individuals and businesses in particular) and developing the circular economy;
- Implementing an infrastructure policy for economic development, taking into account technological, social and economic innovation;
- Supporting digital innovation and the integration of ICT.

The priorities of the Government of the French Community for 2014-2019 are:

- Adopt a teaching excellence pact;
- Reevaluate vocational education;
- Strengthen the guidance and assessment tools to reduce failure in higher education and increase the number of graduates;
- Invest in basic research;
- Invest in school buildings and increase the number of free places;
- Develop cultural and artistic education.

These priorities will be further supported through the *2014-2020 Structural and Investment Funds programmes*, which the Commission approved in December 2014. On February 10 2015 the Walloon Government and the French Community approved the ESF projects selected in the first call for proposals, including the actions supported by the *Initiative for youth employment* for a total budget of € 800 million (50% from the ESF). The ERDF projects are being analyzed and will be approved in May 2015.

Important parts of these reform programmes are being carried out, as detailed in the following chapters, which give an overview of the main measures adopted or being developed following the Council recommendations and the objectives of the Europe 2020 Strategy.

2. Response to the specific recommendations by country

2.1. Recommendation 1: Clean up public finances

The Walloon Government and the French Community adopted a *sustainable plan for restoring a balance from 2015 to 2018*.

In the Walloon Region, the deficit is limited to € 450 million (0.1% of GDP) in 2015. The Government has adopted progressive investments, expenses reductions in public administration and public authorities, and the reduction/rationalization of a number of grants.

Regarding the French Community, the structural deficit reduction measures that have been taken should reduce the deficit to € 170 million in 2015 and ensure a gradual return to a balanced budget by 2018.

The two entities have each established a monitoring committee. Their tasks include monitoring of budget execution and evaluating compliance with budget targets.

2.2. Recommendation 2: Tax reform

The Walloon Region has planned or made several tax changes.

First, a *kilometer charge for lorries over 3.5 T*, that will come into force in early 2016. The three regions implement the European Directive on tolls with the truck odometer. In July 2014, the interregional entity Viapass awarded the contract for the mileage collection of trucks to the satellite consortium (T-Systems International/Strabag AG), which will be responsible for collecting the charge. In February 2015, the Walloon Government adopted a draft decree establishing the fee. Its pricing will be determined on the basis of three distinct elements: the number of kilometers traveled, the weight of the truck (3 categories: 3.5 to 12 tonnes, 12 tonnes to 32 tonnes and over 32 tonnes) and the environmental performance of the vehicle. The three criteria above, the fee schedule and the affected road network are yet to be coordinated with the Government, as with the other affected sectors and the other two regions. In addition, a socio-economic study is underway to analyze the impact of this charge on the Walloon economy and employment.

The “*Water protection*” programme of the *Fund for the Protection of the Environment* has been refinanced since 2015. A decree-programme, adopted on December, 12 2014 aims to optimize existing mechanisms for cost recovery related services for the use of water, including the costs to the environment and water resources, in accordance with Directive 2000/60/EC, known as the “*Water framework Directive*”.

Finally, wishing to remove subsidies being harmful to the environment, it was decided not to renew the financial compensation reducing the *excise duties on energy products* as part of the second generation sectoral agreements (2014- 2020).

2.3. Recommendation 3: Sustainability of public finances

The new regional responsibilities in prevention, organizing the first line of care, chronic care (long term care) and elderly care represent an opportunity to improve complementarity between different policies and to increase the consistency, continuity and efficiency of the care-dependent patients and the chronically ill.

Regarding *prevention*, in addition to supporting already active promotion operators, a “*health nutrition*” plan will be proposed to promote large-scale and long-course healthy eating habits for the general population. It will involve health and food chain stakeholders. The ultimate goal is to improve overall health and reduce chronic diseases (diabetes, cardiovascular diseases, ...), and related societal burdens.

The improvement and reorganization of *primary care* is also a Government objective. The possibilities to reorganize the coordination mechanisms of primary care (multidisciplinary local networks, inte-

grated home care services, GP organisations ...) will be examined in order to improve continuity of care. The Government will also promote the *electronic exchange of health data* through the recognition of a Walloon "hub" (exchange network of health data), in coordination with the federal e-health project. By enabling providers to access patient aggregated health data, this hub is expected to reduce administrative costs, and improve the efficiency and effectiveness of the health system.

To ensure the *financial sustainability of elderly housing*, the Government will propose improvements on the accreditation standards of nursing homes/nursing and care homes and care. Meanwhile, the Government wishes to reserve priority to those nursing homes and care homes and with a certain level of dependency and concentrate on improving home care and alternative forms of care (such as short-stay centers, day care centers, service residences). The Government will examine which is the best way to obtain new institution places for the elderly. On *aid to the elderly* (APA), the rights of current beneficiaries will not be changed, but the Government wishes to switch to interventions based on the needs and benefits to respond to situations of dependency rather than additional revenues; an autonomy coverage will be phased in.

Concerning care for *disabled people*, places in residential homes will be reserved for the most dependent and alternatives for more autonomy will be encouraged. The "heavy dependence" plan will be pursued and evaluated. An autism plan should also be put in place.

Finally, with regard to hospitals, the Government will propose to reform *hospital financing*, making better use of resources and the continued concentration of the number of hospital sites on the regional territory.

In terms of *active aging*, the Government of the French Community adopted a draft decree authorizing any retired person up to 70 years old (retired teaching staff and certain qualified individuals) who wishes to do so, to share their expertise and professional experience in social education. The objective is both to respond to teacher shortages in certain specialties and to enhance learning trades for which a shortage exists and promote active aging.

2.4. Recommendation 4: Labour market, education and training

As planned by the new regulatory framework for Cohesion Policy, the Structural and Investment Funds for the period 2014-2020 will primarily support the policies developed in response to country-specific recommendations, aiming to contribute to the objectives of the Europe 2020 Strategy.

The priorities developed in the ESF framework in the Walloon Region and in the French Community relate to lifelong training and integration in the labour market, especially aimed at the young and vulnerable, entrepreneurship, social inclusion and the fight against discrimination, the fight against dropout.

As part of the 2014-2020 ESF programme, the Walloon Government and the Government of the French Community have selected nearly 400 projects for a total budget of € 800 million in February 2015. These are as follows:

1. Businesses and creativity: € 84 million will be spent on training and support to the Walloon job seekers but also to self-creation of employment and business creation, supporting innovation and creativity.

2. Knowledge and skills: training-related projects will be supported for an amount of € 316 million. This will aim at improving higher education systems, strengthening links between education, business and research, and developing training tailored to the socio-economic needs, development of lifelong training.

A project that will fund teacher training in companies, but also training in the Advanced Technology Centers will be particularly supported. This line of financing will also, via the teaching-learning partnership, support the development of Francophone Service for Trades and Skills (Service Francophone des Métiers et Qualifications) and the Francophone Qualifications Framework (Cadre Francophone des Qualifications).

Part of the funding will also be devoted to the rehabilitation of non-school-age youth who possess valuable skills (skills development), alternating training and supporting young people from special education during their transition to the professional world.

3. Include and employ: € 250 million will be spent on improving access to insertion devices, support for job seekers in their job search or to the fight against discrimination in the professional world.

4. Objective “youth”: € 126 million will be reserved in the next 5 years to help young people under 25 to enter the labour market, including NEETS. This axis also covers the Initiative for Youth Employment, which has a total budget of around € 80 million.

Enhance the effectiveness of employment policies

The Walloon Government has decided to *simplify and streamline employment aid* on a limited number of targeted and effective tools, taking into account other types of regional (economic) and federal aid interventions. Some individual aid devices (subsidies or premium reductions) to finance other structural features of collective scope (including training) will also be examined. The Government will continue to monitor the evolution of legislation in the other regions in order to avoid competition risks. The terms for reducing labour costs will be identified in collaboration with economic and social actors and in consultation with the Federal and Regional Governments. After an analysing phase ensuring the continuity of devices, proposals will be put on the table in 2016.

Regarding the question of the *effectiveness of the public employment service*, the Walloon Government has set a priority to allow FOREM to adapt to new challenges, including the transfer of new responsibilities to the Regions. The Walloon public employment will have to further diversify itself offering more services to citizens and provide a reference lever for Walloon socio-economic recovery.

As part of the individualized support system for job seekers, a *training for counselors and supervisors of FOREM* was set up in late 2014 to strengthen their use of tools and techniques available in terms of orientation and job search, according to real market needs. The objective is to increase the quality of service provided to job seekers and employers.

The reception of employment skills is scheduled for 1 January 2016 (paid education, the Professional Experience Fund and the Fund for Training Vouchers will be transferred on 1st of April 2015).

Controlling job seekers' availability will be organized in a separate FOREM management service, on terms to be defined. The organic decree and the FOREM management contract will be reviewed. As the regulation remains federal, discussions are underway to determine a normative framework common to all entities to which the Regions will have access for the implementation of this device. The Walloon Region wants to set up a more focused and better articulated control matching its accompanying policy, to make these two measures real instruments of socio-professional integration.

Inclusion of persons of immigrant background

To promote the integration of *people of foreign origin*, active policies will be improved and support on the labour market strengthened. Individual projects are implemented for newcomers and people of foreign origin. More broadly, efforts are made in the Walloon Region and the French Community to fight discrimination at various levels.

A *course for newcomers* will be set up, in addition to the other elements of the Walloon political integration of people of foreign nationality and origin in training, coaching and citizen participation. Learning French will gradually be made mandatory. An action plan for literacy and learning French will be adopted with various Francophone entities and involving all stakeholders.

Following the regionalization of employment and work residence (*migrants*) responsibilities, the Government plans to adapt the conditions for granting and extending *work permit B* in the event of a professional switch to a new employer. Clear criteria for issuing work permits will be defined.

Various projects were retained after the first call for proposals for the *ESF 2014-2020 programme*. These were launched by the regional centers for the socio-professional integration of foreigners or persons of foreign origin.

Furthermore, as part of an individualized support system for job seekers, a *training in equal opportunities and diversity* was launched in September 2014 for the referent FOREM advisors.

Finally, the Government of the French Community in December 2014 adopted an *anti-discrimination plan 2014-2019*, including 53 measures in its various jurisdictions, including education, public service, youth and sport.

Youth

Regarding the *integration of young people into the labour market*, the RDP 2014-2020 aims to define a "*path to employment*" for every young person out of his studies, by amplifying and sustaining the "*Youth Guarantee*", developing an appropriate accompaniment when leaving school, facilitating quick access to internships, during the insertion training, and through the development of targeted aid for youth recruitment. More specifically, under the current term (in 2017) the Government foresees to:

- *strengthen the target group measures for young people* starting their first job. A private employer hiring a young person that does not have a higher education degree would then benefit from a 0% social security contributions rate for a given period, degressive and being longer when the young person is unskilled;

- propose, after consulting the social partners, to offer a *first real professional experience* ("integration contract") to each young person who, 18 months after leaving school and despite his efforts, has trouble to find a job on the labour market.

The Belgian *Youth Guarantee* Plan has been sent to the Commission in April 2014. The ESF programme, including the Youth Employment Initiative, will amplify and perpetuate the device in the Walloon Region. Axis 4 of the ESF program, with a budget of € 126 million, is dedicated to young people under 25 and their socio-professional integration. This will support projects on alternating transition between special education and the professional world, promotion of technical and technological professions and the fight against school dropout. It is in this context that the Initiative for Youth Employment will support actions implemented by operators in the Walloon Region (Liège and Hainaut) and the Brussels Capital Region.

Various actions are underway or have been initiated to implement the Youth Guarantee. The individual support is in place and the recruitment of an expert approach to adapting and improving the management of young people aged 18-25 is in progress, pilot experiments for alternating training for job seekers were launched, and the transitional internship is operational since September 2014. A "Youth Guarantee" project manager was appointed in November to FOREM, ensuring the follow-up and a monthly monitoring has been instored for each job seeker.

A *study on NEETs* was also launched mid-2014 by FOREM (ending in February 2015) to improve the knowledge of the target audience and adapt existing services and/or develop new approaches to the public. A national seminar on this topic will be held in April 2015. It will bring together professionals from the Walloon Region, the Flemish Region, the Brussels Capital Region and the German speaking East Cantons from public employment services and training who are in charge of the management and integration of the target audience on the labour market. Finally, FOREM launched communication campaigns targeted on youth in the second half of 2014.

Professional mobility, skill matching, coherent educational, training and employment policies, and the fight against school dropout

The Walloon Government has begun work for the conclusion with the social partners of an *Employment and Training Pact*; consultation with the social partners was initiated in early 2015. The objectives are to support the hiring and retention in sustainable and quality jobs, enhance skills matching the needs, develop courses and lifelong education. Training and guidance policies will be strengthened, particularly promising trades and trades in demand, to increase access to higher education and lifelong training, alternating pathways, develop certification for vocational training and the recognition and validation of skills.

On professional mobility, particular attention will be given to industrial restructuring and the creation of new industrial jobs, particularly through reconversion cells and employers group experiences.

In this regard, several interventions of the *European Globalisation Adjustment Fund* were decided in 2014 and 2015 (total budget of around € 6 million) to support the retraining of workers after restructuring occurred in the Walloon steel, glass and machinery sectors.

As part of the 6th State reform, the Paid Education, the Professional Experience Fund and the Training Fund for Service Vouchers will be incorporated into the FOREM department that handles financial incentives for workers' training on April 1, 2015.

Being a priority area of the Government, including improving the adequacy of skills, the *alternance training reform* should be operational in September 2015. The cooperation agreement between the Walloon Region, the French Community and COCOF (the French Community Commission) has been approved by all stakeholders and an agreement about the next steps was reached end of February 2015. A single contract for young people attending alternance training organizations in the Walloon Region and the Brussels Capital Region (CEFA, IFAPME and SFPME centers) will be set up. It will harmonize payments granted to apprentices during their training in business, as well as the business approval. A Francophone Office of Alternance Training (OFFA) will also be implemented in the beginning of 2015 to support the harmonization of practices, statutes and contracts. The Cooperation Agreement for the creation and management of a Francophone Qualifications Framework for education and lifelong training was also adopted. The framework should allow to install more fluid educational and training courses at the service of citizens and employment. As part of the transfer of responsibilities, the incentives for work and training will also be reconfigured.

Recommendations have also been adopted for the Francophone Service for Trades and Skills (SFMQ), responsible for developing the business profiles and training profiles used by all education and training providers. The production of the number of training profiles by SFMQ will thus be accelerated, leading to nearly 150 profiles finalized in 2017 (gradually increasing from 15 to 40 profiles per year in 2017). Priority will be placed professions bringing employment, emerging professions and shortage occupations. Finally, each teaching and training operator will implement the units of learning outcomes (UAA) enrolled in the SFMQ training profiles, allowing mutual recognition of validated UAA, and facilitating the training courses.

At the center of policies to strengthen the training, education and employment synergies, the "Qualifying education – Training - Employment" fields were officially launched in late February 2015, resulting from the Decree adopted in April 2014. These will enable the development of joint projects and the search for optimal consistency between supply and the identified socio-economic needs. The additional offers of internships in companies and business investments in schools and with training providers will be discussed and planned. The territory of the Walloon and Brussels Capital Regions has been divided into 10 fields. Each of these will be lead by a balanced team composed of representatives from education, vocational training, employment, social and professional integration and social partners.

To support the institution's work by drawing up the diagnosis of training opportunities and needs, a technical working group led by the statistics institutions of the Walloon and Brussels Capital Regions was set up in June 2014; it unites experts and technicians from the concerned administrations, economic and social councils, members of the "fields" and cabinet representatives.

Moreover, new *framework sectoral agreements* are being developed. These allow specific agreements between the training and employment sectors and operators to be established on the one hand, and education on the other, resulting in concrete projects involving the companies and providers of training, integration and education focused on courses, immersion, alternance training, teacher training in businesses, training of workers in the competence centers.... Since late 2014, meetings are held between each Minister of Education, Training and Employment of the Walloon Region and the French Community and the sectoral federations. Negotiations began to develop the engaged synergies, especially with the IFAPME, FOREM and Walloon skills centers and, for education, to develop specific educational policies. In February 2015, an agreement with the hairdressing sector was signed and others will soon follow with the food, wood, chemical, pharma and aesthetics sectors. The next areas that will be contacted are the green sector, the stone and retail sectors.

As part of *refounding qualifying education*, additional measures amounting to € 5 million were awarded in December 2014 to modernize the teaching equipment of facilities and complete the equipment of

the 30 Advanced Technology Centres (CTA) of the Brussels-Capital and the Walloon Regions. These resources will be complemented by support from the European Regional Development Fund (ERDF). In addition, the cooperation agreement between the Brussels Capital Region, COCOF and the French Community on the equipment provided and the collaboration between advanced technology centers and reference centers was approved in a second reading.

The Government of the French Community adopted *its guidance for further education and distance learning* in January 2015. The aim is to promote lifelong training for all, improve training ranges and support innovative and promising sectors for employment. Three priority areas have been identified:

1. *Ensure accessibility of every citizen* to this teaching, with particular attention to those furthest from the labour market. A "tailored" program will be developed and social and educational support will be set up for better orientation, the drop-out detection and individual support. The organization of teaching modules will also be redesigned, including via e-learning and distance learning.
2. *Develop a diversified educational offer adapted to current issues*, and as part of a strong local programme, developed in partnership with secondary (fields) and higher (cluster) education but also with regional employment services. A true reflection will be conducted with secondary education for remedial actions or studies resumption in the event of dropping out, after the common part and in the context of the fight against early leaving.

Agreements will be developed with different training actors concerning skills shortages, promoting training for obtaining the higher secondary education degree (CESS), the distance language learning certification (Wallangues), the development of the alternance in higher social promotion education.

3. *Control and visibility*: creating tools for piloting, indicators, multicriteria and performance analyses, creating an educational resource center or in-service training of teachers, optimization of staff framing and launching an information campaign ... These measures will participate in the modernization process.

To fight early school dropout and to achieve the objectives set at the European level, the French Community has a substantial body of legislation at all levels, and has foreseen a specific index to better assess the effects of these policies. This index indicates a decline in the dropout rate from 7% in 2006 to 5.7% in 2012. The sectoral and intersectoral decrees of 21 November 2013, which coordinate all control services against school dropout, came into force on September 1, 2014. They must be assessed in order to feed an *Intersectoral plan against dropout* under the Youth Guarantee. This will be coordinated between regional and community stakeholders. It will aim at the preventive, curative and alternative aspects. Particular attention will be paid to absenteeism and ways to treat this, school exclusion, support for pupils with special needs and statistical control.

Several of the projects described above will be pursued and implemented with the support of the *Structural and Investment Funds* during 2014-2020. The ESF program will devote large budgets (€ 316 million) to skills development and to improving the training and education systems, in line with socio-economic needs. In addition to the actions developed by the ESF in training, the ERDF programme provides € 70 million to equip competence centers. As mentioned in the previous Section, axis 4 of the ESF programme will focus on the socio-professional integration of young people and the fight against school dropout.

2.5. Recommendation 5: Competitiveness

On issues related to the coordination of education and training policies, inadequate skills and school dropout covered by this recommendation, we refer to the previous Section that addresses these issues in detail.

Retail trade

Following the regionalization of this responsibility, the Walloon Parliament adopted the *decree establishing the provisions on commercial sites* in January 2015. This sets out three categories of licenses:

- The implantations of less than 400 m² should only be notified at the municipal authorities;
- The implantations with a surface between 400 and 2500 m² are subject to a permit granted by the local authority;
- The implantations of over 2500 m², extensions of more than 2500 m² or the locations in several municipalities are subject to a regional process to the associate civil servant and therefore require a regional license.

These new provisions will improve the organization of commercial sites throughout the regional territory. Each permit application will be evaluated based on four criteria: consumer protection, protection of the urban environment, employment policy, contribution to sustainable mobility. These are established in accordance with the Services Directive. Furthermore, the reform will allow significant administrative simplification through the issuance of an integrated permit (in coordination with environmental and planning permits) through a single office and paperless permits for Commercial Implantation.

The Government also adopted a decree which aims to determine the approval procedure and the procedure for filing permits for commercial sites and integrated permits. This text finalises all the necessary devices for the implementation of the material on the regional territory.

Finally, the Walloon Government approved the establishment of the transitional appeal committee. It will take note of possible appeals against decisions taken on the basis of federal law. The region is already autonomous for appeals concerning commercial implementation.

Energy distribution costs

The control of energy costs for individuals, businesses and non-profits will be a priority of the Marshall Plan 4.0. For businesses, the measures will include support for self-production of energy, development of sectoral agreements, the fight against "carbon leakage" The RDP plans to clearly identify the components of the invoice and to control the regional price components for gas and electricity, while respecting the powers of the Walloon Commission for Energy (CWaPE) and in collaboration with federal actors.

In addition, the decisions taken in 2014 to review the system of green certificates (setting up a booking system based on annual green certificates funds defined by field per year for a better control of the supply of green certificates and modification of the grant formula for calculating correct level of support), a *decree on the period for granting green certificates for photovoltaic installations* installed between 2008 and 1 December 2011 was published in late December 2014. This reduces the issuance time for

green certificates from 15 to 10 years for these installations (79,000 installations are concerned). This will reduce the number of green certificates on the market from 12 to 13 million for 2018-2027, a savings of over € 780 million for all Walloon consumers, while maintaining a return rate of 7%. The few installations that could see their profitability impacted below this threshold will benefit from special provisions.

The Government plans to thoroughly assess all aid mechanisms for renewable energy as well as all costs and, on this basis, to reform support mechanisms, in consultation with stakeholders. The Walloon legislation on the promotion of electricity produced from renewable energy sources will be reviewed in the spring of 2015.

Regarding the price of electricity for businesses, the Government plans to introduce a compensation for the indirect costs of the European mechanism for CO₂ allowances for the benefit of industrial consumers (carbon leakage).

Following the transfer of responsibilities, CWaPE adopted the tariff method, applicable for the period 2015-2016, in August 2014. On this basis, the electricity and gas distribution operators and gas have established their tariff proposals 2015-2016, adopted by CWaPE. In order to not hinder the adoption of the 2015 rates due to methodological difficulties of implementing the progressive and equitable pricing, initially scheduled for 1 January 2015, it was decided in October 2014 to postpone its entry into force till 2017.

