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**2025 Country Report - Belgium**

*Accompanying the document*

**Recommendation for a COUNCIL RECOMMENDATION**

**on the economic, social, employment, structural and budgetary policies of Belgium**

{COM(2025) 201 final}

# Belgium

## 2025 Country Report



# ECONOMIC DEVELOPMENTS AND KEY POLICY CHALLENGES

## Moderate economic growth

### **Economic growth in Belgium slowed down in 2024 and is expected to decelerate also in 2025 <sup>(1)</sup>.**

In 2024, economic activity grew by 1%, fuelled mainly by robust private consumption. In 2025, private consumption and investment are expected to slow down. Following a significant decline over the last two years, exports and imports are expected to continue their decrease in 2025, impacted in particular by external shocks, including the introduction of US tariffs. Overall, GDP growth is projected at 0.8% in 2025.

### **Headline inflation is expected to remain high.**

The gradual phasing out of energy measures led to increased energy prices. Combined with high food prices, headline inflation in 2024 resulted in the highest annual rate in the euro area (4.3%). Inflationary pressures are set to ease, as industrial goods and energy prices are projected to slow down significantly, bringing inflation down to 2.8% in 2025, still above the EU average of 2.3%.

### **The labour market is hindered by low participation rates and significant regional disparities.**

Although the employment rate reached a historic high in 2024, it remains below the EU average. In addition, low activity rates (77.2% against 83.3% in the EU), especially for low-skilled, people with a migrant background and older workers persist. Unemployment reached 5.7% in 2024 but varies substantially across regions (see Annexes 10 and 17). Labour shortages and skills mismatches persist, with Belgium

registering one of the highest vacancy rates in 2024 (see Section 4).

## Rising pressure on public finances

### **Public finances are deteriorating.**

The headline deficit increased to 4.5% of GDP in 2024 and is forecast to increase to 5.4% of GDP in 2025 due to expenditure growth, as revenue remains stable at around 50% of GDP. Without policy action, public debt would continue to increase from 104.7% of GDP in 2024 to 126.4% in 2035.

### **Net expenditure growth in 2025 is above the maximum in the medium-term fiscal-structural plan but applying the flexibility under the national escape clause this would be allowed.**

In 2024, net expenditure <sup>(2)</sup> in Belgium grew by 4.2% (see Annex 1). This increase is mainly driven by ageing-related costs and gross fixed capital formation. In 2025, net expenditure is forecast by the Commission to grow by 5.0%, which is above the maximum growth rate included in the medium-term fiscal-structural plan <sup>(3)</sup>. The net expenditure growth is mainly driven by ageing-related costs and defence. The projected deviation from the maximum growth

<sup>(2)</sup> Net expenditure is defined in Article 2(2) of Regulation (EU) 2024/1263 as government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on programmes of the Union fully matched by revenue from Union funds, (iv) national expenditure on co-financing of programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure, and (vi) one-off and other temporary measures.

<sup>(3)</sup> The medium-term plan of Belgium has been positively assessed by the Commission (Commission recommendation for a Council recommendation endorsing the national medium-term fiscal-structural plan of Belgium, COM/2025/263 final).

<sup>(1)</sup> The cut-off date for the data used to prepare the 27 country reports was 30 April 2025.

Belgium performs well and is improving on all SDGs on productivity (SDGs 4, 8, 9), while it is moving away from achieving SDG 16 on peace, justice and strong institutions and SDG 17 (Partnerships for the goals).

Belgium performs well or is improving on all SDGs related to fairness (SDGs 1, 3, 4, 5, 7, 8, 10) and to environmental sustainability. However, it is losing ground on SDG 14 (Life below water) and needs to catch up with the EU average on SDG 7 (Affordable and clean energy), 15 (Life on land), 13 (Climate action) and SDG 11 (Sustainable cities and communities).

rate is allowed under the conditions of the national escape clause based on current projections for defence spending. The implementation of the reforms and investments underpinning an extension of the fiscal adjustment to 7 years <sup>(4)</sup> in the medium-term fiscal-structural plan is due after 30 April 2025.

**Rising spending will limit fiscal space at a time of high public investment needs.** All levels of government are anchoring spending reviews to their budgetary process to improve the composition and efficiency of their public spending. Public investment remains lower than in other EU countries and increasing public investment will be crucial to finance the twin transition and achieve the UN Sustainable Development Goals (see Box 1). Return on investment can, however, significantly be hampered by inefficiencies in public investment management (see Box 2).

### Rising ageing costs put public finances under pressure

**Ageing-related spending is projected to increase substantially by 2070.** The 2024 Ageing Report projects ageing-related spending to increase by 5.1 percentage points

<sup>(4)</sup> According to the Regulation, the required fiscal adjustment (in particular, to put or keep the government debt ratio on a plausible downward path by the end of the adjustment period or keep it at prudent levels below 60% of GDP and to bring or maintain the deficit below 3% of GDP over the medium term) should be completed in four years but may be extended over a period to up seven years if the Member State commits to a relevant set of reforms and investments.

(pps) between 2022 and 2070, substantially higher than the EU average of 1.4 pps <sup>(5)</sup>. The bulk of the increase in ageing-related expenditure relates to pensions and long-term care. Rising ageing-related spending poses a challenge to consolidate government finances and bring down the high level of public debt.

### The increase in age-related spending is mostly due to rising pension expenditure.

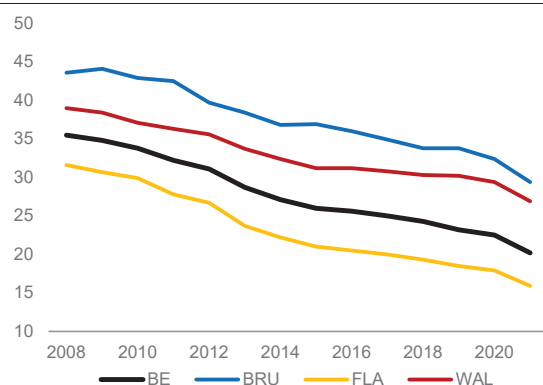
The 2024 Ageing Report projects spending on pensions to increase by 3.5% of GDP between 2022 and 2070 (EU average 0.4%), which is about 1.2 pps of GDP higher than in the 2021 Ageing Report. Of this revision, 0.6 pps is explained by measures adopted in December 2020, which include increasing the minimum pension and abolishing the correction coefficients used to calculate the new pension in the self-employed scheme. The latter increases the pension rights of self-employed without increasing their social contributions, further eroding the financing of pension expenditure <sup>(6)</sup>. The federal government plans to reform the pension system by introducing a bonus-malus system (to replace the bonus system introduced in 2024), increasing the relevance of the period effectively worked compared to periods of assimilated work, further harmonising the civil servants' pension system with the general system, and gradually phasing-out the favourable conditions under some special pension regimes in the public sector.

<sup>(5)</sup> European Commission and Economic Policy Committee, 2024 Ageing Report - country fiche Belgium.

<sup>(6)</sup> The 2024 Ageing Report does not include the measures legislated in April 2024, which are estimated to reduce spending on pensions by 0.2 pps of GDP by 2070, thereby only partially offsetting the increase due to the 2020 measures.

**Ageing is also projected to lead to a substantial increase in long-term care spending.** According to demographic projections, the total population aged 75 or more is expected to rise by 74.5% over 2022-2050 and by 97.3% over 2022-2070 <sup>(7)</sup>. This demographic trend will translate into growing numbers of older people in need of long-term care and ultimately into higher long-term care spending. According to the 2024 Ageing Report, spending on long-term care in Belgium is projected to increase by a further 1.7 pps of GDP by 2070 (EU average 0.8 pps) <sup>(8)</sup>.

Graph 1.1: **Percentage of people independent or mildly dependent on care in residential care facilities (O/A Katz score)**



**Source:** <https://www.healthybelgium.be/en/health-system-performance-assessment/specific-domains/care-for-the-elderly>

**Evidence suggests a possible overuse of residential care and unnecessary or premature institutionalisation.** Belgium ranks high for long-term care in residential institutions and rather low for long-term care at home compared to other European countries <sup>(9)</sup>. Available data suggest that there is a high level of unnecessary or premature institutionalisation (in residential care), although it has been decreasing in recent years (see Graph 1.1). The overuse of

residential care compared with other countries suggests that there may be room to improve the cost-efficient use of different care settings, including by strengthening community-based services. In particular, the share of individuals overly dependent on residential care facilities was high in the Brussels Region and in Wallonia. Greater focus on preventive care, where Belgium spends less than many other Member States, could also help reduce long-term care expenditure (see Annex 14).

**Ensuring adequate and financially sustainable long-term care remains a challenge.** All the federated entities have taken measures to strengthen the supply and coordination of home care services, whether through regional health organisations, local service centres, home care services or day-care centres. Flanders is introducing a healthcare prognosis model to determine care needs and the necessary funding. The Brussels Region is revising the accreditation standards for care services to enable older people to remain at home <sup>(10)</sup>. Wallonia focusses on increasing the efficiency of care paths, preserving autonomy and reducing the need for institutionalisation and long-term care. Effective monitoring of the system for elderly care is paramount to improve the use of the different care settings and of elderly care-related expenditure, to continue to guarantee affordable care and services and to maintain a decent standard of living for beneficiaries <sup>(11)</sup>.

## Improving the fiscal framework

**There is room to strengthen Belgium's medium-term budgetary framework.** Belgium is the only country without a fully developed multiannual fiscal planning at

<sup>(7)</sup> Federal Planning Bureau, Population perspectives 2024-2070, February 2025.

<sup>(8)</sup> In 2022, government spending on long-term care amounted to 2.3% of GDP (EU average 1.7%), which made Belgium one of the countries with the highest long-term care spending in the EU.

<sup>(9)</sup> KCE, Performance of the Belgian health system – report 2024, KCE report 376.

<sup>(10)</sup> BDO, 2022, Révision des normes de financement des maisons de repos et des maisons de repos et de soins de la région bruxelloise.

<sup>(11)</sup> Council Recommendation on access to affordable high-quality long-term care – Belgian report 2024.

## Barriers to private and public investment

Private investment in Belgium is held back by:

- labour shortages, particularly in technical professions, against the background of a low employment rate and high disincentives to work, which hamper competitiveness;
- innovation being highly concentrated in a few sectors and the low level of take-up of new technology, which is a drag on productivity growth;
- low business dynamism, a high level of regulation in services and a low share of high-growth firms, which are also potential drags on productivity.

Public investment management in Belgium currently suffers from:

- A lack of coordination across government levels: in most areas, public investment is almost entirely delegated to regions and communities. Multi-year investment plans are missing at federal and at federated entity level, although Flanders and Wallonia started taking action.
- A need to strengthen public investment project preparation: there are no standard procedures for the appraisal or selection of public investment projects at federal level, and the same is true in Wallonia, Flanders and the Brussels Region. Flanders has established a process to expedite the delivery of complex projects, but it is not mandatory.
- Ex post reviews are often carried out only when needed and asset registers are not there yet.

The implementation of Belgium's recovery and resilience plan is delayed with 46.5 % of the funds disbursed. Belgium has fulfilled 28.3 % of the milestones and targets in its recovery and resilience plan. Enhancing administrative capacity and improving the timely detection and resolution of potential delays would support the effective execution of the plan.

It remains important to accelerate the implementation of cohesion policy programmes. The mid-term review offers opportunities to speed up progress and better address EU strategic priorities related to competitiveness, defence, housing, water resilience and the energy transition.

While Belgium has signalled interest in leveraging the Strategic Technologies for Europe Platform under cohesion policy, Belgium can further support the development or manufacturing of critical technologies in the areas of digital and deep tech, clean and resource efficient technologies, and biotechnologies.

national level <sup>(12)</sup>, which risks undermining the credibility of its fiscal commitments. Introducing such a tool would better align the national fiscal framework with the requirements of the new economic governance framework, which focus on the medium term.

**The cooperation agreement between the federal and the federated entities to ensure effective budgetary coordination has not been fully implemented.** The lack of agreement on multiannual targets proposed at each level of government by the High Council of Finance prevents effective monitoring of compliance and increases the

risk of deviating from the medium-term fiscal trajectory. While ensuring effective budgetary coordination, the cooperation agreement of 2013 would need to be adjusted to align with the new economic governance framework.

**Boosting the autonomy and staff capacity of the secretariat of the High Council of Finance's Borrowing Section is crucial.** The lack of human and financial resources has prevented the High Council of Finance from officially performing its main task of monitoring compliance with fiscal rules and performing the role assigned to it in the correction mechanism. It also partly explains why it has not performed any *ex post* assessments of forecasts and why it has relatively poor visibility in the media. The government also plays a large role in nominating members of the High Council of Finance and secretariat staff.

<sup>(12)</sup> National Bank of Belgium, 2020, '*Belgium's fiscal framework: what is good and what could be better?*', Economic Review. Some multiannual fiscal planning exists at local authority level and to a certain extent for some regions and communities (e.g. Flanders).



## Reforming the tax and benefits system to increase work incentives

**The design of social benefits creates disincentives to work.** Unlike all other EU countries, unemployment benefits are currently unlimited in time and are not means-tested for the long-term unemployed. Requirements to get people into work or training are also relatively lenient<sup>(13)</sup>. Moreover, several non-cash benefits are linked to the unemployment status of beneficiaries, which adds to existing inactivity and unemployment and lowers the transparency of the system in terms of work incentives. The federal government plans to limit unemployment benefits to maximum two years for those under 55 and to link social benefits to income. Estimates suggest that limiting unemployment benefits in time would affect low-income households more, but that the overall impact on poverty would be rather small<sup>(14)</sup>. Moreover, in view of a general benefit ceiling, the federal government plans to set up a central register for social benefits to improve transparency of the benefit system.

**High personal income taxes deter disadvantaged groups from taking up work or from working more hours.** Taxation on labour (social contributions and income taxes) is one of the highest in the EU at all income levels. The sizeable low-wage trap discourages low-wage earners from working more or striving for higher positions. For second earners, most of which are women, labour taxes and specific tax features such as the marital quotient induce low levels of working or unemployment. To incentivise work, the federal government aims to make gross salary equal to net salary for minimum wage earners. To this end, it plans to abolish the marital quotient, increase the basic tax-free allowance, reduce the special social security

contribution and increase the employment bonus for low wages.

**The high tax burden on labour is offset by many wage subsidies, leading to distortions.** Special tax schemes such as meal vouchers, commuter subsidies, flexi-jobs or withholding tax exemption for night/shift work tend to create economic inefficiencies and environmental distortions (see Section 3). Wage subsidies and other tax expenditure also make the tax system complex, which weighs on the business environment. While wage subsidies are costly for the budget and generally not well-targeted, there are only limited plans to reduce their use at federal level. Moreover, the federal government plans to increase wage subsidies to address labour shortages (flexi-jobs for students and retirees) or to reduce cross-border purchases (meal vouchers). As regards tax expenditure, the federal government plans to extend reduced VAT rates to some goods and services, further increasing the VAT gap, which is well above the EU average (see Annex 2).

**Capital taxation is complex and distorts investment behaviour.** Most capital income is subject to a final withholding tax and excluded from the personal income tax base. However, specific tax rules apply to several types of investment such as certain pension schemes and interest income from savings accounts. This distorts resource allocation and may create tax-induced overinvestment in certain types of assets<sup>(15)</sup> (see Annex 5). Immovable property investments, for instance, are favoured due to the underestimation of cadastral income (used to calculate property tax) and the absence of rental income taxation. While the federal government plans to remove the interest deduction for second homes for individuals (not corporations), the favourable tax treatment of interest income from saving accounts or of certain pension schemes remains untouched. The coalition agreement includes the taxation of realised capital gains on financial assets to partially finance the labour tax reduction.

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<sup>(13)</sup> OECD, 2018, *How Demanding Are Activation Requirements for Jobseekers?*

<sup>(14)</sup> Estimations performed by the European Commission's Joint Research Centre, with the [EUROMOD](#) tax-benefit microsimulation model, forthcoming.

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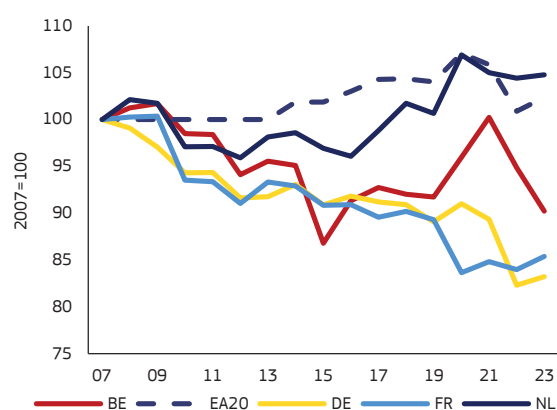
<sup>(15)</sup> OECD, 2018, *Taxation of household savings*, OECD Tax Policy Studies, 25.

# INNOVATION, BUSINESS ENVIRONMENT AND PRODUCTIVITY

## Preserving competitiveness is a major challenge for the Belgian economy.

Belgium is a small export-oriented economy, with one of the most open economies in the EU (openness index of 84.4 in 2023). In recent years, its export performance dropped by 6% on a three-year average basis, potentially signalling a deterioration in competitiveness (see Graph 2.1). Supporting competitiveness will therefore be key, e.g. via the incentives provided by the Strategic Technologies for Europe Platform to invest in the development or manufacturing of critical technologies.

Graph 2.1: **Export market share against advanced economies, goods and services**



Source: European Commission

## Monitoring labour costs is key

### High labour taxes and automatic wage indexation weigh on the competitiveness of businesses.

The high tax burden on labour (see Section 1) and automatic wage indexation in Belgium result in high labour costs for employers. Recent episodes of high inflation have translated into nominal hourly wage increases (not adjusted for inflation) in Belgium that are significantly above the average of the three neighbouring countries.

Moreover, high inflation increased Belgium's real effective exchange rate in 2024 relative to its main competitors. This indicates that Belgium's exports are becoming more expensive and its imports cheaper. This reduces Belgium's trade competitiveness and increases the risks of sustained competitiveness losses.

### The risk of lasting competitiveness losses is mitigated by strict implementation of the wage-setting framework.

The enforcement of the wage norm (which limits real negotiated wage increases to avoid cost differentials with key export competitors) is expected to gradually offset the swift reaction of nominal wages to consumer price changes<sup>(16)</sup>. Nevertheless, the current wage-setting mechanism does not allow to take into account differences in productivity levels across industries and firms, likely contributing to overpay in low productivity sectors and underpay in high productivity sectors. The federal government plans various measures to reduce taxes on labour, but does not intend to adjust the system of automatic wage indexation.

## Reducing investment barriers

### High energy costs are the major obstacle to investment.

Belgium depends heavily on imported fossil fuels, which makes it particularly vulnerable to energy price hikes and this dents its competitiveness. Remedying

<sup>(16)</sup> According to the [Central Economic Council](#), the gap in hourly nominal wage costs with respect to key neighbours decreased from 2.7% in 2023 to 1.0% in 2024. This implies that there will be no room for real increases in the new wage norm (extent to which the average real salary cost of a company may increase) until 2025-2026.



this situation means accelerating the pace of action on the energy transition and bringing energy costs in line with those of its neighbours (see Section 3).

**The availability of skilled staff hinders business and investment activity.** While the job vacancy rate has fallen recently, it remains among the highest in the EU. This can be explained by skills mismatches, low incentives to work, perceived unattractive working conditions in certain sectors and low wage differentiation. Most job vacancies are in technical occupations, including healthcare and STEM-related jobs (see Section 4).

**Difficulties to access financing may hamper innovative start-up firms.** According to the 2024 EIB Investment Survey<sup>(17)</sup>, 65% of corporate investment in Belgium is financed internally and 88% of Belgian firms are satisfied with their overall investment level over the past three years. This suggests that Belgian firms do not face an investment gap. However, this probably does not hold for firms with no or limited capacity for internal financing, such as innovative start-up firms, in particular as the domestic markets for venture and growth capital are only moderately developed (see Annex 5).

## Productivity is trending down

**Labour productivity growth has been weak over the past decade compared to the EU.** At more than 130% of the EU aggregate, labour productivity (GDP per hour worked) is comparatively high in Belgium, but growth has been below average since the 2000s. In particular, labour productivity growth in the manufacturing sector turned negative on average over 2019-2023<sup>(18)</sup>, whereas it accelerated in the Netherlands and Germany. Similarly, total factor productivity<sup>(19)</sup> growth

has been weak over the past decade compared to the EU. The slowdown in productivity growth is mainly due to weaker productivity gains at sector level, rather than a change in the structure of activities. While manufacturing experienced relatively strong labour productivity growth but made up a smaller share in the Belgian economy, the opposite happened in other sectors, e.g. in professional and scientific services. Several factors explain weak productivity growth, including low business dynamism and barriers to entry and conduct in retail and services.

**Belgium has one of the lowest levels of business dynamism in the EU.** The death rate of Belgian firms (when they cease trading) has been particularly low (3.8 in 2023 compared to 8.0 in the EU)<sup>(20)</sup>, which points to structurally unviable companies remaining active. The general lack of business dynamism in Belgium is a potential drag on productivity as productive resources (labour and capital) are trapped in 'zombie firms', which limits the expansion possibilities of healthy and productive incumbent companies. Moreover, young and innovative firms face increased barriers to entry<sup>(21)</sup>. In this respect, the share of high-growth firms in Belgium is significantly below the EU average.

**High trade restrictions in the service sector may play a role in weakening business dynamism.** Belgium has one of the highest services trade restrictiveness indices for architecture, courier services, logistics (customs brokerage and freight forwarding) and air transport<sup>(22)</sup>. It also ranks high on service restrictions on construction, commercial banking, accounting services and to a lesser extent on engineering services. Belgium remains quite restrictive for some regulated professions. According to the 2023-2024 Product Market Regulation, Belgium

<sup>(17)</sup> [EIB Investment Survey 2024: Belgium overview](#).

<sup>(18)</sup> National Productivity Board, 2024 Annual Report.

<sup>(19)</sup> Productivity improvements due to technological progress and the skill of workers/managers.

<sup>(20)</sup> National Bank of Belgium, Competitiveness scoreboard indicators. 2024 report.

<sup>(21)</sup> OECD WP (2017). The Walking Dead? Zombie Firms and Productivity Performance in OECD Countries.

<sup>(22)</sup> Intra-European Economic Area Services Trade Restrictiveness Index (Intra-EEA STRI).

remains more restrictive for most of the professions analysed (see Annex 4).

## Innovation diffusion is low

**Low innovation diffusion may contribute to a slowdown in productivity.** Belgium ranks as one of the EU's innovation leaders according to the European Innovation Scoreboard <sup>(23)</sup>. With 3.3% expenditure on R&D as a share of GDP in 2023, Belgian R&D intensity is among the highest in the EU, well above the EU aggregate of 2.25%. This is driven by robust R&D policies, world-class research institutions and the presence of multinational companies. However, Belgian R&D activity is concentrated in a few industries and companies, which may partly explain why it has not translated into sustained productivity growth <sup>(24)</sup>. A few R&D-intensive industries – the pharmaceutical industry, computer, electronics and IT services – account for the lion's share of total R&D spending. The strong tax incentives that support R&D might therefore benefit just a few large players. OECD estimates <sup>(25)</sup> show that small and medium-sized enterprises (SMEs) received only 8% of the total amounts allocated in 2023, while accounting for almost half of the number of beneficiaries. Furthermore, the low job mobility in Belgium <sup>(26)</sup>, which may be due among other things to high seniority pay and low pay transparency <sup>(27)</sup>, also limits the spread of innovation to the rest of the economy.

**High levels of tax relief fail to reach companies with the highest growth potential.** Studies <sup>(28)</sup> show that corporate income tax incentives for R&D are not

effective in stimulating additional R&D activities and that direct subsidies and labour tax incentives – rather than corporate income tax incentives – would boost R&D spending in small start-ups (see Annex 3). Reforming support for R&D could improve the efficiency of public support and better allocate resources to high-growth businesses. In addition to moving from tax relief to direct subsidies, the OECD suggested capping the amount eligible for corporate tax support to avoid the bulk of R&D support being allocated to a small number of large companies <sup>(29)</sup>.

## Simplify the business environment

**A high regulatory burden and complexity impairs Belgium's business environment.**

The fragmentation of policy action across levels of government and the absence of effective coordination makes the business environment complex. 81% of Belgian firms experience challenges in complying with regulatory requirements, well above the EU average (60%). While administrative costs have declined from 3.5% of GDP in 2000 to 1.1% in 2022, regulatory burden disproportionately weighs on SMEs <sup>(30)</sup>. Belgium also ranked among the poorest performers in the 2022 Tax Framework Complexity Index and has the second highest share of firms devoting more than 10% of staff to regulatory requirements. The federal government plans to reduce firms' administrative burden, including simplifying the tax system and removing some VAT formalities (see Annex 4). To avoid the introduction of new regulatory requirements, mechanisms for cutting red tape and simplifying regulation could be strengthened at all levels of government (see Annex 6). Seeking out and implementing possible economies of scale could be eased by streamlining government structures.

<sup>(23)</sup> See the [European Innovation Scoreboard for Belgium](#).

<sup>(24)</sup> See National Productivity Board, 2024 Annual Report.

<sup>(25)</sup> OECD (2021a) R&D Tax Incentives: Belgium, 2020.

<sup>(26)</sup> FPS Economy European Innovation Scoreboard: [NL-FR](#).

<sup>(27)</sup> Low pay transparency because of the relatively large share of fringe benefits and alternative wage forms.

<sup>(28)</sup> Schoonackers, R. (2020) Tax incentives for R&D: Are they effective? NBB Economic Review.

<sup>(29)</sup> OECD (2019) In-depth productivity review of Belgium.

<sup>(30)</sup> Compliance costs per employee in SMEs is estimated to be eight times higher than in larger firms and estimated compliance costs for SMEs are among the highest in the EU.

# DECARBONISATION, ENERGY AFFORDABILITY AND SUSTAINABILITY

**More action is needed to put Belgium on the path to its 2030 climate target.** In its draft updated national climate and energy plan, Belgium has announced measures to address climate change. Even with those additional measures, Belgium will fall short of meeting its new 2030 climate target for the effort sharing sectors<sup>(31)</sup>, achieving a reduction of 42.6% instead of 47% compared to 2005 (Annex 7). Swift and steady adoption of the full set of additional measures will be critical, while further policies are needed to reduce Belgium's high dependency on fossil fuel imports. Tackling these challenges would help boost Belgium's long-term competitiveness and help achieve the UN Sustainable Development Goals (Annex 15).

## Decarbonising industry

**The manufacturing sector makes up 30% of Belgium's greenhouse gas emissions,** among the highest share in the EU. While the emissions intensity of manufacturing has declined since 2017 in line with the overall EU trend, it remains 70% above the EU average. Energy-intensive industries have a strong presence in Belgium. In 2023, 57% of greenhouse gases emitted by Belgian manufacturing came from industrial processes rather than from energy use.

**Decarbonising industrial processes and shifting to cleaner energy needs to be further incentivised.** Energy-intensive sectors (e.g. chemicals, steel, fertilisers and cement) in particular need to be encouraged to develop new low-carbon technologies or to

scale up existing solutions. Moreover, promoting circular economy practices and sustainable supply chains could help reduce industrial energy demand and the dependency on imports of critical raw materials (75.6% of material inputs in Belgium vs. 22% in the EU). So far, emission reductions in manufacturing are mainly due to energy efficiency or product improvements rather than a shift to renewable energy sources. Further spurring renewables would help decarbonise industry.

**Electricity for industries is priced much higher than gas.** Taxes and levies in Belgium make up 28% of electricity costs, but only 18% of gas costs. Taxes and levies raise the electricity-to-gas price ratio for industries from 3.35 to 4, which is one of the highest ratios in the EU and undermines incentives to switch from fossil fuels to electricity. The federal government plans to increase the share of nuclear energy in the energy mix to reduce electricity costs.

**The transport sector still accounts for a large share of greenhouse gas emissions and generates road congestion costs.** Greenhouse gas emissions from the aviation and maritime sectors, including fuel consumption related to international transport activities (56.1% of the share of greenhouse gas emissions of the entire transport sector against the EU average of 26% in 2022), are particularly large compared with EU peers<sup>(32)</sup>. Investments in sustainable fuel production and distribution infrastructure for maritime and aviation transport are still lacking. Moreover, rail transport remains insufficiently attractive for both passenger and freight transport. The electrification of road transport is steadily advancing, as evidenced by the marked increase in the number of electric cars and

<sup>(31)</sup> Sectors outside the current EU emissions trading system, in particular buildings (heating and cooling), road transport, agriculture, waste, and small industry.

<sup>(32)</sup> [EU transport in figures: Statistical pocketbook 2024](#)

public charge points. However, the number of passenger cars has steadily increased over the last decade, contributing to congestion costs estimated at EUR 5.3 billion in 2024 <sup>(33)</sup>. Policy options to reduce road congestion and further incentivise fleet electrification include additional road charging differentiation (by time, CO<sub>2</sub> performance of the vehicle and distance) for all types of vehicles. Promoting and investing further in public transport and car sharing as well as in active mobility would also make transport more sustainable.

## Enable renewables and boost energy efficiency

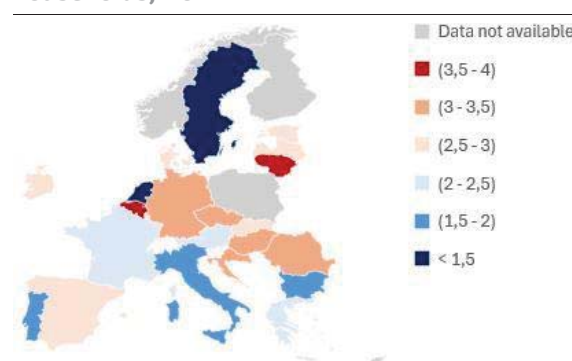
**The roll-out of renewables in Belgium is low and needs to accelerate.** With a share of renewable energy in final energy consumption of only 14.7% in 2023, the roll-out of renewables is among the lowest in the EU. In its updated draft national climate and energy plan, Belgium has raised its target for the share of renewables in 2030 from 17.5% to 21.7%. However, this remains below its expected national contribution to the EU 2030 target (33%).

**The roll-out of renewable electricity is held back by constraints in the electricity network.** Although curtailment of solar power due to grid congestion became a serious issue, no new onshore grid investments were announced. In addition, Belgium's regulatory framework still hampers the development of flexible resources. The country has made commitments to promote the installation of electricity storage and demand response including by establishing regulatory frameworks for energy storage and flexibility in the distribution system. However, further investment in the capacity of the onshore distribution grid is needed.

**Investing in grid infrastructure and speeding up permit-granting procedures would promote the roll-out of**

**renewables.** Belgium plans to deploy an offshore energy island, i.e. a first-of-its-kind artificial energy island that will integrate additional offshore wind farms of up to 3.5 GW. However, its implementation scope is uncertain as the model for the project is currently being reviewed due to significant expected extra costs. The length of the permit-granting procedure at regional level for transmission lines is a serious obstacle that undermines timely network reinforcement to ensure the inland distribution of additional offshore wind power. Moreover, public acceptance of renewables remains a challenge for permit-granting and for the further expansion of onshore utility-scale projects. While Belgium has legalised plug-in solar systems as of 2025, further steps are needed.

Map 3.1: Electricity-gas price ratio for households, 2024



Source: Eurostat

**Comparatively high electricity prices for households hinder the transition to electricity.** Household retail electricity prices in Belgium are among the highest in the EU, with the greatest electricity-to-gas price ratio. After taxes and levies, electricity costs almost four times more per unit than gas, hindering the switch to greener heating systems. A recent study <sup>(34)</sup> shows that, to encourage the use of heat pumps, the electricity price should not be more than 2.1 and 2.5 times the price of gas and heating oil respectively. The electricity price ratios are below these thresholds in France and the Netherlands, but well above them in Belgium (see Map 3.1),

<sup>(33)</sup> FEB and Febiac, Belgian Mobility Dashboard.

<sup>(34)</sup> FPS Health and Finance (2023), The landscape of carbon and energy pricing and taxation in Belgium.

despite measures taken by the Belgian authorities to reduce the electricity bill. Shifting excise duties from electricity to heating oil and gas would make electricity more affordable than fossil fuels.

**Belgium records sizeable fossil fuel subsidies with no planned phase-out before 2030** (Annex 8). Using a larger scope, a recent report by the Belgian authorities estimates that federal direct fossil fuel subsidies in Belgium amounted to EUR 12 billion (2.4% of GDP) <sup>(35)</sup> in 2021. Phasing out these subsidies would contribute to Belgium's climate commitments and could generate tax revenues. Fossil fuel subsidies that neither tackle energy poverty in a targeted way nor genuine energy security concerns, hinder electrification and are not crucial to industrial competitiveness could be considered a phase-out priority (e.g. reduced excise duties on professional diesel and on fuel oil, company fuel cards, reduced VAT on gas (Annex 2 and 8). The federal government plans to increase excise duties on professional diesel while maintaining Belgium's competitive advantage compared to neighbouring countries.