Finally, late December 2014 the Government adopted the Decree on the gas market organization in second reading. The main changes imply the improvement of end user protection and social protection measures. The Decree also provides adjustments aimed at improving the functioning of the liberalized market and at increasing the regulator's skills and independence.

Innovation

In December 2014, the Walloon Government drew the *first lines of its research and innovation policy reform*. The multi-year strategy will be easier to read and built around integrating structural axes including a smart specialization strategy in the Region (see Section 3.2), the European priorities and the other Belgian entities. The system of aid for research will be reconfigured to reduce the number of calls, encourage collaboration and structuring projects. Particular attention will be paid to supporting technological innovation platforms and industrial research development. The different categories of players will also be encouraged to refocus their activities on their first missions, while supporting dialogue between basic and applied research.

This new multi-year strategy for research and innovation, and the *new draft Research Decree* will be approved by the Government in April 2015. In addition to compliance with EU rules on state aid for RDI, the draft Decree provides provisions enabling the funding of infrastructures related to research projects and the voluntarily regrouping of research centers.

The new *Agency for Enterprise and Innovation* (AEI) and its subsidiary, the Walloon Digital Agency (AdN) have been operational since early 2015. This single reference for companies and the self-employed aims to guarantee the consistency and efficiency, and simplify the economic and technological animation and digital policy in the Walloon Region. The AEI will structure, pilot and evaluate an integrated, legible and visible operators network. Together with its subsidiary, they centralize their respective platforms within a business and digital information portal as a true single point of entry for business.

The AEI management contract and that of its subsidiary that will be adopted by June 2015. It will set the priorities, being the implementation of a digital plan, the reform and simplification of aid to businesses, creating a unique office for businesses, repositioning operators of economic leadership and innovation and network control, implementing the priorities of the next Marshall Plan 4.0., the implementation of the Small Business Act, ...

2.6. Recommendation 6: Reduce greenhouse gas emissions

The Walloon Government prioritarily wishes to finalize the *allocation between entities of the Belgian objectives of the European 2020 climate and energy package and ETS revenues* (for Belgium these account to approximately € 207 million at end-2014, blocked on an account). In December 2014 the Government also decided to seize the consultation committee on this subject, after which the National Climate Commission resumed work on 30 January 2015. The revenues from the CO₂ allowance auctions will be dedicated to strengthening third-investment systems and energy services to finance energy-saving works in the buildings, SMB, public sector and non-profit sector.

In accordance with the Climate Decree adopted in February 2014, these objectives will be pursued through the "*Air-Climate-Energy*" Plan being developed, with guidelines fixed by the RDP; it will focus on the most effective measures and ensure consistency between policies.

The Marshall Plan 4.0 will focus on the *energy efficiency of buildings* based on the experience of the first Employment-Environment Alliance for sustainable construction, which will be refocused and strengthened. The long-term renovation strategy of Walloon buildings (2030-2050) will particularly be refined. For new buildings and major renovations, the standards will be implemented with the aim of achieving the Nearly Zero Energy Building (NZEB) target at optimal costs in 2020.

The *interim evaluations of the first Employment-Environment Alliance (AEE)* lead to a first estimate of the economic, social and environmental impact of the first AEE measures. Economically, the AEE has led to a significant increase in private and public demand for sustainable renovation, and helped to create/maintain jobs in the construction sector. The Ecopack measure (zero interest loan for renovations, associated with bonuses) benefitted households with low and modest incomes at 40%. On the environmental level, the AEE has reduced energy consumption (2 million MWh in 2014, or 1.6% of total final consumption and 4.6% in the domestic sector - 5.5 million MWh in 2020, representing 4.3% of total final consumption and 12.1% of the consumption of the domestic sector) and CO₂ emissions (from 500 000 T in 2014 and 1.3 million T in 2020). The evaluation of the first AEE Government mode also enabled identifying areas of improvement for the current AEE and for a new AEE.

The Walloon Government has also approved an *Action Plan on Energy Efficiency (PAEE)* in March 2014, a Walloon contribution to the national plan. It aims to promote a rational and efficient final energy consumption, but also includes the track record of energy, from production to distribution through the transport. In the field of Energy Performance of Buildings (PEB), more oriented to new construction or important renovations, the PAEE also includes all the renovation components of the existing building stock through the aid and subsidies mechanisms such as the UREBA subsidies. The PAEE makes use of the first version of a long-term strategy for mobilizing investment for the renovation of residential and non-residential (commercial, industrial) buildings, both public and private. The PAEE is also a valuable tool for assessing the impact of existing measures that are mostly encrypted. It is also a trajectory verification tool to compare with European targets and new energy saving requirements by 2020.

Regarding new constructions, the gradual strengthening of the requirements for achieving future near-zero energy buildings (reducing consumption and use of renewable energy) is underway through the *PEB regulation*, with the adoption of the Nearly Zero Energy Building plan (NZEB), the PEB decree of 28 November 2013 and the Walloon Government decree of 15 May 2014. The main changes relate to the realization of a feasibility study on energy sources and the use of the PEB certificate as a sale or lease argument. Since 1 January 2015, the energy performance indicators should indeed be mentioned in all advertisements made for the sale or lease of a building or a PEB unit, allowing its effective integration into the selection criteria (thus the price) of the buyers.

Furthermore, the Walloon Government in February 2015 approved the draft *reform of Housing - Energy bonuses* for individuals, subject to a moratorium since 1 January 2015, for a period of 3 months. The objective is to simplify and harmonize systems and strengthen the incentive effect (limiting the deadweight effect). Premiums will be more focused on the most effective work for energy savings, being essential for safety/renovation. The new method for calculating the intervention will apply from 1 April 2015 and will be modulated according to the beneficiary's income level, with a maximum income level; an increase per dependent child is also planned. Finally, the procedures will be simplified. The overall budget dedicated to these bonuses will be reduced to € 40 million (-25 million), but the zero or reduced loan rate is strengthened (Ecopack, Rénopack, Accèspack): the device is increased from 75 million to 85 million in 2015 and aims at € 100 million in 2019. The Fund for the reduction of the global regionalized energy cost will be merged with Ecopack.

The DPR also strengthens the awareness and information for consumers about their energy consumption and provides a single point of contact for local access to the various support tools available.

In *transport*, the RDP 2014-2019 provides for the implementation of a "*Transport and Logistics*" strategy, aims at boosting the Walloon ports and enhance their coordination, enhance multimodal platforms and ensure their networking. In road matters, priority will be given to investments in economic development, as part of multiannual programs. The draft Air-Climate-Energy plan, currently in preparation, will set targets for reducing greenhouse gas emissions in the transport sector.

To implement these guidelines, the Walloon Government in December 2014 adopted *the management contracts of 4 autonomous Walloon ports*. The adoption of management contracts will allow each port to receive a budget of € 5 million for 5 years, not taking into account specific plans that the Government may launch in the context of certain projects. The granting of this budget is subject to a number of obligations by the port (a five-year investment plan, a business plan and scorecard indicators). In addition, a coordination platform for ports will be set up.

In February 2015, the Walloon Government decided to introduce two funding demands under the *TEN-T 2014 – 2020 programme*:

1. The Seine-Scheldt project : update class Vb for the Lys and the Upper Scheldt and class Va for the Walloon dorsal (Nimy-Blaton Canal, Central Canal, Charleroi-Brussels Canal Sambre side);
2. The Meuse Basin project below Namur: update VIb for the Ampsin-Neuville lock, and other works.

The 2014-2020 subsidies plan for *alternatives to road transport* was also adopted in May 2014. Its main objective is to develop river transport for goods in the Walloon Region and sustain a successful inland fleet.

In terms of *mobility*, a comprehensive approach reconciling accessibility, environmental and economic efficiency is foreseen, integrating the various players and connecting neighbouring countries and regions, taking into account linkages with other policies (planning, organization of working time, tele-

commuting, carpooling, development of soft transport modes, ...). As for public transportation, consultation between operators will be strengthened to improve complementarity offers. Structuring public transport projects will be continued.

Let us also note that, in the 2014-2020 ERDF programme, a budget of around € 274 million is dedicated to axis 4 "Shift towards to a low carbon economy in 2020", which covers support measures to renewable energy, cogeneration, energy efficiency of buildings, multi-modal mobility, energy efficiency and renewable energy use in businesses.

Finally, a participatory exercise on the *first Walloon Sustainable Development Strategy* was completed in 2014, to assess the issues and possible approaches of the strategy. A second Walloon Sustainable Development Strategy should be developed and adopted in 2015, focusing on a few specific areas.

3. Thematic objectives of the Europe 2020 strategy

3.1. Employment

In addition to the policies developed in response to the country-specific recommendations described in chapter 2, several other measures contribute to improving the employment rate in the Walloon Region, either via job seekers' mobility, supporting proximity services and developing solutions to reconcile private and professional life.

Through the reform of *employment aid*, the Government will pursue the following objectives: youth employment, support to the most promising sectors, SME's, entrepreneurship, inclusion of the most vulnerable groups in the labour market (low-skilled, discriminated and disabled persons). These objectives will be pursued through the implementation of the 2014-2020 ESF programme.

As part of encouraging *inter-regional mobility of job seekers*, collaboration between public employment services continues, including the automatic exchange of vacancies. A common goal for FOREM and VDAB has been set for the insertion of job seekers in Flemish companies. In terms of preparing candidates for employment in the Flemish Region, the actions taken are regularly adapted, expanded and improved. In 2014, FOREM has received 86,176 vacancies in other public employment services and redirected 42,476 in the latter; 13,500 Walloon jobseekers have found employment in the Flemish Region in 2014. According to regional perspectives (established by the Federal Planning Bureau in cooperation with regional institutes), inter-regional mobility will increase in the medium term, particularly in the Walloon Region where the positive balance of Walloon commuters should grow by 0.8% per year over 2013-2019.

Beyond mobility between Belgian regions, the Walloon Region focuses on the – especially cross-border- international mobility of Walloons. *Foreign languages teaching* devices will be reinforced in this perspective, as part of the Marshall Plan 4.0.

Beginning of November 2015, the Walloon Region has also signed a *framework agreement on cross-border vocational training between Rhineland-Palatinate, Saarland, Lorraine, Luxembourg, Wallonia and the German-speaking Community of Belgium*. The aim is to promote mobility amongst young people, to validate and recognize the qualifications of young people on both sides of the border and thus intensify training and qualification exchanges. The latest Inami figures already show that more than 49,000

Walloon workers cross the border every morning to work either in Luxembourg, Germany or France. This represents an evolution of more than 10% over the last 5 years.

In terms of *support for local services*, regionalizing certain devices will be an opportunity to strengthen the coordination between actions and clarify their objectives and respective target audiences. The devices and structures for training and employment will be reformed to enhance readability and efficiency.

As part of the regionalization of *service vouchers* from 1 January 2015, the Walloon Government has decided to review this mechanism. From the tax year 2016 on (that is to say, income of the year 2015), the tax reductions for benefits paid with service vouchers will be revised downwards. Compared to the current plan, the amount considered for the tax cut will be reduced by 2/3. The regions have agreed to make the user home the basis to finance the system.

To facilitate the reconciliation of private/professional life, the Walloon Government and Government of the French Community have set ambitious targets for creating nursery places. As part of the "*Plan Cigogne III*", following the second part of the project call of the plan launched in May 2014, 5,400 new spaces will be created between 2015 and 2018 (200 more than originally planned), including 3,186 in the Walloon Region. Part 3 of this plan aims to create 5,200 more places between 2019 and 2022 with, according to the RPD, 1,900 places before the end of the term. In addition to the operating subsidies granted by the ONE for these new places, the Walloon Government also decided in late February to grant € 60 million to infrastructure, which will benefit nearly 3,000 of created spaces. Furthermore, additional regional resources are allocated as employment aid; these allow the creation of 650 new jobs by the end of the term.

Furthermore, as part of the 6th State Reform, the *Fund for Collective Facilities and Services (FESC)* has been suppressed as of December 31, 2014, and its means integrated in the ONE (Office of Birth and Childhood). The Government of the French Community has adopted various decrees to transfer the last quarter 2014; it is operational on 1 January 2015. This transfer will enhance coherence in the services offered to families. This applies to hospitality services for sick children at home and home activities for children during their free time outside of school. The ONE funds will be increased by € 34.8 million to help ensure the continuity of monitoring operators, to ensure the support and administrative and financial monitoring of these projects.

3.2. Research, Development and Innovation

In December 2014, the Walloon Government drew the first lines of its research and innovation policy reform. It is based on three pillars: the reform of the Research Decree, the development of a Research and multi-year innovation strategy and the reform of financial incentives (see also Section 2.5).

The new multi-year strategy for research and innovation, which will be adopted in April 2015, together with the Research Decree, will be at the heart of the Marshall Plan 4.0. This will in particular aim at the consolidation of a regional policy for sustainable industrial innovation and the extension of the regional smart specialization strategy, at different levels:

© Stimulation of *R&D and innovation dynamics*, taking into account the innovation and creativity cycle, innovation at large and potential to remove cross-fertilization between sectors (and centres/clusters). To enhance the impact of policies on the regional economy, a stronger emphasis will also be placed on industrial value of research, the deployment of key enabling technologies (KETs), marketing and the link to markets;

- ⊗ Involvement of *SMEs* in innovation dynamic and stimulating innovative entrepreneurship;
- ⊗ *Internationalization* of industrial and innovation players through enhanced coordination with the European programmes, greater involvement in European networks and targeting of bilateral and interregional cooperation;
- ⊗ Strengthening *sustainable development and stimulate efficient use of resources* as a transverse axis to industrial and innovation policy.

In terms of budget, Government budget for R&D remain on the rise, and will be completed in 2015 by means from the Structural Funds. For the period 2014-2020, a total budget of € 440 million is dedicated to the Innovation axis of the ERDF programme, which will fund different types of interventions: advanced equipment in research organizations, support for research projects and the use of results for SMEs, loans to innovative companies, demonstrators and pilot units. This is complemented by actions promoting research, innovation and creativity financed by the ESF. To this purpose, the Government selected several projects in February 2015.

As part of the *Competitiveness Clusters policy*, a budget of € 47 million was granted after the 11th call for projects. € 41 million will be budgeted annually as part of the Marshall Plan 4.0 to support the clusters' research projects, plus € 15 million in 2017 and 2018. In addition, significant budgets have been dedicated in spring 2014 to support two cluster *innovation platforms*. First, € 47 million was allocated to a project to create a center dedicated to cancer research and treatment (proton therapy). In addition to unique therapeutic applications, it aims at expanding the scope of applications in proton therapy; it will be operational in 2017. In addition, a budget of € 41.5 million was allocated to the project "Reverse metallurgy", which brings together research centers and companies around the theme of metal recycling, in a logic of circular economy and sustainable development. In connection to this project, several Walloon stakeholders are involved in the new KIC Raw materials approved by the EIT in December 2014.

Various projects have also been launched for *interregional or international cooperation* in RDI. A call with the Brussels Capital Region dedicated to transport and mobility was launched in April 2014 (€ 10 million), and a joint appeal for collaborative SME projects was launched to the three regions early 2015.

On the international level, new calls (companies and universities) for researchers' mobility have been launched in June 2014 and February 2015, as well as several ERA-Nets calls on the themes of smart cities, nanotechnology, new materials and production technologies, manufacture, solar energy, smart grids, ... The involvement of the Walloon Region in the "Vanguard Initiative" also aims to strengthen the international dimension of the smart specialization strategy. A reflection was finally initiated with all stakeholders in the Walloon Region and the French Community, including the competitiveness clusters, to strengthen participation in *European programmes* (Horizon 2020), in connection with the Region's smart specialization strategy.

At the innovation and creativity level, the implementation of the *Creative Wallonia* programme and of actions in the Wallonia European Creative District continued.

A pilot action for *creativity vouchers* was launched in June 2014. These vouchers are intended to support duos formed by a company looking for more creativity and a creative professional (external to the company). Together they offer a project where creativity brings real added value to promoting an existing product, developing a prototype or process optimization (whether organizational, production or other).

Two *Living Labs* pilot projects, covering growth themes for the Walloon Region (e-health and gastronomy) were selected in 2014 following a call for projects: they were officially launched in January/February 2015, for a period of 2 years. In the spirit of open innovation, they include different types of public and private actors (companies, research laboratories, local authorities, potential users, ...) and aim at going further in the creation of innovative products and services testing them "live" and developing a strategic vision of their potential usage. This should eventually lead to an innovative, effective and efficient model for the Walloon Living Lab and hence the selection of other key issues on which the Walloon Region can capitalize.

Moreover, following the "*Creative Hubs*" project call launched in January 2014, 7 creative hubs projects were selected in major cities in the Walloon Region (Namur, Liege, Louvain-la-Neuve, Mons, Charleroi, Tournai and Arlon), allowing the adaptation of actions to the regional and local economic realities. According to the call, they have a period of one year to test and implement their creative hub model whose objective is the transforming the "traditional" economy into a "creative" economy by enabling the actors to promote open innovation, hybridization and transdisciplinary collaborative intelligence. After this period, the refined and validated Walloon creative hubs will be sustained through the European Structural Funds.

Given their success, it has been decided to pursue *Boost-Up actions/ Creative industries* and *Nest-up*. Since its launch, Boost-Up/Creative industries has achieved 6 calls for projects and received more than 500 applications and the granting of aid funding for 36 selected winners. The Nest-Up action has enabled 4 start-up acceleration sessions since the fall of 2012. This allowed helping creating 19 start-ups in two years.

As part of WECD, an *assessment of Creative Wallonia* was completed in 2014. It highlighted the novelty and relevance of the programme, which has helped strengthen collaborative dynamics and cross-cooperation. It has created a more favourable environment for the development of innovative and creative projects in the Walloon Region. Among the various recommendations for improving its implementation, it has been proposed to involve the competitiveness clusters in the process. It has also been recommended to continue international efforts. A *study on the link between ICC and knowledge-intensive services with industry* has also been finalized.

As part of the Marshall Plan 4.0, the Government intends to focus on supporting the *creation and development of innovative businesses*, including by diversifying their funding. The RPD foresees a detection device for companies with a high growth potential, and improve specific accompaniments to innovative companies. The *Agency for Enterprise and Innovation (AEI)* (in coordination with its subsidiary, the Walloon Digital Agency), a new one-stop office for businesses, operational since January 2015, will be at the heart of the system (cf. Section 2.5.).

Finally, concerning the preparation of the *Digital plan*, which will be part of the Marshall Plan 4.0, a "Digital Council" was launched late February 2015, and a digital forum will be held in spring. A budget of around € 200 million will be made available for this plan over 4 years. It will be aimed at developing the digital economy in all sectors, particularly in the areas of health, smart cities and mobility.

3.3. Education

Higher education

The Government of the French Community prioritises the implementation of the *higher education "landscape" reform*, which will also be evaluated. In October 2014, the Government adopted a draft decree approving the statutes of 5 academic clusters. These new structures have a central role in the new higher education landscape, particularly in terms of collaborations and synergies between all types of higher education institutions.

Late February 2015, the Government also approved a draft decree on various developments in the "Landscape" decree, at the sector's request. These include simplifying and harmonizing complaint procedures and develop academic career structures. Students who have acquired 30 credits of their course program can now complete their education without having to double their year, and reorientation mechanisms are proposed as from the January session. The framework of the Agency for the Assessment and Quality of Higher Education has also been adapted in order to comply with European standards.

Moreover, the role of higher education in lifelong training will be strengthened with the ESF's support, in particular through valuating acquired experience, extending pilot alternance experiments, strengthening the connections with employment and training operators.

Improving access to higher education will be pursued, especially regarding the cost of education, social support for students, and guidance.

Finally, the Government plans to refinance and reform the higher education *funding system*.

School dropout

In addition to the existing (sectoral and intersectoral decrees) and developing (cross-sectoral fight against dropout plan, as part of the Youth Guarantee) mechanisms detailed in Section 2.4., the Government of the French Community in January 2015 presented its *"Pact for Excellence in Education"*. Based on wide consultation, it aims to define action priorities at a 10-year horizon to strengthen the quality in education, at different levels:

- quality of guidance, consistency of students' courses;
- quality of training, support and guiding of the education actors;
- quality of the offer, skills and knowledge;
- quality and efficiency of education governance.

The Pact will enable a better allocation of resources for the fight against failure and improve education. It should be adopted in 2016.

The reforms presented in chapter 2 regarding alternance training, strengthened partnership links between education and business, especially through qualifying education, will also contribute to fighting school dropout.

On reforming the *education system*, the RPD 2014-2020 plans to focus on basic skills (reading, speaking and writing, mathematics, science and technological approach, languages and ICT skills). The Government intends to generalize a summative external examination at the end of high school, and extend the core of topic at least until the third year.

Regarding *scientific and technical studies*, the focus will be laid on students aged 10 to 15. Partnerships will be developed between primary and secondary schools to explore scientific experiments for elementary school students, specific animation modules will be developed, educational materials will be available and the scientific skills of new teachers will be strengthened as part of their initial training. It is also expected to give a "polytechnic" dimension to the general core of topic in secondary education, and to organize technical discovery activities for all students. The Government will consider the creation of a technological pathway leading to higher qualifications in qualifying education. Outreach initiatives of the results of research and scientific achievements will be promoted. Scientific studies and careers will be promoted among young people.

3.4. Social Cohesion and Social Action

The Walloon Government plans to conduct an *integrated preventive social action policy* contributing to the empowerment, autonomy and well-being of everyone, with special attention to the fight against child poverty and poverty among the elderly.

Actions will be pursued to reduce the energy consumption of low-income households, to support socio-professional integration, the fight against illiteracy and indebtedness, and facilitate access to housing.

Fight against poverty and over-indebtedness

The guidelines for the development of a *regional plan to fight poverty* were decreed by the Government early 2015. This plan will complement the existing policies and provide effective and coordinated response to the needs of people experiencing poverty or insecurity.

In July 2014 the Walloon Government appointed the non profit organization *Walloon Network for the Fight against Poverty* (RWLP) as a privileged expertise interlocutor. The aim is to improve the effectiveness of the implemented measures, and strengthen dialogue with the poorest. The RWLP will be asked to set a work plan for the most disadvantaged, to be evaluated annually.

The *Social Cohesion Plans (PCS)*, which were evaluated positively, will continue until 2019, but simplified administratively.

In terms of indebtedness, a coordination committee will be created involving the various Walloon actors that *fight excessive debt*, in order to identify the different actions that will strengthen preventive missions, including through support groups for the prevention of over-indebtedness and fiscal guidance.

Regarding the next *Child Rights Action plan 2015-2019*, to be adopted in 2015 by the Governments, a final evaluation of the 2011-2014 plan will be submitted to the Government during the first half of 2015. It aims at achieving the results of the pursued policies, assess the impacts and formulate recommendations.

When it comes to the transfer of responsibilities regarding *child benefits*, the Walloon Region can exercise them from 1 January 2016 at the earliest. The Government initially does not wish to change the system in order to ensure continuity of service. Reflections on changes to be made to the system after

this will be conducted in consultation with social partners and families' representatives. The greatest possible convergence with the Brussels Capital Region will be pursued.

Active inclusion

As part of *the 2014-2020 ESF programme*, the Walloon Government and the French Community have allocated a budget of € 250 million to the "Include and employ" priority with the aim of improving access to insertion mechanisms, to support job seekers in their efforts to find a job, or to the fight against discrimination in the workplace. This will include projects for guiding migrants in their socio-professional integration, training for people with disabilities, (pre) training for job seekers, and literacy programmes. Projects of the first call were selected in February 2015.

Housing

Regarding housing, the Walloon Government in February 2015 approved the draft *reform of Housing – Energy bonuses* for individuals (see Section 2.6). Bonuses will be more focused on the most effective or essential measures on energy savings or safety/renovation. The terms will be reviewed, and they will be modulated according to the beneficiary's income level, with a maximum income level to qualify.

Efforts have also been undertaken to *diversify housing solutions*, in accordance with the UN Convention on the Rights of Persons with Disabilities, to offer a choice of places to live to every person, taking their aspirations into account (Walloon decree of May 15, 2014 relating to available housing, adaptable housing and special needs housing, projects, the "Logement encadré novateur - LEN" which aims to support independent housing for people with intellectual disabilities). As detailed in Section 2.3, the Government will pursue its action for the elderly and people with disabilities by opting for formulas favouring greater autonomy, as residential services are reserved for the most dependent people.

3.5. Energy-Climate

In addition to the measures detailed in Section 2.6 for general emissions reductions ("Air-Climate-Energy" Plan, sustainable energy strategy) or specific measures for the construction industry (Employment-Environment Alliance, bonuses reform, action plan for energy efficiency and regulatory PEB) and transport (multimodality, mobility, ...), the industrial sector also contributes by improving energy efficiency.

The central tool, the *second generation sectoral agreements* began in 2014 with the objective in 2020 of an improved 11.4% energy efficiency and reduced CO₂ emissions by 16.1%. End of 2013, 153 participating entities to 15 agreements lead to a result of respectively 8.7% and 12.9%.

Financial counterparties are renewed, with the exception of the reduction of excise duties on energy products. These second-generation agreements still involve result-based goals regarding improving energy efficiency and CO₂ emissions, but have added an obligation of means:

- estimate the renewable energy development potential on industrial sites;
- develop a CO₂ study in the form of either a carbon footprint of the concerned industrial sites or of a life cycle analysis on the company's key products;

- establishing a 2050 energy "roadmap" in each stakeholder industry.

The possibility of expanding the branch agreements to the tertiary sector and SMEs will be examined. Regarding the circular economy, energy and material flows will also be considered.

Moreover, the requirement to conduct a *cost-benefit analysis* to assess the possible relevance to install a *cogeneration* (for new installations with a total thermal capacity of over 20 MW and substantial renovations) was introduced through the environmental permit legislation in June 2014.

On support for *renewable electricity production*, as detailed in Section 2.5, a reform of the green certificate system was held in 2014. The Government intends to proactively contribute to the European objectives, based on balanced distribution of responsibilities by the Federal level and the Regions. In this perspective, a study is underway to review the strategy for developing renewable sectors based on technological, economic and societal evolutions. Renewable support mechanisms as well as the costs will be assessed to support the mechanism reform in consultation with stakeholders. The Walloon legislation on the promotion of electricity produced from renewable energy sources will be reviewed in the spring of 2015.

Furthermore, some specific measures for certain renewable energy sectors have been implemented, such as:

- The selection of projects following a call for a biomass project (BIOMETH 10 programme) to the establishment of biogas units in agriculture, biogas injection into the natural gas grid, ...);
- The entry into force of the total Quali watt plan (small photovoltaic installations) with the end of the transitional period of the Plan launched in September 2014;
- The modification of the premium for the installation of a solar water heater in April 2014 (increase of the premium amount and new conditions). The Soltherm premium has been placed under a moratorium since 01.01.2015.

Finally, under the 2014-2020 ERDF programme, a budget of around € 274 million is dedicated to axis 4 "Transition to a low carbon economy in 2020", covering support measures for renewable energy, cogeneration, energy efficiency of buildings, multi-modal mobility, energy efficiency and renewable energy use in businesses.

4. Complementary reform measures

4.1. Industrial policy and efficient resource use

The *Marshall Plan 4.0* (the final version will be adopted in the first half of 2015) particularly aims consolidating a *regional policy for sustainable industrial innovation* and contribute to European objectives in terms of re-industrialization and innovation. This is to actively support the transition of the Walloon economy to a competitive, open, innovative and sustainable model.

The implementation approach will not only be aimed at boosting business competitiveness by acting on the different levers of total productivity of factors (investment, innovation and creativity, ICT, internationalization, skills) but also at supporting a transition process to a more (eco)efficient model in order to strengthen their competitiveness-costs (possible reduction of the cost of energy inputs, efficiency in processes, reuse and recycling, ...) and to enable them to bear the costs associated with this

transition. Secondly, business creation and development of new and promising niches will also be supported, particularly regarding the "green" economy.

The policy of *competitiveness clusters* remain at the heart of the Marshall Plan 4.0, and will be refined based on the recommendations in recent evaluations, possibly deepening the Walloon Strategy for smart specialization (see Section 3.2.) . This focuses on innovation dynamics (including ICT), on creative and industrial development, on the involvement of SMEs, on internationalization and the development of circular economy. Overall, the monitoring and evaluation tools of the policy of clusters will be further developed in order to ensure effectiveness and efficient pilotage, depending on context changes.

This policy has been further implemented. In the 11th call for projects for clusters, 12 projects were thus selected for a total sum of € 47 million. For the 12th call, 7 projects with a budget of € 28.5 million were selected in March 2015. As detailed in Section 3.2., substantial budgets have also been dedicated to innovation platforms (proton therapy and reverse metallurgy). Moreover, the jury also ruled on some cluster projects. Biowin will thus participate in the 2nd call for projects of the Massachusetts Life Sciences Center (MLSC). Mécatech, in partnership with the Massachusetts Institute of Technology (MIT), will launch a preliminary study on the area of the future battery. As part of the first MLSC call, 2 active Walloon SMEs (one active in the field of cell therapy and the other in in vitro diagnostics), obtained funding for their collaborative project with Massachusetts companies. As part of the Eureka programme, the Walloon clusters (especially Biowin, Mécatech and Skywin) are actively involved in bilateral cooperation with Switzerland; a call for projects is underway.

Also at the international level, the Mécatech cluster, together with the SIRRIS research center, is involved in a pilot project for the establishment of a European demonstration network in the field of 3D printing with different partner regions, including the Flemish Region. This is possible by involving the Walloon Region in the "Vanguard Initiative", especially in relation to the development of smart specialization platforms in the field of advanced manufacturing,

The jury also made several recommendations (strengthening the economic impact of the projects, business development through a more intensive support during the project design, greater export vision (beyond the poles), ongoing concern as to the future use of results, ...) to be taken into account in redefining the expected goals of competitiveness clusters, both regarding their impact on economic activity, as on the operating processes. Note that the jury will be renewed in 2015.

On the fiscal side, € 41 million will be budgeted each year in payment methods to allow funding of research projects as part of the clusters policy. Another € 15 million will be added in 2017 and € 15 million in 2018. In addition, € 4 million will be budgeted each year to fund training cluster policy projects, as well as a yearly € 4 million for the international component. This will also be strengthened in 2017 and 2018, each time up to € 11 million.

Finally, we can mention the creation in February 2015, on private initiative, of an *investment fund dedicated to chemistry and life sciences*. It has a budget of € 13 million, to which public funds have contributed.

Circular economy

The Walloon Region has decided to strengthen its position in the field of *circular economy* by developing a coherent set of actions, ranging from awareness, expertise and project support. These are carried out firstly through the NEXT project established within B.E.Fin (SRIW) and, secondly, through the

"circular economy" cell established within the AEI, together with its partner operators. The circular economy mission of AEI aims, together with NEXT, at setting up a structuring support system for Walloon VSEs and SMEs in their circular economy projects. The circular economy fund will provide financial assistance to Walloon SMEs wishing to enroll in a logic of circular economy. The priority for 2014 was the introduction of the support system. The circular economy scholarships are expected to emerge in 2015. These devices will be launched with the support of ERDF, and will be a priority of the Marshall Plan 4.0.

Meanwhile, the "Short Circuits" reference center, also within the AEI, makes it possible to capitalize on existing initiatives to create a framework enhancing the *development of short circuits* in the Walloon Region, in food and non-food areas. This reference center supports the management structures and bases its work on the different actions through four partner institutions (UCM, Inter-Environnement Wallonie, SAW-B and DiversiFerm). In short food circuits, for which the Walloon Region has for many years had its policy, the funds for the unique DiversiFerm office were increased to enable it to meet an increasing number of applications.

Calls dedicated to the construction sector were also launched in 2014. On the one hand, a *call for sustainable materials projects under the Employment-Environment Alliance* (May 2014), with an indicative budget of € 1,2 million. This is to support the emergence of new sectors of production/distribution of sustainable materials in the Walloon Region through partnerships between material producers and distributors and construction contractors. On the other hand, a call for recycling projects of construction materials was launched in November 2014, for the development of value chains of materials from (de)construction sites in the Walloon Region. A total budget of € 200,000 will support Walloon companies in this project. The Walloon Construction Confederation (CCW) and the GreenWin Competitiveness Cluster ensure the operational management of the call.

The Walloon Government has also provided a funding of € 2.5 million to the *VERDIR project* (Valuation of Environment for Sustainable Rehabilitation and responsible Innovation) through Be.fin in April 2014. This is an interdisciplinary and integrative global project to contribute to social, cultural and economic deployment. It is based on a new industrial concept of ownership of industrial zones, which combines high added value urban agriculture practices and biomass production and the creation of new business models based on the circular economy, or at least the systemic economy, short circuits, co-intelligence and co-working processes and social innovation, a source of social economy.

Finally, note that as part of its activities regarding *bio-based economy*, the GreenWin cluster, in collaboration with ValBiom, became a full member of the BIC consortium (Bio-based Industries Consortium), bringing together European bio-based industry. The cluster represents the Walloon SMEs; 10 SMEs have commissioned it to date. The goal for 2015-2016 is that Walloon SMEs, research centers and universities join European PPP BBI projects. Projects approved by GreenWin in biosourced chemistry will be monitored and help will be provided for the valorisation of results.

4.2. SME policy

The Government is committed to continue and accelerate the implementation of all the European *Small Business Act* (SBA) recommendations to help SMEs and support business creation and growth, which was a request of the social partners.

During 2014, three years after its launch, the Walloon SBA obtained recognition of European institutions, including publication of the Guidebook "Regional Implementation of the SBA," describing the

Walloon mechanism as a unique model in Europe. It is thus presented at the Open Days and at the European Parliament at the request of the Assembly of European Regions.

To illustrate the new impetus needed in the coming years, the Walloon SME envoy in his 2014 annual report traced the results of the first three years, and the way forward. This shows that the Walloon Region is implementing 100% of the European SBA's recommendations, including 35% partially. Some progress has been made in areas such as administrative simplification, female entrepreneurship, public procurement, support for young entrepreneurs, incentives for export, the evolution towards more efficient SMEs in the use of resources ...

The *Walloon SBA 2015-2019* focuses on the growth of SMEs, by pressing 4 priority areas - entrepreneurship, finance, innovation, and internationalization - including a transverse axis dedicated to administrative simplification (see Section 4.3.). Moreover, for Walloon SMEs to exploit the opportunities offered by new markets related to the creative, the digital and circular economy, these thematic priorities will be at the heart of the SBA actions.

As part of the Marshall Plan 4.0, the Government intends to focus on supporting the creation and development of *innovative companies* and spin-offs, including through the diversification of their funding, their managerial support... A sensing device for business with high growth potential will be launched and specific aids to innovative companies will be improved. Streamlining business and innovation support providers through the new *Agency for Enterprise and Innovation (AEI)* will be at the core of these priorities (see Section 2.5).

In March 2015, the Government also adopted its draft *reform of investment aid for SMEs, as well as export aid*. The focus here lies on business growth, enhancing aid effectiveness, and simplification. Regarding aid to SMEs, aid selectivity was strengthened especially regarding job creation, as well as their link with the objectives of innovation, export, re-industrialization, job and ecosystem creation pursued by the Government. Conventional regional aid (€ 80 million/year) will be complemented by support from the ERDF (€ 40 million/year). Regarding export, their number is drastically reduced from 15 to 5 aid categories focusing on expertise, mobility, participation in fairs and exhibitions, communication and implementation outside the EU. The award procedure is also simplified, payment periods reduced, and special attention is paid to starters via an increased intervention rate.

The support for entrepreneurship and entrepreneurial dynamics, including in connection with teaching will be continued. Regarding the *ESF 2014-2020*, programmes aimed at supporting entrepreneurship were retained, including continued training for teachers and support for pilot projects for entrepreneurship schools.

The efforts in terms of *easy access to financing for businesses* will also be pursued, ensuring consistency of supply (invests, guarantees, loans, micro-credits, mobilizing private savings, venture capital, setting investor relations, ...). The resources developed in the form of financial instruments (venture capital, loans and guarantees for SMEs, spin-offs and spin-outs, support for innovation, support for energy efficiency) will be supported by the ERDF. Moreover, in the field of cultural and creative economy, the RPD 2014-2020 plans to expand the skills of St'art Fund and to promote new sources of funding such as crowdfunding.

Since 1 July 2014, the SOWALFIN Group is the only institution to finance the self-employed, VSEs and SMEs in the Walloon Region after the *regionalization of the Participation Fund*. This has the effect of increasing its action volume for loans and guarantees.

Early 2015, the Euroquity financing platform was launched in the Walloon Region (in partnership with SOWALFIN in the Walloon Region, the BPI in France and KFW in Germany). Its purpose is two-

fold: to raise entrepreneurs' awareness about the importance of diversifying forms of funding within their SMEs, in particular for the opening of their capital to third parties in order to have adequate capital requirements in their growth plans, and bring together investors (individuals, private funds/public, institutional, ...) and entrepreneurs seeking capital.

The "Affaires à suivre" platform, which aims to facilitate business transfer for small traders, hospitality actors, artisans, liberal professions, business owners of small companies whose turnover is less € 500,000, was launched in December 2014. It was launched in partnership with the UCM and IFAPME and completes the action of SOWACCESS (a subsidiary of SOWALFIN dedicated to business transfers).

A revitalization plan for Walloon exports will also be implemented to increase the volume, frequency and value of our exports, both in Europe and in the world, with particular attention to high-growth countries. Prospecting actions will be targeted on niches and promising Walloon sectors, in connection with the competitiveness clusters (25% of actions will be conducted together with the clusters). It is also planned to develop an international development strategy of the clusters by encouraging international partnerships and enhancing the bond between clusters and AWEX.

Geographically, AWEX plans to intensify action for overseas export outside the usual European commercial spheres in 2015; apart from BRICS (South Africa will be the target market), actions are planned in other economies with high growth potential (Malaysia, Argentina, Turkey, ...). Note that 35% of the actions planned for 2015 will be conducted together with other regional agencies for foreign trade (Flanders Investment and Trade, Brussels Invest and Export).

4.3. Administrative simplification

As mentioned in the introduction, administrative simplification is at the heart of the strategy of the Walloon Government. Thus, the 2014-2019 RPD plans to create *an administrative simplification shock* for businesses, in particular through the implementation of the Walloon SBA (see previous Section). It is foreseen to extend the principle of trust, promote electronic exchanges between administrations, develop authentic sources and develop open data, implement a single web counter, improve traceability records, develop a "SME compatible" test and a "SME portfolio" (electronic portfolio to obtain subsidies in various fields for which specific aid thresholds are planned), and ensuring consultation with economic and social partners upstream of the legislative process, to cut formalities associated with land development projects, ...

Several reforms undertaken by the Government, and detailed in the previous Sections, already carry out this commitment (cf. reform of various types of aid, implementation of the AEI, permit for the commercial establishment, ...).

On public procurement, the use of the most advantageous offer will be extended, to integrate criteria other than price alone. Efforts will be pursued to facilitate access for SMEs.

Among the latest breakthroughs is the *dematerialization of the environment permit class 3* since January 2015. The citizen or company that wants to introduce his/her class 3 declaration (for projects with a low environmental impact) can do so electronically and paperless from his municipality.

Payment delays have also been reduced. Payments by special accountant were on average carried out in 20.5 days in the first 3 quarters of 2014 (against 25 days in the same period in 2013, 36 in 2012 and 55 in 2010) and the terms of payment of bills by prescription decreased to 36.7 days for the first 3 quarters of 2014 (against 44 days in the same period in 2013, 65 in 2012 and 148 in 2010). The payment of subsidies is now done in 33 days on average, against 73 in 2012.

4.4. Structural and Investment Fund

For the 2014-2020 programming period, 4 Walloon provinces are eligible as transition regions, Walloon Brabant being in the category of the most developed regions. The provinces of Liège and Hainaut and the Brussels Capital Region also benefit from the Youth employment initiative, which is implemented in the ESF program. It is jointly developed by the Walloon Region and the French Community.

The European Commission approved the ERDF and ESF programmes late 2014, allowing them to start in 2015. Following the call for proposals which was launched in March 2014, the Walloon Government and the French Community in February 2015 approved 380 ESF projects for a budget of € 374.5 million. The analysis of ERDF projects is underway, and approval will take place in May 2015. Note that in order to objectify the selection of projects, Governments rely on the expertise of an independent Task Force.

To maximize the leverage and avoid dilution of limited resources, a thematic and spatial concentration is required by capitalizing on the portfolio concept and increasing synergies between partners.

The thematic priorities are closely coordinated with the objectives of the Europe 2020 Strategy and complement the regional strategy developed in this context, particularly in connection with the recommendations made by the Council. The contribution of the Funds was pointed throughout the previous Sections.

Regarding the ERDF, this will include supporting the competitiveness of the economy and particularly of SMEs, R&D and innovation, according to the Regional smart specialization strategy, renewable energy development and efficiency in the use of resources, but also the development of training facilities. The priorities developed in the framework of the ESF include lifelong training and integration into the labour market, especially for young and vulnerable people, entrepreneurship, social inclusion and the fight against discrimination, the fight against dropping out.

Geographic targeting will favour urban areas marked by industrial decline and most affected by social exclusion and the deterioration of the urban environment as well as cross-border urban areas.

Annex 3: Reform programme of the Brussels Capital Region

1. Introduction

The Brussels Capital Region experienced economic growth (1.1%) in 2014 which looks set to continue in 2015 (+1.6%). Contributing to nearly 19% of the national GDP, its unemployment rate is still worrying, but is decreasing compared with last year (20.3% in February 2015). The number of job seekers fell by 3.3% over a year. This singular fall was influenced by a 12.1% reduction in the annual number of job seekers aged under 25, demonstrating the effects of the Government's quick implementation of the Youth Guarantee.

In July 2014, the new Government adopted a majority agreement based on seven key issues, which will also help to meet the EU 2020 targets.

Demographic expansion, which is more dynamic than in the country's other regions and accentuated by migratory flows that tend to rejuvenate the population, is both a challenge and a blessing. The Government plans to create six new neighbourhoods as a response to this demographic issue. The aim is to build accessible and suitable housing, satisfying the objective of social diversity, new public spaces and facilities in the public interest, while encouraging new companies to establish themselves in the Brussels Capital Region and ensuring a good public transport service.

Economic development, employment, training and education: the Government has adopted the 2025 Strategy. The 2025 Strategy aims to stimulate the Brussels economy with a 10-year, forward vision, but to do so, the employment, economy, research, training and education policies must be implemented in synergy. This is why the Strategy is translated into 18 commitments across all these areas. The principal objectives of these commitments will be to make the Brussels Capital Region the Belgian and European capital of entrepreneurship and innovation and reverse the paradox of the Brussels economy, which makes it the country's main source of jobs, but with the highest unemployment rate among its inhabitants. The 2025 Strategy will be implemented across three time periods: by 2025, in order to embrace an ambitious, early timescale which exceeds just the legislative deadline; within the legislative period, in order to plan the execution of the commitments over this legislature and to produce an appraisal after 5 years; and annual, in order to determine priorities and ensure regular monitoring of the Strategy's implementation. Finally, this Strategy will be implemented in cooperation with the social partners of the Economic and Social Council.

Mobility has been reorganised by the Iris 2 plan which aims to reduce road traffic by 20% by 2018 compared with 2001 levels. Developed in synergy with the "Air-Climate-Energy" Plan, this is also reflected in the new STIB (Société de Transports Inter Bruxellois) management contract which targets a 22.4% increase in transport by 2017, partly through expanding the network, purchasing rolling stock, creating new tram lines and extending the metro to Schaerbeek and Evere.

The fight against the fragmentation of the city and poverty is being managed based on 34 strategic objectives designed to invest in the promotion and consolidation of social policy. The Government has a preventative policy designed to prevent poverty situations, a plural policy for combating inequality and discrimination and a participatory policy which involves all the stakeholders concerned.