**Fossil fuel subsidies hold back the energy renovation of buildings.** Heating and cooling account for 86% of residential final energy consumption, despite the existence of grant-based schemes to make energy renovation affordable. Unless it steps up its efforts, Belgium is unlikely to achieve its 2030 reduction target for energy consumption by buildings. This calls for correcting incentives, in particular by adjusting the tax system. Taxing heating fuels based on their energy content could encourage energy sobriety and energy renovation. Taxing rental income and making renovation expenses tax deductible could increase the energy efficiency of rental housing.

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<sup>(35)</sup> FPS Finance (2024), Inventory of federal fossil fuel subsidies.

## Improve water quality by moving to sustainable agriculture

**Water quality and nature degradation are major causes for concern.** Most water bodies in Belgium are affected by diffuse pollution sources. In 2021, 72.6% of surface water bodies failed to achieve good ecological status and 100% failed to achieve good chemical status, while groundwater bodies are doing better. In Flanders in particular, water pollution from nitrates is very serious (Annex 7). Moreover, biodiversity is declining and only 4.3% of habitats were reported as having a good conservation status, among the lowest shares in the EU. This creates significant economic risks, since sectors such as agriculture, construction and water utilities are particularly dependent on ecosystem services. Nature-based solutions are key to building climate resilience and to shielding the economy from extreme weather events.

**Intensive agriculture releases large volumes of air and water pollutants.** Intensive animal farming (including poultry and pigs), primarily located in Flanders, is the main contributor to air and water emissions, followed by electricity production, the metal sector and chemicals production. Pollution is directly caused by excess levels of nitrogen deposits, which primarily stem from mineral fertilisers and manure. Belgium's livestock density is among the highest in the EU and pesticides were detected in 49% of surface water bodies at levels exceeding the thresholds.

**Action is needed to reduce nutrients and chemicals in surface waters and to further strengthen sustainable farming.** The revised 7th Nitrates Action Programme adopted by the Flemish government in 2024 is a step in the right direction but will not ensure compliance with the EU Nitrates Directive. Making better use of the 'polluter pays' principle and more periodically reviewing permits for water abstraction and discharges could help prevent water pollution. Transitioning to more sustainable farming practices is vital.

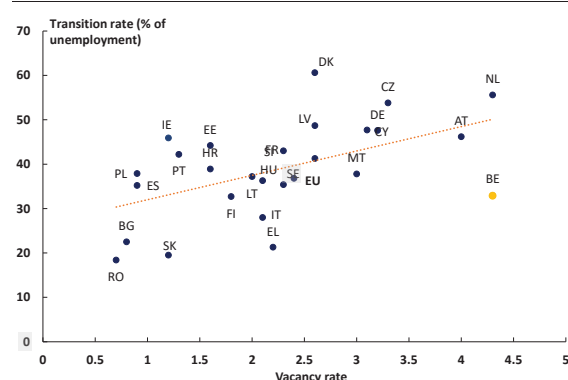


# SKILLS, QUALITY JOBS AND SOCIAL FAIRNESS

## High labour shortages coupled with low levels of employment

**Despite reaching a record high level, the employment rate is constrained by low activity rate.** The employment rate (20-64 years) hit a record high 72.3% in 2024 but remained below the EU average (75.8%) and the national target of 80% by 2029. This is mainly driven by a low activity rate (77.2% against 83.3% in the EU in 2024), particularly among people with lower education levels, people with a migrant background and older workers. There are also significant regional disparities (see Annexes 10 and 17), offering scope to further facilitate interregional labour mobility. Although Belgium has one of the highest vacancy rates in the EU, the transition rate to employment lags behind the EU average (see Graph 4.1), questioning the efficiency of activation measures.

Graph 4.1: Job vacancy rate and transition from unemployment to employment, 2024



(1) For DK: data on 10 employees or more in the business economy

Source: European Commission

**Strengthening activation policies is essential to address low levels of employment.** Vulnerable groups, particularly in the Brussels Region and in Wallonia,

experience low levels of employment, driven by low albeit increasing activity levels. Despite targeted activation measures and some financial incentives, lower-educated people born outside the EU, particularly women, and persons with disabilities continue to face low labour market participation. Strengthening personalised activation measures, coupled with increased cooperation between regional employment services and social enabling services<sup>(36)</sup> remain crucial to improve labour market outcomes. This would also facilitate interregional labour mobility. Older workers and people with a migrant background also face difficulties linked to discrimination, which is tackled with increased inspections and fines. High disincentives to work embedded in the tax and benefits system also affect labour market participation (see Section 1).

**High labour shortages and skills mismatches call for increased participation of adults in upskilling and reskilling.** The vacancy rate is among the highest in the EU (4.1% against 2.3% in the EU in 2024) and widespread (see Annex 10) particularly in the service, scientific, healthcare, construction, energy and ICT (information and communications technology) sectors. Accompanying up- and reskilling measures, also to support emerging job opportunities driven by the twin transition<sup>(37)</sup>, would be needed for most people currently not in employment. Between 2016 and 2022, adult participation in training decreased from 45.2% to 41.6%, with people with the lowest levels of education and older people particularly lagging behind (see Graph 4.2).

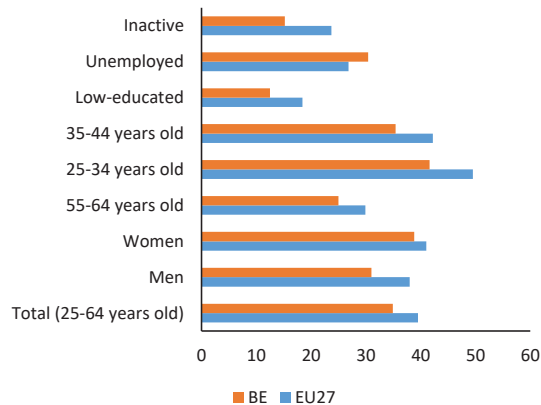
<sup>(36)</sup> Carpentier et al. 2023, [Interregionale tewerkstellingszones op basis van een vraag- en aanbodanalyse](#) points to language learning, mobility offers and early childhood care as perceived barriers to employment.

<sup>(37)</sup> High Council of Employment (2025). *The transition to a greener labour market*.



The different public initiatives to create portable individual learning rights remain insufficient in terms of coverage and need to be strengthened, made more efficient and aligned with the evolving labour market needs.

Graph 4.2: **Adult participation in learning over the last 12 months**



**Source:** 2022 Adult Education Survey (excluding guided on-the-job training)

**Despite significant improvements, there is untapped potential for older people to stay longer in employment.** Employment rates for those over 55 have increased over the past decade but remain low compared to EU peers. The legal pension age, set to rise to 67 from 2030, could further boost the employment of older people. While a federal action plan was adopted in 2023 to improve their working conditions, additional qualitative and financial measures could help extend careers. The federal coalition agreement includes plans to introduce a bonus-malus system in order to provide incentives for working longer. Moreover, it includes measures which aim to address the growing number of people on long-term sick leave.

**Differentiated activation policies are needed to better integrate low-income earner groups into the labour market.** Although Belgium performs well in implementing the European Pillar of Social Rights, vulnerable groups face a higher risk of poverty and require targeted, tailor-made approaches focused on employment, the most sustainable way out of poverty (see Annex 11). Expanding workforce participation and improving the inclusivity of the labour market

are key to achieving the national 2030 target of 279 000 fewer people at risk of poverty or social exclusion. Despite overall effective social benefits, access remains more limited for non-standard workers (part-time and temporary contractors), increasing their poverty risk.

## Decline in students' performance, educational inequalities, and low number of STEM graduates

**Educational inequalities and declining students' performance negatively impact competitiveness.** Student performance in basic skills has been on a long-term decline, as evidenced by international assessments (PISA, PIRLS, TIMSS), accompanied by a sharp drop in the share of top performers (see Annex 12). Socio-economic and migrant backgrounds are still important predictors of student performance. Early tracking of students<sup>(38)</sup> (Flemish and German-speaking Communities) and high levels of students repeating a year (French Community) have amplifying effects on existing socio-economic inequalities and affect overall performance. In response, all Communities are pursuing reforms focusing on basic skills and quality management in schools<sup>(39)</sup>. However, further measures may be needed to address inequalities and declining performance, like further revising grade retention policies, giving students more flexibility to transfer between general and vocational tracks, making vocational education and training (VET) more attractive, increase its market relevance (see Annex 12), and further

<sup>(38)</sup> Early tracking refers to the selection of students into different educational tracks by performance at an early age.

<sup>(39)</sup> In the Flemish Community, strengthening school-level and teachers' professional capacity to actively incorporate the results of the recently launched standardised testing into their strategic planning and pedagogical practice could improve students' results. In the French Community, evaluating the measures implemented under the Pact for an Excellent Education is key to determine further steps, without abandoning the original goals of high-quality, inclusive and competence-based education.

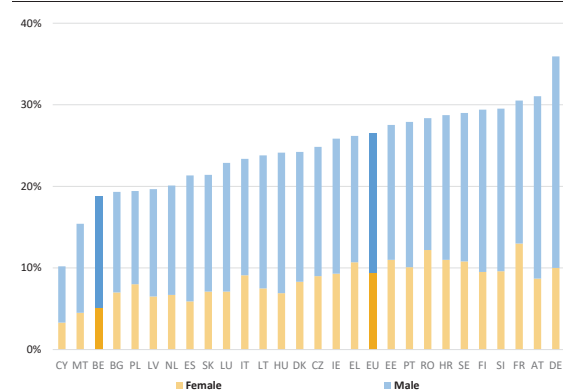
strengthening personalised learning and tutoring.

**Teacher shortages remain critical across the country**, especially in languages, science, technology, engineering and mathematics (STEM) and technical subjects. The shortage of qualified and experienced teachers could reinforce trends in student performance and disproportionately affect schools with higher shares of disadvantaged students and lower performance <sup>(40)</sup>. Recent evaluations highlight the need for additional teacher training in digital skills and in the effective use of ICT in education. The Communities continue to implement measures to address teacher shortages and increase the attractiveness of the profession. Long-term measures such as the reforms of initial teacher education are in their inception or early phases of implementation. Improving teacher well-being, ensuring job stability for novice teachers and providing attractive and differentiated career pathways as well as continuous professional development requires further attention.

**Belgium lags behind in supplying ICT and STEM graduates to meet labour market demand.** While Belgium has an above-average tertiary educational attainment rate, the share of students and graduates in STEM fields is among the lowest in the EU (18.8% against 26.6% in the EU in 2022) (see Graph 4.3), and it has not improved in almost a decade despite targeted actions. Similarly, the proportion of ICT graduates is below the EU average (3% against 4.5% in the EU), and the share of women in ICT and STEM is among the lowest in the EU (see Annex 12). Designing outreach programmes for schools and scaling up existing initiatives (e.g. STEM Academies in Flanders <sup>(41)</sup> and the announced regional strategy for STEM education in the French Community) could help address this imbalance. The share of STEM students enrolled in VET is below the EU average (27.7% against 36.3% in 2023). Despite some

efforts, little progress has been made to increase participation in STEM subjects in vocational training (see Annex 12). Further developing graduate tracking mechanisms <sup>(42)</sup> could better support the monitoring of student pathways and incentives to address labour market needs, including in STEM fields <sup>(43)</sup>.

Graph 4.3: **Share of STEM graduates over total number of graduates, by sex, 2022 (%)**



Source: European Commission

### Declining levels of digital skills among young people weigh on competitiveness.

While overall digital proficiency in the population has increased, the share of young people (16-19-year-olds) with basic digital skills, which is key for the digital transition and productivity, decreased by 9.2 pps from 2021 to 2023 (see Annex 12). Flemish eighth graders are among the top performers in the EU in the 2023 International Computer and Information Literacy Study (ICILS), but 36% failed to reach the baseline proficiency level (EU: 43%). While Belgium is modernising its digital infrastructure for schools, further training for teachers to effectively use digital tools for learning could be strengthened.

<sup>(40)</sup> Gambi, L., & De Witte, K. (2023). The uphill battle: The amplifying effects of negative trends in test scores, COVID-19 school closures and teacher shortages. *FEB Research Report Department of Economics*.

<sup>(41)</sup> <https://www.dagvandewetenschap.be/stem-academies>.

<sup>(42)</sup> Collecting information about leavers of higher and vocational education and training to improve knowledge on how graduates progress in the labour market

<sup>(43)</sup> 2017 Council Recommendation on tracking graduates [EUR-Lex - 32017H1209\(01\) - EN - EUR-Lex](#).

## KEY FINDINGS

Belgium's medium-term fiscal structural plan includes measures to address a series of structural challenges through:

- **improving the fiscal sustainability of the pension system;**
- **improving the efficiency and quality of public spending;**
- **increasing the effectiveness of the national fiscal framework** by ensuring the effective coordination of fiscal policies at all government levels;
- **reforming the tax and benefit system to strengthen incentives to work** by shifting the tax burden away from labour and reviewing the design of social benefits;
- **simplifying the business environment and improving business dynamics** by reducing the regulatory burden and easing restrictions in the service sector;

To boost competitiveness, sustainability and social fairness, Belgium would benefit from:

- **implementing the RRP**, including the REPowerEU chapter; **swiftly implementing cohesion policy**, taking advantage of the opportunities under the mid-term review and **making optimal use of EU instruments, including InvestEU and STEP**, to improve competitiveness;
- **making the long-term care system more cost-effective;**
- **making the tax system more neutral and less distortive** by

reviewing tax expenditure and harmonising the taxation of different kinds of assets;

- **increasing innovation diffusion** by reforming R&D public support and improving the job mobility of workers;
- **decarbonising industrial processes** by encouraging the development of low-carbon technologies and scaling up existing solutions, including re-use and recycling of critical raw materials.
- **decarbonising the transport sector and tackling road congestion**, including through road charging differentiation, by supporting sustainable fuels for aviation and maritime sectors and by developing active mobility and public transport;
- **accelerating the roll-out of renewable energy** including by reinforcing the grid;
- **taking concrete steps to phase out fossil fuel subsidies**, including by shifting charges from electricity to fossil fuels;
- **reducing nutrient losses and improving water quality** by further supporting sustainable agriculture, by making ecosystems more robust and by improving climate resilience;
- **tackling labour shortages and skills mismatches**, including for the green and digital transition, by strengthening (inter)regional activation policies, also to further integrate disadvantaged groups into the labour market and by addressing regional disparities;

- **improving the performance and equity of the education and training systems** by improving their labour market relevance, in particular in ICT and STEM fields, and pursuing reforms to boost the teaching profession.



# ANNEXES





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This Annex contains a series of tables relevant for the assessment of the fiscal situation in Belgium, including how Belgium is responding to Council recommendations issued under the reformed Economic Governance Framework.

The reformed framework, which entered into force on 30 April 2024<sup>(44)</sup>, aims to strengthen debt sustainability and promote sustainable and inclusive growth through growth-enhancing reforms and priority investments. The medium-term fiscal-structural plans (hereinafter, MTPs or plans) constitute the cornerstone of the framework, setting the budgetary commitment of Member States over the medium term. The latter is defined in terms of net expenditure growth, which is the single operational indicator for fiscal surveillance.

Belgium submitted its plan on 18 March 2025. The plan covers the period until 2029 and presents an extended fiscal adjustment over seven years, which is underpinned by a set of reforms and investments to which Belgium committed with the aim of improving potential growth and fiscal sustainability. The Commission has assessed the MTP of Belgium and on 21 May 2025 recommended to the Council to adopt a recommendation endorsing the plan<sup>(45)</sup>. Following its positive assessment of the medium-term plan, on 21 May 2025 the Commission adopted a revised Recommendation for a Council Recommendation under Article 126(7) TFEU<sup>(46)</sup> to correct the excessive deficit in Belgium. The maximum growth rates for net expenditure established by this revised Recommendation adopted by the Commission and recommended to be endorsed by the Council under the excessive deficit procedure are consistent with the path set out in the plan.

The assessment of the fiscal situation of Belgium considers the Commission Recommendation for Council Recommendation to correct the excessive deficit and the Commission Recommendation for a Council Recommendation endorsing Belgium's plan and it is carried out on the basis of outturn data from Eurostat and the Commission Spring 2025 Forecast and taking into account the Annual Progress Report (APR), that Belgium submitted on 30 April 2025. Furthermore, given Belgium's request to activate the National Escape Clause<sup>(47)</sup> following the Commission Communication of 19 March 2025<sup>(48)</sup>, the assessment also considers, as appropriate, the projected increase in defence expenditure based on the Commission Spring 2025 Forecast.

The Annex is organised as follows. First, developments in **government deficit and debt** are presented based on the figures reported in table A1.1. Then, the assessment of the **fiscal situation** of Belgium follows, considering the relevant Recommendation to correct the excessive deficit and the Commission Recommendation for a Council Recommendation endorsing the plan, based on the relevant figures presented in Tables A1.2 to A1.9, including data on defence expenditure. Further on, the progress made in the **implementation of the set of reforms and investments** underpinning the extension of the fiscal adjustment period<sup>(49)</sup> is assessed, taking into account the information presented in Table A1.10.

<sup>(44)</sup> Regulation (EU) 2024/1263 of the European Parliament and of the Council (EU) on the effective coordination of economic policies and on multilateral budgetary surveillance, together with the amended Regulation (EC) No 1467/97 on the implementation of the excessive deficit procedure, and the amended Council Directive 2011/85/EU on the budgetary frameworks of Member States are the core elements of the reformed EU economic governance framework.

<sup>(45)</sup> COM(2025) 263 of 21.05.2025 final.

<sup>(46)</sup> COM(2025) 264 of 21.05.2025 final.

<sup>(47)</sup> On 30 April 2025, Belgium requested to the Commission and to the Council the activation of the National Escape Clause. On this basis, the Commission adopted a Recommendation for a Council Recommendation allowing Belgium to deviate from, and exceed, the net expenditure path set by the Council, COM(2025)600.

<sup>(48)</sup> Communication from the Commission accommodating increased defence expenditure within the Stability and Growth Pact of 19 March 2025, C(2025) 2000 final.

<sup>(49)</sup> According to the Regulation, the required fiscal adjustment (in particular to put or keep the government debt ratio on a plausible downward path by the end of the adjustment period or keep it at prudent levels below 60% of GDP; and to bring or maintain the

The Annex also provides information on the **cost of ageing** and the **national fiscal framework**. Fiscal sustainability risks are discussed in the Debt Sustainability Monitor 2024<sup>(50)</sup>.

Developments in government deficit and debt

Belgium’s government deficit amounted to 4.5% of GDP in 2024. Based on the Commission’s Spring 2025 Forecast, it is projected to increase to 5.4% of GDP in 2025. The government debt-to-GDP ratio amounted to 104.7% at the end of 2024 and, according to the Commission, it is projected to increase to 107.1% end-2025. The increase of the deficit in 2025 mainly reflects higher ageing-related costs, defence expenditure and interest payments.

Table A1.1: General government balance and debt

	Variables		2024	2025		2026	
			Outturn	APR	COM	APR	COM
1	General government balance	% GDP	-4.5	-5.5	-5.4	n.a.	-5.5
2	General government gross debt	% GDP	104.7	107.2	107.1	n.a.	109.8

Source : Commission Spring 2025 Forecast (COM), Annual Progress Report (APR).

Developments in net expenditure

The net expenditure<sup>(51)</sup> growth of Belgium in 2025 is projected by the Commission<sup>(52)</sup> to be above the maximum growth rate contained in the plan. The difference between the Commission’s calculations of the net expenditure growth of 5.0% and Belgium’s projection of 6.0% is due to lower projected growth rates in gross fixed capital formation and intermediate consumption (mostly related to defence expenditure) and a smaller impact of revenue-reducing discretionary revenue measures in the Commission’s forecast.

deficit below 3% of GDP over the medium term) should be completed in four years but may be extended over a period to up seven years if the Member State commits to a relevant set of reforms and investments.

<sup>(50)</sup> European Commission (2025) ‘Debt Sustainability Monitor 2024,’ *European Economy-Institutional Papers* 306.

<sup>(51)</sup> Net expenditure is defined in Article 2(2) of Regulation (EU) 2024/1263 as government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on programmes of the Union fully matched by revenue from Union funds, (iv) national expenditure on co-financing of programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure, and (vi) one-off and other temporary measures.

<sup>(52)</sup> European Commission Spring 2025 Forecast, *European Economy-Institutional paper* 318, May 2025.



Table A1.2: **Net expenditure growth**

	Annual			Cumulative*		
	MTP	APR	COM	MTP	APR	COM
	Growth rates					
2024	n.a.	3.9%	4.2%	n.a.	n.a.	n.a.
2025	3.6%	6.0%	5.0%	3.6%	10.1%	5.0%
2026	2.5%	n.a.	3.0%	6.1%	n.a.	8.2%

\* The cumulative growth rate in the APR is calculated by reference to the base year of 2023. The COM figures are calculated by reference to 2024.

Source : Medium-term fiscal structural plan of Belgium (MTP), Annual Progress Report (APR) and Commission's calculation based on Commission Spring 2025 Forecast (COM).

The assessment of the net expenditure growth and in particular the comparison with the recommended net expenditure path considers that Belgium has requested the activation of the national escape clause to facilitate transitioning to a higher level of defence expenditure. General government defence expenditure in Belgium amounted to 0.9% of GDP in 2021, 1.0% of GDP in 2022 and 0.9% of GDP in 2023. According to the Commission 2025 Spring Forecast, expenditure on defence is projected at 1.3% of GDP in 2024 and 1.7% of GDP in 2025. Based on current projections for defence spending, the deviation that is projected for Belgium is within the flexibility provided by the national escape clause.

Table A1.3: **Net expenditure (outturn and forecasts), annual and cumulated deviations vis-à-vis the medium-term plan**

	Variables		2023	2024	2025	2026
			Outturn	Outturn	COM	COM
1	Total expenditure	bn NAC	317.8	334.5	352.8	364.0
2	Interest expenditure	bn NAC	12.0	13.9	15.2	16.6
3	Cyclical unemployment expenditure	bn NAC	-0.2	0.2	0.7	0.4
4	Expenditure funded by transfers from the EU	bn NAC	1.5	1.6	1.8	1.8
5	National co-financing of EU programmes	bn NAC	0.5	0.6	0.7	0.7
6	One-off expenditure (levels, excl. EU funded)	bn NAC	0.5	0.0	0.1	0.0
<b>7=1-2-3-4-5-6</b>	<b>Net nationally financed primary expenditure (before discretionary revenue measures, DRM)</b>	<b>bn NAC</b>	<b>303.5</b>	<b>318.3</b>	<b>334.3</b>	<b>344.4</b>
8	Change in net nationally financed primary expenditure (before DRM)	bn NAC		14.8	16.0	10.1
9	DRM (excl. one-off revenue, incremental impact)	bn NAC		1.9	-0.1	0.1
<b>10=8-9</b>	<b>Change in net nationally financed primary expenditure (after DRM)</b>	<b>bn NAC</b>		<b>12.9</b>	<b>16.0</b>	<b>10.0</b>
11	Outturn / forecast net expenditure growth	% change		4.24%	5.0%	3.0%
12	Net expenditure growth as reported in the medium-term plan*	% change		n.a.	3.6%	2.5%
13=(11-12) x 7	Annual deviation	bn NAC		n.a.	4.6	1.7
14 (cumulated from 13)	Cumulated deviation	bn NAC		n.a.	4.6	6.2
<b>15=13/17</b>	<b>Annual balance</b>	<b>% GDP</b>		<b>n.a.</b>	<b>0.7</b>	<b>0.3</b>
<b>16=14/17</b>	<b>Cumulated balance</b>	<b>% GDP</b>		<b>n.a.</b>	<b>0.7</b>	<b>1.0</b>
17	p.m. Nominal GDP	bn NAC	596.2	614.0	636.1	655.2

\* The medium-term plan was positively assessed by the Commission and is now pending the endorsement by the Council.

**Source:** Commission Spring 2025 Forecast and Commission's calculation.

Table A1.4: **Defence expenditure and the national escape clause**

			2021	2022	2023	2024	2025	2026
1	Total defence expenditure	% GDP	0.9	1.0	0.9	1.3	1.7	1.7
2	<i>of which: gross fixed capital formation</i>	% GDP	0.2	0.1	0.1	0.3	0.5	0.5
3	Flexibility from increases in defence expenditure	% GDP					0.8	0.8
4	<b>Cumulated balance after flexibility</b>	<b>% GDP</b>					<b>-0.1</b>	<b>0.2</b>

**Source:** Eurostat (COFOG), Commission Spring 2025 Forecast and Commission's calculation.

Table A1.5: **Macroeconomic developments and forecasts**

	Variables		2024	2025		2026	
			Outturn	APR	COM	APR	COM
<b>1=7+8+9</b>	<b>Real GDP</b>	<b>% change</b>	<b>1.0</b>	<b>1.2</b>	<b>0.8</b>	<b>n.a.</b>	<b>0.9</b>
2	Private consumption	% change	2.0	1.8	1.5	n.a.	1.1
3	Government consumption expenditure	% change	2.6	1.3	2.2	n.a.	0.6
4	Gross fixed capital formation	% change	1.4	1.7	0.5	n.a.	1.2
5	Exports of goods and services	% change	-3.4	-0.7	-1.8	n.a.	1.9
6	Imports of goods and services	% change	-3.5	-0.2	-1.0	n.a.	2.1
	<b>Contributions to real GDP growth</b>						
7	- Final domestic demand	pps	2.0	1.6	1.4	n.a.	1.0
8	- Change in inventories	pps	-1.1	0.0	0.0	n.a.	0.0
9	- Net exports	pps	0.1	-0.4	-0.6	n.a.	-0.2
10	Output gap	% pot GDP	-0.2	-0.5	-0.9	n.a.	-1.3
11	Employment	% change	0.3	0.5	0.3	n.a.	0.5
12	Unemployment rate	%	5.7	6.1	6.1	n.a.	5.8
13	Labour productivity	% change	0.7	0.7	0.4	n.a.	0.3
14	HICP	% change	4.3	2.8	2.8	n.a.	1.8
15	GDP deflator	% change	1.9	2.5	2.8	n.a.	2.1
16	Compensation of employees per head	% change	2.9	3.4	3.6	n.a.	2.2
17	Net lending/borrowing vis-à-vis the rest of the world	% GDP	-0.1	n.a.	-0.5	n.a.	-0.9

**Source:** Commission Spring 2025 Forecast (COM), Annual Progress Report (APR).

Table A1.6: **General government budgetary position**

	Variables (% GDP)	2024	2025		2026	
		Outturn	APR	COM	APR	COM
<b>1=2+3+4+5</b>	<b>Revenue</b>	<b>50.0</b>	<b>50.1</b>	<b>50.1</b>	<b>n.a.</b>	<b>50.0</b>
	<i>of which:</i>					
2	- Taxes on production and imports	12.0	11.8	11.9	n.a.	11.9
3	- Current taxes on income, wealth, etc.	17.0	17.2	17.2	n.a.	17.2
4	- Social contributions	15.4	15.3	15.4	n.a.	15.4
5	- Other (residual)	5.6	5.8	5.6	n.a.	5.5
<b>8=9+16</b>	<b>Expenditure</b>	<b>54.5</b>	<b>55.6</b>	<b>55.5</b>	<b>n.a.</b>	<b>55.6</b>
	<i>of which:</i>					
9	- Primary expenditure	52.2	53.3	53.1	n.a.	53.0
	<i>of which:</i>					
10	- Compensation of employees	12.6	12.6	12.6	n.a.	12.6
11	- Intermediate consumption	4.3	4.7	4.5	n.a.	4.5
12	- Social payments	25.8	26.0	26.3	n.a.	26.3
13	- Subsidies	3.6	3.6	3.6	n.a.	3.6
14	- Gross fixed capital formation	3.0	3.5	3.3	n.a.	3.2
15	- Other	2.9	2.9	2.8	n.a.	2.9
16	- Interest expenditure	2.3	2.3	2.4	n.a.	2.5
<b>18=1-8</b>	<b>General government balance</b>	<b>-4.5</b>	<b>-5.5</b>	<b>-5.4</b>	<b>n.a.</b>	<b>-5.5</b>
<b>19=1-9</b>	<b>Primary balance</b>	<b>-2.3</b>	<b>-3.2</b>	<b>-3.0</b>	<b>n.a.</b>	<b>-3.0</b>
20	Cyclically adjusted balance	-4.4	n.a.	-4.9	n.a.	-4.7
21	One-offs	-0.1	0.0	0.0	n.a.	0.0
<b>22=20-21</b>	<b>Structural balance</b>	<b>-4.2</b>	<b>-5.2</b>	<b>-4.8</b>	<b>n.a.</b>	<b>-4.7</b>
<b>23=22+16</b>	<b>Structural primary balance</b>	<b>-2.0</b>	<b>-2.9</b>	<b>-2.4</b>	<b>n.a.</b>	<b>-2.2</b>

**Source:** Commission Spring 2025 Forecast (COM), Annual Progress Report (APR).

Table A1.7: **Debt developments**

	Variables	2024	2025		2026	
		Outturn	APR	COM	APR	COM
<b>1</b>	<b>Gross debt ratio* (% of GDP)</b>	<b>104.7</b>	<b>107.2</b>	<b>107.1</b>	<b>n.a.</b>	<b>109.8</b>
2=3+4+8	Change in the ratio (pps. of GDP)	1.5	2.5	2.4	n.a.	2.7
	Contributions**					
3	<b>Primary balance</b>	<b>2.3</b>	<b>3.2</b>	<b>3.0</b>	<b>n.a.</b>	<b>3.0</b>
<b>4=5+6+7</b>	<b>'Snow-ball' effect</b>	<b>-0.7</b>	<b>-1.5</b>	<b>-1.2</b>	<b>n.a.</b>	<b>-0.6</b>
	<i>of which:</i>					
5	- Interest expenditure	2.3	2.3	2.4	n.a.	2.5
6	- Real growth effect	-1.0	-1.2	-0.8	n.a.	-0.9
7	- Inflation effect	-2.0	-2.6	-2.9	n.a.	-2.2
8	<b>'Stock-flow' adjustment</b>	<b>-0.1</b>	<b>0.8</b>	<b>0.6</b>	<b>n.a.</b>	<b>0.3</b>

\* End of period.

\*\* The 'snow-ball' effect captures the impact of interest expenditure on accumulated general government debt, as well as the impact of real GDP growth and inflation on the general government debt-to-GDP ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in Recovery and Resilience Facility grant disbursements), accumulation of financial assets, and valuation and other residual effects.

**Source:** Commission Spring 2025 Forecast and Commission's calculation (COM), Annual Progress Report (APR)

Table A1.8: **RRF – Grants**

Revenue from RRF grants (% of GDP)		2020	2021	2022	2023	2024	2025	2026
1	RRF grants as included in the revenue projections	n.a.	0.1	0.1	0.1	0.1	0.2	0.2
2	Cash disbursements of RRF grants from EU	n.a.	0.2	0.0	0.0	0.1	0.2	0.3
Expenditure financed by RRF grants (% of GDP)		2020	2021	2022	2023	2024	2025	2026
3	Total current expenditure	0.0	0.0	0.0	0.0	0.1	0.1	0.1
4	Gross fixed capital formation	0.0	0.0	0.0	0.0	0.0	0.1	0.0
5	Capital transfers	0.0	0.0	0.1	0.0	0.0	0.0	0.0
6=4+5	Total capital expenditure	0.0	0.0	0.1	0.1	0.0	0.1	0.1
Other costs financed by RRF grants (% of GDP)		2020	2021	2022	2023	2024	2025	2026
7	Reduction in tax revenue	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
8	Other costs with impact on revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	Financial transactions	0.0	0.0	0.0	0.0	0.0	0.0	n.a.

Source: Annual Progress Report

Table A1.9: **RRF – Loans**

Cash flow from RRF loans projected in the Plan (% of GDP)		2020	2021	2022	2023	2024	2025	2026
1	Disbursements of RRF loans from EU	n.a.	0.0	0.0	0.0	0.0	0.0	0.0
2	Repayments of RRF loans to EU	n.a.	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure financed by RRF loans (% of GDP)		2020	2021	2022	2023	2024	2025	2026
3	Total current expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	Gross fixed capital formation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	Capital transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6=4+5	Total capital expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other costs financed by RRF loans (% of GDP)		2020	2021	2022	2023	2024	2025	2026
7	Reduction in tax revenue	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
8	Other costs with impact on revenue	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
9	Financial transactions	0.0	0.0	0.0	0.0	0.0	0.0	n.a.

Source: Annual Progress Report

## Implementation of the set of reforms and investments underpinning the extension of the adjustment period

Table A1.10 includes information on progress towards implementation of the set of reforms and investments underpinning the extension of the adjustment period that Belgium committed to deliver in its medium-term fiscal-structural plan as adopted by the Commission and pending endorsement by the Council.