Quality of life, which is closely related to the policies for mobility, public cleanliness, planning, environment and energy, is a common theme in the Government's action. In addition to socio-economic elements, it must be noted that the Brussels Capital Region has set itself the ambitious target of reducing its greenhouse gas emissions by 30% from 1990 levels by 2025.

The housing policy has set ambitious objectives, aiming in particular to create 6,720 social and medium-sized homes through the Housing Alliance and renovate existing housing. This policy includes an "energy" section in line with the EU 2020 targets and these new homes will have to satisfy the new energy performance regulations for buildings (PEB 2015), closely linked to the Directive 2010/31/EU which requires energy consumption to be almost zero for all new buildings after 2020.

The *Internationalisation* of the Brussels Capital Region, by developing a host nation policy for the Region, but also by strengthening the tourism sector - an economic lung for Brussels - as well as improving Brussels' attractiveness to international companies.

2. Themacro-economic and demographic context of the Brussels Capital Region

Economic activity

According to projections, after two consecutive years of almost zero growth, economic activity across the Brussels Capital Region should bounce back with a positive growth in 2014 (+1.1% growth in real GDP). In 2015, economic growth will rise to 1.6%, thereby contributing to almost 19% of national GDP.

This acceleration can largely be explained by the broadly positive return to growth in "other market services" (+1.7 %).

Credit and insurance activities should also continue on a positive trend, with a 2.6% rise in added value in 2015. Together, these two sectors should be the source of over half the growth in regional GDP this same year. Another two, smaller sectors should also make a more significant contribution to the increase ineconomic activity in the Brussels Capital Region than over the last three years. These are the "transport and communication" and "retail and hospitality" sectors where added value is set to reach 1.8% and 1.4% respectively in 2015. Over the medium-term, most of the core business sectors should maintain, and even slightly improve their growth level.

Domestic employment in the Brussels Capital Region

In 2014, domestic employment began to rise moderately with just under 693,000 people working across the region last year, which is an increase of 0.1% compared with 2013. Employment in the Brussels Capital Region has been more or less steady over the last three years due to the net job creation in the "other market services" (nearly 6,800 people in total) and "health and social activity" (approximately 3,600) sectors. These same sectors should still drive the upward employment curve which should climb again significantly in 2015 with an increase of 0.9%.

Over the medium-term, domestic employment in the Brussels Capital Region should develop at the same pace as that forecast for the whole country, which is an increase of 0.7% per year over the 2016-2019 period.

Labour market

From 2015, the unemployment rate in the Brussels Capital Region is expected to fall dramatically, reaching a lower rate in 2019 than before the 2008 financial crisis¹.

According to the latest unemployment trends, there were 107,463 unemployed job seekers (UJS) in the Brussels Capital Region at the end of February 2015, which is 3,719 fewer UJS than in February 2014 (-3.3%), leading to a negative annual growth rate. It should be noted that this reduction affects more

¹ Actiris, press release 3 March 2015 "Février 2015 : Diminution du chômage et du chômage des jeunes à Bruxelles sur base annuelle"

women (-3.9%) than men (-2.7%). A fall in annual youth unemployment has also been observed, with a decrease of 1,730 UJS under 25 (-12.1%) compared with February 2014.

Over the 2013-2019 period, household disposable income should increase slightly faster in the Brussels Capital Region (2.8% per year on average, in nominal terms), than in the Flemish Region and the Walloon Region (2.7% and 2.5% respectively).

Since the early 2000s, the Brussels Capital Region has experienced a demographic change which has been considerably more dynamic than that in the Flemish Region and the Walloon Region, mainly due to the significant contribution of international immigration. These international migratory flows have drastically changed the age structure of the population in the Brussels Capital Region, through a pronounced rejuvenation of its residents, the reverse to what has happened in the other two regions. The combination of these changes has been reflected by a noticeably faster growth in the working age population in the Brussels Capital Region (15 to 64 years old). However, population growth in Brussels has tended to slow down since 2012. Over the 2013-2019 period, projections forecast a total population growth of 0.9% on average every year, compared with 1.4% from 2000-2012, and at a much more sustained rate than nationally. With regards the working age population, it should increase by 0.8% on average annually between 2013 and 2019, which is 0.8pp below the growth observed from 2000 to 2012. Nevertheless, in absolute terms there would still be major differences compared with the other two regions. Every year during the projection period, the working age population would increase by 6,600 people in the Brussels Capital Region, compared with a rise of 2,200 in the Walloon Region and stagnation in the Flemish Region. Despite less sustained demographic growth than previously, the working population in the Brussels Capital Region should increase twice as fast as nationally (0.6% and 0.3% per year respectively between 2016 and 2019). In Regional terms, this growth would only be sustained by the demographic component, the supply trends on the labour market showing almost no contribution.

Inter-regional mobility

As in both the other regions, the trend in the employed population in the Brussels Capital Region is dependent on the demand for labour (i.e. domestic employment), but unlike in the Flemish Region and the Walloon Region, it is also more greatly influenced by the flow of inter-regional commuters. The number of inbound commuters should increase overall over the 2013-2019 period (+8,600), despite a slight fall during the first two years of the projection. The rise mainly concerns Walloon workers employed in the Brussels Capital Region, the numbers of which should increase by 7,300 people over the entire period. At the same time, it is expected that nearly 12,500 additional residents of the Brussels Capital Region will go and work in a neighbouring region; 55% to the Flemish Region and 45% to the Walloon Region. Finally, the remaining commuters in the Brussels Capital Region would become slightly less negative by 2019, gaining just under 4,000 people compared to 2013. Since 2000, this group of commuters has experienced sustained and constant growth (excluding the three years following the 2008 crisis). This improvement has coincided with a particularly favourable employment trend for residents of the Brussels Capital Region. It should be noted that in 2019, nearly one in seven residents in employment in the Brussels Capital Region will be an outbound commuter to one of the other two regions, representing approximately 68,500 people.

3. The Brussels-Capital Region's responses to the specific recommendations made to Belgium

3.1 Tax system

CSR 2: improve the balance and fairness of the overall tax system and prepare a comprehensive tax reform that will allow shifting taxes away from labour towards more growth friendly bases, simplifying the tax system, closing loopholes, increasing VAT efficiency, broadening tax bases, reducing tax expenditures and phasing out environmentally harmful subsidies.

The 6th State Reform modifies the financing mechanisms of the Regions and Communities. In the name of accountability, the federated entities can now pursue a real tax policy.

It is in this sense that the Brussels Capital Region's tax reform, provided for under the majority agreement, aims to make taxation of the Brussels Capital Region less complex, fairer and more favourable for residents and companies in the Brussels Capital Region. There will be a shift from labour taxes towards land taxes.

There will be lower taxes on earned income. Under this tax reform, the metropolitan area's additional 1% on personal income tax and the fixed regional tax will be abolished, since they make living in the city more expensive and penalise residents of the Brussels Capital Region.

Instead, taxation will be restructured so as to encourage new tax-paying residents to settle in the Brussels Capital Region. Consequently, the reform plans to:

- promote access to property (existing tax incentives will be at least maintained and, where possible, even broadened);
- attract middle-class families (by, among other things, reducing registration fees related to home ownership);
- attract companies (by reforming the existing favourable statute for transferring companies by gift or inheritance).

An increase in the property tax rate is planned in order to offset budgetary losses. More generally, the property tax will be reformed.

This new tax policy is currently under development. The Minister of Finances and the Budget is being assisted for this purpose by the regional tax administration and a taskforce of taxation experts. The reform will be carried out in accordance with a balanced budget and should come into force in 2017.

In addition to the aforementioned measures, it should be noted that the Brussels Capital Region Government approved at first reading, a preliminary draft ruling that aims to create a kilometre levy for heavy-goods vehicles intended or used for the road transport of goods, replacing the Eurovignette road user charge. The preliminary draft provides for this levy to come into force in early 2016.

For simplification purposes, the Government also intends to create synergies between regional and municipal taxation and to simplify municipal taxation and make it more transparent.

3.2 Ageing population

CSR 3: contain future public expenditure growth relating to ageing, in particular from pensions and long-term care, by stepping up efforts to reduce the gap between the effective and statutory retirement age, bringing forward the reduction of early-exit possibilities, promoting active ageing, aligning the statutory retirement age and career length requirements to changes in life expectancy, and improving the cost-effectiveness of public spending on long-term care.

With a budget of around 600,000 euros in 2014 (a budget which may change in the future), the Common Community Commission, responsible for bilingual personal matters in the Brussels Capital Region plans to:

- Adopt a new approval system for home care providers that implement "hospitalisation" activities at home. This new system will establish the thresholds to be achieved in terms of activity volumes, skills and experience. The underlying objective is to develop these services into more medically dominant activities as an alternative to hospitals for certain stays or end of stays, in close partnership with general practitioners.
- Establish a programme of policies and services for the specific needs of older people, based in particular on observations made by the inter-university study on home care and accommodation structures for older people in the Brussels Capital Region ("Programmation relative aux structures de maintien à domicile et d'hébergement pour personnes âgées à Bruxelles"), in consultation with the French Community Commission (COCOF) and the Flemish Community Commission (VGC) and within the framework of an appropriate budget.
- Continue the initiatives to improve the quality of life in nursing homes through the increased involvement of older people in the running and organisation of these homes (continue to promote residents' councils) and the deployment of activities focused on independence, sustainable food, getting out, the quality of the infrastructures and respecting residents' rights.

3.3 Labour market

CSR 4: increase labour market participation, notably by reducing financial disincentives to work, increasing labour market access for disadvantaged groups such as the young and people with a migrant background, improving professional mobility and addressing skills shortages and mismatches as well as early school leaving. Across the country, strengthen partnerships of public authorities, public employment services and education institutions to provide early and tailor-made support to the young.

3.3.1 Increase labour market access for disadvantaged groups such as the young and people with a migrant background

3.3.1.1 Policies and measures targeting young people

I. Brussels Youth Guarantee Scheme

As previously mentioned, the Brussels Capital Region saw a reduction in youth unemployment between February 2014 and February 2015 (-12.1%). There are several explanations for this fall, including the implementation of the Youth Guarantee, the larger number of exclusions to the right to unemployment benefit, the reduction in the number of young people registering with Actiris after their studies, etc. The situation of some young people in the Brussels Capital Region, whether in terms of access to employment, qualification levels, early school leaving or poverty, is still concerning and requires a management tool that goes beyond sectoral public policy. Given current needs, public policy must focus an increasing amount of resources on reducing inequality regarding integration on the labour market of the Brussels Capital Region. Based on a strong partnership approach, the Youth Guarantee Scheme of the Brussels Capital Region is coordinated by the Minister-President of the Brussels Capital Region who is assisted by a Steering Committee bringing together the various Ministers responsible for Employment, Training, Education and Youth Action as well as the functional public services. Social partners are associated primarily through public service management committees for employment and training, but also through the Committee for Economic and Social Consultation extended to the community authorities responsible for education and training. Forming a compulsory part of a set of cross-sectoral (education, employment, youth information, staying on in school, middle-classes, etc.) and multi-level (European, Federal, Regional, Community, local) policies, it aims to help combat unemployment and underemployment in young people aged between 15 and 25 and to improve their skills (in a broad sense) with a view to their (re)entry into the labour market. It is designed to reposition policies targeting young people in the Brussels Capital Region for their sustainable integration into the labour market.

In addition to its affiliation with the targets of the Europe 2020 Strategy, the scheme actively purses the objectives of the programme tools implemented by the Region and by the cooperation agreements between the Region and the French and Flemish Community institutions relating to cross-cutting employment-training policies. Given the context of the intervention by the Brussels Capital Region, remedial actions (especially education/second chance training type initiatives) are promoted alongside prevention.

6 priority themes are used to implement the schemes objectives through a range of practical initiatives:

- An "Information/guidance" priority resulting in the following initiatives (non-exhaustive):

- Plateforme Bruxelles-J: since June 2014, a website (bruxelles-j.be) has been available providing the information needed by young people about study, training, work, their rights and allowing interactive discussion and virtual personal support. Local reception platforms have also been set up in association with municipal youth/education services and local grassroots organisations. There were double the number of information sessions in 2015 compared with 2014.
- Creation of a "youth" section within Carrefour Formation set up in October 2014 by Bruxelles Formation. The same service offer exists for Dutch speakers, set up by the VDAB and the VGC.
- An information bus project is being considered by Bruxelles Formation and other partners with a view to reaching young people in the neighbourhoods where they live, this is scheduled for launch in 2015.

An "Education/youth action" priority, resulting in the following initiatives (non-exhaustive):

- The implementation of a joint action plan with the Region's Dispositif d'Accrochage Scolaire (school dropout plan), education/youth action cross-sectoral organisations and local stakeholders designed to stop young people dropping out of school. Collaboration with Dutch-speaking education stakeholders.
- Development of the time-out scheme (Flemish scheme for getting children back into school).

An "Education and informal training" priority, resulting in the following initiatives (non-exhaustive):

- Implementation of a community service system for low-skilled young people under 25 (max. secondary school certificate (CESS)), generally registered as job seekers. They benefit from a training contract recognised by the national employment agency (ONEM) as community service time.

Implementation of a system to re-engage young people who are furthest removed from the labour market (Find-Bind-Mind).

- A "Training" priority (3,000 training places per year):

- Strengthening the Bruxelles Formation-Enseignement de Promotion Sociale partnership from September 2014 with a view to increasing the level of qualifications obtained by young people (access to the secondary school certificate (CESS): 8 projects for 164 trainees.
- Bruxelles Formation/Actiris collaborative project with the Federal Public Services (Police, Defence, SNCB) designed to prepare young people for certain professions.
- Improving cooperation between training providers (reference centres, social and professional integration bodies, Bruxelles Formation, VDAB Brussel) and "education" providers, such as apprenticeships, sandwich courses and agricultural centres.
- Language learning: systematic testing of any new job seeker, more job-focused language training, extension of the Brulingua platform to all students and teachers (and more specifically job seekers), more intensive language lessons (VGC and Communities), creation of the "Leerwinkel Brussel" (information, guidance and support service for various training options).

- A "Work placement" priority (2,000 work placements per year):

- 50 international work placements;
- 1,650 transitions into work placements;
- 300 work placements (individual vocational training -FPIE/IBO type).

- An "Employment" priority (1,000 jobs per year):

- Reorganisation of Actiris' support offered to job seekers aged under 25 based on 4 priorities (reserved time slots, new individual action plan, adapting the follow-up methodology, continue to segment the youth audience in order to offer specific assistance to young people who are furthest removed from the labour market). Designated support is also provided for people dealing with health issues.
- Strengthening of the Actiris Youth Guarantee Service (team of 27 full-time people).
- Monitoring of the Youth Guarantee has also been set up to verify that Actiris is complying with its commitment in implementing the initiative.

- From July 2016, the introduction of the integration contract (including a training aspect) designed for job seekers under 25 years old, unemployed for 18 months and without any professional experience despite their efforts, which are considered to be positive.
- Annual offer of 125 First Job Agreements (CPE) of 12 months in Public Interest Bodies of the Brussels Capital Region.

7th priority: a cross-cutting priority aiming to implement a reporting system for the overall scheme and organise a general information campaign about the scheme.

The Employment-Environment Alliance has helped make improving the environment a source of economic opportunities and job creation for all residents in the Brussels Capital Region, including lower-skilled workers. The objective is to boost an economy that respects the environment, is low-carbon and which consumes few non-renewable natural resources.

The Alliance was developed in 4 key sectors: sustainable construction from 2010, water from 2012, resources and waste and sustainable food in 2013.

Three types of target audiences are affected by the Alliance's actions:

- Qualifying secondary school students;
- Job seekers;
- Workers and company managers.

Among the 8 workshops under the sustainable construction section, 3 workshops are designed specifically for young people in the fields of professional integration, education and training, the achievements of which are as follows:

- 15 training providers involved;
- 26 schools involved in at least one of the Alliance's initiatives, which is almost all the institutions of the Brussels Capital Region in question;
- 155 teachers and trainers trained or involved in the initiatives, which is over half the teachers and workshop leaders in the "construction" education sections;
- 1,915 young people involved in the Alliance, including indirectly 1,600 young people who are at the initial training stage in sustainable construction, which is about half the students from the 2012-2013 and 2013-2014 school years.

In May 2014, the BCR Government will decide what priorities will be pursued, based on an overall evaluation of the most promising sectors in terms of jobs.

3.3.1.2 Policies and measures targeting people with a migrant background

It is important to note that, in fact, in the BCR, employment aid measures generally affect people with a migrant background even if they do not target them specifically.

I. Reception of newcomers

In addition to the reception procedure set up for newcomers by the French and Flemish Community Commissions, the European Social Fund Operational Programmes active in the Brussels Capital Region make the social and professional integration of foreigners and people of foreign origin a priority.

Several initiatives will consequently support the regional policies already established for this purpose.

II. Mentoring

Two of Actiris' partners have developed pilot mentoring projects that target individuals with a migrant background and aged under 30, in particular:

- *Entrepreneurs et société*, created by the Union des Classes Moyennes (UCM);
- *Duo for a Job*, intergenerational mentoring.

The common feature of these initiatives is that they implement a form of mentoring by creating partnerships between young people with a migrant background or from a nationality outside the EU with an experienced professional (who may be retired or in early retirement, but must have been an entrepreneur in the case of "Entrepreneurs et société") who shares their experience and network and provide support in the search for a job.

III. Equivalence of diplomas

Many of job seekers in the Brussels Capital Region do not have an equivalence statement for a qualification obtained abroad (40.2% of job seekers registered with Actiris in October 2014).

The CIRE (French-speaking) and BON (Dutch-speaking) associations, specialising in reception and support for newcomers are partnering Actiris in a project designed to ensure that a greater number of job seekers in the Brussels Capital Region are requesting and obtaining an equivalence statement for a qualification obtained abroad from one of the two Communities, in order to improve their chances of entering the labour market.

In addition to information and support sessions for the application, the *mondiplo.me* website was launched in early October 2014.

IV. Non-discrimination and Diversity Council

The Territorial Employment Pact has been restructured and become the Non-discrimination and Diversity Council. The Council was officially established on 3 July 2014.

It is made up of employer and workers representatives, as well as representatives from public institutions and experts.

Its core mission is to fight discrimination and promote diversity in the Brussels Capital Region with a view to improving equality in accessing and continuing in employment for those targeted by the legal framework.

This mission has been broken down into three priorities:

1. Incorporate the fight against discrimination and promotion of diversity into regional policies;
2. Increase the impact of the diversity policy and target investments;
3. Organise a network of stakeholders to discuss and act on equality in accessing and continuing in employment for the target audience in the Brussels Capital Region.

The Diversity Plan is still the Council's main tool regarding employers.

Another of the Council's missions is to make proposals that target non-discrimination and promote diversity on the labour market in the Brussels Capital Region and consequently, it may issue recommendations for the Actiris Management Committee.

The Council fights against discrimination based on ethnic origin, age (younger and older people), disability and being low skilled, with the issue of gender being cross-cutting (gender mainstreaming).

The Council is a partner of the Interfederal Centre for Equal Opportunities and the Institute for the Equality of Men and Women.

4.1.1.1 3.3.1.3 Cross-cutting measures designed to activate target groups

I. Regional guidance following the transfer of employment measures as part of the 6th State Reform

A more significant shift in the policy of Subsidised Contractual Agents (ACS) is planned by the Government following the 6th State Reform. Firstly, the Government will release the necessary resources for a post-by-post analysis of all ACS currently assigned (over 9,000 FTEs) as well as the quality of the service provided.

The aim of this analysis is to maintain a policy of ACS in the Region, but to redirect them towards a policy that activates the target audiences in the places where they are most needed (such as for example, early childhood services) as well as potentially reallocating budget resources towards the more general activation policy.

II. Transfer of the activation policy and reduction of social security contributions for target groups

The Government's first commitment in this regard is to guarantee the legal certainty of all the schemes currently in place until their maturity. Secondly, these policies will primarily be used to employ the unemployed in the Brussels Capital Region, explicitly favouring young people, the long-term unemployed and the under-qualified. The activation instrument will be preferred for this purpose.

3.3.2 Improving professional mobility and addressing skills shortages and mismatches, as well as the problem of early school leaving

3.3.2.1 Skills shortages

With regards "skills shortages", Bruxelles Formation, just like the VDAB Brussel, is developing a large part of its offer based on analyses (by Actiris' Brussels Employment Observatory among others) of critical functions and other tools to identify and resolve shortages. However, it should be highlighted that the lack of skills alone does not explain all the shortages, some of which are also related to working conditions, including salary conditions. Other shortages are related to various forms of discrimination and in particular, discrimination against hiring people with a migrant background.

Several of the measures previously described under the Youth Guarantee Scheme of the Brussels Capital Region also address the issues relating to the level and suitability of qualifications (see previous section):

- Language learning, a particularly important issue in the Brussels Capital Region;
- Improved cooperation between training and education providers (primarily compulsory education and social advancement);
- The deployment of local platforms;
- Development of the time-out scheme (Flemish scheme for getting children back into school).

3.3.2.2 Early school leaving

Through an annual call for projects in the 19 municipalities of the Brussels Capital Region, the Region's Dispositif d'Accrochage Scolaire (school dropout plan) supports all networks of French- and Dutch-speaking schools for compulsory education in the Region, helping them organise initiatives to combat violence at school and prevent young people dropping out of school. 318 projects are being supported in 2014-2015, 45% of which are in secondary education. The plan will reach over 22,000 students during this school year with a dedicated budget of 1.87 million euros. Since they cover educational projects that aim to reduce academic failure and absenteeism, the initiatives focus on organising workshops to promote self-confidence and/or emotional stability through community experience, mentoring, services to the community, remedial learning and even study coaching sessions. Hence, the Time-out scheme is jointly supported by the VGC and the Region. This project is intended to prevent students leaving school early, causing difficulties at school or being extremely unmotivated. The objective is to give young people attending Dutch-speaking secondary schools who are experiencing difficulties the chance to discover a new interest in education. Through a school-based coach or an external short or long course, Time-out offers a comprehensive response to young peoples' problems.

During the first half of 2015, within the general framework of the Youth Guarantee Scheme of the Brussels Capital Region (one of the 18 projects of the 2025 Strategy), a joint action plan between compulsory education departments and public services and the youth action of the Communities will be finalised to be operational at local level by the start of the 2015-2016 academic year at the latest.

It should also be noted that the Flemish Community Commission (VGC) aims to provide qualitative supervision of the educational content of lessons in order to take preventative action against truancy. The Onderwijscentrum Brussel (OCB, primary and humanities teaching) and the non-profit organisation BROSO (humanities teaching) make a significant contribution. Thus, since 2011, the VGC has invested in developing Brede Scholen (open schools), schools that pay attention to the broader development and the life chances of all children. In 2013, 28 new Brede Scholen were created in the Brussels Capital Region.

Finally, we should remember that the French Community Commission subsidises educational support providers, through the social cohesion sector. These associations catered for 10,000 young people in 2014.

On a five-year basis and under the Decree of Social Cohesion, the COCOF subsidises 230 active associations in 13 municipalities of the Brussels Capital Region in terms of educational support, literacy, learning French or the reception of newcomers. 8.8 million euros have been allocated in 2015 to support these associations under social cohesion.

On 4 December 2014, the COCOF Board adopted the four priorities for the next five year period (2016-2020), among which educational support and literacy remain the main priorities, alongside in-

tercultural citizenship and living together. The beneficiary associations will be named following a call for projects which closed on 27 February 2015.

3.3.3 Strengthen the partnerships between public authorities, public employment services and educational institutions to provide early and tailor-made support to young people

In the Brussels Capital Region, given the institutional organisation, collaboration between competent entities is a vital prerequisite for the successful implementation of regional priorities.

In addition to the steering committee for the Youth Guarantee Scheme which somewhat reorganises the institutional and cross-sectoral consultation, social dialogue is the foundation for the work to be done in strengthening the partnerships. Indeed, the public employment and training services are administered by a joint management committee. For 2 years, in accordance with the cooperation agreements on cross employment-training policies and the 6th State Reform, these management committees have met regularly.

Presided over by the Minister-President, the Brussels Committee for Economic and Social Consultation is the central body for social dialogue between the Government and social partners in the Brussels Capital Region. Since 2013, it has been extended to the community powers when addressing topics related to training and education.

More specifically, with regards the projects to be implemented in cooperation with the Communities, the "Employment-Training-Education-Business" Task Force which brings together politicians, the public employment and training services, socio-economic actors from the CESRBC and those involved in education, will be the place for analysing certain topics under the commitments of the 2025 Strategy.

3.4 Competitiveness

CSR 5: restore competitiveness by continuing the reform of the wage-setting system, including wage indexation, in consultation with the social partners and in accordance with national practice, to ensure that wage evolutions reflect productivity developments at sectoral and/or company levels as well as economic circumstances and to provide for effective automatic corrections when needed; by strengthening competition in the retail sectors, removing excessive restrictions in services, including professional services and addressing the risk of further increases of energy distribution costs; by promoting innovation through streamlined incentive schemes and reduced administrative barriers; and by pursuing coordinated education and training policies addressing the pervasive skills mismatches and regional disparities in early school leaving.

3.4.1 Strengthen competition in the retail sectors

The order of 8 May 2014 amending the Brussels regional development code implements, across the Brussels Capital Region, the regionalisation of the Federal law on commercial facilities. It provides that any commercial premises set up with a net surface area greater than 400 m² must no longer be subject to a socio-economic permit, just a planning permission application. For commercial sites with a net surface area greater than 1000 m², permit applications will be subject to an environmental assessment used to anticipate, in an urban setting, possible problems in terms of noise and visual pollution, parking, traffic flow, accessibility, environmental and consumer protection. It also introduces the foundations for a policy designed to monitor the development in commercial activity in the Brussels Capital Region, through a planning declaration mechanism, especially in the case of changes or extensions to the commercial activity of an existing business in a core commercial area, and this regardless of the surface area in respect of freedom of trade, free competition and liberalisation of services.

3.4.2 Address the risk of further increases in energy distribution costs

The variation order of 8 May 2014 relating to the organisation of the gas and electricity markets in the Brussels Capital Region, provides the framework for exercising power on distribution pricing, transferred from Federal to Regional level under the 6th State Reform. While the actual power lies with the regulator BRUGEL, the order nevertheless provides guidelines that will govern the pricing methodology. As such, prices must be non-discriminatory and proportionate and comply with a transparent allocation of costs. The order also provides that tariffs are designed to offer a balance between the quality of the services provided and the price paid by end customers. It also provides that the pricing methodology shall encourage the distribution network manager to improve efficiency, promote market integration and supply security and conduct the research and development necessary for its activities.

3.4.3 Promote innovation by streamlined incentive schemes and reduce administrative barriers

The Brussels-Capital Region launched a comprehensive audit of the administrative procedures for financial assistance for R&D projects. This led to significant changes to internal administrative and accounting procedures, together with a reduction in the administrative burdens for beneficiaries. The region also intends to speed up the digitisation of finance application procedures for R&D projects.

Finally, a pilot project was launched for the use of flat-rate payments for expenses related to R&D projects, in order to reduce the administrative burden.

In late 2014, Innoviris, the Brussels Institute for Research and Innovation, also conducted substantive work to reduce the number of basic allowances related to its budget. This should enable Innoviris to enjoy greater budgetary flexibility and possibly reallocate the budget for certain actions to others in the event of over- or under-use of the loans.

3.4.4 Address the many skills mismatches and regional disparities in early school leaving

See responses provided for point 3.3.2.

3.5. Reduction of greenhouse gases

CSR 6: ensure that the 2020 targets for reducing greenhouse gas emissions from non-ETS activities are met, in particular as regards buildings and transport. Make sure that the contribution of transport is aligned with the objective of reducing road congestion. Agree on a clear distribution of efforts and burdens between the federal and regional entities.

The Brussels-Capital Region has set itself the ambitious target of reducing its greenhouse gas emissions by 30% (40%/capita) from 1990 levels by 2025.

To this end, the Regional Air-Climate-Energy plan was adopted by the Government at its first reading in September. This plan allows for the implementation of the Air, Climate and Energy Management Code of the Brussels Capital Region. This defines regional 10-year targets on energy, including renewable energy, climate change and even air quality.

Subject to an environmental impact assessment, this plan should shortly be adopted at second reading by the Government before being the subject of a public enquiry and then being definitively adopted.

While awaiting the end of this adoption process, the Government of the Brussels Capital Region has already implemented certain measures which are covered in the code:

- In April 2014, the Government set up a certification system intended for work by installers on small-scale installations using renewable sources. Certification is awarded on a voluntary basis, after a training course delivered by a recognised body and concluded by an exam. This system is common to the three Regions.
- In accordance with the 2014-2019 Government agreement which plans to promote clean vehicles, a study on the real development potential of electric and natural gas vehicles in an urban context such as that of the BCR was started in January 2015. This study will also serve as an input into the annex of the Brussels Capital Region to the national policy framework for the commercial development of alternative fuels and their infrastructures which is the subject of article 3 of the "Clean Power for Transport" Directive.

- In May 2014, the Government also adopted an implementing decree to establish the environmental performance of regional and local captive fleets, notably according to vehicle type. This decree permits four developments:
- Regional and local services can no longer purchase diesel vehicles and vans;
- Ambitious environmental performance criteria are defined for all public authority vehicles (cars, vans, lorries, dustbin trucks);
- Vehicle fleets will be analysed in order to streamline their usage and size;
- A percentage of electric vehicles (25% from 2015 and 40% from 2020 for regional bodies and 15% (2015) and 25% (2020) for local authorities) is imposed for new cars.

The ResilieNtWEB has been developed to boost sustainability as a business strategy. ResilieNtWEB is a strategic support programme which is free of charge for SMEs and aims to help them increase their resilience, i.e. their ability to anticipate market changes, adapt to them and learn from this process.

The companies monitored will identify local and/or international business opportunities and will establish an eco-innovation action plan in order to secure them sustainably. The project focuses primarily on SMEs in the food, construction and tourism sectors. The project has been used to develop a methodology and easy-to-use, time-efficient support tools directly targeting the company's "core business" (products and services marketed) so that SMEs can quickly identify which eco-innovations to implement. The 2nd priority of the Air-Climate-Energy Plan is dedicated to transport and reinforces the Regional Iris 2 plan which establishes guidelines in term of mobility. It provides a series of steps intended to improve the daily life of residents, commuters and visitors to the Brussels Capital Region by establishing a balance between mobility requirements and the quality of life within the Region. Its objectives are to control and optimise car use, develop public transport and adapt urban development to pedestrians, cyclists and public transport. The principal targets of the Iris 2 plan are a reduction in the volume of traffic by 20% from 2001 levels by 2018 and a reduction in the number of on-street parking spaces by 16% from 2010 by 2020.

As mentioned in section 3.1. "Tax system", the Brussels Capital Region Government approved at first reading, a preliminary draft ruling that aims to create a kilometre levy for heavy-goods vehicles intended or used for the road transport of goods, replacing the Eurovignette road user charge. The preliminary draft provides for this levy to come into force in early 2016.

Finally, the Air-Climate-Energy plan also provides for the adaptation of regional car taxation according to environmental criteria, particularly the vehicle's type of fuel and CO₂, PM₁₀ and NO_x emissions. Other direct emissions (CO, HC) as well as noise may be added.

4. Measures for the EU2020 targets by the Brussels Capital Region

4.1 *Employment and professional training*

As the figurehead of the Government's programme, the issue of employment for inhabitants of the Brussels Capital Region in relation to the Region's economic development, the improvement of training for lower-skilled workers and better coordination of education in line with regional realities is the major priority for this legislative period. In order to provide a partnership-driven and compartmentalised response and mobilise all those concerned, the legislature's first extraordinary Social Summit took place on 10 October 2014, bringing together employer and union representatives in the presence of the entire Government and launching the first works under the "2025 Strategy". As mentioned in the introduction, the 2025 Strategy aims to stimulate the economy of the Brussels Capital Region with a 10-year forward vision, across three time periods (annual, within the legislative period and ten years) and is translated into 18 commitments across the areas of the economy, employment, training and education. These commitments are the result of the Government Agreement and the priorities determined during the Social Summit of October 2014.

Each of the commitments is led by one or several Government members supported by the administrations in question and is broken down into several operational projects. So, the first commitment concerns the implementation of the Youth Guarantee Scheme of the Brussels Capital Region through 6 projects/themed priorities and one project/cross-cutting priority (see previous section).

Other commitments involve:

- The implementation of the "Brussels people in the Public Sector" ("Bruxellois dans la Fonction publique") action plan: this plan specifically includes creating a single portal, strengthening diversity plans, enhancing the benefits offered by public employers both internally and externally, improving the attractiveness of public employers of the Brussels Capital Region on the local market, keeping low-skilled services in-house, increasing the training offer in line with the demands of the public service, increasing the number of residents of the Brussels Capital Region in the Dutch-language service, implementing retention measures for officials, organising joint communication for public employers of the Brussels Capital Region, expanding the internship and sandwich course training offer and individual professional development to young residents in the Brussels Capital Region...
- The implementation of the 6th State Reform, employment section: an exercise to evaluate the schemes and their suitability to the Region's needs will be a priority, with particular attention paid to the schemes for activation, reducing employer contributions and the service-voucher systems. A Brussels' "target-group" approach will be central to future strategies.
- The implementation of a regional circular economy programme: involving transforming the linear economy into a circular economy by developing a strategic and operational vision of the environment as a resource for creating local jobs, this includes the relocation of economic activities via short distribution channels, in particular to obtain a value chain which is as complete as possible across the Region.
- The strengthening of cross-cutting employment-training policies: following the evaluation of what has been implemented under the cooperation agreements on cross-cutting policies, the syn-

ergies between the powers will be improved through the Employment-Training-Education-Business Task Force. This same process will be started at municipal level with the various stakeholders in employment, training and integration.

- Increase the professional training offer: an essential medium for the smooth running of the labour market, professional training (including training of the middle-classes) remains one of the legislature's challenges. Led by the Employment-Training-Education-Business Task Force, this commitment's objective is to improve access to qualifications and subsequently employment for those living in the Brussels Capital Region.
- The introduction of an Educational Pact for the Brussels Capital Region: a priority for the government: sign a cooperation agreement with the two Communities in order to match educational policies to regional policies with the aim of encouraging the social rise of young residents in the Brussels Capital Region. The Employment-Training-Education-Business Task Force will serve as a communication channel across all these issues, in synergy with the pool of qualifying French-speaking education, employment and training and Flemish partners.
- The promotion of sustainable, quality employment: combating job insecurity and working towards quality employment is a priority for all public employment policies. Within this framework, in order to encourage a process of actively promoting quality employment within the entire economic fabric in the Brussels Capital Region, this commitment aims to deploy continuous training efforts within companies and initiatives for equal treatment, diversity (the fight against discrimination) and a work-life balance.
- The establishment of a Metropolitan Community: take action under the future Metropolitan Community in terms of economy and employment, particularly by improving workers' mobility, coordinating economic and logistics activity zones and even drafting an agreement on the economic development of Zaventem airport.
- The creation of a Brussels' Small Business Act: to adopt, in the form of a charter and after consultation with social partners, a Small Business Act encompassing the realities in the Brussels Capital Region and in particular the improvement of relations between the public authorities and SMEs/VSEs with a view to a "business friendly" administration (reception, effectiveness, public contracts, administrative simplification) in order to strengthen support for entrepreneurship, provide access to finance and personalised support for entrepreneurs and offer a more encouraging environment for the development of SMEs.
- Streamlining bodies that actively provide services and support to companies: streamlining the tasks and merging the structures of various bodies, where this proves necessary, in order to provide economic stakeholders and citizens with a simplified and accessible tool, based on synergies between the support tools for economic development, including financial and training organisations and in the spirit of a one-stop-shop for services and support for companies.
- The review and redirection of business aid and the conditioning of this aid for job creation, among other things, by accepting trainees and training: targeting the increase in financial resources dedicated to financing and the increase in investment subsidies for SMEs and VSEs including the rate of workers from the Brussels Capital Region is most important in the form of an entrepreneurial support package and an active policy of supporting local business.
- The establishment of a strategy to strengthen exports and promote foreign investments within the Region: the objective is to intensify economic and commercial relations with foreign partners in high value-added sectors for the BCR economy or those bringing jobs for residents of the Brussels Capital Region.

- The implementation of major investments: an effort to ensure that it maintains the major investments across its region that are required for its development and serve as important levers in supporting its economy and its role of economic driving force for the country.
- The implementation of tax reform with a view to retaining business and encouraging new companies to set up in the Brussels Capital Region: the tax levers favourable to the development of economic activities, as well as reforms designed to simplify and standardise perceptions and administrative procedures across the region will be analysed and incorporated under the tax reform announced for 2017.
- The development of future trade, integrated into the city: in connection with the major options that will be released in terms of development, the development of a local business offer will be continued in residential areas. This commitment also aims to increase the employment rate among residents in the Brussels Capital Region in the sector and promote entrepreneurship.
- Support for research and innovation: a new 2015-2020 Regional Innovation Plan will be drafted in consultation with the stakeholders in question (Scientific Policy Council, Innoviris, etc.), ensuring the gradual increase of loans provided by Innoviris in order to work towards the objective of 3% of regional GDP dedicated to R&D. Innoviris' aid mechanisms will also be better adapted to the reality on the ground in the Brussels Capital Region.
- Specialisation of the economy in fields that bring jobs for residents in the Brussels Capital Region: to continue the specialisation of the economy of the Brussels Capital Region in those fields that bring jobs to the Region, whether in terms of business volumes and the number of jobs, positive development and opportunities for workers from the Brussels Capital Region or even a strategic choice for the Brussels Capital Region, demographic change or sustainable development. Each of these commitments and their related projects must still be subject, in March, to a consultation with social partners meeting within the CESRBC then, in early May, must be adopted by the Brussels Committee for Economic and Social Consultation (CBCES) or a CBCES extended to the Communities.

A tool for monitoring the Strategy's achievements will be set up and the new Brussels Planning Office given responsibility for it. This tool, an essential prerequisite to the assessment process, will be used to provide information on the progress made with regards the objectives set by the Strategy and its different projects.

Working towards equal opportunities and promoting diversity

In addition to the measures given in the previous chapter (CSR 4), there have been other equal opportunities initiatives of the Brussels Capital Region. Within the Region, there are many initiatives ensuring equal access to employment for all. All the initiatives regarding gender equality are included in the Beijing Report, which is presented to Parliament annually. This report describes the initiatives in all areas of Government action. The actions contained in it include the collaboration of the Brussels Regional Public Service with the Top Skills project developed by Selor; encouraging women to test their managerial skills during a simulation selection interview for a top management role. We should also note the existence of gender mainstreaming. A team of aldermen responsible for equal opportunities has also been set up within the Region in order to promote cooperation between municipalities and create a resources centre for the municipalities of the Brussels Capital Region in terms of equal opportunities and diversity. Furthermore, in order to help women return to the workplace after a long-term absence due to family commitments, a new open platform for the employment of "women

returning to work" has been created within Actiris. In terms of accessibility, the recently-created "Accessibility by Design" platform aims to bring together different regional partners in order to discuss and propose various projects related to the issues of accessibility. The Region is also working with an association in order to enable disabled people to register on a list of job vacancies offered by the Region. The Region is therefore trying to promote respect for each other and diversity across the five areas of equal opportunities.

4.2 Research & Development & Innovation

Research, development and innovation promote economic growth, job creation and well-being. The Brussels-Capital Region Government has committed to do all it can to work towards the European target of 3% of GDP spent on research and development. While the structure of the economy of the Brussels Capital Region where the service economy, characterised by a strong presence of low-skilled services and the relative weakness in high and medium-high technology industries explains the relatively large gap to be bridged in order to achieve this objective, the Brussels Capital Region has nevertheless considerably strengthened its support for R&D activities in recent years. Between 2007 and 2013, budgetary funds allocated to R&D increased by over 70%. This is the most significant increase of all the Belgian Federated entities. In 2014 and 2015, the Government chose to increase the level of these funds despite a difficult budgetary environment, thus confirming the importance of this issue in terms of regional policy. In 2014, the total commitments by Innoviris and the Brussels Institute for Research and Innovation amounted to over 41 million euros and should reach nearly 44 million euros in 2015.

In early 2015, Innoviris moved into a new building shared with Impulse, the regional enterprise agency and Atrium, the regional trade development agency as well as the non-profit association, Research in Brussels. This project, called "Uno", will provide the best synergies between these bodies and give users a single entry point to various services and aid.

The Brussels-Capital Region also launched a comprehensive audit of the administrative procedures for financial assistance for R&D projects. This led to significant changes to internal administrative and accounting procedures, together with a reduction in the administrative burdens for beneficiaries. The region also intends to speed up the digitisation of finance application procedures for R&D projects. Finally, a pilot project was launched for the use of flat-rate payments for expenses related to R&D projects, in order to reduce the administrative burden.

In late 2014, Innoviris also conducted substantive work to reduce the number of basic allowances related to its budget. This should enable it to enjoy greater budgetary flexibility and possibly reallocate the budget for certain actions to others in the event of over- or under-use of the loans.

An important component of aid mechanisms for innovative companies concerns incubators. Indeed, incubators allow companies to benefit from a support structure that brings together all the tools necessary to launch and develop their potential innovation. 2015 will be marked by the second EEBIC business centre, a centre for companies and innovation and by the launch of Greenbizz, a business incubator for the eco-construction, renewable energies and eco-products sectors based in the Tivoli district in Laeken.

In terms of eco-innovation, Innoviris has also launched the co-create initiative as part of the Employment-Environment Alliance in order to bring the population of the Brussels Capital Region and the worlds of research, innovation and business closer together. This initiative targets applied research and innovation projects that will be integrated into a co-creation process and produced in the living

labs that they will form with end users as partners. The first call for projects concerns sustainable food systems and was launched in late 2014 for project to begin by the summer 2015.

Grants for knowledge institutes, universities and higher education establishments will be improved in order to enable them to conduct more comprehensive research providing a better understanding of the challenges specific to the Region.

In order to ensure the digital transition of our Region to a Smart City, the Government has committed to continue and further develop the policy of pooling computer tools by grouping network infrastructures through IRISnet in order to achieve economies of scale and allow the necessary investments. By developing the generic platforms of the Brussels Regional Informatics Centre (BRIC) used by regional bodies and local authorities, citizens and businesses will have greater accessibility to services, both over the network and WIFI.

Furthermore, continuing its strategy of smart specialisation, a new strategic platform (Bridge programme) was launched in 2014, dedicated to IT security and complementing other platforms focused on the promising niche markets specialising in eco-construction and e-health identified by the update to the Regional Innovation Programme. These platforms encourage academic and industrial cooperation and aim to shorten the paths between research and economic value.

Similarly, a pilot "innovation vouchers" programme was started in late 2013 in order to enable SMEs to benefit from strategic advice about innovation and technology guidance services given by the regional research centres.

Under the implementation of its Regional Innovation Plan, the Brussels Capital Region has increased its support for regional RDI actors wanting to take part in European programmes and partnerships. The Region has been involved in the JPI Urban Europe programme, renewed its involvement with the Eurostars II and JTI Ecsel programmes and joined the Ambient Assisted Living II programme. In 2014, the Region joined the ERA-NET Smart Cities and Communities.

As for SMEs based in the Brussels Capital Region, they are given individual support through the "Enterprise Europe Brussels" and the Brussels Contact Point with a view to facilitating their access to the Horizon 2020 SME instrument and the COSME programme in order to support innovation and their international growth.

In order to strengthen cooperation between the Regions, the Brussels Capital Region has taken part in a joint call with the Flemish Region as part of the "Zorginnovatie Ruimte Vlaanderen" programme. The objective of this programme, organised in the form of Living Labs, is to boost innovation in the field of health care for the elderly by supporting innovative projects focusing on all the aspects related to this field, including prevention, awareness, diagnosis and care.