The reforms and investments underpinning an extension are all due after 30 April (for details, see Table A1.10).

The R&I underpinning an extension of the adjustment period include 6 measures (i) a pension reform that improves the financial sustainability of the system, (ii) a labour market reform aiming at strengthening

incentives to work and reduce long-term sickness, (iii) a tax reform to increase labour market participation by reducing the tax burden on labour and removing tax expenditure (iv) a reform in the area of public expenditure aiming at completing spending reviews, (v) a more effective budgetary coordination between the federal and federated entities and (iv) an improvement of the business environment and regulation.

The implementation of these measures has key steps starting in Q4 2025. Therefore, no measure underpinning the extension has been assessed as completed yet.

Table A1.10: Implementation of Reforms and Investments underpinning an extension

Measure	Key steps	Recommended implementation date	Status (COM's assessment)
Pension reform (Adding to RRP measure R-4.07)	Delivery of milestones C44-R-407-M157 and C44-R-407-M158 of Belgium's RRP*	Q4 2025	
	Entry into force of legislation including on the following measures (i) <del>Actuarial</del> neutrality (abolishing current bonus and introducing bonus/malus system) (ii) <del>Reduction</del> of assimilated periods in pension calculation (iii) <del>Phasing out</del> of preferential schemes for civil servants (iv) <del>Extinction</del> of sickness pension (v) <del>Limited</del> indexation of civil servants' high pensions (vi) <del>Harmonization</del> of career requirements for early retirement	Q1 2027	
	Delivery of an impact assessment of the pension reform	Q4 2029	
Spending reviews (Adding to RRP measure R-6)	Complete spending reviews in the areas of a) fossil fuel subsidies and of b) the withholding tax exemption for R&D work, overtime and night/shift work.	Q4 2026	
	Delivery of an annual impact assessment report explaining the permanent overall reduction of annual expenditure of at least 0.1% of GDP in 2026, and as of Q4 2029 of at least 0.3% in 2029, compared with the expenditure projections at unchanged policies.	Q4 2026	
Labour market reform	Entry into force of legislation which permanently decreases general government expenditure on unemployment benefits and long-term sickness leave by at least 0.3% of GDP per year from 2027 by: (i) <del>Limiting</del> unemployment benefits to maximum two years (ii) <del>Reducing</del> long-term sickness by requiring employers to contribute to the payment of incapacity benefits and by increasing accountability for employees and doctors.	Q4 2025	
	Delivery of an impact assessment justifying the permanent reduction of 0.3% of GDP in expenditure on unemployment benefits and long-term sickness leave, compared to the expenditure projections at	Q2 2027	
Tax reform	Entry into force of legislation which reduces the tax burden for those active on the labour market, totalling a cumulative 0.5% of GDP in 2029 including by: (i) <del>Increasing</del> the personal tax-free allowance for earned income (ii) <del>Reforming</del> the special social security contribution	Q1 2026	
	Entry into force of legislation which finances the labour tax reduction of 0.5% of GDP in 2029 by: (i) <del>Removing</del> tax expenditure, including: - abolishing the tax reduction for unemployment benefits - limiting the 'marital quotient' (ii) <del>Increasing</del> capital related taxes, including: - introducing of a 10% capital gains tax on realized capital gains. - abolishing the tax deductibility of mortgage interest for secondary residences. (iii) <del>Limiting</del> the welfare envelope	Q1 2026	
	Delivery of an impact assessment justifying the 0.5% of GDP budgetary impact of the combined measures of the tax reform, compared to unchanged policies.	Q2 2029	
Budgetary coordination	Entry into force of legislation to ensure: (i) <del>Effective</del> budgetary coordination between the federal and federated entities. (ii) <del>Redefining</del> the tasks and enhancing the financial and staff capacity of the High Council of Finance.	Q4 2025	
	Entry into force of legislation to ensure effective budgetary coordination between the federal and federated entities by setting multiannual budgetary targets for all entities.	Q4 2026	
Business environment and regulation	Entry into force of legislation and adoption of measures to improve the business environment by: (i) <del>Reducing</del> the administrative burden for companies. (ii) <del>Simplify</del> procedures to improve access by SME's to public procurement. (iii) <del>An</del> SME plan with a specific focus on start-ups to reduce cost of doing business	Q4 2025	

The progress of each backward-looking key step (i.e., those scheduled for completion by 30 April 2025) is classified as either 'completed' or 'not completed'. The status of forward-looking key steps not yet completed remains blank, as these will be assessed by the Commission in future APRs.



## Cost of ageing





















**Total age-related spending in Belgium is projected to rise from about 27% of GDP in 2024 to about 28% in 2040 and 32% in 2070 (see Table A1.11).** The projections imply Belgium would have the highest age-related public expenditure by 2070 of all Member States. The overall increase is driven by the projected rise in pension spending and, to a lesser extent, long-term care and healthcare, while expenditure on education is expected to fall.

**Public pension spending is projected to increase continuously over the next decades.** The pension expenditure-to-GDP ratio would rise from about 13% of GDP in 2024 to about 16% by 2070, the third highest projected level among EU Member States. The pension reform measures included in the federal coalition agreement are not reflected in these projections.

**Public healthcare expenditure is projected at 6.2% of GDP in 2024 (below the EU average of 6.6%) and is expected to increase by 0.3 pps by 2040 and by a further 0.3 pps by 2070 <sup>(2)</sup>.**

**Public expenditure on long-term care is projected at 2.3% of GDP in 2024 (above the EU average of 1.7%) and is expected to increase by 0.7 pps of GDP by 2040 and by a further 1 pp of GDP by 2070 <sup>(3)</sup>.** This increase in long-term care expenditure contributes significantly to fiscal risk. The ‘Economic developments and key economic challenges’ chapter describes the scope for improving cost effectiveness.

Table A1.11: **Projected change in age-related expenditure in 2024-2040 and 2024-2070**

	age-related expenditure 2024 (% GDP)	change in 2024-2040 (pps GDP) due to:					age-related expenditure 2040 (%GDP)	
		pensions	healthcare	long-term care	education	total		
BE	27.2						28.7	BE
EU	24.3						25.2	EU
	age-related expenditure 2024 (% GDP)	change in 2024-2070 (pps GDP) due to:					age-related expenditure 2070 (%GDP)	
		pensions	healthcare	long-term care	education	total		
BE	27.2						31.9	BE
EU	24.3						25.6	EU

Source : 2024 Ageing Report (EC/EPC).

## National fiscal framework

**Belgium has chosen to split the Independent Fiscal Institution (IFI) tasks on two institutions, leveraging established institutions and practices.** The Federal Planning Bureau (FPB), which is a long-standing institution with a solid reputation for technical expertise, produces the macroeconomic forecast underlying the government's budgetary plans and performs election platform costing, and the High Council of Finance – Public sector borrowing requirements (HCF-PSBR) monitors the compliance with fiscal rules. The HCF-PSBR is severely hampered in its activities by the lack of a financing agreement among the various layers of government, which has led to a lack of financial and human resources. The FPB is frequently assigned additional tasks without the matching additional resources, which affects its ability to autonomously determine its work programme. Moreover, the procedure for recruitment of the Head of IFI (the Commissioner) is not grounded in law and ministers exert a heavy influence.

**There are areas of improvement across the full public investment cycle and at different levels of government <sup>(53)</sup>.** In Belgium, public investment is delegated to regions and communities except in energy, public buildings, rail, and prisons which fall under the federal remit <sup>(54)</sup>. There is no integrated investment plan at the federal level or at the level of the federated entities which can define strategic objectives that are shared between sectors and are fiscally realistic. In the regions of Flanders and Bruxelles-Capitale, investment planning takes place mostly at the sectoral level with some coordination across sectors, although Flanders is in the process of developing an integrated multi-annual investment plan <sup>(55)</sup>. Ex-post reviews are carried out on an ad hoc basis, while asset registers are not yet in place.

Table A1.12: **Fiscal Governance Database Indicators**

2023	Belgium	EU Average
Country Fiscal Rule Strength Index (C-FRSI)	13.01	14.52
Medium-Term Budgetary Framework Index (MTBFI)	0.68	0.73

The Country Fiscal Rule Strength Index (C-FRSI) shows the strength of national fiscal rules aggregated at the country level based on i) the legal base, ii) how binding the rule is, iii) monitoring bodies, iv) correction mechanisms, and v) resilience to shocks. The Medium-Term Budgetary Framework Index (MTBFI) shows the strength of the national MTBF based on i) coverage of the targets/ceilings included in the national medium-term fiscal plans; ii) connectedness between these targets/ceilings and the annual budgets; iii) involvement of the national parliament in the preparation of the plans; iv) involvement of independent fiscal institutions in their preparation; and v) their level of detail. A higher score is associated with higher rule and MTBF strength.

**Source :** Fiscal Governance Database

<sup>(53)</sup> Assessment is based on data for the federal level, Bruxelles-Capitale and Flanders Region. Belu Manescu, C. (2022), "New evidence on the quality of public investment management in the EU", ECFIN Discussion Paper no 177.

<sup>(54)</sup> Herne, E., 2025, "Improving the efficiency of public investment in infrastructure Belgium", IMF Selected Issues Papers SIP 2025/020.

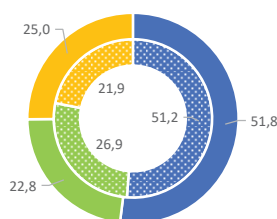
<sup>(55)</sup> Herne, E., 2025, "Improving the efficiency of public investment in infrastructure Belgium", IMF Selected Issues Papers SIP 2025/020; Belu Manescu, C. (2022), "New evidence on the quality of public investment management in the EU", ECFIN Discussion Paper no 177.

**This annex provides an indicator-based overview of Belgium's tax system.** It includes information on: (i) the tax mix; (ii) competitiveness and fairness aspects of the tax system; and (iii) tax collection and compliance. The recent coalition agreement of the new federal government, drawn up in January 2025, includes many measures related to the topics in this fiche. These have not yet been taken into account since they have not yet been legislated.

**The overall tax burden in Belgium is high and the tax structure relies heavily on labour taxes.** Belgium's tax revenue as a percentage of GDP was above the EU average in 2023 (42.5% vs 39%). Revenue from labour taxes is also high in Belgium when expressed as a percentage of GDP (22.0% in 2023 vs 20.0% EU average). The high tax burden on labour risks reducing labour-market participation, which runs counter to the Belgian government's objective of increasing the employment rate to 80% (in 2023: 72.1%). In contrast, revenues from consumption taxes, recurrent immovable property taxes and environmental taxes, which are among the taxes least detrimental to growth, are close to the EU average (expressed as a percentage of GDP). Given Belgium's high public deficit and large public debt-to-GDP ratio, it will be difficult to reduce tax revenue in the short- to medium term.

Graph A2.1: Tax revenue shares in 2023

Tax revenue shares in 2023, Belgium (outer ring) and EU (inner ring)



■ Taxes on labour ■ Taxes on consumption ■ Taxes on capital

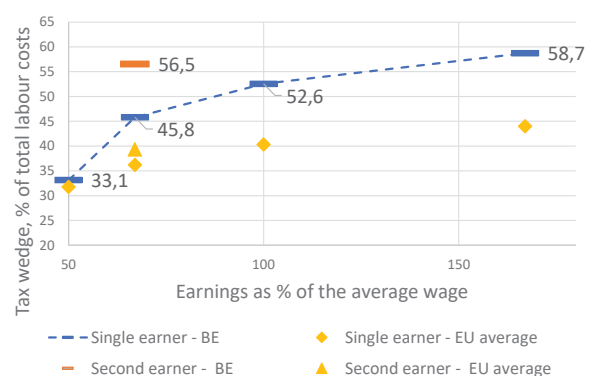
Source: Taxation Trends Data, DG TAXUD

**The tax wedge on labour is well above the EU average at almost all income levels, except for very-low-income earners.<sup>(56)</sup>** As a result of

<sup>(56)</sup> The tax wedge is defined as the sum of personal income taxes and employee and employer social-security contributions net of family allowances, expressed as a percentage of total labour costs (the sum of the gross wage and social-security contributions paid by the employer).

previous reforms, the labour tax wedge for Belgium in 2024 was close to the EU average for single people earning 50% of the average wage (33.1% vs an EU average of 31.8%) but much higher than the EU average at higher levels of income (52.6% vs an EU average of 40.3% for single people earning 100% of the average wage). Personal income tax in Belgium is progressive, but the tax brackets are narrow and even average income earners are therefore subject to the highest income tax rates (45% and 50%). As a result, there are high marginal tax rates for lower-middle-wage earners, and this leads to significant low-wage traps. On the more positive side, the progressivity of the tax system results in a tax-and-benefit system that performs better than the EU average in reducing income inequality, as measured by the Gini coefficient. In Belgium, taxes and benefits reduced the Gini coefficient by 12.6 points, while the reduction was on average 7.7 points in the EU in 2023.

Graph A2.2: Tax wedge for single and second earners, % of total labour costs, 2024



The tax wedge for second earners assumes a first earner at 100% of the average wage and no children. For the full methodology, see OECD, 2016, Taxing Wages 2014-2015.

Source: European Commission

**There is scope for Belgium to shift the tax burden away from labour to other tax bases, for example by cutting back on the use of reduced VAT rates.** Revenues from consumption taxes slightly decreased in 2022 and 2023, remaining slightly below the EU average (9.7% in 2023 vs 10.5% on average in the EU) due to more extensive use of reduced VAT rates. The estimated VAT compliance gap (the gap between revenues actually collected and the theoretical tax liability) shrank to 6.9% in 2021 but increased to stabilise at 11.6% in 2022 and 2023. Cutting back on the use of reduced VAT rates could have a significant fiscal impact. A recent study that compared the actual VAT tax structure in Belgium in 2019 to a

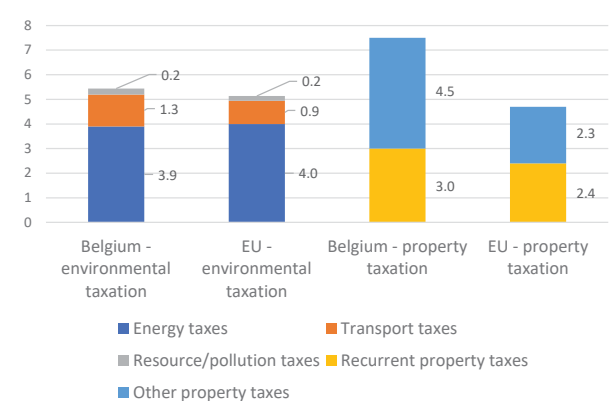
counterfactual hypothetical scenario where all commodities and services are subject to the standard VAT rate estimated that these reduced rates reduce VAT revenues from the household sector by 20%, which is equivalent to 1.2% of GDP <sup>(57)</sup>.

**Tax rates on property transactions have recently been reduced in two of the three Belgian regions.** Property transaction taxes have historically been high in Belgium. However, in Flanders, the property-transaction tax rate for main dwellings started decreasing in 2016 and has been further reduced to 2% in 2025. In Wallonia, this tax was reduced from 12.5% to 3% on 1 January 2025. At the same time, transaction taxes remain high in Brussels for all types of real estate (12.5% albeit reduced under certain conditions <sup>(58)</sup>) and in Flanders and Wallonia for real estate that is not a person's main dwelling. High transaction-tax rates have a negative impact on the functioning of the real-estate market. A system strongly reliant on transaction taxes as the main source of property taxation generates a more volatile revenue stream than a property tax system where lower transaction taxes are combined with higher recurrent property taxes.

**There remains scope in Belgium to consistently apply environmental taxes.** Excise duties in Belgium on energy products used for heating are still low for fossil fuels. The level of excise duties on gas and electricity is linked to market-price levels (the 'cliquet system'), but excise duties on heating oil are kept at the EU minimum level. Excise duties on transport fuel are relatively high for diesel and are average for petrol, but professional transporters and the agricultural sector benefit from a reduced excise rate on diesel. As part of its recovery and resilience plan, Belgium has greened its company-car scheme (a scheme that allowed employers to give cars to employees at a more tax-advantaged rate than would be the case if they simply increased the employee's salary) in recent years by allowing only hybrid cars to qualify. As a second

step in greening the scheme, only zero-emission vehicles will be able to benefit from the system from 2026. The legislation for these reforms to the company-car system took effect on 1 January 2023 and is progressively making the fiscal treatment of company cars greener.

Graph A2.3: **Environmental and property taxation as % of total tax revenue, Belgium and the EU, 2023**



Source: Taxation Trends Data, DG TAXUD

**Revenues from corporate income taxes in Belgium were equivalent to 3.9% of GDP in 2023, above the EU average of 3.2%.** Since 1 January 2020, the standard rate of corporate income tax is 25% <sup>(59)</sup>. This rate applies to both Belgian companies (subject to Belgian corporate income tax) and Belgian Permanent Establishments of foreign companies of foreign companies (subject to Belgian non-resident corporate income tax). The effective average corporate income-tax rate was 23.8 % in 2023.

**The complexity of the Belgian tax system weighs on the business environment and hinders the efficiency of tax collection.** To offset the heavy tax burden on labour, wage subsidies and other tax expenditures have been widely used in Belgium. Special schemes (e.g. the company-car scheme and the withholding tax exemption for overtime, R&D work and night/shift work) have been introduced to compensate for the high tax burden on labour. It is estimated that tax expenditures in personal income taxation are

<sup>(57)</sup> Turrini, A., Guigue, J., Kiss, A., Leodolter, A., Van Herck, K., Neher, F., Leventi, C., Papini, A., Picos, F., Ricci, M. and F. Lanterna (2024). Tax Expenditures in the EU: Recent Trends & New Policy Challenges. Discussion Paper 212, European Commission.

<sup>(58)</sup> For main dwellings priced below EUR 600 000, a tax reduction applies on the first EUR 200 000.

<sup>(59)</sup> A specific corporate income tax rate of 20% is applicable to SMEs on the first bracket of EUR 100 000 of profit if certain conditions are met. A surcharge is due on the final corporate income tax amount upon assessment if sufficient advance tax payments have not been made for the tax year. For tax years 2024 and 2025, the surcharge is 6.75%.

Table A2.1: **Taxation indicators**

		Belgium					EU-27				
		2010	2021	2022	2023	2024	2010	2021	2022	2023	2024
<b>Tax structure</b>	Total taxes (including compulsory actual social contributions) (% of GDP)	43,6	43,2	42,4	42,5		37,8	40,2	39,7	39,0	
<b>By tax base</b>	Taxes on labour (% of GDP)	23,7	21,8	22,0	22,0		19,8	20,5	20,1	20,0	
	of which, social security contributions (SSC, % of GDP)	14,0	13,0	12,8	13,0		12,9	13,0	12,7	12,7	
	Taxes on consumption (% of GDP)	10,8	10,6	9,8	9,7		10,9	11,2	10,9	10,5	
	of which, value added taxes (VAT, % of GDP)	7,0	6,8	6,4	6,3		6,8	7,3	7,4	7,1	
	Taxes on capital (% of GDP)	8,8	10,6	10,4	10,6		7,1	8,5	8,7	8,5	
<b>Some tax types</b>	Personal income taxes (PIT, % of GDP)	12,1	11,3	11,8	11,7		8,6	9,6	9,4	9,3	
	Corporate income taxes (CIT, % of GDP)	2,5	3,8	3,8	3,9		2,2	2,9	3,2	3,2	
	Total property taxes (% of GDP)	3,1	3,7	3,3	3,2		1,9	2,2	2,1	1,9	
	Recurrent taxes on immovable property (% of GDP)	1,3	1,2	1,2	1,3		1,1	1,1	1,0	0,9	
	Environmental taxes (% of GDP)	2,4	2,5	2,2	2,3		2,5	2,4	2,1	2,0	
	Effective carbon rate in EUR per tonne of CO <sub>2</sub> equivalents	NA	71,0	NA	74,0		NA	86,0	NA	84,8	
<b>Progressivity &amp; fairness</b>	Tax wedge at 50% of average wage (single person) (*)	41,8	33,4	33,9	33,5	33,1	33,9	31,8	31,5	31,5	31,8
	Tax wedge at 100% of average wage (single person) (*)	55,9	52,4	53,0	52,7	52,6	40,9	39,9	39,9	40,2	40,3
	Corporate income tax - effective average tax rates (1) (*)	26,8	23,8	23,8	23,8		21,3	19,3	19,1	18,9	
	Difference in Gini coefficient before and after taxes and cash social transfers (pensions excluded from social transfers) (2) (*)	11,0	13,5	12,6	12,6		8,6	8,2	7,9	7,7	
<b>Tax administration &amp; compliance</b>	Outstanding tax arrears: total year-end tax debt (including debt considered not collectable) / total revenue (in %) (*)		15,5	12,6				35,5	32,6		
	VAT gap (% of VAT total tax liability, VTTL) (**)		7,0	11,0	11,7			6,6	7,0		

(1) Forward-looking effective tax rate (KPMG).

(2) A higher value indicates a stronger redistributive impact of taxation.

(\*) EU-27 simple average.

(\*\*) Forecast value for 2023. For more details on the VAT gap, see European Commission, Directorate-General for Taxation and Customs Union, VAT gap in the EU - 2024 report, <https://data.europa.eu/doi/10.2778/2476549>

For more data on tax revenues as well as the methodology applied, see the Data on Taxation webpage, [https://ec.europa.eu/taxation\\_customs/taxation-1/economic-analysis-taxation/data-taxation\\_en](https://ec.europa.eu/taxation_customs/taxation-1/economic-analysis-taxation/data-taxation_en).

**Source:** European Commission, OECD

equivalent to more than 2.5% of GDP, one of the highest shares in the EU <sup>(60)</sup>. These tax-exemption schemes are costly and risk leading to inefficiencies. Belgium ranks 25th out of the 27 Member States in the Tax Complexity Index <sup>(61)</sup>, indicating that it has one of the most complex tax systems in the EU. For SMEs, Belgium has high estimated tax-compliance costs compared with the EU average (Belgium has the third highest tax-compliance costs in the EU <sup>(62)</sup>). The cost-of-collection ratio for Belgium remains close to the EU average (0.8 for Belgium vs an EU average of 0.9 in 2021). In addition, concerns remain over the country's tax administration system. Despite recent efforts to increase the digitalisation of the tax administration system, the on-time filing rates for personal and corporate income taxes in 2022

remained comparatively low at 85.7% and 82.6% respectively.

<sup>(60)</sup> Turrini, A., Guigue, J., Kiss, A., Leodolter, A., Van Herck, K., Neher, F., Leventi, C., Papini, A., Picos, F., Ricci, M. and F. Lanterna (2024). Tax Expenditures in the EU: Recent Trends & New Policy Challenges. Discussion Paper 212, European Commission.

<sup>(61)</sup> The index ranges from zero (not complex) to one (extremely complex).

<sup>(62)</sup> See European Commission (2022), Tax Compliance costs for SMEs: An update and a complement. Final Report. DG GROW.



**Belgium remains a strong performer in research and innovation (R&I), although this does not fully translate into business dynamism.** The 2024 European Innovation Scoreboard ranks Belgium as a ‘strong innovator’, with performance well above the EU average<sup>(63)</sup> and nearly on a par with the ‘innovation leader’ countries. Belgium’s innovation performance relative to the EU average has steadily increased over the last decade alongside its overall R&D intensity<sup>(64)</sup>, which reached 3.32% of GDP in 2023 (compared to 2.06% in 2010). This growth has been achieved thanks to a very substantial increase in business R&D intensity (2.46% in 2023), now the second highest in the EU. Thanks, in particular to the quality of its public science base and the excellent intersectoral and international interconnections of its R&D performers, Belgium has a well-functioning R&I system. However, business dynamism in the innovation ecosystem remains moderate, and shortages of skilled human resources hinder the Belgian economy’s green and digital transitions.

## Science and innovative ecosystems

**Belgium’s strong science base is a major asset, but its excellence is gradually eroding.** The quality of research outputs, as measured by the share of scientific publications within the top 10% most cited publications worldwide, is well above the EU average<sup>(65)</sup> (11.5% vs 9.6% in 2021). However, it has followed a slightly downward trend in the last decade (13.7% in 2013). Public R&D expenditure as a percentage of GDP, the sixth highest in the EU (0.85% versus EU average of 0.72% in 2023), has stagnated over the last three years. A continuation of this stagnation might prevent Belgium from reversing its scientific performance’s erosion and remaining a R&D powerhouse. In addition, several factors such as the increasing pace of developments in AI tools require substantial public R&D investment,

although regional public investment in digital and numerical infrastructures are highly supported so far.

**Belgian R&I performers are well connected globally.** The share of the country’s international co-publications in its total number of publications has gradually increased, from 55.8% in 2010 to 70.4% in 2023, well above the EU average of 55.9%. Belgium’s R&I community participates actively in collaborative R&I projects funded by Horizon Europe, the EU’s framework programme for R&I. Belgian research performers have so far obtained 5.5% of Horizon Europe funds<sup>(66)</sup>, with Belgium ranked sixth among Member States. The Brussels and Flanders regions together attracted around 90% of the budget gained by Belgian research performers from Horizon Europe. The country is participating in six Important Projects of Common European Interest. These large-scale cross-border projects with a high level of technological risk are key to boosting R&I for small and medium-sized enterprises (SMEs).

**There is room to better use scientific evidence to support policymaking.** As underlined in the OECD evaluation of Belgium’s COVID-19 responses (OECD, 2023)<sup>(67)</sup>, increasing the use of data and evidence for political decision-making would help increase the effectiveness of policy actions. In this context, building better connections, collaboration and coordination between policymakers and scientists is of utmost importance. An example of good practice is the ‘Flash’ scheme. This is open to the entire Belgian scientific community and aims to provide a rapid response to pressing needs for scientific evidence to support decision-making processes at federal level<sup>(68)</sup>. To further develop data collection, analysis and sharing is particularly important in order to better design, target and evaluate economic measures.

<sup>(63)</sup> European Commission, 2024, *European Innovation Scoreboard (EIS), country profile: Belgium*, [ec.europa.eu](https://ec.europa.eu).

<sup>(64)</sup> Defined as gross domestic expenditure on R&D as a percentage of GDP.

<sup>(65)</sup> Key innovation indicators table.

<sup>(66)</sup> Horizon Europe dashboard.

<sup>(67)</sup> OECD (2023), Evaluation of [Belgium’s COVID-19 Responses: Fostering Trust for a More Resilient Society](#), OECD Publishing, Paris.

<sup>(68)</sup> Science advice to policymakers: Roles, enabling conditions and incentives, Horizon Policy Support Facility Mutual Learning Exercise on bridging the gap between science and policy, [Second thematic report, 2024](#).

**Differences persist across regions in terms of innovation performance.** According to the 2023 Regional Innovation Scoreboard, while Brussels and Flanders are among 'innovation leader' regions <sup>(69)</sup>, Wallonia is deemed a 'strong innovator'. A major difference in the innovation ecosystem of the three regions is public R&D intensity, which is much weaker in Wallonia (0.52%) than in the two other regions (Brussels 0.76%, Flanders 0.94%). However, Wallonia's performance is clearly improving. The Regional Innovation Index shows a strong increase between 2014 and 2023, in line with the other regions.

## Business innovation

**The Belgian innovation ecosystem benefits from a high level of business R&D investment and very good science-business linkages, but its performance in technological developments is on a slightly downward trend.** Business R&D intensity, at 2.46%, which is well above the EU average of 1.49%, is one of the highest in the EU. Indicators on science-business linkages have been improving in the last decade. Public-private scientific co-publications in 2023 as a percentage of the total number of publications reached 11.5% (well above the EU average of 7.7%), and public expenditure on R&D financed by the business enterprise sector as a percentage of GDP is one of the highest in the EU (0.077% vs EU average of 0.05%). On technology development as captured by patent data, the number of patent applications filed under the Patent Cooperation Treaty per billion of GDP (in in PPS€) has been on a slightly downward trend in the last decade, in line with the trend at EU level. In 2020, Belgium had the highest share of its patent applications in the agri-food, health and electronics industrial ecosystems.

**Business dynamism in the innovation ecosystem remains moderate, despite public support that targets start-ups and scale-ups.** Indicators suggest that, despite relatively good performance compared with other Member States, Belgium's SME sector could be more heavily

engaged in innovation <sup>(70)</sup>. In addition, Belgium has a wide range of SME support programmes, with little evidence of their positive effects. Belgian SMEs appear to face difficulties growing in size (high-growth businesses account for only 5.75% of employment vs an EU average of 12.51%), despite the fact that Belgium offers substantial and numerous tax incentives and exemptions that target start-ups and scale-ups. These include the tax shelter scheme for investors <sup>(71)</sup> and exemptions for the taxation of capital gains realised from the sale of qualifying start-up shares <sup>(72)</sup>. The impact of the strengthening of the 'Tax Shelter for Start-ups and Scale-ups' in 2021, a support measure where individuals investing in start-ups or scale-ups benefit from a tax reduction ranging from 25% to 45% of the amount invested, is yet to be seen.

**There is room to increase the efficiency and additionality of public support to high-growth R&D businesses.** Belgium's public support to business R&D is substantial, with R&D tax incentives taking the largest share. Some research <sup>(73)</sup> suggests that while direct support – mostly subsidies provided by regions – and the partial exemption from payment of the withholding tax on the wages of R&D personnel have encouraged additional investment in R&D, tax credits may not significantly boost R&D investment in Belgium.

**Moreover, evidence shows that large firms tend to be the main recipients of public support and disproportionately benefit from R&D tax support <sup>(74)</sup>.** Indicators suggest that the

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<sup>(70)</sup> [OECD\(2024\). Economic Surveys BELGIUM.](#)

<sup>(71)</sup> The tax shelter scheme gives taxpayers a tax reduction of 30% of the amount invested in start-ups (companies with less than 50 employees and < 4 years old), 45% for investments in micro-enterprises (less than 10 employees and < 4 years old) and 25% for scale-ups (less than 10 employees, 5-10 years old and more than 10% annual growth).

<sup>(72)</sup> Start-ups (firms created less than 48 months ago) are partially exempted from the withholding tax – an advance on professional income tax firms should collect and return to the state (10% for small firms and 20% for micro-enterprises). The amount invested that qualifies for the reduction is limited to EUR 100 000 per taxpayer per year.

<sup>(73)</sup> Dumont, M. (2019), 'Tax incentives for business R&D in Belgium: Third evaluation', Federal Planning Bureau Working Papers, No. 4-19.

<sup>(74)</sup> [Dumont, M.](#) (2022): Public support to business research and development in Belgium: fourth evaluation.

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<sup>(69)</sup> 2023 [Regional Innovation Scoreboard](#). Regional profiles of Belgium as part of the European Innovation Scoreboard in terms of regional R&I performance.



share of R&D tax support among small firms is low by OECD standards and well below their contribution to business R&D spending, which is around 20% of the total. Evidence shows that the efficiency and impact of tax incentives for R&D activities could be increased by targeting small firms that are financially constrained <sup>(75)</sup>. The OECD has recommended reforming the system and suggests capping R&D corporate tax relief for each company to ensure that small and young firms receive a larger part of public R&D support or shifting public R&D support from indirect tax relief to direct government funding.

**Despite substantial progress over the last 20 years, Belgium still struggles to foster cultivate a regulatory environment that fully enables innovation and business dynamism.**

Regulatory burden can duly weigh on smaller firms. According to OECD Product Market Regulation indicators, Belgium performs worse than the OECD average and top performing countries in four key areas for SMEs: simplifying administrative and regulatory burden (see Annex 4), easing requirements for new businesses, barriers to entry in service sectors and improving lobbying regulations (see Annex 4). Further reforms are needed to create a regulatory environment that truly nurtures innovation and business dynamism <sup>(76)</sup>.

**In 2023 and 2024, Belgium made notable and consistent progress in terms of the uptake of digital technologies by business enterprises.**

83.7% of Belgian SMEs had at least a basic level of digital intensity in 2023, above the EU average of 72.9%. 24.7% of Belgian SMEs had adopted AI in 2023, well above the EU average of 13.5% and up from 13.8% in 2023. The take-up of cloud solutions by Belgian enterprises (47.7% in 2024) is above the EU average (38.9%), similar to their adoption of data analytics (44.5% in 2023, vs an EU average of 33.1%).

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<sup>(75)</sup> [OECD \(2022\), OECD Economic Surveys: Belgium 2022](#), OECD Publishing, Paris.

<sup>(76)</sup> [OECD\(2024\), Economic Surveys BELGIUM](#). The OECD study provides policy recommendations to improve SME growth, productivity and innovation.

## Financing innovation

**Venture capital intensity has been decreasing in recent years, reflecting Belgium's difficulty in fully benefiting from the strengths of its R&I system.** Venture capital volume decreased from 0.084% in 2020 to 0.063% of GDP in 2023 and is now below the EU average of 0.078%. In 2015-2023, most private equity and venture capital investment went into innovative tech companies operating in the field of health and medical technology. This shows the importance of start-up and scale-up activity in this sector in Belgium. Health was followed by agri-food, aerospace and defence <sup>(77)</sup>.

## Innovative talent

**Shortages of skilled workers hinder the Belgian economy's twin transitions and business dynamism.**

In 2022, the number of new graduates per thousand population aged 25-34, in STEM subjects (science, technology, engineering and maths), at 12.9, was lower than the EU average (17.6). The number of new graduates in ICT per thousand of the population aged 25-34 was 2.4, one of the lowest in the EU (EU average 3.6). Improving access to training through consultancy services and flexible training modules could help address skills shortages that hamper firms' capacity to scale up.

**Support for entrepreneurial education is present in Belgium, however implementation challenges persist.**

In the French Community, entrepreneurship education is integrated into the curricula and educational policies and initiatives supporting entrepreneurship for young people and teachers exist. However, there is a lack of evaluation and coordination of existing initiatives. In Flanders, entrepreneurship education has been present in government policies since 2011. To further increase entrepreneurial competences the government implemented an action plan on entrepreneurial education (2015-2019). This led to the development of successful initiatives and

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<sup>(77)</sup> [Monitoring industrial ecosystems \(2024\). Fact sheets: Belgium](#).

education tools at all levels that are still used today. However, evidence is limited on the impact of these initiatives on students' attitudes.

Table A3.1: **Key innovation indicators**

Belgium	2012	2017	2020	2021	2022	2023	2024	EU average (1)	USA
<b>Headline indicator</b>									
R&D intensity (gross domestic expenditure on R&D as % of GDP)	2.27	2.68	3.37	3.41	3.29	3.32	:	2.24	3.45
<b>Science and innovative ecosystems</b>									
Public expenditure on R&D as % of GDP	0.67	0.78	0.86	0.84	0.85	0.85	:	0.72	0.64
Scientific publications of the country within the top 10% most cited publications worldwide as % of total publications of the country	13.8	12.8	11.7	11.5	:	:	:	9.6	12.3
Researchers (FTE) employed by public sector (Gov+HEI) per thousand active population	4.5	4.9	5.4	5.6	5.8	5.8	:	4.2	:
International co-publications as % of total number of publications	58	65.9	69.7	69.9	70.6	70.4	:	55.9	39.3
<b>R&amp;D investment &amp; researchers employed in businesses</b>									
Business enterprise expenditure on R&D (BERD) as % of GDP	1.59	1.88	2.49	2.54	2.42	2.46	:	1.49	2.70
Business enterprise expenditure on R&D (BERD) performed by SMEs as % of GDP	0.56	0.72	:	0.95	:	:	:	0.40	0.30
Researchers employed by business per thousand active population	4.6	5.9	6.9	9.2	9.5	9.9	:	5.7	:
<b>Innovation outputs</b>									
Patent applications filed under the Patent Cooperation Treaty per billion GDP (in PPS €)	3.5	3.2	3.4	3	2.7	:	:	2.8	:
Employment share of high-growth enterprises measured in employment (%)	9.51	:	5.76	:	:	:	:	12.51	:
<b>Digitalisation of businesses</b>									
SMEs with at least a basic level of digital intensity	:	:	:	:	77.23	:	83.7	72.91	:
% SMEs (EU Digital Decade target by 2030: 90%)	:	:	:	:	:	44.47	:	33.17	:
Data analytics adoption	:	:	:	:	:	47.69	:	38.86	:
% enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	46.87	:	:	:	:	:
Cloud adoption	:	:	:	10.32	:	13.81	24.71	13.48	:
% enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	:	:	:	:	:
Artificial intelligence adoption	:	:	:	:	:	:	:	:	:
% enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	:	:	:	:	:
<b>Academia-business collaboration</b>									
Public-private scientific co-publications as % of total number of publications	9.9	10.8	11	11.3	11.4	11.5	:	7.7	8.9
Public expenditure on R&D financed by business enterprises (national) as % of GDP	0.064	0.076	0.083	0.077	:	:	:	0.05	0.02
<b>Public support for business innovation</b>									
Total public sector support for BERD as % of GDP	0.228	0.264	:	0.356	:	:	:	0.204	0.251
R&D tax incentives: foregone revenues as % of GDP	0.124	0.177	0.226	0.2	0.2	:	:	0.1	0.1
Business enterprise expenditure on R&D (BERD) financed by the public sector (national and abroad) as % of GDP	0.104	0.086	:	0.124	:	:	:	0.1	0.11
<b>Financing innovation</b>									
Venture capital (market statistics) as % of GDP, total (calculated as a 3-year moving average)	0.0029	0.037	0.084	0.087	0.079	0.063	:	0.078	:
Seed funding (market statistics) as % of GDP	2.4	12.2	7.4	5.4	5.3	6.1	:	7.3	:
Start-up and early-stage funding (market statistics) as % of GDP	61.9	40.9	60.3	64.8	57.3	54.8	:	44.0	:
Later stage and scale-up funding (market statistics) as % of GDP	35.6	47	32.3	29.8	37.3	39.1	:	48.7	:
<b>Innovative talent</b>									
New graduates in science and engineering per thousand population aged 25-34	12.6	11.7	13.1	13.2	12.9	:	:	17.5	:
Graduates in the field of computing per thousand population aged 25-34	1.4	1.5	1.8	2.3	2.4	:	:	3.6	:

(1) EU average for the last available year or the year with the highest number of country data.

**Source:** Eurostat, DG JRC, OECD, Science-Metrix (Scopus database), Invest Europe, European Innovation Scoreboard

**Belgium's economy continues to grow, despite political uncertainty, high energy costs, high vacancy rates and a slight slowdown since 2020 in manufacturing.**

Pharmaceuticals as well as a good level of research and development and digital intensity are supporting this progress. Labour productivity remains relatively high, despite a recent slowdown. Belgium benefits from a highly developed infrastructure and a skilled workforce. Investment as a share of GDP was above the EU average in 2023. However, competitiveness challenges include high labour costs and an ageing population. Political uncertainties and the climate transition are putting pressure on public finances.

## Economic framework conditions

**The investment climate is still rather positive compared with the rest of the EU, but much investment is related to capacity replacement rather than expansion <sup>(78)</sup>.**

Belgium ranked 8th in the EU in terms of investment as a share of GDP (gross fixed capital formation as % of GDP) – at 24.5% in 2023 (above the EU-27 average of 22%). In 2023, 88% of total investment came from the private sector (including businesses and households), the second highest share in the EU. However, Belgian investment is focused on capacity replacement (equipment, machinery, etc.) (61% of firms) <sup>(79)</sup>. Belgium leads in the EU in the share of firms' investment in intangibles assets.

**Belgian firms report fewer investment barriers than the EU average (energy costs, availability of skilled staff, and uncertainty about the future remain the main obstacles) and supply constraints are decreasing.**

According to the EIB investment survey <sup>(80)</sup>, the three main obstacles to investment for Belgian businesses are energy costs (for 47.1% of Belgian firms), availability of skilled staff (for 37%) and uncertainty about the future (for 18.6%). Overall,

however, the share of firms reporting long-term barriers to investment is lower than the average for EU firms. The share of businesses facing labour supply constraints is decreasing (13.8% in 2024 vs 15.7% in 2023) and is smaller than in the rest of the EU (20.16% in the EU on average) <sup>(81)</sup>. The share of Belgian businesses facing material supply constraints is also decreasing (13.3% in 2024 vs 20.8% in 2023) but remains larger than the EU as a whole (the EU average is 10%) <sup>(82)</sup>.

**Fewer firms in Belgium than in the rest of the EU find transport and digital infrastructure are obstacles to investment.**

19% of Belgium's businesses see transport infrastructure as an investment obstacle (compared to 45% in the EU) and 18% see access to digital infrastructure as an obstacle (against 41% in the EU) <sup>(83)</sup>. Belgium has one of the best infrastructures in the world, ranking among the top 10 in the 2024 logistic performance index, and was the fifth best performing EU Member State.

**Belgian firms are among the least financially constrained in the EU, but late payments gaps have increased and are above the EU average.**

Belgium's share of finance-constrained firms is the second lowest in the EU (below 5%). Availability of finance is an obstacle to investment for only 23% of Belgian firms, (EU average 45%) <sup>(84)</sup>. The share of SMEs in Belgium experiencing late business-to-business payments (45.4%) and late government-to-business payments (14%) is slightly lower <sup>(85)</sup> than in the EU as a whole (47.9% and 16.6% respectively). But the business-to-business payment gap increased over the last five years to reach 16.5 days in 2024 (above the EU average of 15.5 days). By contrast, the government-to-business payment gap has slightly decreased since 2023 to 16.9 days but remains above the EU average of 15.2 days.

**The digital landscape for businesses in Belgium is positive overall (including on the cybersecurity front) but Belgium needs to**

<sup>(78)</sup> European Commission, Business and consumer survey (BCS), November 2024.

<sup>(79)</sup> EIB Investment Survey 2024 EU overview.

<sup>(80)</sup> EIB investment survey 2024 (based on interviews carried out between April and July 2024).

<sup>(81)</sup> European Commission, ECFIN BCS.

<sup>(82)</sup> European Commission, ECFIN BCS.

<sup>(83)</sup> EIB investment survey 2024 (based on interviews carried out between April and July 2024).

<sup>(84)</sup> EIB investment survey 2024 (based on interviews carried out between April and July 2024).

<sup>(85)</sup> SAFE Survey 2023.

**progress in 5G and fibre coverage.** The number of SMEs with at least a basic level of digital intensity is 74.5%, well above the EU average of 57.7% (see the Annex on Innovation to Business). This is also the case for the offer of digital public services for businesses (91.6%, compared with the EU average of 85.4%) (see the Annex on Effective Framework Conditions).

**Belgium is making progress in enabling search-free automated exchange of authentic documents and data between authorities across the EU.** It has already successfully tested its first transactions through the Once-Only Technical System, which is part of the European Union's Single Digital Gateway. Belgium is in the process of connecting the first authorities, but more effort is needed to further reduce administrative burden.

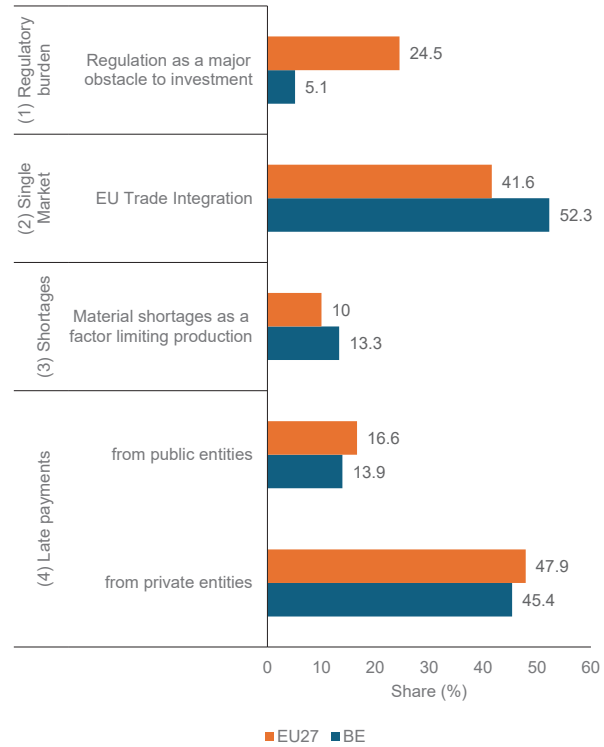
**Belgium has made progress in its gigabit and 5G networks' coverage, but more effort is needed.** While Belgium is ahead VHCN (gigabit) coverage, with a high rate of 96% in 2023, the country falls behind in 5G and FTTP coverage with only 40.4% (EU average 89.3%); and 25% respectively (EU average 64%). Improvement in 5G coverage in the 3.4-3.8 GHz band is underway, increasing from 14.2% to 87% by January 2024, though high-speed broadband take-up remains low compared to EU averages.

**The national Broadband Plan funded by Belgium's RRP, is enhancing VHCN deployment in underserved areas.** Through two project calls in 2022 and 2023, with an allocated budget of EUR 26.5 million Belgium aims to bridge the investment gap for deploying fixed VHCN, connecting over 15,000 households without access to 100 Mbps networks. Despite challenges, initiatives are boosting infrastructure in federal and regional areas, aiming for broader connectivity.

**On the cybersecurity front, many initiatives are in place to raise Belgium's capabilities and preparedness, especially through awareness raising and educational efforts by the National Cybersecurity Centre.** 96.12% of enterprises had deployed some ICT security measures (just above the EU average of 92.76%) by 2022. 62.82% of enterprises had made their employees aware of their obligations in issues related to ICT security (so above the EU average of

59.97%). In 2024, 3.96% of enterprises reported ICT security incidents caused by external cyberattacks (slightly above the EU average of 3.5%).

Graph A4.1: **Making Business Easier: selected indicators.**



Share of (1) enterprises, (2) average intra-EU exports and imports in GDP, (3) firms, (4) SMEs.  
**Source:** (1) EIB IS, (2) Eurostat, (3) ECFIN BCS, (4) SAFE survey.

**Belgium has a high job vacancy rate, but its low employment rate suggests there are disincentives to work.** Belgium's job vacancy rate was the highest in the EU in 2024 (5.1% versus the EU average of 2.3%). However, its 72.3% employment rate was the fifth lowest in the EU in 2024 (below the EU average of 75.8%). Several indicators such as the unemployment trap, disability employment gap and low-wage trap, point to working disincentives in Belgium. The complex social benefits system (some of which are not based on the recipient's income or financial situation) and easy access to some forms of early retirement fail to incentivise long-term labour market participation. Additionally, pensioners, under certain conditions, working beyond an earning threshold (which is low) see their pensions reduced or suppressed,

**The number of long-term sick leaves in Belgium has increased to 500 000 in recent**

**years and is one of the highest shares of the labour force in the EU.** The share of disability beneficiaries among the working age population in Belgium in 2018 was of 4.8%, one of the highest in the EU <sup>(86)</sup>. A study by the Conseil Supérieur de l'Emploi <sup>(87)</sup> shows that the economic context alone cannot explain this increase. The study also points to structural issues and advises (among other points) that the disability regime should not be made more financially attractive than the other benefit systems (see the Annex on the Labour Market).

**Finding skilled staff (especially STEM graduates) remains a concern for firms.** The three Belgian Communities, responsible for education policies, are focusing their VET reforms on strengthening digital, STE(A)M and entrepreneurship competences, while also taking region-specific needs into consideration. Belgium has a high share of high education graduates but few STEM graduates. In the French-speaking community, there is a shortage of 500 engineers each year in the labour market.

**Despite the challenges, Belgium remains an attractive EU country for foreign investment.** Belgium ranks 8 out of 27 in the EU with 215 foreign investments in 2023 amid a general EU declining trend. Belgium scored well in the 2023 OECD Product Market Regulation indicators on trade barriers facilitation, ease of FDP and tariffs. Flanders attracted 3.5 times more investment projects than the Brussels region and 5 times more than Wallonia <sup>(88)</sup>. Projects focus on business and professional services, transportation, logistics and pharmaceuticals. In 2023, France surpassed the US as Belgium's main foreign investment source. The interfederal foreign investments screening committee <sup>(89)</sup> reported no blocked investments in its first report for 2023-2024.

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<sup>(86)</sup> OECD

<sup>(87)</sup> Conseil supérieur de l'emploi, Incapacité de travail et réintégration des salariés sur le marché de l'emploi, March 2024.

<sup>(88)</sup> EY Attractiveness Survey Belgium June 2024

<sup>(89)</sup> The main tasks of the Interfederal Screening Committee (ISC) are to (i) analyse foreign direct investments from third countries (whether or not through an EU company), which acquire a certain percentage of voting rights in a Belgian company; and (ii) assess whether they pose any potential risks to Belgium's national security and strategic interests.

## Regulatory and administrative barriers

**Belgium is one of the most innovative Member States and has undertaken several initiatives to simplify administrative procedures, but its indicators point to a low level of business dynamism.** There has been no significant increase in business registrations in recent years. The increase in business registrations in 2024 (100 vs 103 for the EU) and the overall five-year average were both below the EU average (92,5 and 98,6 for the EU). A suspension of bankruptcy filings led to a pause in business bankruptcies in 2020-2021 but the number increased since 2021 and the growth is now above the EU average. Overall, however, the 14.2% churn rate in 2022 was among the three lowest in the EU and well below the EU average (19.2%) <sup>(90)</sup>.

**Belgium has taken recent initiatives to reduce businesses' regulatory and administrative burden.** Belgium reformed its company law in 2019, reducing the number of company types from 17 to 5 and abolishing capital requirements for self-employed and limited liability companies. The Federal Action Plan for Administrative Simplification (PAFSA), also known as the Kafka Plan, was launched in January 2022 to pursue administrative simplification and digitalisation. PAFSA's first report (2022-2024) lists 16 measures that collectively reduced administrative costs by EUR 116.2 million. These measures include removing certain thresholds for provisional social security contributions for the self-employed, simplifying notarised powers of attorney; and introducing eBox Entreprise, a centralised communication system between businesses and the administration. Belgium's taxation regime favours research and development attracts companies. The national recovery and resilience plan (RRP) includes several measures for administration digitalisation at federal and regional levels. Business and labour regulations rank fourth and fifth among barriers cited by firms in the EIB investment survey.

**Despite these initiatives, firms still face difficulties with regulatory compliance.**

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<sup>(90)</sup> Eurostat.



Belgium's estimated compliance costs for SMEs are the third highest in the EU and above the EU average. 81% of exporting firms report challenges in complying with diverse regulatory requirements – well above the EU average of 60%. Belgium also ranks 24<sup>th</sup> out of 27 Member States in the 2022 Tax Framework Complexity Index, (see Annex on Taxation). Belgium has the second highest share of SMEs employing more than 10% of their staff on regulatory compliance, and the second highest share of firms employing staff overall on such matters overall.

**Competitiveness is affected by high product market regulations (as shown in the OECD's 2023 PMR data and the services trades restrictiveness indicator).** The 2023-2024 PMR indicators show a slight decrease on 2018, but Belgium is still above the OECD average and is one of the five EU Member States with the most restrictive PMR score. As regards the key areas for SMEs, Belgium also ranks low on (i) simplification of the administrative and regulatory burden; (ii) administrative requirements for new firms; (iii) barriers to entry in the service sector; and (iv) lobbying regulations. The split of competences between the federal level and the regions complicates matters because several different bodies need to be contacted.

**The Belgian insolvency framework was, despite its reform, assessed as being less favourable to SMEs than those of many other OECD countries in 2022.** Despite introducing a distinction between SMEs and large enterprises to ease some aspects for SMEs, the insolvency framework remains quite complicated and still resembles the procedure of reorganisation by collective agreement with creditors that was already in place before the new norm.

**The rules regarding interactions between public officials and interest groups could be more transparent.** Such rules exist in Belgium, but they are loose because they are voluntary. There is no compulsory public register. Public officials are not obliged to disclose their meetings agenda or the identity of the interest groups they consulted during the regulatory process. Such a loose regime may well favour larger and existing firms at the expense of smaller and newer firms.

## The single market

**Belgium is well integrated into the single market.** In 2024, intra-EU imports and intra-EU exports made up 52% of Belgium's GDP. This is one of the highest shares in the EU and higher than the 2024 EU average of 42%. In 2024, Belgium was one of the top 7 Member States for share of GDP generated from intra-EU goods trade. It was also one of the top 7 Member States for trade in services.

**Belgium is well integrated into the single market but performed poorly when it comes to transposing EU Law.** Belgium has a deficit of 1% (the EU average is 0.8%) and ranks 21st out of 27 Member States. However, its performance has improved since last year, when it ranked 25th out of 27. It ranks 14th on conformity, with 1.2% of directives being wrongly transposed (the EU average is 1.1%). Belgium resolved 59% of the SOLVIT cases it handled as lead centre in 2024 – well below the EU average of 84.9% and far lower than its own performance in 2023 (81%).

**In retail and price controls, Belgium is among the most restrictive EU Member States.** According to the 2023 OECD PMR, Belgium could improve in reducing price controls and regulations, online sales, and the administrative and regulatory burden on retail trade establishment. Retail sales of medicines are more strictly regulated than the OECD average; prescription medicines cannot be sold online, and all medicines are subject to maximum prices set by the Economy Minister. Notaries' tariffs, book prices, gasoline and LPG are regulated and tariffs for fixed-line services and mobile services are capped for social benefit recipients. Based on HICP weights, about 12 percent of prices were at least partially government-administered in Belgium in 2023<sup>(91)</sup>.

**Belgium's high service trade restrictions may contribute to low level business dynamism.** Belgium has one of the highest services trade restrictiveness indices (STRI) within the European Economic Area (EEA). Belgium ranks worst on the intra-EEA STRI index in the EU for architecture, and for courier services. It is among the three most restrictive Member States for telecoms, logistics

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<sup>(91)</sup> IMF, Article IV report, 2023, Belgium.

(customs brokerage and freight forwarding) and ranks 4th for air transport. It also performs poorly on service restrictions for construction, commercial banking, accounting services and engineering services. The arrival of a fourth telecoms player in autumn 2024 may enhance competition. Reforms in these areas and those covered by the OECD PMR could raise total factor productivity by about 3.5 percent to 7.5 percent <sup>(92)</sup>, aligning Belgium with the EU's best-performing peers.

**Belgium remains quite restrictive for some regulated professions.** According to the 2023-2024 PMR and in line with the 2021 Commission communication on the update of the 2017 recommendation on regulations in business services, Belgium remains more restrictive for most of the analysed professions, namely architects, accountants, real estate agents and tourist guides (Wallonia). Entry requirements remain especially high for these professions, as well as for lawyers, although entrance requirements eased slightly for real estate agents between 2018 and 2023.

## Public procurement

**Overall, Belgium is an average performer in public procurement.** The share of direct awards is around 2%, significantly below the EU average of 8%. In 2023, 26% of contracts were awarded after single bids, a slight deterioration from 2022 (24%) but better than the EU average (29%). The e-procurement platform has been renewed and modernised (see the Annex on Effective Institutional Framework). The OECD's PMR indicators rank Belgian public procurement provisions as slightly less competition-friendly than the EU average.

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<sup>(92)</sup> IMF, Article IV report, 2023, Belgium.



Table A4.1: **Making business easier: indicators**

Belgium							
POLICY AREA	INDICATOR NAME	2020	2021	2022	2023	2024	EU-27 average
<b>Investment climate</b>							
Shortages	Material shortage, firms facing constraints, % <sup>1</sup>	8.6	19.4	33.6	20.8	13.3	10.0
	Labour shortage, firms facing constraints, % <sup>1</sup>	12.2	16.2	24.3	15.7	13.9	20.2
	Vacancy rate, vacant posts as a % of all available ones (vacant + occupied) <sup>2</sup>	3.7	5.2	5.9	5.5	5.1	2.3
Infrastructure	Transport infrastructure as an obstacle to investment, % of firms reporting it as a major obstacle <sup>3</sup>	12.7	12.1	16.9	4.9	1.9	13.4
	VHCN coverage, % <sup>4</sup>	-	68.9	78.3	96.0	-	78.8
	FTTP coverage, % <sup>4</sup>	-	10.1	17.2	25.0	-	64.0
	5G coverage, % <sup>4</sup>	-	4.2	29.6	40.4	-	89.3
<b>Reduction of regulatory and administrative barriers</b>							
Regulatory environment	Impact of regulation on long-term investment, % firms reporting business regulation as a major obstacle <sup>3</sup>	25.6	19.4	21.9	7.3	5.1	24.5
Late payments	Payment gap - corporates B2B, difference in days between offered and actual payment <sup>5</sup>	2.5	11.5	11.7	15.3	16.5	15.6
	Payment gap - public sector, difference in days between offered and actual payment <sup>5</sup>	6.1	12.2	16.0	17.7	16.9	15.1
	from public or private entities in the last 6 months	42.0	42.4	50.0	49.8	-	-
	Share of SMEs experiencing late payments, % <sup>6</sup> from private entities in the previous or current quarter	-	-	-	-	45.4	47.9
	from public entities in the previous or current quarter	-	-	-	-	13.9	16.6
<b>Single Market</b>							
Integration	EU trade integration, % (Average intra-EU imports + average intra EU exports)/GDP <sup>2</sup>	51.6	58.5	61.3	55.0	52.3	41.6
	EEA Services Trade Restrictiveness Index <sup>7</sup>	0.055	0.055	0.055	0.055	0.063	0.050
Compliance	Transposition deficit, % of all directives not transposed <sup>8</sup>	1.5	2.8	2.3	1.6	1.0	0.8
	Conformity deficit, % of all directives transposed incorrectly <sup>8</sup>	1.1	1.2	1.1	1.2	1.3	0.9
	SOLVIT, % resolution rate per country <sup>8</sup>	89.8	91.2	88.2	81.0	59.0	84.9
	Number of pending infringement proceedings <sup>8</sup>	38.0	32.0	33.0	31.0	34.0	24.4
<b>Public procurement</b>							
Competition and transparency in public procurement	Single bids, % of total contractors <sup>**8</sup>	21	22	24	26	22	-
	Direct awards, % <sup>**8</sup>	2	2	2	2	3	7.0

\*Change in methodology in 2024: reporting late payments from public and private entities separately.

\*\*Data on single bids for 2024 is provisional and subject to revision. Please note that approximately 52% of the total data is currently missing, which may impact the accuracy and completeness of the information. Due to missing data, the EU average of direct awards data is calculated without Romania.

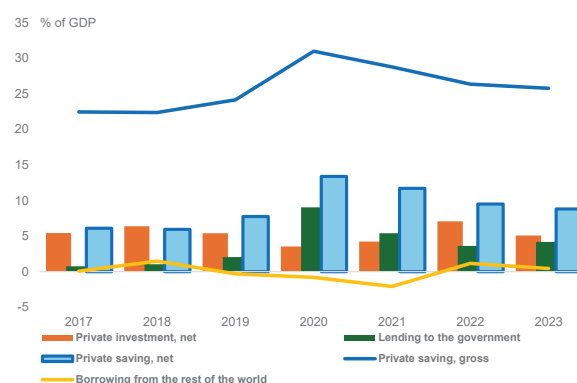
**Source:** Sources: (1) ECFIN BCS, (2) Eurostat, (3) EIB IS, (4) Digital Decade country reports; target = 100%, (5) Intrum Payment Report, (6) SAFE survey, (7) OECD, (8) up to 2023: Single Market and Competitiveness Scoreboard, 2024: Public procurement data space (PPDS).

**The banking sector appears relatively sound and profitable. Banks have withstood the rise in risk-free interest rates but continue to face significant challenges.** Macprudential policy has contributed to an orderly slowdown in the credit and residential property cycles. The insurance sector currently appears sound as a whole, but the legal framework governing the insurance of natural catastrophes is not fully adequate and exposes the sector to unexpected losses in the case of adverse events like the floods of 2021. Like in most Member States, households in Belgium invest relatively little in financial assets and, more importantly, equity. They invest a bit more in equity than the EU average, but much less than US households. Belgium's tax system distorts investment choices and leads to overinvestment in certain assets. Also, encouraging the build-up of universal funded supplementary pension schemes would positively contribute to (i) the sustainability and adequacy of pension benefits; (ii) investment in equity; (iii) access to finance; (iv) growth; and (v) innovation.

### Availability and use of domestic savings

**The Belgian economy borrows as much from as it lends to the rest of the world.** In the last decade, the private savings ratio, net of fixed capital consumption, exhibited some volatility around its ten-year average of 8.6% of GDP. It steeply increased to 13.4% of GDP in 2020 before progressively receding to 8.8% in 2023 (see Graph A5.1). The net private investment ratio, which measures the net contribution of the private sector to capital accumulation in the country, evolved quite differently. It fluctuated around its ten-year average of 5.1% of GDP, with a noticeable drop to 3.6% of GDP in 2020 before increasing to 5.1% of GDP in 2023. At the same time, during the same period the government budget was in regular deficit that averaged 3.4% of GDP with a peak at 9.0% of GDP in 2020. Thus, the high positive balance between net domestic savings and net investment was almost fully offset by government deficits, which resulted in structural net lending by Belgium to foreigners that averaged 0.1% of GDP, with a peak of 1.5% in 2018 and a trough of -2.1% in 2021.

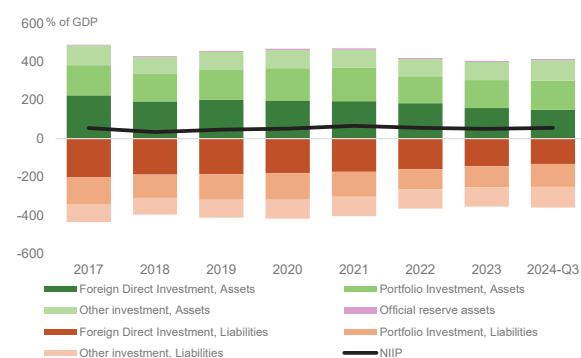
Graph A5.1: Net savings-investment balance in Belgium



Source: AMECO.

**Consistent with its past regular position of a net creditor to the rest of the world, the Belgian economy has accumulated significant foreign assets and exhibits a positive net international investment position.** As of Q3-2024, total assets on foreigners reached 415% of GDP, while liabilities to foreigners stood at 359% of GDP, resulting in a net international investment position (NIIP) equivalent to 56% of GDP (see Graph A5.2). The net accumulated portfolio investments, which reached 32% of GDP as of Q3-2024, accounted for most of the NIIP. Net foreign direct investment came second with 20% of GDP, while the magnitude of other investments was negligible. As a result, the Belgian economy appears to be a net capital exporter, notably by means of portfolio investments and direct investments abroad.

Graph A5.2: International investment position of Belgium

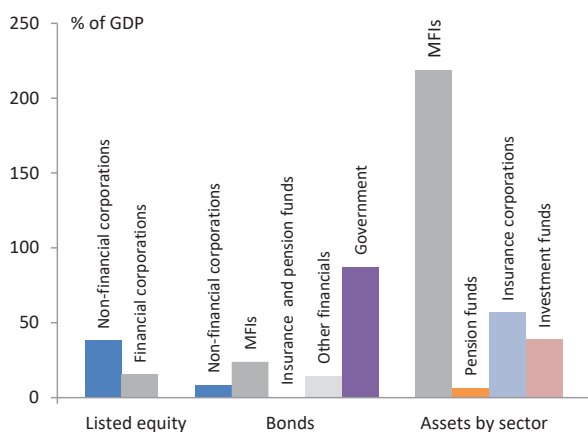


Source: ECB.

## Structure of the capital markets and size of the financial sector

**The Belgian financial sector is well developed.** The market capitalisation of listed equity reached 54% of GDP at end-2023. Characteristically, financial corporations accounted for almost 30% of that capitalisation, which reflects the extent to which the stock market in Belgium is geared towards funding the financial segment of the real economy. The outstanding volume of debt securities reached 135% of GDP at end-2023. Bonds issued by the government accounted for 65% of the total. This reflects the high weight of the gross public debt in the bond market.

Graph A5.3: **Capital markets and financial intermediaries in Belgium**



**Source:** ECB, EIOPA, AMECO.

**Even though the financial sector in Belgium remains dominated by banks, insurers and investment funds are sizable.** Banks' assets represented 226% of GDP in Q3-2024 (vs. 248% in the EU). Banks have reduced their physical presence and significantly developed internet and mobile banking. The number of branches and employees have declined. The banking sector is quite diversified with several domestic and foreign players proposing a large range of services. The four leading banks represented about 72% of the sector (excluding Euroclear)'s total assets in 2023. They offer an extensive range of services in the field of retail banking, private banking, corporate finance and payment services. In addition, several smaller institutions are active in a limited number of market segments, while a few institutions have specialised in international niche activities, such as

Euroclear (one of the world's biggest players in clearing and settlement services) or the Bank of New York Mellon (custody). Domestic banks represented about 53% of the banking sector in 2023. Most banks are privately owned, with the notable exception of Belfius, which is 100% state-owned since 2012. The insurance sector, with total assets of 56% of GDP at Q3-2024, dominates non-bank intermediation and is in line with the EU average (55% of GDP). The pension funds' assets are much smaller: they only represent 8% of GDP (vs 23% in the EU). Investment funds represent a bigger share of 39% of GDP, above the EU median.

## Resilience of the banking sector

**The banking sector appears relatively sound and profitable.** Bank solvency is satisfactory, with a relatively stable, albeit slightly decreasing, average capital-adequacy ratio of 19.1% in Q3-2024 (vs 20.1% in the EU). The average Minimum Requirement for own funds and Eligible Liabilities (MREL) level of Belgian banks stood at 33.0% of Total Risk Exposure Amount (TREA) in September 2024, up from 31.8% of TREA in December 2023. Against an average MREL binding target (including combined buffer requirements, CBR) of 29.7% of TREA in September 2024, no bank presented a MREL shortfall. Belgium published in July 2024 information on its national bail-in mechanism in line with EBA guidelines. Besides capitalisation, credit quality is strong, even though the non-performing-loan ratio slightly increased from a record low of 1.4% in Q2-2022 to 1.7% in Q3-2024 (vs 1.9% in the EU). With return on equity of 10.5% in the first three quarters of 2024, Belgian banks were profitable, and performed better, on average, than their EU peers (10.0%). Funding from the ECB dropped from a peak of 8.8% in April 2021 to 0.23% in May 2024, a trend which is common to many euro area Member States. Funding from depositors remains comfortable, with a loan-to-deposit ratio of 91.5% in Q3-2024 (vs 95.5% in the EU).