4.3 Education and lifelong learning

4.3.1 Combating early school leaving

The French and the Flemish Communities are responsible for managing measures to combat early school leaving. However, within the framework of its powers, the Brussels Capital Region has adopted measures relating to early school leaving which are not aimed at strengthening existing schemes but designed to conduct missions that are not currently being performed or not being performed sufficiently.

I. Prevention

This scheme concerns a very young target audience, school-age or not, enrolled at school or early school leavers. School mediators working within this scheme fulfil one or several of the following missions as part of the priority to keep children at school and the local prevention and community plans started in the 19 municipalities of the Brussels Capital Region and financed by the Region:

- for diagnostic purposes, gather all the qualitative and quantitative data used to measure absenteeism and early school leavers across the municipal area;
- obtain an up-to-date overview (observations, needs and expectations) of all existing schemes in the municipality and the work of each organisation concerned, regardless of their identity or the level of power supporting them;
- develop projects in partnership with the schools;
- in cooperation with the competent community services, provide individual support to address the situations faced by students with recurring absenteeism and define suitable support measures;
- as part of monitoring compulsory schooling, the school mediators, in association with the municipal population service and the police district will identify compulsory school-age children who are not enrolled or have left school entirely in order to provide access to education for any student registered on the population register.

The regional subsidy dedicated to this priority amounts to 3.5 million euros, with 88 people affected by these missions.

Alongside the specific work on early school leavers, the community plans also include a "street work" priority which consists in increasing the number of officers on the home-school journey in order to meet young people who are early school leavers and offer them guidance. The total annual subsidy for municipalities under the Prevention plan of the Brussels Capital Region amounts to 16.5 million euros.

II. Staying on at school

See the response in chapter 3 for more information on the school dropout plan.

4.3.2. The contribution of professional training

The French Community Commission, which has signed a cooperation agreement with the French Community and the Walloon Region, is helping to set up the French-speaking Professions and Qualifications Agency (Service francophone des Métiers et des Qualifications (SFMQ)), notably through the active participation of Bruxelles Formation and the Service de Formation PME in the works of this service.

Through its Public Training Service, the French Community Commission is involved in the work to implement the French-speaking Qualifications Framework (Cadre Francophone des Certifications (CFC)).

It also helps to organise the Skills Validation Consortium which brings together the Public Services for professional training (including Bruxelles Formation) and middle class training. It should be noted

that in terms of recognising the skills acquired during training, the certificates issued at the end of training courses by the Public Training Services are designed to make the processes for valuing learning on the labour market more consistent.

The French Community Commission supports the promotion of technical professions among secondary school students and job seekers by organising various events (skills competitions, open days, trade shows, etc.). The distribution of information about studies, training courses and technical professions has been reviewed in order to make it more effective across the Brussels Capital Region (links with schools, web platform, etc.).

The cooperation agreement between the different community and regional authorities to create a tool to monitor the careers of secondary and higher education students in connection with the monitoring tools of the Public Training and Employment Services has recently become operational.

Furthermore, the creation of the Bassin de l'Enseignement qualifiant Formation-Emploi (Pool of Education qualifying Training-Employment) aims to strengthen the structure and synergies in terms of training, education and employment by developing joint projects and seeking optimal consistency between the training and education offer in relation to the identified socio-economic needs. A working group bringing together communities and the Brussels Capital Region is responsible for making an inventory of all policies relating to early school leaving.

4.3.3 Education and informal training

This topic aims to promote personal development as well as integration into society for young people "searching for meaning" as responsible, active, discerning and caring citizens.

The Community Service Platform brings together a collection of bodies around a common objective: to create a Community Service for young people aged between 18 and 25 in Belgium. Its work is structured around 5 areas of activity, including one which involves developing Community Service pilot projects.

The "Community Service Platform" non-profit association was responsible for organising a Community Service experiment in 2014 for 50 people, mostly job seekers registered with Actiris, aged under 25 and with few qualifications. A support committee followed the experiment and its impact on the participants' future at the end of the Service. This experiment was repeated in 2015 and incorporated into the Youth Guarantee of the Brussels Capital Region.

4.4 Climate/Environment/Energy

With regard to the Europe 2020 targets in terms of climate and energy, the Brussels Capital Region has defined an ambitious policy of reducing greenhouse gas emissions by 30% from 1990 levels by 2025. This has already been successful since energy consumption per capita and CO₂ emissions were reduced by 25% between 2004 and 2014. Under this policy, the Region's action is concentrated primarily on reducing energy demand and improving energy efficiency.

A large part of this strategy is reflected in the Brussels Air, Climate and Energy Management Code (COBRACE) and the integrated Air-Climate-Energy plan. (Ref. Chapter 3, CSR 6)

4.4.1 Mobility planning

The Iris 2 Plan aims to reduce road traffic by 20% across the Region and combat traffic congestion to achieve a modal shift towards public transport, cyclists and pedestrians. At the forefront of the fight against traffic congestion, the Brussels Capital Region is also continuing its programme of substantial investment in public transport infrastructure. To this end, the new STIB management contract paves the way for ordinary and extraordinary investments of 4.4 million euros by 2022, allowing STIB to meet its commitment to increase its transport capacity by 22.4% by 2017 by extending the network and purchasing new rolling stock. The extension of the Metro to Schaerbeek and Evere, the PULSAR metro automation programme and the extension (or creation) of 4 to 5 tram lines are priorities in increasing the public transport offer. The staggering of peak times on STIB transport began in February 2015 as part of a plan to develop different time slot measures to limit congestion.

Also under the Iris 2 Plan, the Region has asked the Federal Government to start services on the RER network earlier.

As part of the Juncker plan, the Region has also introduced the project "*Urban mobility investments comprising: parking places, automation of metro lines, construction of a new metro line, renovation and safety works of tunnels for car traffic*".

Urban projects such as the 10 priority areas for urban development are involved in reducing the demand for travel. Efforts are also focusing on inter-regional and Federal coordination, particularly as part of the development of inter-regional lines and the Brussels' Ring.

Finally, so-called intelligent systems (ITS) and the implementation of a Smart City platform will help to ease structural congestion.

With regards freight transport, the Government will implement a strategic plan which will be subject to a consultation with the distribution and hospitality sector and has the following objectives:

- To optimise the flow of goods, for example by grouping delivery services between companies, ensuring compliance with delivery zones and adapting the vehicle type to the urban environment, particularly as part of the LAMILO project (Interreg IVB North West Europe – FEDER);
- To guarantee the development of a multi-modal logistics zone, while avoiding heavy goods vehicles on intra-urban roads. The Port of Brussels will be confirmed in its role as logistics facilitator;
- The Government will study the possibility of introducing clauses relating to the use of waterways into planning permission and environment permits.

4.4.2 Reduction of energy consumption and improvement of energy efficiency

There have been several initiatives targeting individuals, companies, communities and the public authorities.

In 2014, a project was launched by the Distribution Network Operator (DNO) in order to develop a new concept for a remotely-controlled and monitored high-voltage/low voltage station.

As part of this pilot project, the DNO hoped to install 9 smart stations in 2014 (from September to November). There will be an evaluation in 2015 to determine the definitive functionalities and the possible rate of deployment for this type of station.

In 2014, decisions were made on the implementation of various projects related to the installation of smart meters. The Brussels DNO decided to launch a new Smart Metering pilot project that aims to validate the technologies chosen and implement all business processes. The DNO hopes to install 5,000 smart electricity meters and 500 smart gas meters in 2017.

Depending on the results of this project, the DNO could install 6,000 smart electricity meters in 2018. These meters will be installed in areas that not covered by centralised, remote-controlled facilities (these are facilities that send pulses to the meters to manage the day/night tariff periods).

Furthermore, the Directive 2012/27/EU on energy efficiency requires Member States to install in all new buildings or buildings undergoing major renovations, "individual meters that accurately reflect their actual energy consumption and provide information on actual time of use" from the 1st January. In order to meet this obligation, the DNO has decided to install 13,200 smart meters from 2016 to 2019 (installation of approximately 3,300 smart meters per year). These will be electronic meters with local access to detailed consumption data.

There will be an audit of incentive management in order to remove existing windfalls and re-evaluate the system of renovation and energy incentives in order to, eventually, bring together both systems, the objective being to optimise the cost/effectiveness ratio of the current system both socially and environmentally.

The "exemplary buildings" call for projects has been used to support successful projects in order to demonstrate their technical and financial feasibility and encourage the sector in this type of approach. In the last 6 years, the call for projects has led to the creation of 621,000 m² of passive buildings for 243 recipients, bringing the total surface area of passive buildings in the Brussels Capital Region to 800,000 m².

The exemplary nature of public authority buildings is reflected by their compliance with at least the new PEB regulation (PEB 2015, very close to the Directive 2010/31/EU which requires that energy consumption is almost zero for any new building from 2020) for property investments for any of the Region's agencies. The potential for reducing the sector's emissions is very significant with an annual saving of 15,000 tonnes of CO₂ expected, for example. As part of the Housing Alliance (see below), the planned construction of 6,720 new social, affordable and medium-sized houses (for rental and purchase) will have to satisfy the new energy performance regulations for buildings (PEB 2015) (600 million euros).

Householders are offered a support service to help them save energy at home, in regards to both technical and equipment choices and access to incentives.

4.4.3 Public cleanliness and waste recycling in a circular economy

In this area, the 6th State Reform should help to improve the organisation of cleaning services. The drafting of the framework convention will be used to begin discussions with the municipalities from May 2015. In the meantime, meetings have already taken place and there has been operational cooperation in terms of cleaning. The improvement of cleaning services, the overhaul of container parks and even the introduction of mobile container parks are also on the agenda in order to forge ahead with current and future works. In order to achieve these objectives, it is essential to take on cleaning

personnel at the Bruxelles-Propreté Agency for Public Cleanliness. This will be done within the framework of the policy on youth involvement. However, efforts in terms of cleanliness will also include work to make citizens aware of their responsibilities. Enforcement to combat offences is a priority, in both practical and budgetary terms. A reform and simplification project for collections has been announced for 2016. This will help simplify collection schemes for residents of the Brussels Capital Region with the return of the weekly collection for paper bags and PMD packaging and the organisation of collections for organic waste.

In addition, there are two projects under consideration concerning the collection and treatment of waste:

- The appropriate response to the issue of organic waste treatment in the Brussels Capital Region and more specifically the issue of the opportunity for a new facility and the technological choice to be made (composting, co-composting, biomethanisation, etc.);
- The creation of a heating system (district heating) using the heat currently lost in the Brussels Capital Region incinerator, due to its temperature which is too low for any other use. This network would be used to supply heat to users based near the incinerator.

The Resources and Waste section of the Employment-Environment Alliance has been used to define the principal measures to support the transition towards a circular economy in terms of recycling, re-use and eco-innovation, recorded in the waste plan produced in cooperation with the sector's stakeholders. The principal measures are to assist the social economy sector for re-use through a policy of supporting (subsidies per re-used tonne or subsidies for pilot projects) and stimulating upstream activities and monitoring and supporting companies (calls for projects and waste consultant network, stimulating eco-design with SMEs, tools and pilot projects for the construction and demolition waste sector).

From 2015, the waste management plan of the Brussels Capital Region will become a genuine Resources Plan which will make raw materials from our waste while improving the life cycle of products marketed by companies through a policy supporting and promoting the principles of the circular economy.

4.5 Social cohesion and poverty reduction

4.5.1 General strategy & specific objectives

The General Policy Document on Poverty Reduction 2009-2014 drafted and approved by the Government of the Brussels Capital Region and the Boards of the 3 Community Commissions of Brussels, is built around 34 practical strategic objectives and outlines an ambitious framework to address the challenge of fighting all forms of poverty within the Region. As such, it is vital that all citizens can take part in the social and economic life and do so under conditions that contribute to personal well-being as well as the prosperity of society as a whole. The objective is to pursue a common policy that promotes the social quality of our Region. The strategy followed for this purpose involves investing in the promotion and consolidation of social policy, by focusing on a preventative, plural and participatory policy:

- a preventative policy to avoid anyone being in a poverty situation;

- a plural policy to combat unequal treatment, discrimination;
- a participatory policy taking account of the knowledge and insights of all stakeholders.

The General Policy Document 2009-2014 forms the basis of the biennial poverty reduction action plans; of these, the 2010 poverty reduction action plan of the Brussels Capital Region was the first operational plan. The 2012 action plan is part of this ongoing strategy, but more specifically addresses the issue of poverty among young adults. The next action plan, due at the end of 2014, will focus on the topic of women and poverty. The following examples represent the realisation of certain measures:

- the development of a poverty impact test for every policy decision;
- in terms of housing: the development of social housing and more specifically the objective of guaranteeing, in every municipality over the next 10 years, a rate of 15% of quality, publicly-managed, social housing, the fight against empty and unfit housing, increased aid for people in the rental market (rehousing allowance), consideration of the implementation of a rent control system, the development of a legislative framework to prevent evictions without the provision of alternative housing where possible and the improvement of the energy performance of housing;
- promoting access to information and training will highlight preventative actions and the campaigns and projects helping to reduce early school leaving;
- approval for a shelter for a specific homeless population aged between 18 and 25 (in the French Community Commission).

4.5.2 Access to housing

In 2014, the BCR continued its housing development policy, particularly in terms of social and medium-sized housing production (both for rental and purchase) within the framework of the Regional Housing Plan - 5,000 units including 3,500 social homes - and the launch of the Housing Alliance decided by the Regional Government in 2013.

This Alliance, which provides for the creation of 6,500 units of public housing (of which 60% social housing and 40% medium-sized homes) and which also prioritises the renovation of social housing buildings (budget of €3 M for the 2014-2017 period), contributes to a genuine economic upturn in the Brussels Capital Region by creating many direct and indirect jobs over the coming years in the construction sector.

Furthermore, in its Regional Policy Declaration (DPR), the new Government has bolstered this strong focus of the housing policy in terms of investment. This priority will be achieved in particular by implementing 10 new neighbourhoods identified across the Region's area. The Region also intends to step-up its fight against empty homes and set up an ambitious, global supervised rent allowance.

In 2014, the continued development in the stock of social housing agencies (AIS) was officially confirmed and now exceeds 3,500 housing units. The AIS sector will see its resources increase in 2015 in order to boost the number of homes managed by these agencies, particularly for the student market.

Furthermore, in 2014 the Region adopted a decree which will allow a more proactive policy in terms of moves and therefore occupation of the social housing stock of the Brussels Capital Region which is better suited to the needs of social tenants.

Finally, in order to support home ownership, particularly for those on lower incomes, the Region has continued its support for the Housing Fund; in 2014, just over 1,000 households benefited from a housing loan under preferential conditions from the Fund.

The continuation of the "Community Land Trust" due to the funding of its supporting structure and a second housing development project, should also be noted. As a reminder, this innovative model gives vulnerable groups access to home ownership by separating the ownership of the building and that of the land.

4.5.3 Contribution of professional training to the social inclusion objective

As a vector in the fight against social exclusion, professional training for job seekers is primarily geared towards vulnerable groups, distanced from the labour market and aims to improve their positioning. The support provided is personalised as far as possible in order to take into account the specific features of various groups and prevent the risks of people prematurely leaving the labour market.

This intervention area, conducted in part under the ESF Operational Programme of the Walloon and Brussels Regions, is used to support training organised as part of the Integrated Scheme for Socio-professional Integration with around seventy partners from training and socio-professional integration backgrounds as well as aid to disabled people. Some 14,000 people benefited from the scheme in 2013 (2014 data not available).

These actions contribute towards better social cohesion, i.e. greater assurance of access to rights such as the right to work and training and the right to a dignified life.

4.6 Cross-cutting elements contributing towards the EU 2020 targets

4.6.1 Industrial policy and entrepreneurship

The Brussels-Capital Region's 2025 Strategy, as mentioned previously, aims to translate the socio-economic priorities across the legislative period but also to develop a forward vision of the policy to stimulate the economy in the Brussels-Capital region over a ten-year period.

In particular, it provides for the adoption, before summer 2015 and in the form of a Charter, of a *Small Business Act* with a view to increasing the support for entrepreneurship, access to finance, personalised support for entrepreneurs and the offer of a more conducive environment for development, including the international development of SMEs. Particular attention will be paid to start-ups active in the digital economy and e-commerce.

In terms of SMEs and VSEs, the region will sharpen its tools providing a hosting strategy and the presence of foreign investors across its area.

The regional development policy must of course also work towards economic development. So, more specifically, regional competitiveness clusters will be set up by the Government in consultation with the sectors concerned. Using a consultancy and partnership approach, these will bring together com-

panies, training centres and research facilities in the following sectors: the food industry, communication and image, logistics and wholesale distribution, knowledge and digital.

In the tourism sector, which for the Brussels Capital Region represents significant development potential, the Government will work in partnership with social partners to enhance training courses across all the sector's professions.

The Government will also ensure the development of a circular process in its business parks and raise awareness among business centres to adopt this same process.

To do so, on 1 December 2014, the Minister responsible for the Environment and Quality of Life and the Minister for the Economy and Employment launched a constructive collaboration process for a circular economy strategy of the Brussels Capital Region, an event which brought together nearly 200 Brussels organisations, both public and private.

Continuing its strategy of smart specialisation, a new strategic platform (Bridge programme) was launched in 2014, dedicated to IT security and complementing other platforms focused on the promising niche markets specialising in eco-construction and e-health identified by the update to the Regional Innovation Programme.

The Brussels Capital Region is experiencing an entrepreneurial drive greater than the national average with the creation of many start-ups, but also a high failure rate. In order to encourage entrepreneurship and support the longevity of companies, particularly start-ups, VSEs and SMEs, the Region is continuing to develop and consider a range of measures.

4.6.1.1 Entrepreneurship

I. Training

The inclusion of women in the entrepreneurial world is a priority, reflected through the "Women in Business" platform which aims to unite all the organisations in the Brussels Capital Region offering services for female entrepreneurs. It has increased its initiatives, such as the production of a study on female entrepreneurs in the Brussels Capital Region, the unification of the structures, the organisation of themed round tables on female entrepreneurs, women and ICT, exporting for women, the barriers and solutions to female entrepreneurship, the drafting of recommendations with a view to reducing the risks of entrepreneurship and even launching the "Women in Business" award.

Various measures have also been taken to encourage job seekers to start their own company, particularly through the *Accompagnement à la création de son emploi* (ACE) (Support to Create your Job), the Business Cooperatives included within the non-profit association Job Yourself and the Business Centres and local economy help desks.

The Region also supports a range of training courses designed to boost entrepreneurship, particularly for target groups, such as for example:

- Cap'Ten & Boost your Talent are awareness programmes in schools that have already reached thousands of young people in order to energise their entrepreneurial spirit;

- The Passeport pour la Réussite (Passport for Success) offers free training (HR, management, marketing, legal, strategy, web tools) to freelancers and company bosses in the Brussels Capital Region.

II. Support

The availability of support processes speeds up growth for companies. With Impulse Brussels (the Enterprise Agency of the Brussels Capital Region) as a leading institutional partner which offers bespoke advice during the various stages of a company's life cycle, the Region promotes mentoring support through informal networks.

The Brussels-Capital Region also wants to strengthen its position on niche segments and markets that match the strengths of its actors and offer potential for economic activity and jobs. The instrument used to support these niche markets is the cluster that develops promotion and competitiveness on a defined sector. It provides a network for a collection of business and research centres based in the Brussels Capital Region that have complementary activities. To date, the Region has 5 sectoral clusters since the launch of screen.brussels in October 2013 dedicated to the creative industries and multimedia, complementing the clusters already existing in the fields of new ICT, eco-construction, the environment and life sciences. After evaluating the positioning of these clusters in terms of degree of maturity and results, the clustering policy of the Brussels Capital Region will be strengthened and structured and the role of clusters reaffirmed. The Region is therefore continuing its transition towards a services and knowledge economy by encouraging RDI and bringing companies, universities and research centres that are able to play an international role, closer together.

Furthermore, in order to strengthen synergies, the Brussels Capital Region Government decided to bring together the competent institutions in terms of trade (Atrium Brussels), entrepreneurship (Impulse Brussels) and innovation (Innoviris and Research in Brussels) under the "UNO" project. This unique gateway will facilitate the procedures surrounding the important target market of start-ups and improve multidisciplinary support for companies in the Brussels Capital Region.

4.6.1.2 Access to finance

Access to finance is essential for a company's survival and development, but is becoming increasingly difficult to obtain, particularly due to the recent financial crisis. Indeed, the banks are taking fewer risks and are reluctant to finance small companies. The Region is trying to resolve this situation by developing the Fonds Bruxellois de Garantie (Brussels Guarantee Fund) and supporting alternative funding sources such as crowdfunding, Brusoc, seed capital for innovative companies and even grants for the creation of social economy enterprises. Increased interactions between private and public institutions need to be further explored in order to offer tools helping to facilitate access to finance for entrepreneurs.

As part of the regionalisation of the Fonds de Participation Fédéral (Federal Participation Fund), existing solutions, primarily micro-credit and co-financing mechanisms have been restructured and incorporated into a new instrument of the Brussels Regional Investment Company, Brupart, the purpose of which is to promote the creation, development and transfer of the business of freelancers and SMEs.

4.6.1.3 Internationalisation

Thanks to its status as "Capital of Europe", the Brussels Capital Region enjoys an international reputation. This reputation is an undeniable asset for promoting exports from the Brussels Capital Region

and attracting foreign investment to the Brussels Capital Region, but must be completed by strategic and dynamic thinking that addresses current issues.

While exports from the Brussels Capital Region to EU countries have slowly decreased compared to 2013, the figures available for the first 9 months of 2014 show a rise of 29% to the United States, 64% to China, 33% to Japan, 97% to the United Arab Emirates, 34% to Turkey, 28% to Brazil and 104% to Canada.

In order to encourage and support the internationalisation of SMEs, in 2015, Brussels Invest & Export launched a new series of training and coaching sessions for potential exporters and those new to exporting: BEST (Brussels Export Starters Program), E-marketing and e-commerce and sending out exports and Customs procedures in Belgium.