**Banks have withstood the rise in risk-free interest rates but continue to face significant challenges.** Sound management of interest-rate risk has allowed Belgian banks to benefit from the general rise in interest rates after a long period of low – or even negative – interest

rates. However, the net interest income of banks most likely peaked in the second half of 2023 as the high degree of competition in the credit market is squeezing their margins, while new lending volumes remain well below those seen up to mid-2022. Banks' interest income and general performance in the future will also depend on other factors. More volatile depositor behaviour, a further increase in political pressure on banks to raise interest rates on deposits or another 1-year government bond issuance targeted to households could have a significant impact on banks' funding costs and profitability. Finally, digitalisation and the drive for cost effectiveness continue to present structural challenges and opportunities. These challenges could put renewed pressure on the profitability and business models of Belgian banks in the future.

**Macroprudential policy has contributed to an orderly slowdown in the credit and residential property cycles.** The NBB maintained in 2023 its prudential expectations for new mortgages. They had been introduced in 2020 to improve the average credit quality of new mortgage loans, in particular by reducing the share of loans with a high loan-to-value ratio. Thanks to the lengthening of maturities and some leeway left to lenders to grant loans with a higher loan-to-value ratio, these restrictions did not curb access to mortgages for creditworthy borrowers. Given the generally high level of compliance with supervisory expectations for Belgian mortgage loans, the NBB decided to reduce its sectoral Systemic Risk Buffer for Belgian mortgages from 9% to 6% as of 1 April 2024. At the same time, due to the progressive tightening of financial conditions and the potential for unexpected losses, the NBB decided to increase the countercyclical capital buffer in two stages from 0% to 1% as of 1 October 2024. As a result, the aggregate level of these two macroprudential capital buffers rose from EUR 2 bn end 2023 to EUR 3.8 bn as of 1 October 2024. Finally, the NBB maintained and, in one case (Euroclear), raised the buffer applicable to domestic systemically important banks. As the systemic importance of Euroclear increased significantly following the imposition of sanctions on Russia, the NBB increased the capital surcharge applicable to this institution. From a procedural point of view, the decision-making process for macroprudential policy seems not fully optimal as some macroprudential tools are formally subject to government approval, which may create an inaction bias in some circumstances.

## Resilience of the non-bank financial intermediaries

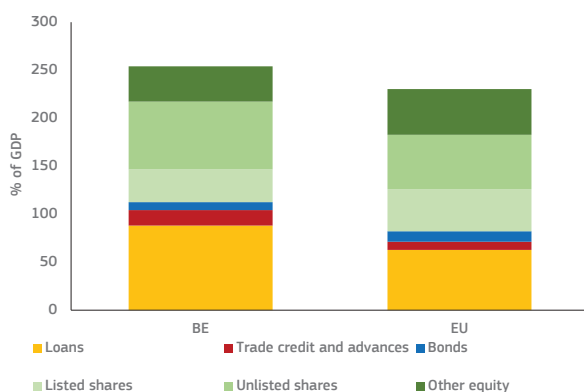
**The insurance sector currently appears sound as a whole, but vulnerabilities may exist at an individual level.** Insurers' solvency ratio slightly decreased from 215% in Q4-2023 to 208% in Q3-2024. This ratio remains more than twice the regulatory requirement, but below the EEA average (247%). In 2023, non-life insurers' profitability improved, as their combined ratio decreased from 96% to 94% (vs. 96% in the EEA). Insurers (and especially life insurers) have benefited from the rise in risk-free rates which drove down the value of their liabilities. However, they have suffered (especially non-life insurers) from the rise in inflation. Therefore, the fact that most of the surge in inflation seems to be over is a positive development for non-life insurers.

**The financial risks resulting from both physical climate change and the climate transition are considerable for insurers.** The insurance sector had to cope with the impact of the floods that hit Belgium in July 2021. The damages of EUR 2.4 bn largely exceeded the EUR 0.4 bn contractual ceiling on the insurance coverage. Insurers exceptionally agreed to bear a greater share of the burden and paid EUR 2 bn of claims, of which EUR 1.03 bn will be progressively reimbursed by the Walloon Region to the insurers over time. This shows that the statutory insurance limit is not a firm, reliable limit and that insurers can be pressured to intervene beyond it. On 20 July 2023, the Ministry of Economy announced that the statutory limit would be quadrupled from EUR 0.4 bn to EUR 1.6 bn. Insurers will have to cover 100% of the claims up to that ceiling. The new framework does not provide for any public or private intervention if the damages exceed the ceiling, like it did in 2021. The federal level refuses to intervene, and the regions failed to reach an agreement to bear (in part or in full) the cost of future damages exceeding the ceiling. According to a study by the NBB, this increase of the ceiling will cause premiums to rise by 1.26%, but insurers expect a larger increase.

## Sources of business funding and the role of banks

**Firms in Belgium rely more than the EU average on funding from banks and less than the EU average on funding from capital markets.** More specifically, at the end of 2023 bank finance through loans constituted 34.7% (vs 27.2% in the EU) of all funding sources for Belgian non-financial corporations (NFCs), while listed shares and bonds represented only 16.7% (vs 23.8% in the EU) of all funding sources. When expressed in terms of GDP, the overall level of NFC funding was higher in Belgium (254.0% of GDP) than in the EU (230.3%), see Graph A5.4.

Graph A5.4: **Composition of NFC funding as a % of GDP**



(1) Reference period 2023

Source: Eurostat

**Belgian businesses depend as much on internal financing as their European peers.**

According to the 2024 EIB Investment Survey, 65% of Belgian firms' investment needs are covered by internal funding, compared with an EU average of 66%. At the same time, 88% of Belgian firms believe that their investment activities over the last three years were about the right amount, better than the EU average (80%), suggesting that there is no material financing gap relative to investment demand in the country. However, this is probably not the case for firms with no or limited capacity for internal funding, such as innovative start-up firms (see further below).

**Belgium's banking sector plays an important role in financing the economy.** The Belgian banking sector is sizeable but much smaller today

than it was before the global financial crisis, which triggered a massive deleveraging and downsizing of the country's four main banks. The banking market is quite diversified, with several domestic and foreign players proposing a large range of services. The banking sector is relatively sound and quite profitable (see Table 1). Credit quality is strong, despite the slight increase in the non-performing-loans ratio from its record low of 2022.

**Credit growth has slowed down in the past two years due to less attractive lending conditions, but it remains stronger than in the rest of the euro area.**

Due to the recent rise in interest rates, year-on-year household credit growth in Belgium has significantly slowed down from 6.8% (vs 4.3% in the euro area) in September 2022 to 2.7% in January 2025 (vs 1.3% in the euro area). Lending to non-financial corporations was more resilient, and its year-on-year growth reached 4.4% in January 2025 (vs 1.4% in the euro area), slightly down from its peak of 6.8% in September 2022. Interest rates on new loans to households and SMEs have soared by about 3.5 percentage points since 2022 to levels unseen since the global financial crisis, but have partially receded since their peak in December 2023. In May 2024, interest rates on new loans to Belgian households for house purchases at floating rates reached 3.16% (vs 3.35% in the euro area), while interest rates on new loans to SMEs reached 4.24%, in line with the 4.07% observed on average in the euro area.

**Belgian banks reported no change in their credit standards for NFC loans and household loans in Q2-2024.**

In the July 2024 Bank Lending Survey <sup>(93)</sup>, Belgian banks indicated that their credit standards for NFC loans had remained neutral in Q2-2024 compared with Q1-2024, while the euro area reported a slight tightening on average. Belgian banks also reported no change in credit standards for loans to households in Q2-2024. Firms' net demand for corporate loans continued to fall sharply in Q2-2024, the sixth quarter in a row. The demand for housing loans slightly increased in Q2-2024, after several quarters of continuous declines.

<sup>(93)</sup>[https://www.ecb.europa.eu/stats/ecb\\_surveys/bank\\_lending\\_survey/html/ecb.blssurvey2024q2~f97cb321f1.en.html](https://www.ecb.europa.eu/stats/ecb_surveys/bank_lending_survey/html/ecb.blssurvey2024q2~f97cb321f1.en.html)



## Capital markets and the participation of retail investors

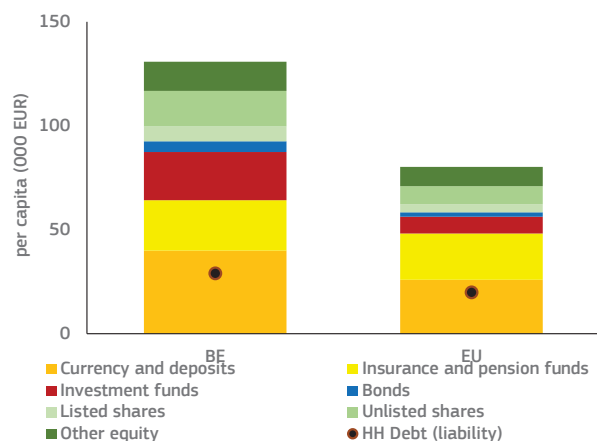
**The Belgian capital markets are relatively small.** The main stock exchange in Belgium is Euronext Brussels. The equity market is relatively modest in terms of capitalisation (equivalent to 54.7% of GDP vs an EU average of 68% as of end-2023) and volumes traded, even more so when compared with the US (US equity market capitalisation is equivalent to 170.4% of US GDP). The market breadth<sup>(94)</sup> of Belgian bond markets has steadily decreased since 2018 and is now below the EU average (1.2 vs 1.5). The bid-ask spread<sup>(95)</sup> on Belgian equity markets is lower than the EU average (1.3% vs 1.6%). The use of equity by SMEs in the country is relatively low, as only 8.8% of SMEs indicated in the 2023 SAFE survey that equity was a relevant source of financing for them, compared with an EU average of 10.1%<sup>(96)</sup>. There was no SME initial public offering (IPO) in 2023 in Belgium (vs IPOs of SMEs equivalent to an average of 0.01% of GDP in the EU).

**Like in most Member States, households in Belgium invest relatively little in financial assets and equity.** Belgian households' financial assets were equivalent to only 257.7% of GDP in 2023, more than the EU average (209.4%), but much less than the US (435%<sup>(97)</sup>). Assets invested in equity were equivalent to only 147% of GDP, above the EU average (118%) but much lower than the US (334%). Belgian households' asset allocation is broadly similar to that of the average EU household, except that Belgian households invest less in insurance and pension funds, and more in investment funds.

**The design of the overall pension system is not geared towards equity investment and the development of capital markets.** The pay-as-you-go nature of the public pension system means that only the supplementary private schemes invest in high-return assets like equity. However, the supplementary private schemes are

not universal and accumulated rights often remain limited for those covered. As a result, they only contribute to a moderate extent to the total pension income and do not fully foster the development of capital markets. Encouraging the build-up of universal funded supplementary pension schemes would positively contribute to (i) the sustainability and adequacy of pensions benefits; (ii) investment in equity; (iii) access to finance; (iv) growth; and (v) innovation.

Graph A5.5: **Composition of household financial assets per capita and as a % of GDP**



(1) Reference period 2023

Source: Eurostat

**Belgium's tax system discourages investment in equity.** Some features of the tax system distort investment choices and lead to relative overinvestment or underinvestment in certain assets. Equity income is currently taxed at relatively high rates, which contrasts with the lower tax rate applicable to income from bonds and deposit-account interest. The taxation of equity is also less favourable than the taxation of owner-occupied dwellings. This incentivises households to own their place of residence rather than rent it and invest in other assets like equity. In the area of pensions, some tax incentives favour specific schemes, creating obstacles to the better allocation of capital. Finally, the tax on securities accounts introduces a bias against investment in securities. There is therefore room to simplify the tax system and make it less distortive across asset classes.

<sup>(94)</sup> The ratio of bonds outstanding to GDP.

<sup>(95)</sup> Median of bid-ask spread as a % of the mid-price.

<sup>(96)</sup> Data and surveys - SAFE - European Commission, 2023, Results by country, T27.

<sup>(97)</sup> US figures are from 2022.

## The role of domestic institutional investors

**The investment portfolio of Belgian insurers is mostly composed of bond holdings.** The Belgian insurance sector, which is moderately large by EU standards (58.2% of assets-to-GDP vs an EU average of 55.3%) invested 49.1% of its assets in bonds in Q2-2024 (on average, insurers in the European Economic Area invest 36.9% of their assets in bonds) <sup>(98)</sup>. Government bonds (with domestic Belgian government bonds accounting for 41% of the government bond holdings) represented 32.5% of the total asset portfolio (vs 18.9% for insurers in the EEA on average). The rest of the asset portfolio comprised: (i) corporate bonds at 16.6% (vs 18.0% for insurers in the EEA); (ii) equity at 7.9% (vs 15.9% for insurers in the EEA); (iii) investment funds at 24.7% (vs 35.4% for insurers in the EEA); (iv) cash and deposits at 2.1% (vs 3.7% for insurers in the EEA); and (v) mortgages and loans at 13.1% (vs 3.9% for insurers in the EEA).

**The domestic pension fund industry has a much more dynamic investment profile than Belgian insurers, with a much greater focus on investment funds.** The assets of Belgian pension funds were equivalent to 6.5% of GDP at the end of 2023, and bonds <sup>(99)</sup> accounted for only 11.8% of these pension funds' assets (bonds on average account for 35.2% of pension fund assets in the EEA). Investment funds accounted for 79.6% of the assets (vs 37.9% in the EEA), with government bonds at 6.5% (vs 22.8% in the EEA), corporate bonds at 5.3% (vs 12.4% in the EEA), equity at 5.8% (vs 19.4% in the EEA) and cash and deposits at 1.4% (vs 4.5% in the EEA).

**The participation of domestic institutional investors in providing funding for Belgian start-ups and venture-capital investors is low.** A recent Centre for European Policy Studies paper showed that pension funds in Belgium accounted on average for only 7% of private-equity and venture-capital funds raised annually by Belgian start-ups over 2007-2023, a figure

that falls substantially short of the 19% in the Baltic states or +20% shares for Nordic Member States <sup>(100)</sup>.

## The depth of venture and growth capital

**The domestic markets for venture and growth capital are moderately developed.** The average value of annual private-equity investment relative to nominal GDP went up to 0.59% in 2021-2023 from 0.39% in 2015-2020, which is relatively close to the equivalent EU average for 2021-2023 of 0.6%. And the average value of annual venture-capital investment relative to nominal GDP was unchanged at 0.06% in 2021-2023 from 0.06% in 2015-2020, close to the equivalent EU average for 2021-2023 of 0.08%). As a consequence, the financing gap in Belgium for early-stage innovative firms in need of risk capital is comparable to the EU average.

**There are some policies in place to promote start-up funding.** Support programmes and policies are usually drawn up at regional level, and are therefore different in Flanders, Brussels and Wallonia. Start-up funding is typically provided by the Flemish Agency for Innovation and Entrepreneurship, Wallonia Innovation and Growth and finance&invest.brussels. The Belgian start-up ecosystem is supported by Start it X, the nation's largest accelerator helping start-ups to develop, accelerate and expand.

## Financing the green transition

**Sustainable finance in Belgium is beginning to grow.** The share of green bonds in total bonds outstanding issued by Belgian issuers rose from 2.9% in 2022 to 3.3% in 2023, but remains below the euro area average of 4.0%. However, the issuance of bonds with environmental, social, and governance objectives as a share of total bond issuance was a bit lower in H1 2024 than its

<sup>(98)</sup> Source: EIOPA Insurance Statistics.

<sup>(99)</sup> By bonds and equity we mean bonds and equity outside those held via an investment fund.

<sup>(100)</sup> Source: [Closing the gaping hole in the capital market for EU start-ups – the role of pension funds – CEPS](#).

three-year average of circa 15% <sup>(101)</sup>. Environmental, social and governance (ESG) funds gained some traction between March 2023 and March 2024, but money flows preferentially to funds with less stringent ESG standards (Article 8 of the Sustainable Finance Disclosures Regulation (SFDR)) rather than funds with more stringent ESG standards (Article 9 of the SFDR) funds. As of March 2024, about 72% of the total net assets of the sustainable finance sector were held in Article 8 funds (up from 69% in March 2023), while Article 9 funds accounted for about 1% of the sector (sharply down from 4% in March 2023). The contrasting fortunes of Article 8 and Article 9 funds are mainly due to a reclassification of Article 9 funds into Article 8 funds between March 2023 and March 2024. Non-ESG funds were the hardest hit with a cumulated outflow of EUR 534 million over the same period, while Article 8 and Article 9 funds experienced outflows of EUR 202 million and EUR 21 million respectively. The lower outflow figures are an indication of increasing investor interest and participation in sustainable types of funds.

progressively integrated since 2019, in the first and third grades of secondary school. In the French-speaking educational system, it has been progressively incorporated since 2022, through the *Pacte d'excellence*. More broadly, in 2013 Belgium's Financial Services and Markets Authority launched the Wikifin programme to contribute to financial education in Belgium. This programme is structured around three main pillars: (i) a section aimed at the general public, notably through the Wikifin.be website; (ii) a Wikifin school platform that provides free educational support to teachers; and (iii) the Wikifin Lab, an interactive financial education centre in which secondary school pupils experiment with various financial situations in everyday life.

## Financial literacy

**The level of financial literacy among the Belgian public is average, but several initiatives are underway to promote financial education.** Financial literacy is crucial to promote retail-investor participation in capital markets and familiarise SMEs with alternatives to bank financing. A recent Eurobarometer survey <sup>(102)</sup> shows that 22% of Belgians have a high level of financial literacy, 58% a medium level, and the remaining 20% a low level, compared with the EU averages of 18% for high literacy, 64% for medium literacy, and 18% for low literacy. This leads to an overall financial literacy indicator for Belgium of 45.5, identical to the EU average. Belgium has taken several initiatives to improve financial literacy. For example, financial literacy has been increasingly integrated into the educational curriculum. In the Flemish-speaking educational system, financial literacy has been

<sup>(101)</sup>Source: AFME CMU Key Performance Indicators, Seventh Edition, November 2024.

<sup>(102)</sup>Source: [Monitoring the level of financial literacy in the EU - July 2023 - Eurobarometer survey](#)



Table A5.1: **Financial indicators**

	2017	2018	2019	2020	2021	2022	2023	2024-Q3	EU	
Banking sector	Total assets of MFIs (% of GDP)	230,0	218,0	214,8	240,2	229,5	226,5	219,0	225,8	248,4
	Common Equity Tier 1 ratio	16,2	15,6	15,5	17,1	17,6	17,3	16,8	15,6	16,6
	Total capital adequacy ratio	19,0	18,8	18,7	20,3	20,4	20,1	19,5	19,1	20,1
	Overall NPL ratio (% of all loans)	2,7	2,3	2,1	2,1	1,6	1,5	1,6	1,7	1,9
	NPL (% loans to NFC-Non financial corporations)	4,3	3,7	3,6	4,0	3,2	2,8	2,9	3,4	3,5
	NPL (% loans to HH-Households)	3,0	2,3	2,0	2,0	1,4	1,1	1,3	1,4	2,2
	NPL-Non performing loans coverage ratio	42,7	44,1	42,9	41,1	45,0	44,1	42,9	40,9	42,1
	Return on equity <sup>1</sup>	8,8	8,2	8,6	5,9	9,9	9,9	11,4	10,5	10,0
	Loans to NFCs (% of GDP)	29,6	30,5	30,5	32,4	31,5	29,9	29,3	28,7	30,0
	Loans to HHs (% of GDP)	48,5	49,6	50,2	53,5	51,7	49,0	47,0	45,8	44,5
	NFC credit annual % growth	6,4	6,9	4,1	1,8	3,8	6,3	4,0	4,1	0,8
	HH credit annual % growth	5,1	5,7	6,8	4,5	6,4	6,4	2,3	2,2	0,7
	Stock market capitalisation (% of GDP)	87,8	63,8	75,8	69,3	70,8	55,9	53,6	55,3	69,3
	Initial public offerings (% of GDP)	0,34	0,01	0,02	0,30	1,33	0,00	0,00	-	0,05
Non-banks sector	Market funding ratio	65,0	63,7	62,6	62,3	61,0	58,9	57,8	-	49,6
	Private equity (% of GDP)	0,44	0,46	0,38	0,31	0,88	0,50	0,39	-	0,41
	Venture capital (% of GDP)	0,05	0,07	0,09	0,09	0,08	0,07	0,04	-	0,05
	Financial literacy (composite)	-	-	-	-	-	-	45,5	-	45,5
	Bonds (as % of HH financial assets)	3,6	3,2	2,8	2,3	1,8	1,9	4,0	-	2,7
	Listed shares (as % of HH financial assets)	5,0	4,5	5,0	5,1	5,9	5,3	5,5	-	4,8
	Investment funds (as % of HH financial assets)	15,8	15,0	15,6	16,0	18,1	16,9	17,7	-	10,0
	Insurance/pension funds (as % of HH financial assets)	22,9	22,7	22,9	22,8	21,5	18,3	18,6	-	27,8
	Total assets of all insurers (% of GDP)	72,5	70,2	75,2	81,3	74,8	57,8	57,1	56,3	54,8
	Pension funds assets (% of GDP)	-	-	8,4	9,2	9,2	7,0	7,6	7,7	23,4
	1-3	4-10	11-17	18-24	25-27	Colours indicate performance ranking among 27 EU Member States.				

<sup>1</sup> Annualised data.

Colours indicate performance ranking among 27 EU Member States.

(1) Annualised data.

Credit growth and pension funds EU data refer to the EA average

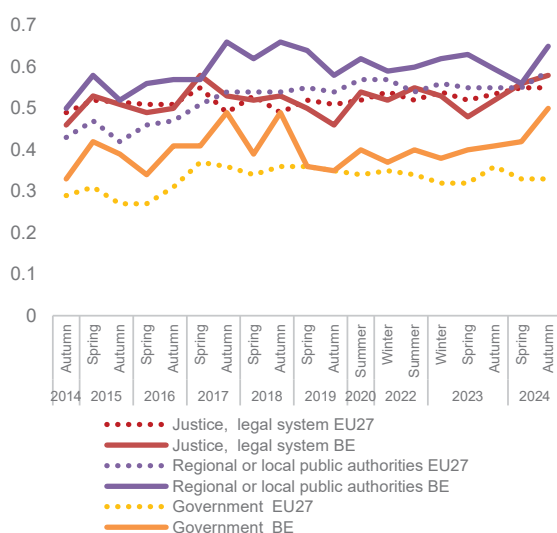
**Source:** ECB, ESTAT, EIOPA, [DG FISMA CMU Dashboard](#), AMECO.



**Belgium's institutional framework influences its competitiveness.** The perceived quality of public institutions is above the EU-27 average. Regulatory governance is good, but challenges persist in relation to coordination and transparency. Efforts are underway towards administrative simplification. Belgium has strong track record in provision of online public services and digitalising health services. However, the efficiency of the justice system would benefit from improvement.

## Public perceptions

Graph A6.1: Trust in justice, regional / local authorities and in government



(1) EU27 from 2019; EU28 before

Source: Standard Eurobarometer surveys

**Trust in Belgium's public institutions remains above the EU average.** Trust in its national government grew significantly after the COVID-19 pandemic and has continued this trajectory ever since. Trust has been consistently higher in its regional and local authorities and increased to 65% in the fall of 2024 (Graph A6.1). When asked about improvements that can increase trust in Belgium's public administration, 57% of citizens pointed to more transparency about decisions and the use of public money (EU: 44%), 38% to less bureaucracy (EU 52%) and 41% to more communication with citizens (EU 31%) <sup>(103)</sup>.

<sup>(103)</sup> <https://europa.eu/eurobarometer/surveys/detail/3054>

Overall, the perceived quality of government has improved and ranks above the EU average <sup>(104)</sup>.

## Quality of legislation and regulatory simplification

**Belgium performs around the EU27 average in developing and evaluating adopted legislation.** Overall, Belgium has an underdeveloped oversight and quality control system for public consultation and ex ante and ex post reviews of existing regulations with respect to the EU average. There is also room for improving the requirements for adopting systematically regulatory impact assessments of both primary and secondary legislation (Graph A6.2). As part of its recovery and resilience plan, Belgium is reinforcing policy evaluation with regular spending reviews at federal and regional level. These reviews will be integrated in the budgetary process <sup>(105)</sup>. Key challenges in policy formulation remain due to ineffective coordination across federal government departments and limited transparency <sup>(106)</sup>. Moreover, ex post evaluations do not have to cover an assessment of administrative burdens and of substantive compliance costs (Table A6.1). Against this backdrop, a government-wide initiative on administrative simplification and reduction of regulatory burden called 'Regelrecht' <sup>(107)</sup> has been announced in Flanders.

**Belgium has been implementing measures to reduce administrative burden for businesses** <sup>(108)</sup>. The OECD product market regulation indicators show that Belgium's licensing system is aligned with most, but not all, best practices. Areas for improvement include regularly assessing whether such licences and permits are still required or should be removed (see also Annex 4).

<sup>(104)</sup> Inforegio – European Quality of Government Index

<sup>(105)</sup> Spending review : assessment report – RRF étape 208 | BOSA

<sup>(106)</sup> OECD (2023) Improving decision making through policy evaluation in Belgium: [link](#)

<sup>(107)</sup> Beslissingen van de Vlaamse Regering | Vlaanderen.be

<sup>(108)</sup> Bilan FFAV 2022-2024 FR.pdf

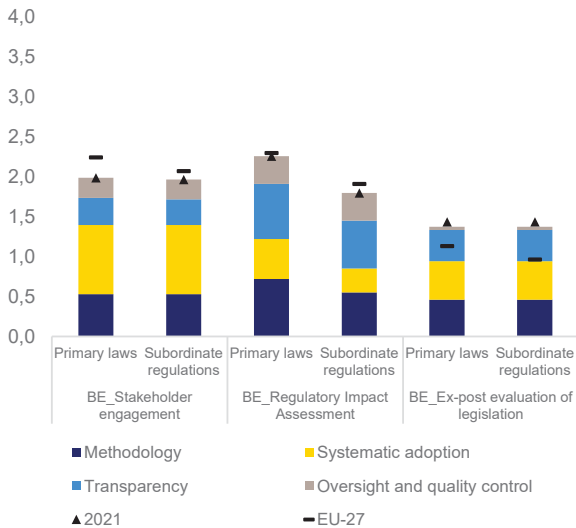
Table A6.1: **Selected indicators on administrative burden reduction and simplification**

Ex ante impact assessment of legislation			Ex post evaluation of legislation		
When developing new/legislation, regulators are required to ...	Identify and assess the impacts of the baseline or 'do nothing' option.	●	Is required to consider the consistency of regulations and address areas of duplication.	●	
	Identify and assess the impacts of alternative non-regulatory options.	○	Is required to contain an assessment of administrative burdens.	●	
	Quantify administrative burdens of new regulations.	○	Is required to contain an assessment of substantive compliance costs.	○	
	Quantify substantial costs of compliance of new regulations.	●	Compares the impact of the existing regulation to alternative options.	●	
	Assess macroeconomic costs of new regulations.	●	Periodic ex post evaluation of existing regulations is mandatory.	●	
	Assess the level of compliance.	○	Government uses stock-flow linkage rules when introducing new regulations (e.g., one-in one-out).	●	
	Identify and assess potential enforcement mechanisms.	●	A standing body has published an in-depth review of specific regulatory areas in the last 3 years.	●	
			In the last 5 years, public stocktakes have invited businesses and citizens to assess the effectiveness, efficiency, and burdens of legislation.	●	
● Yes / For all primary laws			● For major primary laws		
● For some primary laws			○ No / Never		

(1) This table presents a subset of iREG indicators focusing on regulatory costs. The indicators refer to primary legislation.

**Source:** OECD (2025), Regulatory Policy Outlook 2025 [<https://doi.org/10.1787/56b60e39-en>] and Better Regulation across the European Union 2025 (forthcoming).

Graph A6.2: **Indicators of Regulatory Policy and Governance (iREG)**



**Source:** OECD (2025), Regulatory Policy Outlook 2025 and Better Regulation across the European Union 2025 (forthcoming).

## Social dialogue

**Belgium has a generally well-established and structured framework for social dialogue, with an exceptionally high level of collective**

**bargaining.** Belgium's comprehensive, multi-tiered institutional set-up operates at various levels: federal level (Federal Public Service Employment, Labour and Social Dialogue), interprofessional (National Labour Council), sectoral level (Joint Committees), company level (Works Councils comprising employer and employee representatives in companies employing 100+ workers), interregional level (Consultative Committee, comprising representatives from federal and regional governments) and several major trade unions (organised by sector, professional status and profession). Despite this complex institutional set-up, the level of collective bargaining is exceptionally high (over 95% of employees <sup>(109)</sup>, and almost 100% in the public sector).<sup>(110)</sup>

**Employers' organisations and trade unions have a relatively high level of representativeness.** Around 70% of companies in Belgium are members of an employers'

<sup>(109)</sup>Source: [580056-collective-bargaining-database-Belgium.pdf](#)

<sup>(110)</sup>For an analysis of the involvement of Belgium's social partners at national level in the European Semester and the Recovery and Resilience Facility, see Eurofound (2025), [National-level social governance of the European Semester and the Recovery and Resilience Facility](#).

Table A6.2: **Key Digital Decade targets monitored through the Digital Economy and Society Index**

		Belgium			EU-27	Digital Decade target by 2030
		2022	2023	2024	2024	EU-27
<b>Digitalisation of public services</b>						
1	<b>Digital public services for citizens</b> Score (0 to 100)	72	81	82	79	100
		2021	2022	2023	2023	2030
2	<b>Digital public services for businesses</b> Score (0 to 100)	81	88	92	85	100
		2021	2022	2023	2023	2030
3	<b>Access to e-health records</b> Score (0 to 100)	na	85	100	79	100
		2021	2022	2023	2023	2030

Source: State of the Digital Decade report 2024

organisation. While unionisation has been declining in recent decades, trade union density is currently just under 50%, one of the highest in the EU <sup>(111)</sup>.

## Digital public services

**Belgium stands out in providing digital public services to businesses and citizens**, with a score of 92 and 82 compared to 85 and 79 respectively for the EU 27 (Table A6.2). In 2023, Belgium was the first EU Member State to score 100 for the maturity of its e-health system on the e-health indicator, in line with the EU target. (Table A6.2). This compared to a maturity score of 85 the previous year and exceeded the EU average of 79.

**The share of e-government users is also very high.** 85.85% of Belgian internet users engage with digital government services, well above the EU average of 75% <sup>(112)</sup>. Belgium's largest digital investment (EUR 391.2 million) under its recovery and resilience plan is dedicated to further increasing the use of digital public services. In 2023, 77% of Belgians had used existing eID systems to access digital services for private purposes in the last 12 months, compared to an EU average of 41.11%. Use of eID to access services provided by national public authorities or public services was slightly lower at 59.1% of Belgians, but still well above the EU average of 36.14%.

**100% of Belgians currently have access to a form of eID notified under the eIDAS Regulation.** Belgium offers six eID schemes (e-Cards, itsme®, email one-time password (OTP), SMS OTP, TOTP and Username/Password). Itsme in particular remains a success as Belgium's authentication app and is a good example of collaboration between the public and private sector. It is now regularly used by 7 million Belgians – about 90% of the active population over 16 years of age. However, Belgium has not yet set up and notified eID schemes for legal persons under the eIDAS Regulation <sup>(113)</sup>. This means that Belgian businesses cannot authenticate themselves to access public services offered by other Member States, including those enabled by the Once-Only Technical System, part of the EU Single Digital Gateway <sup>(114)</sup>.

**Belgium is making good progress towards seamless, automated exchange of authentic documents and data across the EU.** It has already successfully tested its first transactions through the Once-Only Technical System. Belgium is in the process of connecting up the first authorities <sup>(115)</sup>.

<sup>(111)</sup>Source: <https://hiva.kuleuven.be/sites/bfore/docs/d3-1-national-report-for-belgium>

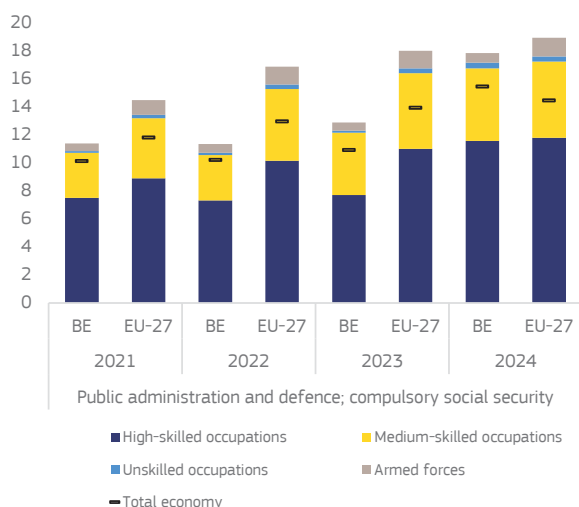
<sup>(112)</sup>European Commission. [Digital Decade 2024: Country reports](#)

<sup>(113)</sup>European Commission, [eIDAS Dashboard](#).

<sup>(114)</sup>European Commission, [The Once Only Principle System: A breakthrough for the EU's Digital Single Market](#)

<sup>(115)</sup>European Commission, Once-Only Technical System Accelerator, [Ec.europa.eu](#).

Graph A6.3: **Participation rate of 25-64 year olds in adult learning (%) by occupation**



**Source:** European Commission, based on the Labour Force Survey

## Civil service

**The participation rate of civil servants in adult learning is still below the EU average albeit increasing** (Graph A6.3). The federal government introduced a new competency framework in 2024 aiming to help the administration attract and retain talent. The framework complements technical abilities with soft skills and will be used for recruitment, selection, professional development, and performance management<sup>(116)</sup>. The share of employees who telework has been decreasing since the COVID-19 pandemic but remains higher than in the business sector.

**To strengthen its preparedness, the federal government set up a Federal Crisis Reserve**<sup>(117)</sup> under which volunteers are pooled from all federal levels with experience in administrative tasks, logistics, health and IT for a maximum of four weeks per year. In 2024, in response to flooding in the country, the reserve was activated to support the Office of the

<sup>(116)</sup>Federal Public Service Policy and Support (FPS BOSA): [link](#)

<sup>(117)</sup> Federal Public Service Policy and Support (FPS BOSA). (2023). <https://bosa.belgium.be/nl/regulations/omzendbrief-nr-724-van-12-oktober-2023>

Commissioner General for Refugees and Stateless Persons.

## Integrity

**Business perception of corruption is below the EU average, while there are limited resources.** In Belgium, 56% of companies consider that corruption is widespread (EU average 64%), while 24% consider that corruption is a problem when doing business (EU average 36%)<sup>(118)</sup>. Moreover, 37% of companies believe that people and businesses caught for bribing a senior official are appropriately punished (EU average 31%)<sup>(119)</sup>. The Central Office for the Repression of Corruption and the prosecution services have continued to tackle several prominent high-level corruption cases, despite overall limited resources<sup>(120)</sup>. The investigation and prosecution of foreign bribery cases has remained difficult due to a lack of resources and complex operations with third countries, with few cases moving forward<sup>(121)</sup>.

**Public procurement is considered to be an area at high risk of corruption in Belgium**<sup>(122)</sup>. 28% of companies (EU average 27%) think that corruption has prevented them from winning a public tender or a public procurement contract in practice in the last three years<sup>(123)</sup>. Stakeholders have signalled low transparency of government contracts, both those high-value contracts included in transparency obligations under EU legislation as those below the threshold. The local government level is also considered to be a high-risk area of corruption after a number of allegations of conflicts of interest cases were detected by the oversight body. While stakeholders indicated that the response of audit institutions and the regional governments charged with oversight of these

<sup>(118)</sup>Flash Eurobarometer 543 on businesses' attitudes towards corruption in the EU (2024).

<sup>(119)</sup>Ibid.

<sup>(120)</sup>See the 2024 country-specific chapter for Belgium of the Rule of Law Report, pp. 13-14.

<sup>(121)</sup>Ibid., p. 15.

<sup>(122)</sup>Ibid., p. 20.

<sup>(123)</sup>Flash Eurobarometer 543 on businesses' attitudes towards corruption in the EU (2024).

cases was on point and appropriate, these cases raise concerns about a low awareness of the concept of conflict of interest at local government level. <sup>(124)</sup>

**Progress has been made concerning the reform of lobbying legislation, as additional draft lobbying rules for Government members were recently put forward, but the completion of the legislative reform is still pending.** Unlike most EU Member States, Belgium does not have rules on lobbying members of government. While a basic transparency framework on lobbying as regards members of the Federal Parliament is in place, it is outdated and undergoing reform. In particular, a complete framework including a transparency register and a legislative footprint covering members both of parliament and of government is not yet in place <sup>(125)</sup>. Such a transparency framework can help preserve a level playing field for businesses regarding access to policymakers.

room for improvement remains in the use of electronic communication tools, digital solutions to initiate and follow court proceedings, online access to published judgments and arrangements for producing machine-readable judicial decisions <sup>(127)</sup>.

## Justice

### **The justice system continues to face several challenges as regards its overall efficiency.**

An overview of the efficiency of justice remains unavailable due to a persistent lack of data on court proceedings, while efforts are ongoing to map judicial backlogs. The disposition time in civil and commercial cases at first instance courts was 246 days in 2023. No data were available for previous years. The estimated time to resolve administrative cases at first instance courts rose (288 days in 2023 compared to 235 in 2022). The quality of the justice system is faced with several challenges. Some further progress has been made on providing adequate resources for the justice system, while a workload measurement has confirmed structural resource deficiencies <sup>(126)</sup>. Further steps have been taken towards improving the digitalisation of justice, notably under the recovery and resilience plan (RRP): judges and prosecutors can work remotely and make use of an electronic case management system, while

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<sup>(124)</sup>Ibid., pp. 20–21.

<sup>(125)</sup>Ibid., p. 17.

<sup>(126)</sup>See the 2024 country-specific chapter for Belgium of the Rule of Law Report, pp. 6–7.

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<sup>(127)</sup>For more detailed analysis of the performance of the justice system in Belgium, see the upcoming 2025 EU Justice Scoreboard and the 2024 Rule of Law Report.





**Belgium faces significant challenges regarding its clean industry transition and climate mitigation:** its heavy reliance on imports for critical raw materials essential for green technologies leads to supply chain vulnerabilities; its policy framework to support the scale up of net zero manufacturing industry is limited, high energy prices and emissions intensity threaten competitiveness, and while Belgium excels in some circular economy practices, there remain gaps in investment and policy support for reducing air and water pollution in particular. This annex reviews the areas in need of urgent attention in Belgium's clean industry transition and climate mitigation, looking at different dimensions.

### Strategic autonomy and technology for the green transition

#### Net zero industry

**Belgium is a major supplier of electrolyzers and has untapped potential for diversified manufacturing of net zero technologies** <sup>(128)</sup>

Belgium's manufacturing capacity amounts to between 250 and 650 MW/y (4%-11% of EU capacity) for electrolyzers. The future of the sector is promising as additional output in electrolyzers is expected from Plug Power's planned large-scale 100 MW hydrogen generation plant in Antwerp. Belgium is also emerging as a transportation hub for hydrogen and has signed a Memorandum of Understanding with Germany and the Netherlands. With manufacturing capacity for solar photovoltaics (PV), a battery production facility and three factories for heat pumps, Belgium has a diversified net zero manufacturing portfolio.

**However, Belgium's scale up of clean tech manufacturing capacity is supported by only a few policy frameworks and investments.**

The draft national energy and climate plan addresses the manufacturing of several net zero technologies, including carbon capture, utilisation and storage, as well as electrolyzers and fuel cells. In terms of incentives, a programme in Wallonia

provides investment support to companies producing batteries. However, no one-stop shop for industrial permitting has been established, and there are no resilience criteria in procurement rules to foster the development of net zero manufacturing capacity.

**Belgium's energy research and development efforts focus on ensuring the energy transition while maintaining the competitiveness of the country's energy-intensive industries.**

While the Energy Transition Fund supports efforts in energy research and development at the federal level, Flanders prioritises energy innovation clusters and boosting the competitiveness of Flemish companies by fostering cross-sector collaboration. Wallonia's smart specialisation strategy supports energy research and development in PV, grid and carbon capture and storage technologies, and fosters private efforts through competitive clusters.

#### Transforming the car industry

**Belgium's position as an assembly and exporter of cars is changing and the Belgian automotive industry needs to reinvent itself.**

The number of cars assembled in Belgium has decreased by almost a quarter since 2002, from more than 1 000 000 vehicles to less than 268 000 in 2020 <sup>(129)</sup>. Vehicle production decreased from 36 per 1 000 inhabitants in 2016 to 25 per 1 000 in 2020. Emblematic factories have closed or are struggling because of loss of competitiveness due to high labour costs and high energy prices. Employment in the manufacture of vehicles, trailers and semi-trailers has decreased by more than 50% between 2000 and 2023 <sup>(130)</sup>. The sector is in phase of restructuring.

**Car purchases in Belgium have shifted towards electrified vehicles, mainly thanks to a shift to zero emission tax policy including under Belgium's recovery and resilience plan.** For the first time in 2024, electrified vehicles represented the majority (52.6%) of new car registrations. A number of

<sup>(128)</sup>European Commission, 'The net-zero manufacturing industry landscape across the Member States', 14/1/2025

<sup>(129)</sup>Statistiques | FEBIAC

<sup>(130)</sup>Eurostat, National accounts employment data by industry (up to NACE A\*64) [nama\_10\_a64\_e\_custom\_15039797]

prominent measures under the plan support green mobility. Investments and reforms include the installation of several thousand charging points for battery electric vehicles (BEV); the deployment of green buses; and crucially, tax reforms supporting a zero-emission company car policy. Belgium ranks among the top five EU Members for the number of electric vehicle charging points per inhabitant. It also has some of the largest market shares for BEV. By April 2025, the market share of BEV was 32.4%, a new record, placing Belgium well ahead of the European market where the share of BEV car registrations was 15.5%. Thanks to the regional premium, registrations of new electric cars by individual customers increased <sup>(131)</sup>.

## Critical raw materials

**Belgian manufacturing depends heavily on imports of critical raw materials needed for the green and digital transitions.** Belgium's manufacturing industry is reliant on critical raw materials needed for the green and digital transition, such as lithium, cobalt and rare earths, which are essential for the production of high-tech products, including electric vehicles, wind turbines and electronics. This presents significant challenges for sustainability and resilience, such as supply chain risks, environmental degradation and social concerns. With 75.6% of material inputs in manufacturing production stemming from imports in 2023, compared to the EU average of 22%, Belgium is particularly vulnerable to supply chain disruptions.

**Belgium is implementing policies to strengthen supply chains and the uptake of circular solutions for critical raw materials.** The government encourages the de-risking and diversification of Belgian industry, notably for strategic value chains, and has implemented various policy measures <sup>(132)</sup> aimed at reducing reliance on imports and promoting the use of recycled materials. For example, the Regions impose recycling targets of 95% for ferrous and non-ferrous metals from the dismantling

treatment of waste from electrical and electronic equipment, batteries and end-of-life vehicles.

Currently, the Brussels-Capital Region has no specific critical raw materials strategy. A new waste management plan to be adopted by the regional government in 2025 will include a specific strategy on critical raw materials, in accordance with the relevant EU legislation. Under Circular Flanders, a study was carried out <sup>(133)</sup>, which found that, at 73.2% in 2022, the recycling rate for e-waste, a key source of critical raw materials, was below the EU average of 81%. At the same time, the reuse and recycling rate for end-of-life vehicles was well above the EU average (93.5% vs. 89% in 2022). This points to the need to avoid the leakage of critical raw materials, especially as the car industry shifts to battery-electric vehicles.

## Climate mitigation

### Industry decarbonisation

**The strong role of manufacturing in Belgium is reflected in its large share in total greenhouse gas emissions;** its manufacturing production is fairly emissions intensive. Almost 30% of Belgium's total greenhouse emissions came from manufacturing, the third highest in the EU <sup>(134)</sup>. At 460 g CO<sub>2</sub>eq per euro (70% above the EU average), the emissions intensity of manufacturing in Belgium is among the highest in the EU. Since 2017, by 2022 the emissions intensity of Belgium's industry declined by about 19%, in line with the overall EU trend. A high share of greenhouse emissions in Belgium's manufacturing industry, 57% in 2023, come from industrial processes (i.e. not from energy use).

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<sup>(133)</sup><https://ce-center.vlaanderen-circulair.be/nl/publicaties/publicatie-2/17-circular-economy-and-the-energy-transition-potential-of-a-flemish-circularity-hub-for-ev-li-ion-batteries>

<sup>(134)</sup>In 2023. Manufacturing includes all divisions of the "C" section of the NACE Rev. 2 statistical classification of economic activities. In the remainder of this section, unless indicated otherwise, data on manufacturing refer to the divisions of the NACE section C excluding division C19 (manufacture of coke and refined petroleum products), and the year 2022. The source of all data in this section is Eurostat; data following the UNFCCC Common Reporting Framework (CRF) are from the European Environment Agency (EEA), republished by Eurostat.

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<sup>(131)</sup>[FEBIAC Communiqué de presse-07-2024.pdf](#)

<sup>(132)</sup>[Walloon Decree of 9 March 2023 on waste, material circularity and public cleanliness specifically mentions CRM](#)

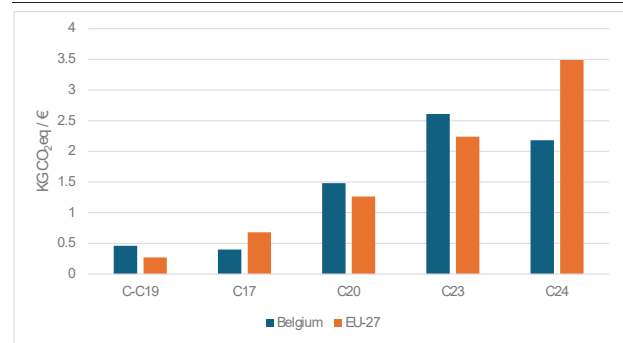


**Belgium's manufacturing production is becoming more energy efficient, but a shift to cleaner energy is yet to happen.** Between 2017 and 2022, the energy-related greenhouse gas emissions intensity of Belgium's manufacturing industry declined by 14%, a bit less than in the EU overall (16 %) <sup>(135)</sup>. In the same period, the share of electricity and renewables in final energy consumption in manufacturing was broadly stable at around 38%. This suggests that the decline in the energy-related emissions intensity of manufacturing was mainly due to energy efficiency improvements, or product improvements reflected in the value added, rather than a shift to green energy. This is in line with the decrease in the energy intensity of manufacturing in Belgium, which went down by about 14% between 2018 and 2023, to 1.9 GWh/€ of gross value added (EU average: 1.1 GWh/€). For industrial processes and product use, greenhouse emissions intensity decreased by 23% between 2017 and 2022, in line with the EU average. This may reflect both efficiency improvements and process innovations.

**Energy-intensive industries have a strong presence in Belgium; they have been facing challenges lately.** Energy-intensive industries <sup>(136)</sup> account for 22% of Belgium's total manufacturing gross value added (2022), the second highest value in the EU. Among these industries, the manufacture of non-metallic mineral products and the manufacture of basic metals account for about 4% to 4.5% of Belgium's manufacturing GVA each; they emitted 2.6 kg and

2.2 kg CO<sub>2</sub>eq per euro of GVA respectively, compared to the EU average of 2.2 kg and 3.5 kg.

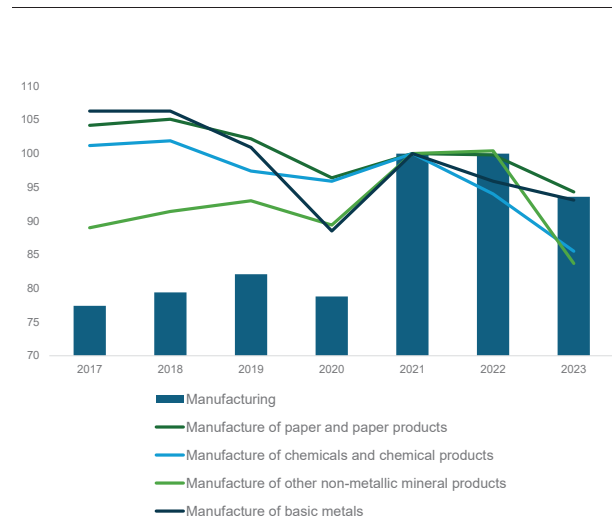
Graph A7.1: **GHG emission intensity of manufacturing and energy-intensive sectors, 2022**



Source: Eurostat.

**Belgium's energy prices are significantly higher than those of its neighbours**, which is a major impediment to the competitiveness of Belgium's companies <sup>(137)</sup>. This and global competition more broadly put pressure on energy-intensive industries. Since 2021, production in these industries has declined by between a few percentage points (paper and paper products, chemicals and chemical products) to more than 10% (basic metals and non-metallic mineral products).

Graph A7.2: **Manufacturing industry production: total and selected sectors, index (2021 = 100), 2017-2023**



Source: Eurostat.

<sup>(135)</sup>For the GHG emissions intensity of GVA related to energy use and industrial processes and product use respectively, GHG emissions are from inventory data in line with the UNFCCC Common Reporting Format (CRF), notably referring to the source sectors CRF1.A.2 – fuel combustion in manufacturing industries and construction and CRF2 – industrial processes and product use. The CRF1.A.2 data broadly correspond to the NACE C and E sectors, excluding C-19. GVA data (in the denominator for both intensities) are aligned with this sectoral coverage. Therefore, they are not fully consistent with the data referred to in other part of this section.

<sup>(136)</sup>Notably, the manufacture of paper and paper products (NACE division C17), of chemicals and chemical products (C20), "other" non-metallic mineral products (C23; this division includes manufacturing activities related to a single substance of mineral origin, such as glass, ceramic products, tiles, and cement and plaster), and basic metals (C24). To date, these industries are energy-intensive – i.e. consuming much energy both on site and/or in the form of purchased electricity – and greenhouse gas emissions intensive, in various combinations.

<sup>(137)</sup>For a detailed analysis of energy prices, see Annex 8 on the affordable energy transition

**Belgium has put in place policies to support the decarbonisation of industry.** Belgian policymakers in different federated entities have implemented various measures such as: support for the development of CO<sub>2</sub> infrastructure (covering transport, distribution, and utilisation) and a green hydrogen sector; energy policy agreements with industry for the adoption of more efficient processes; requirements for solar installations for large electricity consumers; incentive programmes for the transition to sustainable heating and cooling; support for innovative and collaborative industrial projects aimed at sustainability in chemicals, materials and construction; support for the development of new technologies to reduce emissions; and company subsidies for companies adopting a climate plan.

**Further effort is still needed to encourage investment in decarbonising manufacturing processes,** particularly in energy-intensive sectors, for example in the form of support to developing new low-carbon technologies; scaling up existing solutions (e.g., under the Innovation Fund); and promoting sustainable supply chains and circular economy practices.

### Reduction of emissions in the effort sharing sectors

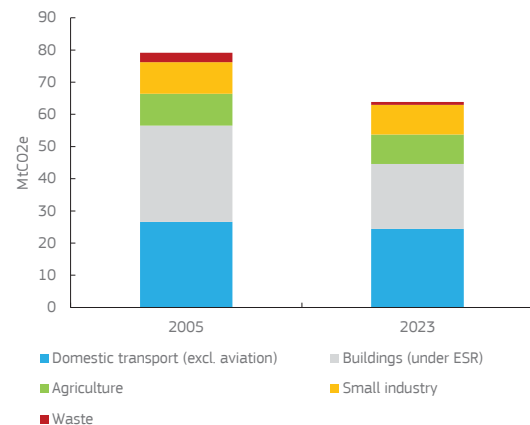
**To attain its 2030 target for the effort sharing sectors, Belgium needs to specify further climate mitigation policies and swiftly adopt and implement the planned measures<sup>(138)</sup>.** GHG emissions from Belgium's effort sharing sectors in 2023 are expected to have been 23.3% below those of 2005, significantly short of its effort sharing target of a 47% reduction. If additional policies currently considered by Belgium are implemented, the projected reduction by 2030 is 42.6% relative to 2005 levels. This results in a shortfall of 4.4 percentage points against the target<sup>(139)</sup>. While

<sup>(138)</sup>The national greenhouse gas emission reduction target is set out in Regulation (EU) 2023/857 (the Effort Sharing Regulation). It applies jointly to buildings (heating and cooling); road transport, agriculture; waste; and small industry (known as the effort sharing sectors).

<sup>(139)</sup>The emissions from effort sharing sectors for 2023 are based on approximated inventory data. The final data will be established in 2027 after a comprehensive review. Projections on the impact of current policies ('with existing measures', WEM) and additional policies ('with additional measures', WAM) as per Belgium's last updated national energy and climate plan.

Belgium could reach its target by using domestic flexibilities available under the Effort Sharing Regulation, swift and steady adoption of the full set of measures will be critical. Belgium is yet to submit its final updated national energy and climate plan.

Graph A7.3: **Greenhouse gas emissions in the effort sharing sectors, 2005 and 2023**



Source: European Environment Agency

## Sustainable industry

### Circular economy transition

**Belgium is one of the best performers in the EU on the circular economy and waste recycling.** In 2023, the circular use of materials rate<sup>(140)</sup> in Belgium, at 19.7%, was well above the EU average of 11.8%. In addition, resource productivity was EUR 2.84 per kg of consumed raw materials<sup>(141)</sup>. Belgium adopted in December 2021 a new fully-fledged action plan on the circular economy for 2021-2024 at the federal level<sup>(142)</sup> activating levers in product policy,

<sup>(140)</sup>This indicator, also known as the circularity rate, measures the share of material recycled and fed back into the economy and reflects Belgium's overall progress towards a circular economy.

<sup>(141)</sup>It shows the additional wealth (in EUR) that a country produces (GDP) consuming raw materials (in kg) during the production process. In other words, this indicator shows how efficiently the economy uses raw materials and how productive its economy is in producing more added value than the EU economy.

<sup>(142)</sup>Santé publique, Sécurité de la chaîne alimentaire et Environnement, 2023, *Plan d'action fédéral pour une économie circulaire 2021-2024*, [Link](#).

consumer protection policy, public procurement, and tax policy. Currently, regional plans are the driving force behind Belgium's circular economy transition. In the Brussels-Capital Region, despite the proliferation of circular initiatives<sup>(143)</sup>, the Region's highly linear economy is heavily dependent on imports to the construction, agriculture, food and fuels sectors. The circularisation of these flows through reuse and their transformation into secondary raw materials makes it possible, for each ton of waste recovered, to avoid the use of 60 tons of resources<sup>(144)</sup>. The Circular Wallonia regional strategy (2021)<sup>(145)</sup> and its implementation report (2024)<sup>(146)</sup> note that 86 of Wallonia's 262 municipalities implement a zero waste approach, covering more than 53% of the Walloon population. By the end of 2023, EUR 136 million allocated in supporting the circular transition, either granted to 648 private and public companies, or to research and innovation projects and 1 367 circular public procurement contracts were launched between 2021-2023. The Research, Development and Innovation (RDI) budget dedicated to supporting circular economy approaches was doubled in order to achieve an annual budget of EUR 14 million over 2020-2025. All demolition contracts include a clause identifying and classifying the materials that can be reused. Important circular economy policies and measures in Flanders can be found in the "Circular Economy Country Profile – Belgium" report (2024)<sup>(147)</sup>. The 'Lokaal Materialenplan'<sup>(148)</sup>, action plans on circular food loss, biomass and plastics<sup>(149)</sup> set goals for 2025. Belgium is one of the top EU performers in municipal waste recycling with 55% in 2023. However, there is still room for improvement, especially by diverting waste from incineration to recycling. Further progress could be made by introducing new economic instruments to prevent waste by: (i) avoiding the incineration of

reusable or recyclable waste; and (ii) making the reuse and recycling of waste more economically attractive. The national energy and climate plan<sup>(150)</sup> sets a target of 25% reduction of waste incineration and includes measures for treatment of organic waste.

**Current investments in the circular transition have been insufficient.** Belgium is estimated to need a total additional investment of at least EUR 886 million a year for the circular economy transition, including for waste management, which represents 0.16% of Belgium's GDP. To close the circular economy investment gap to attain policy targets that are not yet budgeted, EUR 214 million are needed for recent initiatives such as eco-design for sustainable products; packaging waste; labelling and digital tools; critical raw materials recycling; and measures proposed under the amended Waste Framework Directive. An additional EUR 604 million are needed to unlock Belgium's circular economy potential<sup>(151)</sup>.

### Zero pollution industry

**Belgium has made considerable progress in reducing air pollution, which is now decoupled from GDP growth.** The 2020-2029 emission reduction commitments under the national air pollution control programme have been met. Belgium is on track to meet its commitments for the 2030s for all five pollutants<sup>(152)</sup>. However, in 2023, limits for NO<sub>2</sub> set by the Ambient Air Quality Directive were breached in two air quality zones (Antwerp and Ghent). Furthermore, the target value for arsenic concentration was not met in one air quality zone<sup>(153)</sup>. Car transport remains the most frequent mode of transportation, due to widespread use of company cars and an important source of GHG. The GHG emission reduction was only 8% compared to 2022. The reform of the company car tax scheme, planned in the Recovery and resilience

<sup>(143)</sup>Shifting Economy Brussels, [Link](#).

<sup>(144)</sup>Many results of the economic instruments and access to sustainable raw and secondary materials in the [Rapport-dactivite FR web.pdf](#)

<sup>(145)</sup>Circular Wallonia, 2021, *Stratégie de déploiement de l'économie circulaire*, [Link](#).

<sup>(146)</sup>[Consultez le rapport de mise en œuvre de Circular Wallonia \(2021-2023\) | Circular Wallonia](#)

<sup>(147)</sup>EEA, 2024, Circular economy country profile 2024 – Belgium, [Link](#).

<sup>(148)</sup>Vlaamse overheid, Lokaal Materialenplan 2023 – 2030, [Link](#).

<sup>(149)</sup>Vlaamse Regering, Relanceplan Vlaamse Regering – Vlaamse Veerkracht, [Link](#).

<sup>(150)</sup>[PNEC 2021-2030](#), pp. 86, 96, 224 and in particular for Brussels C.R. pp. 201-202.

<sup>(151)</sup>European Commission, DG Environment, *Environmental investment needs & gaps assessment programme*, 2025 update. Expressed in 2022 prices.

<sup>(152)</sup>European Commission, 2022, *The Third Clean Air Outlook*, [Link](#).

<sup>(153)</sup>EEA, Eionet Central Data Repository, [Link](#).

plan, entered into force on 1 January 2023 <sup>(154)</sup> It includes a progressive reduction of the tax deductibility of conventional company cars (thermic engine) until full exclusion and limiting it as from 2026 to electric cars

**Belgium's industry continues to release large amounts of air and water pollutants.** In Belgium around 2 457 industrial installations required to have a permit under the Industrial Emissions Directive (IED) don't have it. Most of these are from the intensive rearing of poultry and pig sector (44%), followed by the waste-management sector (19.6%). Belgium has a relatively high indicator of damage to health and the environment <sup>(155)</sup> (the seventh highest damage level in the EU) and Belgium has the seventh highest emissions intensity above the EU average of 27.5 EUR/thousand EUR GVA). The main emissions contributors are the intensive rearing sector; the electricity production sector; the metal sector; the chemicals production. Concerning water pollution, given the distribution of competences, the management of the water bodies is quite compartmentalised. The pressures in different parts of the country are similar but their intensity varies considerably. Indeed, the population density in Flanders is more than twice the density in Wallonia. Belgium's main challenges relate to massive pressures from agriculture (nitrates and pesticides pollution), dense population (land use and wastewater discharges) and related hydromorphological pressures. Legacy pollution and transboundary pollution cause specific problems <sup>(156)</sup> <sup>(157)</sup>.

**The costs of pollution remain far higher than the investments in pollution prevention and control.** The latest available annual estimates (for 2022) by the European Environment Agency <sup>(158)</sup>

attribute 4 100 deaths each year (or 41 300 years of life lost (YLL)) to fine particulate matter (PM<sub>2.5</sub>) <sup>(159)</sup>; 1 200 deaths each year (or 12 300 YLL) to nitrogen dioxide (NO<sub>2</sub>) <sup>(160)</sup>; 1 400 deaths (or 13 700 YLL) to ozone. To meet its environmental objectives for pollution prevention and control (towards zero pollution), Belgium needs to provide an additional EUR 1.5 billion per year (0.28% of GDP), mostly for measures on clean air and noise <sup>(161)</sup>. The implementation of the national climate and energy plan (NECP), which includes investments for sustainable energy and transport, would largely deliver this.

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<sup>(154)</sup>The federal Law of 25 November 2021: *Loi organisant le verdissement fiscal et social de la mobilité / Wet houdende fiscale en sociale vergroening van de mobiliteit*, published in the Official Journal on 3 December 2021.

<sup>(155)</sup>The indicator reflects the ratio between the damage and the industrial activity (expressed in gross value added (GVA)), which gives an indication of the emissions intensity.

<sup>(156)</sup>SWD (2025)16 final Report from the Commission on the implementation of the Water Framework Directive (2000/60/EC) and the Floods Directive (2007/60/EC)

<sup>(157)</sup>European Commission, *Report on 3<sup>rd</sup> RBMP and 2<sup>nd</sup> FRMP for Belgium*, SWD(2025) 16 final, 4.2.2025, pp. 10-11.

<sup>(158)</sup>EEA, 2024, *Harm to human health from air pollution in Europe: burden of disease status*, [Link](#).

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<sup>(159)</sup>Particulate matter (PM) is a mixture of aerosol particles (solid and liquid) covering a wide range of sizes and chemical compositions. PM10 refers to particles with a diameter of 10 micrometres or less. PM2.5 refers to particles with a diameter of 2.5 micrometres or less. PM is emitted from many human sources, including combustion

<sup>(160)</sup>Nitrogen dioxide (NO<sub>2</sub>) pertains to a group of gases called NO<sub>x</sub>, which also comprises nitrogen monoxide (NO). NO<sub>x</sub> is emitted during fuel combustion e.g. from industrial facilities and the road transport sector.

<sup>(161)</sup>European Commission, DG Environment, *Environmental investment needs & gaps assessment programme*, 2025 update. Expressed in 2022 prices.

Table A7.1: **Key clean industry and climate mitigation indicators: Belgium**

Strategic autonomy and technology for the green transition				Belgium				EU-27		
Net zero industry										
Operational manufacturing capacity 2023		100-150 (m)		- Electrolyzer, MW		250-650				
- Solar PV (c: cell, w: wafer, m: module), MW										
- Wind (b: blade, t: turbine, n: nacelle), MW		-		- battery, MWh		-				
Automotive industry transformation	2017	2018	2019	2020	2021	2022	2023		2018	2021
Motorisation rate (passenger cars per 1000 inhabitants), %	509	511	510	510	510	507	511	↗	539	561
New zero-emission vehicles, electricity motor, %	0.49	0.67	1.59	3.43	5.80	10.08	19.29	↗	1.03	8.96
Critical raw materials	2017	2018	2019	2020	2021	2022	2023		2018	2021
Material import dependency, %		72.7	72.5	72.3	72.9	75.2	75.6	↗	24.2	22.6
Climate mitigation										
Climate mitigation				Belgium				Trend		EU-27
Industry decarbonisation	2017	2018	2019	2020	2021	2022	2023		2017	2022
GHG emissions intensity of manufacturing production, kg/€	0.56	0.55	0.52	0.51	0.55	0.46	0.44	↘	0.34	0.27
Share of energy-related emissions in industrial GHG emissions	60.5	60.2	60.0	58.8	58.0	56.3	57.3	↘	44.8	42.5
Energy-related GHG emissions intensity of manufacturing and construction, kg/€	175.3	175.8	168.3	172.3	184.5	151.2	-	↘	158.4	132.9
Share of electricity and renewables in final energy consumption in manufacturing, %	38.4	38.0	37.3	37.0	36.8	38.8	38.8	↗	43.3	44.2
Energy intensity of manufacturing, GWh/€	2.13	2.14	2.07	2.11	2.34	1.92	1.85	↘	1.29	1.09
Share of energy-intensive industries in manufacturing production						21.8			7.3	
GHG emissions intensity of production in sector [...], kg/€										
- paper and paper products (NACE C-17)	0.33	0.34	0.37	0.40	0.42	0.40	-	-	0.73	0.68
- chemicals and chemical products (NACE C20)	1.42	1.41	1.36	1.35	1.65	1.48	1.52	-	1.25	1.26
- other non-metallic mineral products (NACE C23)	2.63	2.70	2.76	2.72	2.53	2.61	-	-	2.53	2.24
- basic metals (NACE C24)	2.24	2.34	2.19	2.20	2.56	2.18	-	-	2.79	3.49
Reduction of effort sharing emissions		2018	2019	2020	2021	2022	2023		2018	2023
GHG emission reductions relative to base year, %					-15.7	-21.8	-21.7			
- domestic road transport		-1.8	-2.7	-18.9	-10.7	-9.5	-8.1	↘	1.4	5.2
- buildings		-18.1	-20.2	-22.3	-19.1	-32.3	-32.7	↘	21.4	32.9
	2005				2021	2022	2023	Target	WEM	WAM
Effort sharing: GHG emissions, Mt; target, gap, %	81.6				68.8	63.8	63.9	-47.0	0	0
Sustainable industry										
Sustainable industry				Belgium				Trend		EU-27
Circular economy transition		2018	2019	2020	2021	2022	2023		2018	2021
Material footprint, tonnes per person		14.9	12.8	13.0	14.0	12.9	13.8	↗	14.7	15.0
Circular material use rate, %		20.6	20.5	22.9	21.4	18.3	19.7	↘	11.6	11.1
Resource productivity, €/kg		3.2	3.2	3.4	3.8	3.7	3.5	↗	2.1	2.3
Zero pollution industry										
Years of life lost due to PM2.5, per 100,000 inhabitants		538	415	308	415	541	-	↗	702	571
Air pollution damage cost intensity, per thousand € of GVA					46.8					27.5
Water pollution intensity, kg weighted by human factors per bn € GVA						0.9				0.9

**Source:** **Net zero industry:** European Commission: [The net-zero manufacturing industry landscape across Member States: final report](#), 2025. **Automotive industry transformation:** Eurostat. **Critical raw materials:** Eurostat. **Climate mitigation:** See footnotes in the "climate mitigation" section; reduction of effort sharing emissions: [EEA greenhouse gases data viewer](#); European Commission, [Climate Action Progress Report](#), 2024. **Sustainable industry:** Years of life lost due to PM2.5: Eurostat and EEA, [Harm to human health from air pollution in Europe: burden of disease status](#), 2024. Air pollution damage: EEA, [EU large industry air pollution damage costs intensity](#), 2024. Emissions covered: As, benzene, Cd, Cr, Hg, NH<sub>3</sub>, Ni, NMVOC, NO<sub>x</sub>, Pb, dioxins, PM<sub>10</sub>, PAH, SO<sub>x</sub>. Water pollution intensity: EEA, [EU large industry water pollution intensity](#), 2024. Releases into water covered from cadmium, lead, mercury, nickel. Other indicators: Eurostat.