4.6.1.4 Sustainable economy

The "sustainable" aspect of industry has undergone significant growth in recent years. The Brussels-Capital Region has set up or supported several economic stimulus initiatives on sustainable development, including:

- The Employment-Environment Alliance which has created new jobs in key environmental sectors;
- Brussels Sustainable Economy which defines, develops and implements a strategic development plan for economic sectors in the environment field;
- Greenbizz, a business incubator in the environmental sectors of eco-construction, renewable energies and eco-products;
- EMOVO is a research and training centre which focuses on energy and environment technologies;
- Ecopôle is a social economy centre in the field of waste re-use and recycling;
- EcoBuild (sustainable construction and renovation) encourages the creation, growth and sustainability of companies active in these sectors;
- Brussels GreenTech, which supports many start-ups and companies working in environmental sectors using the Brussels Capital Region's innovation and development tools;
- Irisphère de Citydev, which develops an industrial ecology project in several of the Region's economic business parks. Waste and surplus energy from businesses are used by others in their production systems and these companies develop synergies between their different environmental management policies.

As part of the Regional Sustainable Development Plan, the region plans to implement a sustainable economic development strategy based on the Smart City concept.

4.6.2 Structural and Investment Funds

The ERDF and ESF structural and investment funds active in the Brussels Capital Region act as an important lever for establishing an effective link between the Europe 2020 Strategy, the National Reform Programme, the Brussels Capital Region's policies and the demographic, environmental and socio-economic issues faced by the Region.

The funds complement the Region's public policies to give structural, sustainable, inclusive and innovative strength to the economy of the Brussels Capital Region and support social integration by organising training, professional reintegration, active inclusion and even the promotion of equal opportunities.

With a total budget of nearly €190 million, including ERDF funding of almost €95 million, the Brussels Capital Region has chosen to structure its **ERDF** Operational Programme around four priority areas:

- I. Increase research and improve the transfer and promotion of innovation,
- II. Strengthen entrepreneurship and improve the development of SMEs in promising industries,
- III. Support the development of a circular economy through the rational use of resources in promising industries,
- IV. Improve the quality of life in the neighbourhoods and for vulnerable populations.

In line with the recommended principle of concentration, the Region has also chosen to limit the Programme's intervention for the first three areas to projects which:

- Either make an effective contribution to resolving a limited number of issues considered as priorities for the Region, namely:
 - economic and societal optimisation of RDI activities
 - improving the competitiveness of SMEs
 - the sustainability of certain projects launched under previous programmes
 - improving energy performance within companies, public buildings and housing; the energy and environmental transition of companies
 - soil remediation
 - improving the living conditions in deprived neighbourhoods or even improving the capacity for professional integration, the fight against discrimination and developing the potential for creating businesses and jobs in vulnerable neighbourhoods.
- Or support the development of specific economic sectors: media, creative sectors and tourism, resources and waste, sustainable food and hospitality, sustainable construction and renewable energy, health and personal services.

Keen to combine the benefits of these projects with its regional revitalisation policies, the Region has also provided that property investments made through the ERDF Programme will be used in renovation or demarcated development areas.

The OP was approved by the European Commission on 18 December 2014, a call for projects was issued in May 2014 and closed on 25 July 2014. The evaluation and selection process is currently underway.

The operational programme for the implementation of the **European Social Funds (ESF), employment section** in the Brussels Capital Region over the 2014-2020 period aims to increase the rates of employment and social inclusion across the Brussels Capital Region. Its total budget is €98 million, €52 million of which is from the EU budget, including €6 million from the Youth Employment initiative.

Among other things, this programme will attempt to foster access to employment for all, combat discrimination and allow better integration of the most vulnerable groups, targeting young people in particular. The strategy and investment priorities chosen are in line with the Region's significant socio-economic challenges. These investments cover three main areas:

- I. The sustainable integration of young people into the labour market with a strategy and investment priority (8.2) entirely focused on this issue. It is also within this strategy that the Youth Employment Initiative (YEI) will be implemented, where the target audience is the so-called NEET group, i.e. young people living in BCR who are Not in Education, Employment or Training and who are aged between 15 and 29.
- II. Access to employment for all, with a strategy and an investment priority (8.1 access to employment for job seekers and inactive persons). This selected investment priority also corresponds with the European recommendations that advise stimulating employment through targeted activation strategies.
- III. The active inclusion of the most vulnerable groups (9.1). The Region has a strategy for this issue that pays particular attention to the most vulnerable groups on the labour market, including people with a migrant background, but also women and recipients of social integration.

In its section on the Brussels Capital Region, the ESF "**Wallonia-Brussels 2020.eu**" operational programme is structured around the following areas, which constitute the principal financing priorities for the programme: companies and creativity, knowledge and skills, inclusive society and employment and the sustainable integration of young people into the labour market.

Finally, the European Territorial Cooperation develops the exchange of good practices and innovation with other European regions, which may then be transposed into regular policy if they are successful.

Annex 4: Reporting table for the assessment of CSRs and key macro-structural reforms: description of the measures

| Table A1. Description of the measures taken and information on their qualitative impact | | | | | | | | | | | |
|---|------------------------------|--|--|---|--|---|---|---|--|---|---|
| | | | Information on planned and already enacted measures | | | | | | | | Foreseen impacts |
| CSR number (1) | CSR sub-categories (2) | Number and short title of the measure (3) | Description of main measures of direct relevance to address the CSRs | | | | | Europe 2020 targets | Challenges/ Risks | Budgetary implications | Qualitative elements |
| | | | Main policy objectives and relevance for CSR (4) | Description of the measure (5) | Legal/ Administrative instruments (6) | Timetable on progress achieved in the last 12 months (7) | Timetable on upcoming steps (8) | Estimated contribution to Europe 2020 targets (9) | Specific challenges/ risks in implementing the measures (10) | Overall and yearly change in government revenue and expenditure (reported in mln. national currency) Contribution of EU funds (source and amounts) (11) | Qualitative description of foreseen impacts and their timing (12) |
| CSR 2 | Shift taxes away from labour | Increase in the lump-sum professional expenses, which are tax deductible | Reduce taxation on labour and make work pay | The brackets of the lump-sum professional expenses have been enlarged | Program Law of 19 December 2014, 1 st sub-section | <i>Implemented Entry into force on 1st January 2015</i> | The measure will be reinforced on 1 st January 2016, so that the advantage will be doubled | Increase the employment rate | | Budgetary impact of 450 million euros in 2015 and of 450 million euros in 2016 | Reduce taxation on labour and make work pay |

| | | | | | | | | | | | |
|-------|---|--|---|--|---|--|-------------------------------------|------------------------------|--|--|---|
| CSR 2 | Shift taxes away from labour | Increase in the reduction of employers social security contributions for the 3 first jobs in SME | Reduce the taxation on labour, support SME and stimulate job creation | The reduction of employers social security contributions will be increased by 50 euros per trimester | Program Law of 19 December 2014, articles 178-180 | <i>Fully implemented Entry into force on 1st January 2015</i> | Fully implemented | Increase the employment rate | | Budgetary impact of 7 million euros in 2015 | Reduce the taxation on labour, support SME and stimulate job creation |
| CSR 2 | Shift taxes away from labour towards more growth friendly bases | Increase in excise duties | Shift taxes away from labour towards other tax basis, reduce the purchase of products which are harmful for health and environment. | Annual indexation of excise duties (except beer and wine), taking account of inflation and competition risks, excise duties on tobacco will depend on quantities instead of prices. Increase of excise duties on gazole as from 2016 | Program Law of 19 December 2014, articles 82-98 | Partially implemented. Entry into force in 2015, for gazole in 2016, | Entry into force for gazole in 2015 | | | Budgetary impact of 109 million euros in 2015 and 175 million euros in 2016. | Shift taxes away from labour towards other tax basis, reduce the purchase of products which are harmful for health and environment. |
| CSR 2 | Shift taxes away from labour | Increase in corporate taxation | Shift taxes away from labour to other revenue sources, ensure a level playing field between private and public sector. | Intercommunal associations with commercial activities will be subject to corporate taxation. | Program Law of 19 December 2014, articles 17-27 | Fully implemented for intercommunal which close their accounting period as from 1 st July 2015. | | | | Budgetary impact of 219 million euros in 2015 | Shift taxes away from labour to other revenue sources, ensure a level playing field between private and public sector. |

| | | | | | | | | | | | |
|-------|---|---|--|---|--|---|---|--|--|---|--|
| CSR 2 | Reduce tax expenditure | Non indexation of tax reduction | Reduction of tax expenditure | Several tax reductions will not be indexed for the period 2015-2018, with an exception for reductions related to labour | Program Law of 19 December 2014, articles 5-16 | Fully implemented | Implementation during the 2015-2018 period. | | | Budgetary impact of 46 million euros in 2015 | Reduction of tax expenditure |
| CSR 3 | Reduce early-exit possibilities, the gap between the effective and statutory retirement age | Reform of the topping-up of the unemployment benefit with a company allowance | Limit the use of early-retirement schemes and raise the effective retirement age | The entry age will be raised from 60 to 62 for new comers (common system) | Royal Decree 31 December 2014 | Fully implemented, entry into force in 2015 | | Increase the employment rate (older workers) | | Budgetary impact of 8,1 million euros | Limit the use of early-retirement schemes and raise the effective retirement age as well as the employment rate of older workers. |
| CSR 3 | Promote active ageing | Reform of the seniority topping-up for older unemployed | Increase the employment rate of older workers | Suppression of the seniority topping-up for older unemployed (new comers) | Royal Decree 31 December 2014 | Fully implemented, entry into force in 2015 | | Increase the employment rate (older workers) | | Budgetary impact of 4,3 million euros | Increase the employment rate of older workers |
| CSR 3 | Reduce the gap between the effective and statutory retirement age | Reform of the early retirement system | Increase the effective retirement age and the employment rate of older workers | The entry age and career requirements for early retirement will be tightened | Government agreement | Not yet implemented | Implementation in 2017 | Increase the employment rate (older workers) | | Budgetary impact of 192 million euros in 2017 and 387,4 million euros in 2018 | Increase the effective retirement age as well as the employment rate of older workers. |
| CSR 3 | Align the retirement age to changes in life expectancies | Reform of pensions | Increase the employment rate of older workers, contain public expenditures related to ageing | Increase of the statutory retirement from 65 to 66 in 2025 and 67 in 2030 | Government agreement | Not yet implemented | Implementation as from 2025. Modalities will be defined by the National Committee on Pensions | Increase the employment rate (older workers) | | | Increase the employment rate of older workers. Align the retirement age to changes in life expectancies. Limit public expenditures related to ageing |

| | | | | | | | | | | | |
|-------|-----------------------|---|--|---|----------------------------------|--|---|--|--|---|---|
| CSR 3 | Promote active ageing | Easing of work possibilities after retirement age | Encourage career extension | Professional income can be combined with a pension without limitation after statutory retirement age or a career of 45 years | Royal Decree 20 January 2015 | Fully implemented, entry into force in 2015 | | Increase the employment rate (older workers) | | Budgetary impact of 30 million euros | Increase the employment rate of the older workers |
| CSR 4 | Unemployment trap | Tax deduction for business expenses | To increase the net wage | In two stages (2015 and 2016), the tax deduction for business expenses is raised, to reach 30% on the wage part below 3,800 EUR, 11% for the part below 13,000 EUR and 3% for higher wages | Program law of 19 December 2014 | First stage entered into force on 1 st January 2015 | Second stage will enter into force on 1 st January 2016 | 3,200 jobs by 2018 | | Budget cost 0.2% of GDP | Stronger encouragement for the unemployed/inactive to find a job |
| CSR 4 | Youth employment | Reform of the integration allowance | To discourage early-school leaving and to encourage job search | After having been limited in time in previous years, the maximum access age for the integration allowance (benefit for schoolleavers with insufficient work experience) has been decreased to 25, and education requirements have been strengthened | Royal Decree of 30 December 2014 | Age requirement entered into force on 1 st January 2015 | Education attainment requirements will enter into force on 1 st September 2015 | | Increase of the number of school-leavers not registered at the PES | Positive budget impact of 13 million EUR in 2015 (26 million in 2016, 39 million in 2017) | Discouragement of early school leaving and encouragement of job search given the stricter access conditions |

| | | | | | | | | | | | |
|----------------------|--|--|--|--|---|--|--|--|--|--------------------------|---|
| CSR 4 WAL- FWB | Youth employment | Implementation of the Youth Guarantee and amplification through ESF | To improve the participation of young people on the labour market | Support of projects in areas of dual learning, transition between education and labor market, fight against ESL, qualifying education and skills... NEETS will be focused. An intersectoral plan for fighting against ESL will be developed in the framework of the Youth guarantee. | The ESF 2014-2020 program (axis 4) will support the implementation of Youth Guarantee, inclusively with the Young employment Initiative | Projects approved in February 2015 | Implementation in 2014-2020 programming period | Raising (young) employment rate, decrease of early school leaving | | Budget of 126 millions € | |
| CSR 4 WAL- FWB | Coherence in employment, education, training and labour policies | Cooperation between qualifying education and vocational training within living areas | Coherence of education/training supply with socio-economic needs within living areas. Addressing skills mismatches | Developing education/training supply according to needs of enterprises, developing internship | Decree and cooperation agreement | Official launch in February 2015 | | Raising (young) employment rate, decrease of early school leaving, addressing skills mismatches | | | |
| CSR 4 Flanders | Decreasing the skills mismatch | New integrated "dual" system of learning and working | Closing the gap between the school systems and the demands on the labour market | Dual learning is equal to other forms of secondary education and creates perspective for youngsters and entrepreneurs. The aim is to provide the | A "concept note" has been approved by the Flemish Government on 23/01/2015. | The concept note is now being discussed with all relevant stakeholders (social partners, school organisations, etc.) | | It will contribute to help youngsters get a qualification, and as a consequence it contributes to decreasing the target on early school leaving. | | | Simplification and harmonisation of the statutes of the youngsters, improvement of the screening of the people in the system, simplification of the incentives, strengthening of the sectorial approach, uniform rules for the recognition and quality assurance of the "learn- |

| | | | | | | | | | | | |
|-------------------|--|--|---|---|---|--|--|--|--|--|---|
| | | | | learners with a real qualification that gives access to the labour market. | | | | | | | ing enterprises”, better counselling. |
| CRS 4 Flanders | Activating vulnerable groups on the labour market. | The newly elected Flemish government will stimulate job creation by focusing activation policies on target groups. | | In the future the government will provide wage subsidies for employers with regard to 3 target groups: young people, people over 55 years old and persons with a disability. The measure will enhance employment opportunities for vulnerable groups. | A “concept note” has been approved by the Flemish Government on 23/01/2015. | The concept note is now being discussed with all relevant stakeholders (social partners, school organizations, etc.) | | | The main goal consists of the retention and inflow on the labor market of vulnerable groups with a large distance to the labor market. | | |
| CSR 4 BRU | Increase labour market access for disadvantaged groups such as the young | Reorganization and of the youth guarantee service of the Brussels Employment Office (Actiris) | To reinforce employment of young people by allowing personalized support for young jobseekers | Reorganization of the support offered to job seekers under 25 years by Actiris around 4 axes: dedicated schedule, new Individual Action Plan, adaptation of the monitoring methodology, specific assistance to young | Management contract of Actiris 2013-2017 - Brussels Youth Guarantee implementation Plan | Fully implemented | Assessment and monitoring of the Young Guarantee Service | | To reach young people far from the labour market | | Increased young persons' participation in the labour market |

| | | | | | | | | | | |
|-----------|---|---|--|---|---|---|---|----------------------------------|--|--|
| | | | | NEET's. Delegated support for people facing health problems. Reinforcement of the service: 27 FTE | | | | | | |
| CSR 4 BRU | Increase labour market access for disadvantaged groups such as people with a migrant background | Recognition of foreign diplomas | To facilitate the integration of people with a migrant background into the labour market | Partnership between Actiris and NGO's in order to help jobseekers with a migrant background to obtain the recognition of foreign diplomas. Creation of a dedicated website in October 2014. | | | | | | |
| CSR5 | Wage competitiveness | Suspension of wage indexation | To reinforce (wage) competitiveness | Automatic wage indexation will be temporarily suspended, leading to a 2% real wage decrease | Draft law approved by the Council of Ministers in March 2015, to be voted by Parliament before 1 April 2015 | | The suspension will take effect on 1st March 2015 | 23,100 jobs by 2018 | | Positive budget impact of 0.2% of GDP |
| CSR 5 WAL | Energy distribution costs | Time limit for green certificates allowed between 2008 and 2011 | Limiting electricity costs for consumers | Reduction of the length of green certificate from 15 to 10 years for photovoltaic installation placed between 2008 and 2011 | Government order, on the basis of the reform already adopted in 2014 | Green certificates put on the markets between 2018-2027 will be reduced of 12-13 millions | implemented | Supporting price competitiveness | | Gain of 780 millions € for consumers, while maintaining profitability rate of 7% |

| | | | | | | | | | | | |
|-------------------|----------------------------------|---------------------------|--|---|--|--|--|-------------|--|--|---|
| CSR 5 WAL | Innovation | Reform of RDI aid | Improving efficiency of RDI support | New RDI strategy and support system with a priority axis for RDI policy (smart specialisation) and simplification of the aid system | RDI Decree+ multi-annual RDI strategy | Adoption in April 2015 | | Raising R&D | | | Improving collaboration and industrial impact of R&D, supporting innovation |
| CSR 5 Flanders | Energy costs | Distribution grid tariffs | To stop the accumulation of non-recharged cost of the distribution system operators | New distribution grid tariffs, reflecting actual costs and compensation the non-recharged costs of 2008 and 2009. | Decision of the Flemish distribution grid operator VREG | New tariffs into force from January 1, 2015. | | | | | |
| CSR 5 Flanders | reduced administrative barriers; | | We will connect entrepreneurs and government policy more closely through fewer and simpler structures and instruments with faster and simpler procedures, increased transparency and a customer-friendly, single-counter function. | Flanders will merge the "Agentschap Ondernemen" (Enterprise Flanders) and the "Agentschap voor Innovatie door Wetenschap en Technologie" (Agency for Innovation by Science and Technology) into a single "Agentschap voor Innovatie en Ondernemen" (Agency for Innovation and Enterprise). This will act as the | Flemish Governmental Agreement (July 2014), Policy Note 2014-2019 Work, Economy, Science and Innovation, Concept paper on the transition of AO, IWT, FWO, Hercules Foundation, dd. 19.12.2014. | | | | | | |

| | | | | | | | | | | | |
|-----------|--|--|---|---|--|-------------------|--|--|--|--|--|
| | | | | single point of contact for companies. The future agency is expected to take off in 2016. | | | | | | | |
| CSR 5 BRU | Restore competitiveness by promoting innovation | Streamlining of incentive schemes and reducing administrative barriers | To facilitate the use of and the access to incentive schemes for innovation | comprehensive audit of the administrative procedures for financial support for R&D projects resulting in significant changes to the internal administrative and accounting procedures, reducing the administrative burdens for beneficiaries. | | Fully implemented | | | | | |
| CSR 5 BRU | Pursuing coordinated education and training policies addressing early school leaving | Regional measures of early school leaving prevention | To prevent early school leaving | 318 projects supporting actions in Brussels schools (coaching, fight against violence, educational projects against school failure...) | | Fully implemented | Action plan against early school leaving in the framework of the Brussels Youth Guarantee Plan in cooperation with authorities from the French and Flemish communities | | | | |

| | | | | | | | | | | | |
|-------------------|--|--|---|--|--|--|--|---|--|---|--|
| CSR 6 WAL | GHG emissions reduction in the building sector | Reform of housing and energy support system | Improving efficiency of housing and energy support system | Simplification of the support system for energy saving and renovation investments in housing with focus on more efficient works. | Government order | First reading in February 2015 | Implementation 2 nd semester 2015 | Reducing GHG emission in housing sector | | Budget reduction of 25 millions € (annual). Annual budget for those aids will be of 40 millions € | |
| CSR 6 WAL | GHG emissions reduction | Air-Climate-Energy plan | Reduction of GHG emissions | Adoption of an action plan for implementing GHG reduction objectives, as established in the 2014 Climate Decree | Action plan, to be adopted on the basis of the 2014 Climate Decree | Elaboration on going | | Reducing GHG emission | | | |
| CSR 6 Flanders | GHG emission reduction in the transport sector | Road charging system for Heavy Goods Vehicles (> 3.5T) | Reduction of emissions from road freight traffic | Setting-up of a road pricing system for HGV (> 3.5T) | Regional legislation to introduce the road charging system | After the signing of the cooperation agreement by the three Regions a Single Service Provider (Satellic nv) was appointed on 25 July 2014. Notification of the measure to the EC, which was approved on the 28th of May 2014 (C(2014) 3442). | Regional legislation foreseen mid 2015 Implementation foreseen in 2016 | GHG emission reduction | | | |
| CSR6 Flanders | GHG emission reduction in the building sector | Measures in the building sector financed by the Climate Fund | Reduce GHG emissions | Grants for renovation to Social Housing Companies; funding combined investment in wall insulation and glazing for households; | Flemish Climate Fund, set up by the Flemish Government in 2012 (VR 2012 1307 DEC.0089) | The measures has been in place from January 2014 onwards. | The preparation of the next phase of the climate fund has started now. The Flemish Government Agreement 2014-2019 stipulates that the means of the | | | The measures are financed by the Flemish Climate Fund for a total amount of 12.382.750 EUR. | |

| | | | | | | | | | | | |
|--------------|---|----------------------------------|---|---|--|--|--|--|--|--|--|
| | | | | specialised professional formation for energy advisors for heritage buildings; specialised energy advice to operators of tourist infrastructure; purchase of telemeters to monitor energy use in schools. | | | climate fund available for internal mitigation measures should prioritise energy savings in buildings. | | | | |
| CSR 6 BRU | Reduce greenhouse gas emissions from non-ETS activities, in particular as regards buildings and transport | Brussels air-climate-energy plan | The plan is dedicated to help Brussels to achieve its 30% reduction (40%/capita) of CO2 emissions between 1990 and 2025 | 130 actions and 59 measures which are declined into 9 axes : building, transportation, economy, global city planning, consumption, social dimension, climate change adaptation, air surveillance and flexible mechanisms. | The air-climate-energy plan is the planning document of the Brussels Air, Climate and Energy Code of 2 may 2013. | Implementation of a new certification system for small-scale installations working with renewable sources – april 2014 Enforcement decree setting environmental performance of public vehicles – may 2014 25% of electric vehicles imposed for local and regional public authorities | Implementation in progress | | | | |

Annex 5: Reporting table for the assessment of CSRs and key macro-structural reforms: quantitative assessment

This appendix describes the impact of the main structural reforms agreed upon by the Federal Government on economic growth, employment, external competitiveness and the government budget⁵⁷. Reforms under consideration, with effects in the short to the medium run, are: (1) the temporary suspension of the mechanism that quasi-automatically adapts wages and social benefits to inflation, (2) the reduction of employers' social security contributions (as agreed upon in the "Competitiveness and Employment Pact"), (3) a personal income tax reduction for workers, (4) an increase in consumption taxes, i.e. a harmonisation of the VAT base and an increase in excise duties on, for instance, tobacco and diesel fuel, (5) other fiscal measures and (6) cuts in the expenditures of the Federal Government.