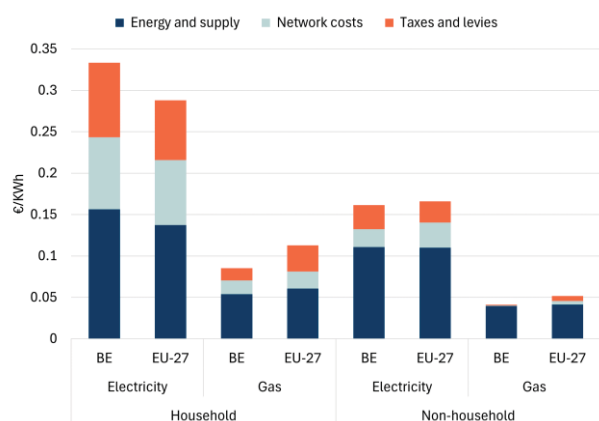
**This annex outlines the progress made and the ongoing challenges faced in enhancing energy competitiveness and affordability, while advancing the transition to net zero.** It examines the measures and targets proposed in the final (draft) updates to the national energy and climate plans (NECPs) for 2030.

**Belgium has taken further steps to upgrade its energy infrastructure, to increase its energy efficiency, and to improve non-fossil flexibility.** The number of prosumers and energy communities is steadily increasing.

**However, Belgium is facing a number of challenges in relation to its affordable energy transition,** in particular slow deployment of renewable energy sources (RES), limited cross-border energy trade, weak consumer empowerment, and higher fiscal burden on electricity, distorting price signals for electrification.

#### Energy prices and costs

Graph A8.1: **Retail energy price components for household and non-household consumers, 2024**



(i) For household consumers, consumption band is DC for electricity and D2 for gas. Taxes and levies are shown including VAT.

(ii) For non-household consumers, consumption band is ID for electricity and I4 for gas. Taxes and levies are shown excluding VAT and recoverable charges, as these are typically recovered by businesses.

**Source:** Eurostat

**Belgium's retail energy prices dropped significantly in 2024, falling below the EU average for non-household consumers, while household prices for electricity remained above the EU average, the fourth highest in the EU.** Network costs for non-household

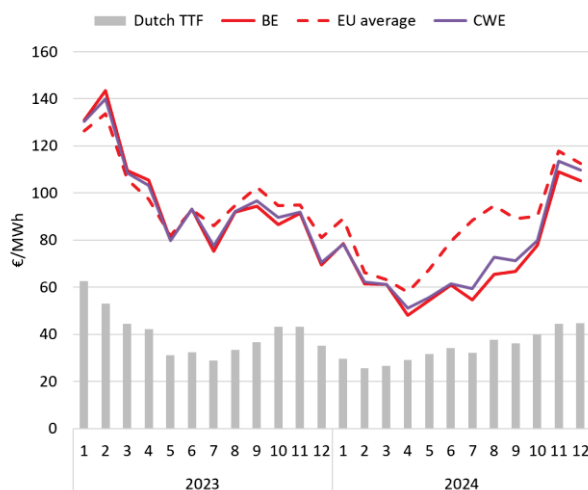
consumers below the EU average, especially for gas (1,4% of the total gas price against an EU average of 7,1%), resulted in slightly lower prices for industrial consumers compared to the EU average. Taxes and levies (excluding VAT) are disproportionately tilted toward electricity: they made up only 2,4% for gas prices for industrial consumers (significantly lower than the 11,6% EU average), while they account for 18% of electricity prices (above the 15,4% EU average). Although household electricity and gas retail prices also decreased compared to 2023, the former remained significantly above the EU average. Taxes and levies accounted for 26,9% of the retail electricity price for household, higher than the EU average of 25%.

**Thanks to a significant share of renewables (35.8%) and nuclear power (42.0%) in its electricity mix, wholesale electricity prices in Belgium averaged 70.3 EUR/MWh in 2024<sup>(162)</sup>, below the EU average of 84.7 EUR/MWh.** Along with the broader Central Western European (CWE) region, Belgium experienced price spikes in the winter months of early 2024, which occurred amid demand increases due to a cold winter (+3.6% in Jan 2024. vs Jan. 2023). Prices picked up again in the second half of the year as Belgium ramped up costly natural gas-fired generation (+80% and +25% in Nov. and Dec. vs same period in 2023, respectively) to cover for lower wind output (-41.4% and -19.3% in Nov. and Dec. vs same period in 2023, respectively) due to the Dunkelflaute experienced in the region<sup>(163)</sup>.

<sup>(162)</sup> Fraunhofer (ENTSO-E data)

<sup>(163)</sup> Yearly electricity data, Ember (consumption and generation data throughout the paragraph)

Graph A8.2: **Monthly average day-ahead wholesale electricity prices and European benchmark natural gas prices (Dutch TTF)**



(i) the Title Transfer Facility (TTF) is a virtual trading point for natural gas in the Netherlands. It serves as the primary benchmark for European natural gas prices.

(ii) CWE gives average prices in the central-western European market (Belgium, France, Germany, Luxembourg, the Netherlands and Austria).

Source: S&P Platts and ENTSO-E

## Flexibility and electricity grids

**Belgium is part of the Core<sup>(164)</sup> capacity calculation region (CCR).** Member States should ensure that a minimum of 70% of technical cross-border capacity is available for trading. In 2023, Belgium still had a derogation from the minimum 70% threshold rule, due to excessive loop flows from neighbouring Member States<sup>(165)</sup>.

**Belgium is further upgrading its grid infrastructure and further infrastructure investment would allow it to have a higher share of renewable electricity.** One key project is the offshore energy island Princess Elisabeth Island, a first-of-its-kind artificial energy island that will integrate additional offshore wind farms of up to 3.5 GW. Nautilus is a subsea hybrid interconnector connecting Belgium with the UK via

<sup>(164)</sup> Core is the core capacity region (CCR) which covers Belgium, Czechia, Germany, France, Croatia, Hungary, the Netherlands, Austria, Poland, Romania, Slovenia and Slovakia (and, once connected, Ireland). A CCR is a group of countries that calculate cross-border electricity trade flows together.

<sup>(165)</sup> This derogation deducts the forecasted loop flows above a certain acceptable threshold from 70%. It has been granted on the assumption that the local remedial action potential is insufficient to alleviate the impact of such flows. A derogation enables lower level of trades for a time limited period if needed for operational security reasons.

Princess Elisabeth Island. The project has benefited from support from EU funds<sup>(166)</sup> for studies and is a project of mutual interest (PMI). TritonLink has PCI status and concerns an offshore hybrid interconnector between Belgium and Denmark that links two offshore energy hubs: the Danish Energy Hub and Princess Elisabeth Island. The model for the project is currently being reviewed due to cost concerns. Belgium has implemented the permitting provisions of the TEN-E Regulation, but there is room for more streamlining between Flanders and Wallonia.

**Constraints in the grid remain significant.** In 2023 there were 221 occurrences of negative electricity prices in Belgium<sup>(167)</sup> and curtailment of solar PV became a serious issue. In 2024, Fluvius (the electricity grid operator in Flanders) decided to compensate residential PV systems if they are not reconnected within 30 working days of a curtailment event.

**Despite the remaining challenges, Belgium has taken steps to support non-fossil flexibility.** Belgium does not report on the installed non-fossil flexibility capacity in the draft NECP. However, Belgium has made a commitment to promote the installation of electricity storage and demand response by, for example, encouraging energy storage (through an incentives system); establishing a regulatory framework for energy storage; and designing regulatory frameworks for flexibility in the distribution system.

**Belgium's regulatory framework still contains barriers to the development of flexible resources.** Demand-side response (DSR) and storage installed at the distribution level are also allowed to participate in all ancillary services but are not eligible to provide congestion management services to transmission system operators (TSOs).

**The slow (albeit accelerating) deployment of smart meters impacts the availability of dynamic retail contracts.** In 2023, the roll-out of smart meters reached 35%. Belgium is making progress with measures to empower consumers in

<sup>(166)</sup> Connecting Europe Facility (CEF) and Recovery and Resilience Facility (RRF)

<sup>(167)</sup> ACER Monitoring Report.(



demand response, dynamic pricing and smart grids.

**The number of prosumers and energy communities is steadily increasing.** A share of 24% of household prosumers and 81 active energy communities was recorded in 2023. The regional frameworks in Brussels and Flanders also allow energy sharing between final customers, independent from their supplier, and there were reportedly 177 active projects in the Brussels region in 2024 <sup>(168)</sup>

**Electricity accounted for 21.3% of Belgium's final energy consumption (FEC) in 2023 (below the EU average of 22.9%), and this share has remained largely stagnant in the last decade <sup>(169)</sup>, partly due to an unfavourable electricity-to-gas price ratio that disincentivizes electrification and cost-effective decarbonization.** Electricity accounts for 19.6% and 31.1% of households' and industry's FEC respectively (see also the Effective Institutional Framework Annex). For the transport sector, this share remained negligible at 2.5%. Further progress in electrification across all sectors is required in order to cost-effectively decarbonise the economy and bring the benefits of affordable renewable generation to consumers. In 2024's second semester, Belgium had some of the highest household electricity prices in the EU, with the third highest electricity-to-gas price ratio. Taxes and levies made up 31,7% of electricity costs but only 19,3% for gas. For energy-intensive industries, electricity prices aligned with the EU average, but the electricity-to-gas price ratio was the third highest. Non-recoverable taxes and levies raised this ratio from 3.2 to 3,8, undermining incentives for businesses and households to switch to electricity over fossil fuels <sup>(170)</sup>.

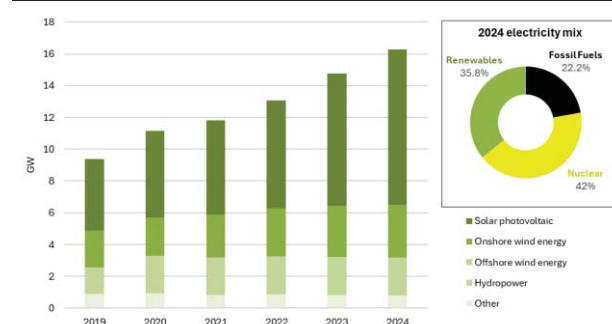
<sup>(168)</sup>Brugel – Cartografie.

<sup>(169)</sup>The CAGR (compound annual growth rate) was 0.2% between 2013 and 2023. The minimum/maximum shares were 20.8% and 21.9% respectively. Source: Final energy balances, Eurostat.

<sup>(170)</sup>Analysis based on Eurostat data for the second semester of 2024. For household consumers, consumption band is DC for electricity and D2 for gas, which refer to medium-sized consumers and provide an insight into affordability. For non-household consumers, consumption band is ID for electricity and I4 for gas, referring to large-sized consumers, providing an insight into international competitiveness (price used for the calculation excludes VAT and other recoverable taxes/levies/fees as non-household consumers are usually able to recover VAT and some other taxes).

Renewables and long-term contracts

Graph A8.3: **Belgium's installed renewable capacity (left) and electricity generation mix (right)**



"Other" includes renewable municipal waste, solid biofuels, liquid biofuels, and biogas.

Source: IRENA, Ember

- In 2024, renewable energy sources (RES) accounted for 36% of the electricity mix (vs the EU's overall RES share of 47%) an increase from 33% in 2023 <sup>(171)</sup> (mainly wind and solar). RES shares in heating and cooling, and in the transport sector remained limited.

**The RES installed capacity increased by 10% in Belgium in 2024, below the EU average (11.5%).** This was driven mainly by a 16.8% increase in solar capacity, and a 4.5% increase of onshore wind <sup>(172)</sup>.

**Belgium has made some progress in speeding up RES permit-granting procedures, but further steps are needed.** Public acceptance of renewables remains a challenge for the further expansion of onshore utility-scale projects. On the positive side, plug-in solar systems are being legalised in 2025. The digital one-stop shop for permit-granting in Flanders is also working well and the administrative procedures are swift overall (unless they are prolonged by court appeals).

**Belgium's recovery and resilience plan (RRP) includes reforms aimed at accelerating permit-granting.** There is namely a reform of the appeal procedures (as part of a more comprehensive reform aimed at accelerating the energy transition in Wallonia) and a reform that

<sup>(171)</sup>Yearly electricity data, Ember.

<sup>(172)</sup>IRENA Renewable Capacity Statistics 2025

imposes a PV-obligation on large consumers in Flanders.

**Belgium has raised its target for the share of renewables in 2030 in its draft updated NECP from 17.5% to 21.7%, but this is still below its expected national contribution to the EU's 2030 target (33%).** By 2030, Belgium aims to have 11.8 GW of wind capacity and 8.5 GW of solar capacity installed. The draft updated NECP also sets a target of 15.6 GW of installed wind capacity by 2040. As part of the Wind Pledges under the European Wind Power Action, Belgium has made a commitment to install 0.3 GW of onshore wind capacity per year between 2024 and 2026 and to reach 6 GW of offshore wind capacity by 2028.

**Belgium has made progress in terms of support for RES, especially when it comes to Contract for Difference (CfD) and power purchase agreements.** Belgium is using two-way CfDs to support offshore wind development; one auction was launched in 2024 and two more will follow in 2026. The solar market is transitioning away from government-supported growth. The use of renewable power purchase agreements has picked up in Belgium, with a contracted capacity of 1 GW so far (mostly in the wind sector) <sup>(173)</sup>.

Energy efficiency

**Belgium is continuing to make significant progress in its efforts to reach the 2030 EU energy efficiency targets.** In 2023, primary energy consumption (PEC) decreased by 7.0% to 42.06 Mtoe. Final energy consumption (FEC) decreased by 1.8% to 31.3 Mtoe. FEC decreased in 2023 in most main sectors: in industrial by 5.4%, in residential by 1.8% and in services by 3.9%. However, FEC increased by 1.8% in the transport sector. This overall progress is in line with the EU average and highlights Belgium's commitment to energy efficiency. According to the Energy Efficiency Directive (EED) recast, Belgium should try to reach a PEC of 34.66 Mtoe and a FEC of 28.82 Mtoe by 2030. This would require decreases of 23.4% and 13.8% respectively.

**Belgium has not notified its comprehensive heating and cooling assessment to identify potential for the application of high-**

**efficiency cogeneration and efficient district heating and cooling in line with Energy Efficiency Directive (EU).** There is no estimate available of when the assessment will be done. The targets stated in the latest (2023) draft NECP were rather unambitious, despite significant growth in heat pumps, and showed a continuing reliance on biomass as the first contributor to renewable heat.

**There was no visible progress on FEC in the residential sector between 2022 and 2023 (when one uses climate-corrected data).** Unless it steps up its efforts in the residential sector, Belgium is unlikely to achieve its 2030 reduction target for energy consumption by buildings.

**Heating and cooling account for 86% of the country's residential FEC.** Approximately 103 000 heat pumps were sold in 2023 (an increase of 72% on 2022), continuing the strong trend of increased sales, albeit at a slightly lower pace than the previous year. Electricity in Belgium was 3.8 times more expensive than gas in 2023 and this difference increased to 4.2 times in the first half of 2024. This means that end users save energy but pay more if they choose a heat pump for heating.

**Financial support for condensing gas boilers in buildings ended in 2023.** There are several measures in place to support increased uptake of renewable energy in buildings, for instance through solar installations (PV and solar thermal) and heat pumps. Building renovation is an important part of the Belgian RRP, with investment of over EUR 1 billion in the energy-efficient renovation of buildings (including social housing).

**Belgium relies mostly on grant-based energy efficiency financial schemes, with a particular focus on residential buildings.** In 2024, Belgium continued implementing the planned energy efficiency financing schemes, especially as part of its RRP. In addition, Belgian government initially abolished the reduced VAT rate of 6% for demolition and reconstruction of dwellings, but then decided to reinstate it and extend it until June 2025. The new federal government indicated plans to further extend the VAT reduced rate for demolition and reconstruction. It has also announced that from 1 July 2025 the reduced VAT rate on fossil-fuel boilers will be eliminated and VAT rates on heat

<sup>(173)</sup> [PPA deal tracker – RE-Source Platform.](#)

pumps will decrease. In parallel, the Belgian authorities are working on establishing additional financial instruments targeting the energy renovation of public buildings and infrastructure.

Security of supply and diversification

**Renewables (together with biofuels) counted for a small share of the energy mix <sup>(174)</sup> <sup>(175)</sup> in Belgium in 2024, remaining at 11% (a similar percentage as during the previous year).** The share of nuclear energy decreased to 16% (from 20% the previous year). Natural gas constituted 25% of the energy mix, a slight increase on the previous year, while oil and petroleum products (excluding biofuels) accounted for more than 41%.

**There are currently five nuclear power reactors (pressurised light**

**water) in operation, with a diversified supply of nuclear fuel.** They are located in two sites (two units in Tihange and three units in Doel) with ~4 GWe of total installed nominal capacity. In 2022, the federal government decided to take the necessary steps to extend the operational life of the two youngest nuclear power reactors, Doel 4 and Tihange 3 by 10 years until 2035. In June 2024, Belgium notified to the Commission its plans to support the lifetime extension of the two nuclear reactors. Following a formal investigation under Article 108(2) of the Treaty on the Functioning of the European Union (TFEU) ([SA.106107](#)), the European Commission reached a final decision in February 2025, approving the requested extension. In 2023, the five nuclear reactors in operation produced 31 320 GWh or 41.2% of total electricity production <sup>(176)</sup>. In Commission Recommendation 2024/1042 of 23 February 2024, Belgium was requested to (i) specify appropriate measures for the diversification and long-term supply of nuclear materials, fuel, spare parts and services, and for the long-term management of nuclear waste; and (ii) provide more details on ongoing research activities related to small modular reactors (SMRs). According to the Euratom Supply Agency, Belgium has implemented a well-diversified supply strategy based on contracts with EU or other

western providers at each stage of the nuclear fuel cycle.

Fossil fuel subsidies

In 2023, environmentally harmful <sup>(177)</sup> fossil fuel subsidies without a planned phase-out before 2030 represented 0.85% <sup>(178)</sup> of Belgium's GDP <sup>(179)</sup>, above the EU weighted average of 0.49%. Tax measures accounted for 81% of this volume, while direct grants represented 18%. Fossil fuel subsidies without a planned phase-out before 2030 and which do not specifically address, in a targeted way, energy poverty nor genuine energy security concerns included reduced excise taxes on heavy and light fuel oil, fuel company cards with tax benefits for employees, partial excise duty refunds on diesel for taxi drivers and freight as well as exemption of excise duties for agricultural and horticultural work, fish farming and forestry. Additionally, Belgium's 2023 Effective Carbon Rate <sup>(180)</sup> averaged EUR 74 per tonne of CO<sub>2</sub>, below the EU weighted mean of EUR 84.80 <sup>(181)</sup>.

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<sup>(177)</sup> Direct fossil fuel subsidies that incentivise maintaining or increasing in the availability of fossil fuels and/or use of fossil fuels.

<sup>(178)</sup> Numerator is based on volumes cross-checked with the Belgian authorities. For all Member States, it includes public R&D expenditures for fossil fuels as reported by the IEA (Energy Technology RD&D Budgets) and excludes, for methodological consistency, excise tax exemption on kerosene consumed in intra-EU27 air traffic.

<sup>(179)</sup> 2023 Gross Domestic Product at market prices, Eurostat.

<sup>(180)</sup> The Effective Carbon Rate is the sum of carbon taxes, ETS permit prices and fuel excise taxes, representing the aggregate effective carbon rate paid on emissions.

<sup>(181)</sup> OECD (2024), Pricing Greenhouse Gas Emissions 2024

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<sup>(174)</sup> Electricity and heat have been excluded to avoid double-counting. The focus is on primary energy sources.

<sup>(175)</sup> Gross inland consumption, Eurostat.

<sup>(176)</sup> <https://cnpp.iaea.org/public/countries/BE/profile/preview>.

Table A8.1: Key Energy Indicators

	Belgium				EU			
	2021	2022	2023	2024	2021	2022	2023	2024
<b>Household consumer - Electricity retail price (EUR/kWh)</b>	<b>0,2847</b>	<b>0,3963</b>	<b>0,4064</b>	<b>0,3333</b>	<b>0,2314</b>	<b>0,2649</b>	<b>0,2877</b>	<b>0,2879</b>
Energy & supply [%]	29,6%	57,9%	57,0%	46,9%	36,6%	54,3%	55,6%	47,8%
Network costs	36,7%	23,1%	21,5%	26,1%	26,7%	25,3%	24,8%	27,2%
Taxes and levies including VAT	33,6%	19,1%	21,5%	26,9%	36,7%	20,3%	19,6%	25,0%
VAT	17,0%	7,9%	5,6%	5,6%	14,5%	13,4%	13,8%	14,6%
<b>Household consumer - Gas retail price</b>	<b>0,0572</b>	<b>0,1152</b>	<b>0,1069</b>	<b>0,0852</b>	<b>0,0684</b>	<b>0,0948</b>	<b>0,1121</b>	<b>0,1128</b>
Energy & supply	54,2%	75,0%	72,9%	63,4%	43,7%	61,0%	64,5%	53,9%
Network costs	24,7%	13,7%	15,2%	19,5%	22,5%	17,3%	17,1%	18,3%
Taxes and levies including VAT	21,2%	11,3%	11,9%	17,1%	33,8%	21,7%	18,4%	27,8%
VAT	17,1%	9,5%	5,7%	5,6%	15,5%	11,6%	10,2%	13,6%
<b>Non-household consumer - Electricity retail price</b>	<b>0,1085</b>	<b>0,1785</b>	<b>0,2141</b>	<b>0,1616</b>	<b>0,1242</b>	<b>0,1895</b>	<b>0,1971</b>	<b>0,1661</b>
Energy & supply	40,5%	60,4%	63,4%	56,7%	43,0%	66,5%	63,0%	55,8%
Network costs	19,8%	8,3%	8,0%	11,1%	15,8%	10,7%	11,9%	15,5%
Taxes and levies excluding VAT	27,5%	16,9%	13,6%	18,0%	30,4%	9,9%	11,2%	15,4%
<b>Non-household consumer - Gas retail price</b>	<b>0,0273</b>	<b>0,0555</b>	<b>0,0539</b>	<b>0,0413</b>	<b>0,0328</b>	<b>0,0722</b>	<b>0,0672</b>	<b>0,0517</b>
Energy & supply	76,9%	85,4%	86,3%	79,2%	66,2%	77,3%	77,3%	68,7%
Network costs	2,4%	1,3%	1,2%	1,4%	7,7%	3,8%	5,3%	7,1%
Taxes and levies excluding VAT	4,4%	1,6%	1,5%	2,4%	12,5%	6,1%	7,3%	11,6%
<b>Wholesale electricity price (EUR/MWh)</b>	<b>103,8</b>	<b>243,8</b>	<b>97,6</b>	<b>70,5</b>	<b>111,0</b>	<b>233,2</b>	<b>99,1</b>	<b>84,7</b>
<b>Dutch TTF (EUR/MWh)</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>46,9</b>	<b>123,1</b>	<b>40,5</b>	<b>34,4</b>
	2017	2018	2019	2020	2021	2022	2023	2024
<b>Gross Electricity Production (GWh) (2)</b>	<b>86.619</b>	<b>75.040</b>	<b>93.644</b>	<b>89.454</b>	<b>100.482</b>	<b>95.948</b>	<b>83.669</b>	-
Combustible Fuels	32.615	33.171	34.497	35.275	30.677	30.773	25.407	-
Nuclear	42.227	28.597	43.524	34.435	50.326	43.879	32.928	-
Hydro	1.397	1.308	1.180	1.315	1.350	1.646	1.656	-
Wind	6.521	7.574	9.755	12.819	11.998	12.353	15.444	-
Solar	3.308	3.904	4.252	5.113	5.623	6.879	7.820	-
Geothermal	-	-	-	-	-	-	-	-
Other Sources	551	487	436	498	508	418	415	-
<b>Gross Electricity Production [%]</b>								
Combustible Fuels	37,7%	44,2%	36,8%	39,4%	30,5%	32,1%	30,4%	-
Nuclear	48,8%	38,1%	46,5%	38,5%	50,1%	45,7%	39,4%	-
Hydro	1,6%	1,7%	1,3%	1,5%	1,3%	1,7%	2,0%	-
Wind	7,5%	10,1%	10,4%	14,3%	11,9%	12,9%	18,5%	-
Solar	3,8%	5,2%	4,5%	5,7%	5,6%	7,2%	9,3%	-
Geothermal	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	-
Other Sources	0,6%	0,6%	0,5%	0,6%	0,5%	0,4%	0,5%	-
<b>Net Imports of Electricity (GWh)</b>	<b>6.022</b>	<b>17.328</b>	<b>-1.855</b>	<b>-333</b>	<b>-7.877</b>	<b>-7.528</b>	<b>1.638</b>	-
As a % of electricity available for final consumption	7,2%	20,6%	-2,2%	-0,4%	-9,4%	-9,5%	2,1%	-
<b>Electricity Interconnection [%]</b>	<b>18,9%</b>	<b>9,5%</b>	<b>18,3%</b>	<b>14,2%</b>	<b>16,1%</b>	<b>14,8%</b>	<b>15,4%</b>	<b>15,9%</b>
<b>Share of renewable energy consumption - by sector [%]</b>								
Electricity	17,2%	18,9%	20,8%	25,1%	26,0%	29,1%	31,4%	-
Heating and cooling	8,2%	8,3%	8,3%	8,4%	9,3%	10,6%	11,3%	-
Transport	6,6%	6,7%	6,8%	11,0%	10,3%	10,4%	12,1%	-
Overall	9,1%	9,5%	9,9%	13,0%	13,1%	13,8%	14,7%	-
	2020	2021	2022	2023	2020	2021	2022	2023
<b>Import Dependency [%]</b>	<b>78,1%</b>	<b>70,9%</b>	<b>74,0%</b>	<b>76,1%</b>	<b>57,5%</b>	<b>55,5%</b>	<b>62,5%</b>	<b>58,3%</b>
of Solid fossil fuels	102,1%	92,6%	99,5%	102,5%	35,8%	37,2%	45,9%	40,8%
of Oil and petroleum products	102,7%	95,8%	100,6%	100,1%	96,8%	91,7%	97,8%	94,5%
of Natural Gas	99,1%	99,9%	100,8%	100,6%	83,6%	83,6%	97,6%	90,0%
<b>Dependency from Russian Fossil Fuels [%]</b>								
of Natural Gas	13,0%	11,3%	11,7%	17,6%	41,0%	40,9%	20,7%	9,3%
of Crude Oil	29,9%	29,2%	22,1%	0,0%	25,7%	25,2%	18,4%	3,0%
of Hard Coal	38,9%	42,9%	24,5%	0,0%	49,1%	47,4%	21,5%	1,0%
	2017	2018	2019	2020	2021	2022	2023	
<b>Gas Consumption (in bcm)</b>	<b>17,8</b>	<b>18,4</b>	<b>18,5</b>	<b>18,4</b>	<b>18,5</b>	<b>15,6</b>	<b>14,6</b>	
Gas Consumption year-on-year change [%]	2,4%	3,0%	0,9%	-0,7%	0,4%	-15,6%	-6,2%	
<b>Gas Imports - by type (in bcm)</b>	<b>17,9</b>	<b>19,8</b>	<b>23,3</b>	<b>21,7</b>	<b>21,3</b>	<b>24,2</b>	<b>22,8</b>	
Gas imports - pipeline	16,7	17,3	16,5	17,0	17,1	12,9	11,6	
Gas imports - LNG	1,1	2,5	6,7	4,7	4,2	11,2	11,2	
<b>Gas Imports - by main source supplier [%]</b>								
Norway	53,0%	52,9%	39,9%	52,4%	54,3%	21,4%	22,6%	
Qatar	6,3%	10,2%	19,3%	11,6%	12,0%	23,9%	18,7%	
Russia	8,3%	12,1%	16,2%	13,0%	11,3%	11,7%	17,6%	
United Kingdom	8,4%	4,2%	5,9%	4,7%	3,9%	15,6%	11,5%	

Source: Eurostat, ENTSO-E, S&amp;P Platts



**Belgium's low-lying coastal region is a climate risk hotspot, primarily threatened by water-related hazards such as floods and droughts.** The country also faces ongoing water quality challenges due to diffuse pollution. Belgium is in one of three regions (low-lying coastal regions) identified as hotspots of risk, highly affected by climate change<sup>(182)</sup>. Water management is increasingly identified as a key affected sector, with water-related hazards, fluvial and pluvial floods and droughts signalled in all sectors. Water quality remains problematic. Effective action is needed to improve the quality of both surface and groundwater bodies, since the majority of water bodies in Belgium are subject to pressure caused by diffuse pollution sources.

### Climate adaptation and preparedness

**Belgium is experiencing more frequent and longer periods of extreme weather events such as drought, extreme heat, heatwaves and heavy rainfall causing floods. It is also experiencing slow-onset changes such as a general temperature rise and sea-level rise.** A comprehensive climate risk assessment was conducted in 2023 highlighting several key vulnerabilities for Belgium. Urban areas are increasingly experiencing more frequent and intense heat waves, which significantly exacerbate health risks, especially for elderly populations and regions with limited green space. This also strains the healthcare system's capacity to cope during extreme weather events, as evidenced by a rise in heat-related mortality to an average of 25 deaths per 100 000 inhabitants between 2013 and 2022. The assessment also revealed significant threats from riverine and pluvial flooding in Wallonia and Flanders, contributing to substantial economic losses. Of the EUR 17 billion in economic damages recorded between 1980 and 2023, EUR 11.7 billion resulted from river flooding. Insurance coverage is high for most risks (e.g. wildfires), but there is notably less coverage against the risk of flooding<sup>(183)</sup>. In the agricultural sector, resilience is declining, as indicated by the resilience score of 1.5, reflecting the challenges posed by changing

precipitation patterns, which affect crop yields<sup>(184)</sup>. The sector also faces an increased risk of droughts and heightened pest prevalence. Recent years have seen severe droughts that significantly impact Belgium's ecosystems, with 38.6% of the country affected in 2020 and 57% in 2022.

**Belgium reports having implemented measures at federal and regional level to help reduce climate impacts, vulnerabilities and risks.** It is recognised that more needs to be done to increase adaptive capacity. Although more knowledge is now available, more work is needed on awareness raising and supporting municipalities to carry out adaptation action.

**The adaptation priorities, strategies, policies, plans and measures taken by Belgium correlate well with the vulnerabilities and risks identified.** A federal adaptation plan (for 2023-2026) was adopted in spring 2023, identifying 28 adaptation measures in eight areas. The measures include multidisciplinary risk assessments, an analysis of the climate change impacts on essential services for society, assessing the impact of climate change on energy security and infrastructure, and developing natural disaster risk-zone criteria. The plan also includes measures to improve sectoral coordination, including by organising information sessions on climate change adaptation and making more information on adaptation to climate change available, for example on a national online platform.