A reform with important effects in the long run is the incremental increase in the effective and statutory retirement age. In a first phase between 2016 and 2019, the entry requirements to the early retirement system in terms of age and career length gradually become more stringent. A second phase consists of an increase in the statutory retirement age from 65 years to 66 in 2025 and to 67 in 2030. Accompanying measures aim e.g. at constraining the applicability of a hybrid system in between early retirement and unemployment in case of large restructurings on a company level and at a different calculation of career lengths for highly educated public sector workers.

Table A1 summarizes the results of the simulation of short-to-medium run reforms⁵⁸ with the FBP model HERMES⁵⁹. In line with the stated objectives, the combined measures have a positive effect on employment and competitiveness. Cuts in public sector employment are offset by the effect of mainly the suspension in the wage indexation and the decrease of social security contributions, which lower the nominal hourly labour cost by 2,0% in 2016 and by 2,8% in 2018 and lead to an increase in overall employment by 5.700 and 13.200 jobs for these respective years. The improvement in (external) competitiveness also leads to an increase of the current account balance. At the same time, the net financing requirement of the government improves by 0,4 to 0,6 percentage points in the years to come, mainly because of the package of "other fiscal measures" that comprises e.g. the non-indexation of non-labour related income tax reductions, the advanced collection of taxes on pension savings, subjecting inter-municipal corporations to the corporate income taxation and a reduction in the allowance for corporate equity for banks. Real GDP growth, however, is projected to decrease with 0,2 percentage points next year and 0,3 percentage points in 2018, reflecting a relative fall in domestic demand and investment.

Table A2 contains the main long term effects on employment and GDP growth of the retirement age reforms⁶⁰ as estimated by the FPB model MALTESE⁶¹. The labour force in 2060 is projected to increase

⁵⁷ It should be stressed that the current simulations were based on the ESA95 system of accounts, contrary to the outlook presented in chapter 2 that is based on ESA2000.

⁵⁸ For a more detailed description of the simulation, see "Evaluation des effets de certaines mesures gouvernementales sur la croissance économique et l'emploi à l'horizon 2020 – Une analyse réalisée à l'aide du modèle HERMES", FPB, February 2015 : http://www.plan.be/admin/uploaded/201502101100360.Rapport_mesurfd_20150204.pdf.

⁵⁹ This methodology behind this model is described in "A new version of the HERMES model. Hermes III", FPB, November 2013: http://www.plan.be/admin/uploaded/201311141621190.WP_1313.pdf.

⁶⁰ For a more detailed description of the simulation, see "Les impacts économiques et budgétaires de long terme des réformes structurelles décidées par le gouvernement Michel", FPB, February 2015: http://www.plan.be/admin/uploaded/201502251120250.rapportLT_13022015_1_P.pdf. The simulation is based upon the common assumption that employment in the long term coevolves with the labour force, and that the structural unemploy-

by 246.000 people with respect to the baseline scenario. The number of employed people grows even faster (+305.000) because of changes to the mixed regime of unemployment and early retirement that result in more laid off, older workers finding new positions. As a result, the employment rate increases by 4,2 percentage points to 72,3% and GDP grows by an additional 6,2% over the reference period 2013-2060.

ment rate is not affected by changes in the size of the labour force. These hypotheses are also upheld by the Working Group on Ageing Populations and Sustainability of the Economic Policy Committee. In line with national and WGA practices, the time horizon of the simulation is set on 2060. See e.g. EC and EPC (2012), "The 2012 Ageing Report – Economic and budgetary projections for the 27 EU Member States (2010-2060)", *European Economy* 2/12, May.

⁶¹ The methodology behind this model is described in e.g. "The methodology developed by the Federal Planning Bureau to produce long-term scenarios", FPB, February 2012: <http://www.plan.be/admin/uploaded/201203070804440.wp201205.pdf>.

Table A2a: Impact of key structural reforms on main macroeconomic indicators
Percent point differences between reform and baseline scenario, unless stated otherwise

| | Suspension of wage index mechanism | | Reduction of social security contributions | | Personal income tax reduction | | Increases in VAT and excises | | Other fiscal measures | | Expenditure cuts, federal government | | Total | |
|--|------------------------------------|------|--|------|-------------------------------|------|------------------------------|------|-----------------------|------|--------------------------------------|-------|-------|------|
| | 2016 | 2018 | 2016 | 2018 | 2016 | 2018 | 2016 | 2018 | 2016 | 2018 | 2016 | 2018 | 2016 | 2018 |
| GDP (volume) | -0,1 | 0,0 | 0,0 | 0,1 | 0,1 | 0,1 | 0,0 | -0,1 | 0,0 | -0,1 | -0,2 | -0,3 | -0,2 | -0,3 |
| National price index | -0,2 | -0,4 | 0,0 | -0,1 | 0,0 | 0,0 | 0,1 | 0,2 | 0,1 | 0,1 | 0,0 | 0,0 | 0,0 | -0,2 |
| Employment (thousands) | 11,1 | 23,1 | 4,3 | 7,7 | 1,4 | 3,2 | -0,8 | -2,2 | -2,1 | -5,0 | -8,2 | -13,6 | 5,7 | 13,2 |
| Employment rate 20-60 | 0,2 | 0,5 | 0,1 | 0,2 | 0,0 | 0,1 | 0,0 | 0,0 | 0,0 | -0,1 | -0,2 | -0,3 | 0,1 | 0,4 |
| Nominal hourly labour cost | -1,5 | -2,4 | -0,6 | -0,6 | 0,0 | 0,0 | 0,0 | 0,1 | 0,1 | 0,1 | 0,0 | 0,0 | -2,0 | -2,8 |
| Current account balance (national accounts definition, % of GDP) | 0,1 | 0,3 | 0,0 | 0,0 | -0,1 | -0,1 | 0,0 | 0,0 | 0,0 | 0,1 | 0,1 | 0,1 | 0,1 | 0,4 |
| Government net financing requirement (% of GDP) | 0,2 | 0,2 | -0,1 | -0,1 | -0,2 | -0,2 | 0,1 | 0,1 | 0,3 | 0,4 | 0,1 | 0,2 | 0,4 | 0,6 |

Source: FPB, own calculations (HERMES).

Table A2b: Impact of retirement age reforms
Difference with respect to baseline scenario, in thousands of persons, unless stated otherwise

| | 2060 | | 2060 |
|---|------|--|-----------|
| Number of pensioners | -312 | GDP growth (percentage change 2013-2060) | +6.2% |
| Active population | +246 | Employment rate | +4.2 p.p. |
| - Employed | +305 | | |
| - Unemployed in early retirement system | -85 | | |
| - Unemployed | +26 | Employment rate before measures | 68.1% |
| Other | +66 | | |

Source: FPB, own calculations (MALTESE).

Annex 6: Reporting table on national Europe 2020 targets and other key commitments

| Table A3. Description of the measures taken and information on their qualitative impact | | |
|--|--|--|
| Progress on implementation | List of measures and their state of play that were implemented in response to the commitment | The estimated impacts of the measures (qualitative and/or quantitative ¹) |
| | National 2020 headline targets | |
| National 2020 employment target (see also CSR 4-5) | <p>The Flemish Region</p> <p>The activation of the elderly has been systematically enlarged over the years. The new Flemish government will further build on the existing approach (Systematische aanpak) in order to activate the elderly until the age of 65.</p> | <p>The Flemish Region</p> <p>The Flemish Region aims to attain an employment rate target of 76% of the active population by 2020. At least 150 000 jobs will have to be created to reach this goal. The current pace of progress with regard to this target is relatively low. The participation rate of people with a migrant background and low educated people will have to increase.</p> <p>But the most crucial factor will probably be the employment rate of the elderly due to the ageing of society. Their share is steadily on the rise since 1995. The continued growth of this age group will be crucial to attain the overall target of 76%. Therefore, the employment rate target for people over 55 years old has been set on 50% in 2020. Employment rate 2014: 71,9%</p> |
| | <p>The Walloon Region</p> <p>Employment and training Pact, to be concluded with social partners in 2015 (in preparation), for improving training and accompanying policies, answering to present and future skill needs of enterprises, developing life long training, internships, skills validation and recognition, ...</p> | <p>The Walloon Region</p> <p>Support to job creation, addressing skills mismatches</p> |
| | <p>The Brussels Capital Region</p> <p>Launch of the “Strategy 2025” to be implemented through 18 commitments in the fields of Economy, employment, training and education. Priorities adopted during the Social summit of October 2014 with social partners and the Government</p> | <p>The Brussels Capital Region</p> <p>To stimulate economic development in favour of jobseekers in the Brussels Capital Region through (a.o) improvement of the training of less skilled people and a better matching between education and regional realities.</p> |

¹ Cross references with column 9 of Table 1

| | | |
|--|--|---|
| National 2020 R&D target and innovation (see also CSR 5) | <p>The Flemish Region The extra Flemish public budget for R&D&I for 2015 is 20 million EUR.</p> | <p>The Flemish Region This additional funding will contribute to the following goal: A greater focus on business-oriented innovation and valorisation, sound knowledge institutions with excellent research and a growth path for the 3% norm for R&D in which the Flemish Region strives for 1% public expenditure by 2020 (2012: 2,42%).</p> |
| | <p>The Walloon Region New Agency for Enterprise and Innovation (in place since January 2015), and its subsidiary the Digital Agency. It will act as a one-stop-shop for enterprises and will be a key stakeholder for implementing economic, innovation and digital policies. It will support simplification of different kind of support regimes.</p> | <p>The Walloon Region Improving efficiency of public support system for enterprises, notably SMEs</p> |
| | <p>The Brussels Capital Region Increase of the Brussels budget allocated to the Regional agency for Research and Innovation: 41 million € in 2014 and 44 million € in 2015</p> | <p>The Brussels Capital Region Additional public funding will contribute to the objective of allocating 3% of GDP to R&D by 2020</p> |
| GHG emission reduction target (see also CSR 6) | <p>The Flemish Region Flemish climate policy plan 2013-2020</p> <p>Flemish Climate Fund</p> | <p>The Flemish Region The Flemish Climate Policy Plan is intended to reduce greenhouse gas emissions in the Flemish Region, in accordance with the target that was set for Belgium in the European Effort Sharing Decision. The Government of Flanders decided on 27 April 2012 to set up the Flemish Climate Fund to provide a financial framework for its ambitious long term climate policy. This Climate Fund will mostly draw on revenues from the auction of emission allowances under the EU ETS.</p> |
| | <p>The Walloon Region Branch agreement of second generation (2014-2020), started in 2014. Result objectives are maintained, with additional obligations regarding means.</p> | <p>The Walloon Region Improving energy efficiency of 11,4% and Co2 emission reduction of 16,1%</p> |
| | <p>The Brussels Capital Region Air-Climate-Energy integrated operational plan reinforcing the Iris 2 Plan with the ambition to reduce car traffic by 20% within the City</p> | <p>The Brussels Capital Region This plan contributes to the Brussels GHG reduction target.</p> |
| Renewable energy target | <p>The Flemish Region Flemish renewable energy action plan 2020 Elaboration of a Flemish action plan on renewable heat Support mechanism for green heat production Minimum share of renewable energy in new buildings since 2014</p> | <p>The Flemish Region The Flemish Renewable Action Plan 2020 will be adjusted in function of the intra Belgian burden sharing of the renewable energy objectives 2020. The green and CHP certificate system will be revised. Other measures include the support for green heat production, CHP and heat networks, etcetera. the Flemish Region has an indicative renewable energy target of 10,5%. The share of renewable energy was, 5,8% (in 2013), a doubling since 2008.</p> |

| | | |
|---|--|---|
| | <p>The Walloon Region Regional legislation on promoting renewable energy will be revised in 2015, as well as aid mechanisms</p> | <p>The Walloon Region Improving efficiency of the system, while keeping it affordable</p> |
| National energy efficiency target (see also CSR 6) | <p>The Flemish Region Third Flemish energy efficiency action plan Energy performance standards for new buildings, action plan for near zero energy buildings Energy policy agreements with the energy intensive industry</p> | <p>The Flemish Region Some important measures include the elaboration of the third energy efficiency action plan, including a first version of a long-term strategy to thoroughly renovate the building park. The energy renovation program 2020 and related financial support mechanism will be evaluated and adjusted where needed. Other measures include the implementation of the action plan nearly-zero energy buildings, the optimisation of the energy performance certificate, etcetera. As regards energy efficiency in the industry, the energy policy agreement for energy intensive companies will be implemented from January 2015, aiming at improving the energy efficiency of 1% per year. Concerning energy efficiency the Flemish Region almost achieved its interim target of 9% energy saving in 2016 (compared to the average 2001-2005).</p> |
| | <p>The Walloon Region Action Plan on energy efficiency adopted in march 2014. It covers all mechanisms, subsidies and regulation, for promotion energy efficiency in buildings.</p> | <p>The Walloon Region Reaching energy efficiency objectives</p> |
| | <p>The Brussels Capital Region Energy Performance of Buildings: high energy efficiency standard (PEB2015) compulsory for all new public buildings and renovation of existing social housings since 01.01.2015</p> | <p>The Brussels Capital Region Saving of 15.000 tons of CO2/year</p> |
| National early school leaving target (see also CSR 4-5) | <p>The Flemish Region The Flemish Government is actually updating its policy on early school leaving.</p> | <p>The Flemish Region Rollout and update of the 2013 “Action Plan against early school leaving”, combining preventive, interventionist and compensation measures. The Flemish Government is strengthening this plan by expanding it to cover as well truancy and problematic behaviour. This will contribute to achieve the Flemish early school leaving target of 5,2%. Early school leavers (%) (2014): 7%.</p> |
| | <p>The Walloon Region Launch of a “pact for excellence in education” in January 2015. A large consultation will support the definition of priority for action in a 10 years timeframe. Adoption planned for 2016.</p> | <p>The Walloon Region Improve quality and performance of education, better resources allocation, fighting against early school leaving</p> |
| | <p>The Brussels Capital Region The fight against early school leaving in one of the priorities of the 19 Prevention and proximity municipal plans financed by the Brussels Capital Region.: local mediators, individual support to pupils with difficulties, local projects in collaboration with schools</p> | <p>The Brussels Capital Region 3.5 million € allocated to this priority by the Brussels Capital Region aiming at reducing school failure and early school leaving.</p> |

| | | |
|--|--|--|
| | and data analysis on the regional situation as regards early school leaving are funded. | |
| National target for tertiary education | The Walloon Region-Brussels Federation Implementing the new “landscape of higher education” since 2014. Some improvements were adopted in February 2015 so as to simplify some resort procedures and improve the academics pathway. The financing system will be reformed. | The Walloon Region-Brussels Federation Optimize resources and raise the performance of tertiary education system; research excellence, consistency of the supply, increasing collaborations, quality of education, accessibility and promoting success |
| | The Flemish Region - Rollout of the Parliamentary Decree on higher vocational education. Measures on orientating students and helping them to make a good choice when they start higher education. | The Flemish Region - This act will contribute to reaching the Flemish target of people having a tertiary education degree (47,8%). In 2014 : 44,8%. Students will learn to choose their study with specific attention to their personal interests and capacities. Students will be stimulated to make the right choice, so they will be able to get their qualification. |
| National poverty target | FED Structural mechanism for adapting social security and social assistance benefits to the development of the general standard of living. Implementation in 2015-2016. | FED Supporting the income of the lowest income categories through an increase of (selected) social assistance and social security benefits on top of the adjustment to the consumer price index. The welfare envelopes 2015-16, 2017-18 and 2019-20 (as determined on the basis of the law of 23/12/2005) will be fully used. The government intends to progressively raise the minimum benefits in social security and social assistance to the level of the EU poverty threshold, taking into account certain advantages that accompany those benefits and taking care to avoid financial unemployment and inactivity traps. |
| | The Flemish Region The Government of Flanders will continue to assume its responsibility using structural initiatives related to poverty prevention and poverty reduction. These structural solutions will prevail over a project-based approach. | The Flemish Region. The reduction of the poverty rate in the Flemish Region. Composite indicator (% people in poverty or social exclusion) (2013): 15,4% |
| | The Walloon Region The general orientations for the Regional plan for fighting poverty have been adopted in march 2015. A network for fighting against poverty has been officially recognized in July 2014 in that context. | The Walloon Region Complete existing policies and bring coordinated and efficient solutions for people living in poverty. |
| | The Brussels Capital Region Regional initiatives to facilitate the access to housing: continuation of the “Alliance Habitat”, increased budget for Social real estate agencies, for the Housing fund and Community land trust. | The Brussels Capital Region Poverty in Brussels being often linked to access to housing because of a substantial rising of real estate prices and the lack of social housing, innovative answers to housing problems are encouraged such as the Community land trust or social real estate agencies beside the construction/renovation of public/social housings. |
| <i>Euro-plus pact commitments (if relevant)</i> | | |
| Euro Plus Pact commitment on ... | | |

| <i>Other</i> | | |
|---|---|--|
| Main measures related to implementation of the Flagship Initiatives | | |
| Main (new or updated) commitments in the NRP for the next 12 months | Foreseen main measures | The estimated impacts of the measures (qualitative and/or quantitative)² |
| (Related to AGS priorities, Euro Plus Pact commitments, commitments in relation to 2020 targets, to National Job Plans, to other key bottlenecks identified in the NRPs, commitments in relation to flagship initiatives) | | |
| Industrial Policy | <p>The Walloon Region. Consolidation and deepening of the Competitiveness Poles policy in the context of the smart specialisation strategy of the Region. The budgets will be raised. A focus will be given to industrial valorisation, SMEs involvement, innovation and creativity, internationalisation and circular economy. The support to innovation platforms will be enhanced.</p> | |
| | <p>The Flemish Region The Government of Flanders aims to further develop new industrial enterprise as an ambitious and mobilising project. The Flemish Region will develop a policy related to digital infrastructures and networks so that opportunities offered by, for example, the Internet of Things, Cloud computing and big data in industrial terms and prepare for the fourth industrial revolution (Industry 4.0), can be valorised.</p> | <p>The Flemish Region The Flemish Region wants to maintain employment in the industry</p> |
| Federal Plan for SME's | <p>Implementation of the Federal Plan for SMEs: Some examples of measures entered into force or projects to start in 2015</p> <p>To promote job creation in SMEs, the quarterly employer's contribution for the first three recruitments has been reduced since 1 January 2015.</p> <p>Since 2015 pension scheme for self-employed has been improved (minimum amount and calculation method), as have social security contributions, which are now based on current year of revenue and no longer on the revenue of three years earlier (Y-3).</p> <p>In addition, priority will be given to the further development of</p> | <p>The Federal Plan for SMEs aims at 6 priorities :</p> <ol style="list-style-type: none"> 1. Promoting competitiveness and fighting social dumping. 2. Promoting entrepreneurship. 3. Facilitating access to finance. 4. Reducing administrative burdens. 5. Promoting the internationalization of SMEs. 6. Special attention for labour-intensive sectors. |

² Cross references with column 9 of the standard reporting table (Annex 2)

| | | |
|--|--|--|
| | <p>the electronic point of single contact, of exportations of goods and services by SMEs and to their financing (funding, financial structure, whether by traditional banking credit or by alternative means such as crowd funding). In the context of funding, a methodology has been developed to evaluate the impact of the law on SME funding which entered into force on 1 March 2014.</p> <p>Simplification of administrative obligations for taxpayers by the submission of one single electronic quarterly return in one Member State (turnover and VAT).</p> <p>Particular attention paid to retail sector and local shops by the launching of a broad consultation with the concerned organisations in order to identify existing problems and propose possible solutions.</p> | |
| Federal Start-up Plan for SMEs and micro-companies | <p>The federal government has reached an agreement to further support the start-up of SMEs and micro-companies by:</p> <ul style="list-style-type: none"> - setting up a tax shelter that leads to a 30% income tax reduction for shareholders of young SMEs and even a 45% reduction in the case of micro-companies. - stimulating crowdfunding platforms with the aforementioned tax shelter, as well as a withholding tax exemption for newly issued interest-bearing loans running for at least 4 years. - a payroll tax exemption for SMEs and micro-companies of 10% and 20% respectively during the first 4 years of their existence <p>a one-time deduction for some digital investments by SMEs.</p> | <p>The Federal Start-up Plan aims at the creation and growth of new SMEs and micro-companies, particularly in innovative, potentially high growth sectors by reducing start-up costs and providing easier access to finance for these firms.</p> |
| Entrepreneurship | | |
| | <p>The Flemish Region The Flemish Region will encourage an entrepreneurial culture with more esteem for the economic and social impact of SMEs.</p> | |
| Small Business Act | | |
| | <p>The Walloon Region Tha Walloon SBA will be continued in 2015-2019, with 4 priority axes: financing, innovation, entrepreneurship, internationalisation, and a transversal priority put on administrative simplification.</p> | <p>The Walloon Region. Support enterprise creation and growth, in particular for innovative SMEs, notably through making life easier for SMEs</p> |