**Belgium's three regions have also identified adaptation priorities, strategies, policies, plans and actions.** The Flemish climate adaptation plan was adopted in October 2022, focusing on 2030 and setting out a vision for a climate-resilient Flanders by 2050 through nature-based solutions and technological innovation. The plan sets out six strategies, including building and connecting green-blue infrastructure, space for water to carry out functions of water safety and drought prevention, collaboration and coordination.

<sup>(182)</sup>EEA, 2024, *European Climate Risk Assessment*.

<sup>(183)</sup>The overall insurance protection gap score estimated by EIOPA is 1.00, and 1.5 for flood protection.

<sup>(184)</sup>The score on a scale between 0 and 4 compares each country's position relative to the EU's median for a reference period (2001-2015) and an evaluation period (2007-2021), highlighting the direction of progress in relation to the country's reference period. Values below 2 indicate a decrease in resilience.



Each strategy identifies tangible measures to achieve the plan's objectives. The plan is based on a cost-benefit analysis of climate adaptation measures and has an overall budget of EUR 150 million for 2023-2024. In the Brussels region, the water management plan for 2022-2027 has a chapter on climate adaptation with a specific aim to increase action to combat drought. The new air climate energy plan also has a chapter on adaptation. The plan includes measures such as developing nature-based solutions, increasing the climate change resilience of natural resources and infrastructure, and developing indicators to monitor adaptation policy. Wallonia has made available a budget of EUR 737 million from its "Plan Relance" for the reconstruction of zones affected by the historic floods of July 2021 <sup>(185)</sup>. Brussels, Wallonia and Flanders have integrated climate change impacts into their river basin and flood risk management plans for 2022-2027. Flanders also launched the Blue Deal initiative to increase action to combat drought and water scarcity, which receives support under the Recovery and Resilience Facility <sup>(186)</sup>. Brussels has measures in place to integrate action on climate change adaptation into land-use plans, urban planning regulations and the construction sector.

**Belgium has national governance structures in place to support adaptation action.** It has created several coordination mechanisms between the federal and regional levels on climate adaptation, such as the National Climate Commission that includes a working group on adaptation, CONCERE-ENOVER that helps align adaptation measures that intersect with energy policy, and an adaptation working group in the Coordination Committee for International Climate Policy. The structure is quite complex due to Belgium's federal system. Regions have primary responsibility for adaptation in areas such as water management and agriculture, while the federal level handles areas such as emergency planning and some infrastructure. Some responsibilities overlap, requiring careful coordination.

**Belgium also provides support for subnational governance structures.** This includes support to prepare the legal requirements and strategic documents at various levels of

governance, adaptation plans for provinces and municipalities, and collaboration across national and regional authorities. Examples of good practice include knowledge platforms and tools to support adaptation policies.

## Water resilience

**Large areas of Belgium are subject to water stress due to demand for water from manufacturing, energy and the public water supply.** Belgium's water productivity is not high (17th in the EU), at EUR 75 per m<sup>3</sup> of abstracted water in 2022, and on a downward trend over a five-year period <sup>(187)</sup>. The Water Exploitation Index Plus (WEI+), which measures total water consumption as a percentage of the available renewable freshwater resources in a specific area over a set period, was 5.2 in 2022. This represents the 8th highest WEI+ in the EU and has been increasing in recent years. During the summer months of 2022, the seasonal WEI+ was even higher, reaching 10.3. While these values are still below the critical threshold of 20%, they exceed those of most other EU Member States. Furthermore, the average WEI+ conceals regional variations in water resource distribution and consumption, with manufacturing being the largest water consumer. Between 2018 and 2022, water abstraction in the manufacturing sector increased by 61%. The sector accounts for the highest share of water consumption at 656 million m<sup>3</sup>, i.e. 50% of all consumption in 2022, putting a significant strain on the country's water resources. The manufacturing plus the energy sector together consume 76% of total water consumption. The challenges remain significant, particularly in regions with high levels of water stress.

**Water quality in Belgium remains a major cause of concern for surface and groundwater bodies.** The third river basin management plan shows that effective action is needed to improve water quality both in surface and groundwater bodies, since the majority of water bodies in Belgium are affected by pressure caused by diffuse pollution sources. The assessment of the third plan reveals only a minor

<sup>(185)</sup>Wallonie service public, 2022, Bilan des émissions, [Link](#).

<sup>(186)</sup>Integraal Waterbeleid, About Blue Deal, [Link](#).

<sup>(187)</sup>Measured as GDP in 2010 chain linked volumes over total fresh surface water abstracted in cubic metres.



improvement in the ecological status/potential of surface water bodies, and no improvement in their chemical status since the status reported in the second river basin management plan (covering 2015-2021). In 2021, 71% of surface water bodies were classified as failing to achieve good ecological status and 100% as failing to achieve good chemical status. The percentages are 12% and 47% respectively for groundwater bodies. The Commission's assessment indicates that it would be beneficial for Belgium to tackle challenges related to hydromorphology (i.e. altering river flows and riverbanks) and to the levels of nutrients and chemicals in surface waters. It would also be beneficial to make better use of cost recovery and the polluter-pays principle in groundwater bodies and during water shortages in dry periods. In addition, it would be beneficial to subject permits for abstraction, impoundment and discharges to mandatory periodic review. In Flanders in particular, nitrates pollution of water is very serious, and water quality is steadily deteriorating. In the two Flemish river basin districts, none of the surface water bodies is in good chemical status, compared to 93% in the second assessment. This pollution is directly caused by excess levels of nitrogen deposits, which threaten biodiversity and impair surface water quantity and quality. The revised 7th nitrates action programme (MAP7) adopted in December 2024 will not ensure compliance with the EU Nitrates Directive <sup>(188)</sup>.

**The quality of drinking water is currently satisfactory, but substantial investments are needed to maintain the high standards of water treatment** <sup>(189)</sup>. In Belgium, 95% of urban waste water is treated in line with the requirements of the Urban Wastewater Treatment Directive. This is above the EU average of 76%. The annual water investment needs reach an estimated EUR 2.3 billion in Belgium for the 2021-2027 period. This comprises investment needs for the water industry and for water protection and management. The largest share of the total annual need, EUR 1.8 billion, is for wastewater management (including additional costs to implement the revised Directive). A further EUR 59 million is needed for drinking water-related

investments and around EUR 363 million for water protection and management. Water investments in Belgium are estimated to be around EUR 868 million per year for the 2021-2027 period. To meet the environmental objectives under the Water Framework Directive and the Floods Directive, Belgium's water investment gap reaches EUR 1.4 billion per year (0.25% of GDP), with most related to waste water (EUR 1.2 billion per year). Additional provisions under the Water Framework Directive require around EUR 217 million per year over existing levels of financing <sup>(190)</sup>.

## Biodiversity and ecosystems

**The decline in biodiversity remains a serious concern in Belgium.** Only 4.3% of habitats were reported as having a good conservation status in the reporting period 2013-2018. This is the lowest share in the EU. The share of protected species reported as having a good conservation status is 25%, an increase since the previous assessment, which reported 19% as having good status. The common farmland bird index declined between 2018 and 2020 from 60.9 to 56.6. This is significantly below the EU-27 average of 74.6 in the same year and indicates a significant deterioration in the population abundance and the diversity of common farmland bird species.

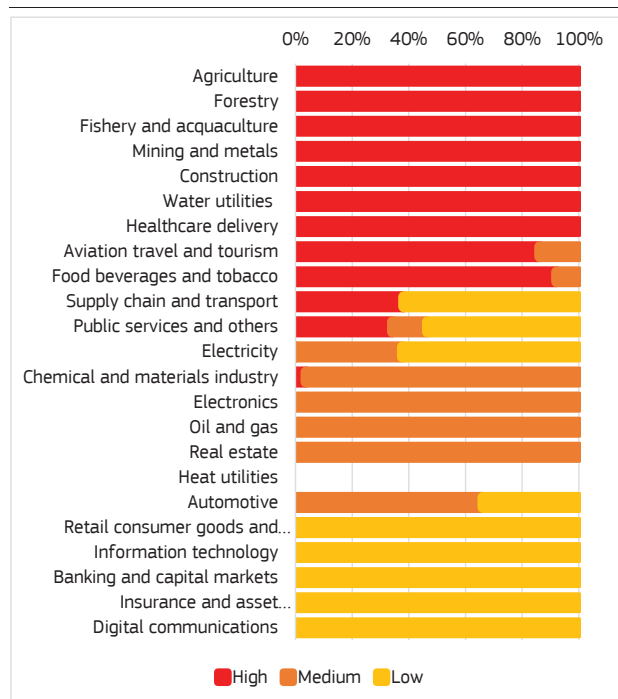
**Nature degradation creates significant risks to the economy and to competitiveness.** 20% of the gross value of Belgian supply chain's is highly dependent on ecosystem services, a similar level of dependency to the EU-27 average of 22%. Overall, 38% of Belgium's economy is very highly dependent on ecosystem services to create gross value added. Several sectors such as agriculture, forestry and fisheries, mining and metals, construction, water utilities and healthcare (see graph A9.1) are particularly dependent. 100% of the gross value added by these sectors is directly dependent on ecosystem services. This means that failure to maintain the capacity of ecosystems to deliver services could entail significant costs or even stop production in these sectors. Protecting and restoring key ecosystems would help maintain the long-term competitiveness of these sectors.

<sup>(188)</sup>Vlaamse Land Maatschappij, 2024, *Nieuwe mestmaatregelen vanaf 2025*, [Link](#).

<sup>(189)</sup>In summary, the compliance rate for all parameter groups in Belgium was at least 98.5% in 2017, 98.8% in 2018 and 98.7% in 2019.

<sup>(190)</sup>European Commission, DG Environment, *Environmental investment needs & gaps assessment programme*, 2025 update. Expressed in 2022 prices.

Graph A9.1: **Direct dependency(1) on ecosystem services(2) of the gross value added generated by economic sector in 2022**



(1) Dependency based on the sector's own operations, excluding value chain operations within countries and across international value chains. A high dependency indicates a high potential exposure to nature-related shocks or deteriorating trends, which means that the disruption of an ecosystem service could cause production failure and severe financial loss.

(2) Ecosystem services are the contributions of ecosystems to the benefits that are used in economic and other human activity, including provisioning services (e.g. biomass provisioning or water supply), regulating and maintenance services (e.g. soil quality regulation or pollination), and cultural services (e.g. recreational activities).

**Source:** Hirschbuehl et al., 2025, *The EU economy's dependency on nature*, [Link](#)

**Targeted action on nature protection and restoration is necessary to meet Belgium's nature restoration targets.** In 2022, 15% of land in Belgium was protected, much less than the EU average (26%). Belgium is in the process of updating its national biodiversity strategy to align its objectives with the EU and global 2030 targets. A revised draft of the national biodiversity strategy is available, with input received during the public consultations <sup>(191)</sup>. Adoption is envisaged in early 2025. However, between 2006 and 2012, the extent of soil areas providing flood control

<sup>(191)</sup>SPF Santé publique, Sécurité de la chaîne alimentaire et Environnement, 2024, *Consultation publique sur le projet de «la mise à jour de la stratégie nationale de la Belgique sur la biodiversité jusqu'en 2030»*, [Link](#).

ecosystem services decreased by 67% due to soil sealing <sup>(192)</sup>. The Commission's impact assessment shows that up to 2 925 km<sup>2</sup> of habitats listed in Annex I to the Habitats Directive need restoration, corresponding to up to 9.5% of land <sup>(193)</sup>. Belgium requires EUR 491 million of investment per year to effectively protect and restore its natural capital, mitigate the impacts of climate change, and protect the country's rich biodiversity. The investment measure I-1.22: 'Biodiversity and adaptation to climate change' of the Wallonia Region aims to fund the protection, restoration and sustainable use of biodiversity and ecosystem services, to improve the carbon storage capacity and resilience to climate change effects such as floods and droughts. It consists of two sub-measures: Forests & Remeandering (EUR 24.05 million) and Protected areas & National parks (EUR 50 million) <sup>(194)</sup>.

## Sustainable agriculture and land use

**Belgium's carbon removals fall short of the level of ambition needed to meet its 2030 target for land use, land-use change and forestry (LULUCF).** Belgium's LULUCF sector has been a net carbon sink since 1990, but the volume of carbon removals has been decreasing. To meet its 2030 LULUCF target, additional carbon removals of -0.3 million tonnes of CO<sub>2</sub> equivalent (CO<sub>2</sub>eq) are needed <sup>(195)</sup>. The latest available projections show a surplus over the target of 0.3 million tonnes of CO<sub>2</sub>eq for 2030 <sup>(196)</sup>. Therefore, Belgium is on track to meet this objective.

**Belgian agriculture is still a notable source of greenhouse gas emissions and continues to have a significant impact on air, water and soils.** In 2022, agriculture generated 9.1

<sup>(192)</sup>European Commission, European Environment Agency, 2021, *Accounting for ecosystems and their services in the European Union*.

<sup>(193)</sup>European Commission, 2022, *Impact assessment accompanying the proposal for a Regulation on nature restoration*.

<sup>(194)</sup>Next Gen Belgique, *Forêts et nature résilientes en Wallonie comme tampon contre le réchauffement climatique*, [Link](#).

<sup>(195)</sup>National LULUCF targets of the Member States in line with Regulation (EU) 2023/839.

<sup>(196)</sup>Climate Action Progress Report 2024, COM/2024/498.

million tonnes of CO<sub>2</sub>eq, accounting for around 8.4% of the country's total emissions. This includes 6.3 million tonnes of CO<sub>2</sub>eq from livestock. The utilised agricultural area (UAA) in Belgium has been relatively stable but on a slight downward trend in recent years, reaching 1.35 million hectares in 2023. However, Belgium's soils were significantly impacted by nutrient loss, mainly from mineral fertilisers and manure. This poses a significant environmental concern and a threat to human health. This is reflected in the country's nitrogen balance of 132 kg of nitrogen per hectare of UAA (last available estimate from 2015). According to data collected under the Nitrates Directive, 16% of groundwater monitoring stations in Belgium recorded average nitrate concentrations above 50 mg/l between 2016 and 2019, exceeding the healthy threshold for human consumption. Despite the downward trend, the livestock density index was 2.68 in 2020, the third highest and above the EU average of 0.75. Ammonia emissions also fell by 5% between 2016 and 2022. Between 2017-2022, pesticides were detected in 49% of surface water bodies at levels exceeding the thresholds.

**Belgium is transitioning to a more sustainable food system by implementing policies and allocating funds to reduce agriculture's environmental impact, but it faces challenges such as regional disparities in organic farming adoption.** In 2022, 5.6% of agricultural land had landscape features such as woods and non-productive grasslands, corresponding to the EU average of 5.64%. Organic farming, which reduces the use of synthetic fertilisers and pesticides, made up 7.6% of Belgium's agricultural land, a 69% increase since 2012. Wallonia performs well with 12.5% of all agricultural land used for organic farming, but in Flanders only 1.5% of all agricultural land is under organic farming. Further growth in organic farming is expected in Flanders (with the objective to almost quadruple the current area) and more moderately in Wallonia to reach 18%, contributing to less use of fertilisers and nutrient loss. Belgium aims to reach 30% of UAA under organic farming by 2030 in Wallonia and 5% in Flanders by 2027. This seems achievable, if the current growth trend in organic farming surface continues over the

coming years <sup>(197)</sup><sup>(198)</sup>. Belgium has two regional strategic plans to implement the common agricultural policy (CAP). The aims include environmental benefits and the protection of natural resources. Wallonia's CAP strategic plan allocates EUR 110 million (56% of rural development funding) to environmental and climate objectives and EUR 345 million (26% of direct payments). Flanders' CAP strategic plan allocates EUR 185 million (54% of rural development funding) to environmental and climate objectives and EUR 261 million (25% of direct payments). The plans support action to protect biodiversity, increase the share of organic farming, the use of soil cover, crop rotation and diversification, help to reduce nutrient loss, and to promote other sustainable agriculture practices.

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<sup>(197)</sup>Department of Agriculture and Fisheries, 2023, *Strategisch plan bio 2023-2027. Bio van boer tot bord: 5 x 5% Vlaamse ambities op maat*, [Link](#).

<sup>(198)</sup>Le site officiel de la Wallonie - Agriculture en Wallonie, 2021, *Plan de développement de la production biologique en Wallonie à l'horizon 2030*, [Link](#).

Table A9.1: Key indicators tracking progress on climate adaptation, resilience and environment

Climate adaptation and preparedness:								EU-27	
	Belgium							2018	2021
<b>Drought impact on ecosystems</b> <i>[area impacted by drought as % of total]</i>	2018	2019	2020	2021	2022	2023		2018	2021
	11.6	4.69	38.56	0.01	56.99	0		6.77	2.76
<b>Forest fires burned area</b> <sup>(1)</sup> <i>[ha, annual average 2006-2023]</i>	225	225	225	225	225	225			
<b>Economic losses from extreme events</b> <i>[EUR million at constant 2022 prices]</i>	212	288	536	11 159	840	99		24 142	62 981
<b>Insurance protection gap</b> <sup>(2)</sup> <i>[composite score between 0 and 4]</i>	-	-	-	-	1.00	1.00			
<b>Heat-related mortality</b> <sup>(3)</sup> <i>[number of deaths per 100 000 inhabitants in 2013-2022]</i>	25	25	25	25	25				
<b>Sub-national climate adaptation action</b> <i>[% of population covered by the EU Covenant of Mayors for Climate &amp; Energy]</i>	92	90	93	95	93	93		41	44

Water resilience:								EU-27	
	Belgium							2018	2021
<b>Water Exploitation Index Plus, WEI+</b> <sup>(4)</sup> <i>[total water consumption as % of renewable freshwater resources]</i>	2018	2019	2020	2021	2022	2023		2018	2021
	4.2	4.2	3.8	3.3	5.2	-		4.5	4.5
<b>Water consumption</b> <i>[million m<sup>3</sup>]</i>	1 019	990	976	988	1 291	-			
<b>Ecological/quantitative status of water bodies</b> <sup>(5)</sup> <i>[% of water bodies failing to achieve good status]</i>									
Surface water bodies	-	-	-	70%	-	-		-	59%
Groundwater bodies	-	-	-	12%	-	-		-	93%

Biodiversity and ecosystems:								EU-27	
	Belgium							2018	2021
<b>Conservation status of habitats</b> <sup>(6)</sup> <i>[% of habitats having a good conservation status]</i>	2018	2019	2020	2021	2022	2023		2018	2021
	4.3	-	-	-	-	-		14.7	-
<b>Common farmland bird index</b> <i>2000=100</i>	60.9	58.8	56.6	-	-	-		72.2	74.4
<b>Protected areas</b> <i>[% of terrestrial protected areas]</i>	-	-	-	15	15	-		-	26

Sustainable agriculture and land use:								EU-27	
	Belgium							2018	2021
<b>Bioeconomy's added value</b> <sup>(7)</sup> <i>[EUR million]</i>	2018	2019	2020	2021	2022	2023		2018	2021
	20 723	23 191	23 543	24 618				634 378	716 124
<b>Landscape features</b> <i>[% of agricultural land covered with landscape features]</i>	-	-	-	-	6	-			
<b>Food waste</b> <i>[kg per capita]</i>	-	-	-	-	-	-			
<b>Area under organic farming</b> <i>[% of total UAA]</i>	6.6	6.9	7.3	7.5	7.6			7.99	-
<b>Nitrogen balance</b> <i>[kg of nitrogen per ha of UAA]</i>	-	-	-	-	-	-			
<b>Nitrates in groundwater</b> <sup>(8)</sup> <i>[mgNO<sub>3</sub>/l]</i>	28.6	28.3	27.9	28.6	-	-			
<b>Net greenhouse gas removals from LULUCF</b> <sup>(9)</sup> <i>[Kt CO<sub>2</sub>-eq]</i>	-	555	-	400	-	374	-	270	-
								408	-
								- 256 077	- 240 984

(1) The data show the average for the timespan 2006-2023 based on EFFIS - European Forest Fire Information System.

(2) Scale: 0 (no protection gap) – 4 (very high gap). EIOPA, 2024, Dashboard on insurance protection gap for natural catastrophes.

(3) van Daalen, K. R. et al., 2024, The 2024 Europe report of the Lancet Countdown on health and climate change: unprecedented warming demands unprecedented action, The Lancet Public Health.

(4) This indicator measures total water consumption as a percentage of the renewable freshwater resources available for a given territory and period. Values above 20% are generally considered to be a sign of water scarcity, while values equal or greater than 40% indicate situations of severe water scarcity.

(5) European Commission, 2024, 7th Implementation Report from the Commission to the Council and the European Parliament on the implementation of the Water Framework Directive (2000/60/EC) and the Floods Directive (2007/60/EC) (Third River Basin Management Plans and Second Flood Risk Management Plans).

(6) For this indicator, the EU average includes figures for the UK under the previous configuration, EU-28.

(7) European Commission, 2023, EU Bioeconomy Monitoring System dashboards.

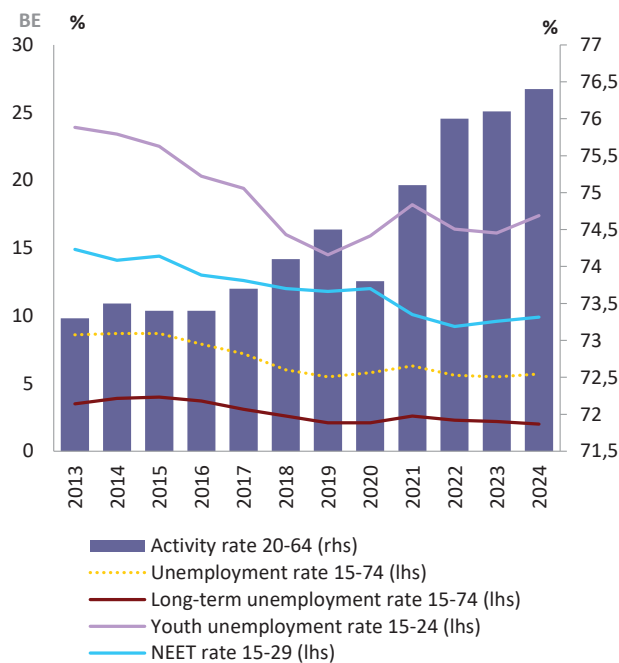
(8) Nitrates can persist in groundwater for a long time and accumulate at a high level through inputs from anthropogenic sources (mainly agriculture). The EU drinking water standard sets a limit of 50 mg NO<sub>3</sub>/L to avoid threats to human health.

(9) Net removals are expressed in negative figures, net emissions in positive figures. Reported data are from the 2024 greenhouse gas inventory submission. 2030 value of net greenhouse gas removals as in Regulation (EU) 2023/839 – Annex IIa.

**Source:** Eurostat, EEA.

**After a strong post-pandemic recovery, Belgium's labour market growth slowed down in 2024 in line with economic growth.** Despite most employment indicators reaching historical highs, Belgium's labour market dynamism in recent years has lagged behind the EU average, and significant efforts will be needed to reach its 2030 target of an 80% employment rate. It will be key to improving the labour market participation of under-represented groups, particularly by reducing disincentives to work, strengthening cross-regional cooperation in employment services and stepping up reskilling and upskilling opportunities. Such initiatives would also help address high skills mismatches and labour shortages that are constraining economic growth<sup>(199)</sup>. The newly-formed Federal coalition government announced in early 2025 several significant reforms of the labour taxation and unemployment benefits system which could have positive impacts on the labour market.

Graph A10.1: Key labour market indicators



Source: Eurostat, LFS (%)

**Belgium's employment has reached historic highs, but its growth has slowed in an environment where structural challenges exist.** Although the employment rate (for people

aged 20-64) has risen to a record level, it stalled at 72.3% in 2024, lagging behind the EU average (75.8%) in both level and growth over the past nine years (+5.1 percentage points (pps) vs +7.3 pps between 2015 and 2024) and below the country's 2030 target of 80%. The employment rate continues to be held back by a long-standing low participation level of the working-age population (aged 20-64) in the labour market, which was 76.4% in 2024, compared to the EU average of 80.4%, reflecting an increase of 3 pps over nine years vs 4.3 pps for the EU. The gender employment gap is narrower than in most other Member States (8 pps vs EU: 10 pps in 2024) but showed no improvement from 2023. Employment growth slowed down to 0.3% in 2024, mainly due to workforce reductions in the industrial and retail sectors. Looking ahead, despite announcements of or actual industrial closures, overall employment is projected to increase by 0.5% in 2025.

#### Unemployment and labour market slack remain at low levels.

In 2024, the unemployment rate stood at 5.7%, up from 5.5% in 2023, yet it remains close to the low levels seen in recent years and around the EU average (5.9% in 2024). Long-term unemployment is at a historical low of 2% in 2024, although with the EU outperforming Belgium for a second year in a row for the first time since 2009 (1.9%). The youth unemployment rate has risen again and is at 17.4% in 2024 (vs EU 14.9%). While the share of young people not in employment, education or training (NEET) dropped in 2021 and 2022, it slightly increased since then, to 9.9% in 2024, up 0.7 pps over two years. However, it is still below the EU average of 11%. Labour market slack was 11.2% in 2024, a slight increase from 10.8% in 2023, and only slightly below the EU average of 11.7%.

#### The labour market remains tight with high labour and skills shortages, despite some signs of easing.

Labour shortages continue to be among the highest in the EU, with a job vacancy rate of 4.1% in Q4-2024, compared to 2.3% in the EU, and increasing demand for labour in the green, digital and demographic transitions. At sectoral level, shortages are particularly high in administrative and support service activities, professional, scientific and technical activities, as well as the construction, energy and the ICT sectors. In all these sectors, job vacancy rates are

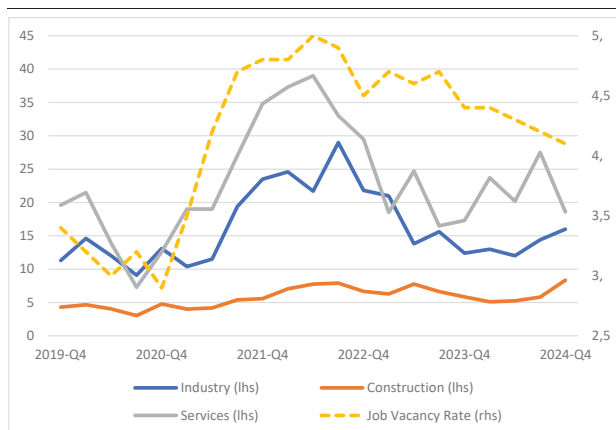


<sup>(199)</sup>National Bank of Belgium, Economic projections for Belgium, December 2024.



well above EU averages. According to CEDEFOP-EURES data <sup>(200)</sup>, in 2024 the most requested occupations included office associate professionals, metal and machinery workers, as well as accounting clerks, sales workers, office professionals, researchers and engineers <sup>(201)</sup>. Employers' perceptions in January 2025 that labour shortages were expected to limit their production were the highest in the service sector (17%) and the industry sector (14.7%), while being relatively low in construction (6.4%) <sup>(202)</sup>. There is also a high overqualification rate, underlining the scope for more matching of education courses with the labour market needs. Macroeconomic skills mismatch remained broadly unchanged in 2023 (25.9% vs 26% in 2022), though still among the highest in the EU (EU: 19.6% in 2023).

Graph A10.2: **Labour shortages and job vacancy rate**



Source: Eurostat; European Business and Consumer Survey

**While the green and digital transitions are key drivers of change, the country's competitiveness can be hampered by a lack of appropriate skills.** In the digital sector, Belgium counted 273 600 ICT specialists in 2023, accounting for 5.4% of employment (EU: 4.8%). However, the sector suffers from a shortage of women, with Belgium having one of the lowest graduation rates in ICT-related subjects for women in the EU. Women represented only 19.4% of ICT graduates in 2023, although this was an improvement from 18.7% in the previous year. The proportion of individuals with at least basic digital skills in 2023 was above the EU average – 59.4%

vs 55.6%. Given the country's gender gap and labour shortages, serious action would help Belgium to achieve its target of over 500 000 ICT specialists by 2030. On the green transition front, a positive development is seen in the average greenhouse gas emissions intensity per worker falling from 20.7 tonnes in 2011 to 14.8 in 2023 (27.8 to 22.1 for the EU). Despite this progress, employment in energy-intensive industries still represented 3.0% of total employment in 2023. By contrast, the environmental goods and services sector employed about 89.000 full-time equivalents in 2022. Shortages were reported in 2023 in the sectors most affected by and key to the green transformation, particularly in construction (5.9%) and the electricity, gas, steam and air conditioning supply sectors (5.1%), significantly hampering the prospects for the country to rapidly reap the benefits of investments in these future-oriented sectors.

**The tax and benefits system is complex and does not sufficiently incentivise employment, posing challenges for labour market participation.** The tax wedge on low-wage earners <sup>(203)</sup> is one the highest in the EU at 45.8% in 2024 (EU: 38.8%). The unemployment trap <sup>(204)</sup> for low-wage earners is also among the highest in the EU standing at 85.8% for single people (EU: 74.4%), significantly reducing the incentive to transition from unemployment to employment. The complexity of the tax and benefits system, particularly the emphasis on non-financial benefits, some of which are not means-tested but linked to status, complicates the assessment of the effects of employment over unemployment or inactivity (see also Annex 13 on Taxation). At federal level, the 'working bonus' system aiming at incentivising unemployed people to take up a job has been analysed by the Federal Plan Bureau <sup>(205)</sup> as having a positive impact for some categories of workers. The 2025 new federal government coalition agreement includes a broad tax reform

<sup>(203)</sup>The percentage of gross earnings which is taxed away through the combined effects of income taxes, social contributions and any withdrawal of benefits when gross earnings increase from 33% to 67% of average wage.

<sup>(204)</sup>The percentage of gross earnings which is taxed away through higher tax and social contributions and the withdrawal of unemployment and other benefits when an unemployed individual returns to employment.

<sup>(205)</sup>BFP, working paper 11-24, July 2024 [www.plan.be].

<sup>(200)</sup>EURES – Countries and occupations | CEDEFOP.

<sup>(201)</sup>From January to September 2024.

<sup>(202)</sup>Source: European Business and Consumer Surveys.



aiming at alleviating the labour tax burden and simplifying the unemployment benefits system.

### Well-targeted activation, integration and incentivisation could help to fully tap into the potential of disadvantaged groups.

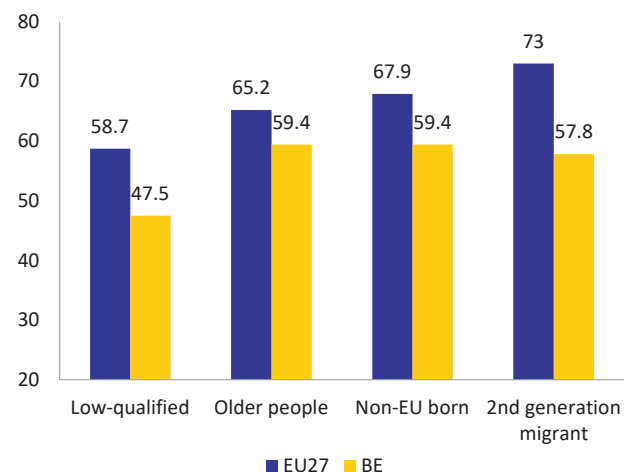
Activation and incentivising efforts can be paired with reskilling and upskilling opportunities, especially given the high level of unfilled job vacancies due to skills shortages and the low number of students graduating in the fields of science, technology, engineering and mathematics (STEM). The employment rate for people with lower-level qualifications is significantly below the EU average (47.5% vs 58.7% in 2024). Similarly, the employment rate for people born outside the EU lags behind (59.4% vs 67.9% in the EU in 2024), particularly for women, with only 50.2% employed compared to 58.8% in the EU in 2024. An OECD report<sup>(206)</sup> noted improvements in the Flemish integration framework for newcomers over the past decade, particularly in language training, upskilling and reskilling opportunities and civic integration. However, it highlighted further scope for improvement for long-standing immigrants and their children. The Flemish government has taken steps to strengthen its integration framework, especially for newcomers, and has facilitated the recognition of foreign diplomas. The federal government has increased penalties against illegal employment and economic exploitation. Second-generation immigrants (born in Belgium) face discrimination and difficulties in finding a job, with only 57.8% employed in 2024 if both parents were born abroad (EU: 73.0%), compared to 77.1% if both parents were born in Belgium (EU: 77.1%). This points to integration issues in the education system. A reinforcement of the federal legal framework against discrimination at work was adopted in June 2024, offering broader protection to victims. However, in 2023 the federal agency against discrimination (Unia) called for an inter-federal plan to consolidate efforts in this area.

### The labour force is ageing, but a positive migration balance helps to offset this trend.

In 2023, population movements resulted in a net gain of around 66 000 people, with 128 000 departures and 195 000 arrivals<sup>(207)</sup>. This

migration gain compensated for the negative natural balance, leading to a population increase of around 66 000 people, or 0.57%. Belgium's population, like those in most of Europe, is ageing, with no growth in the working-age population (20-64) expected from 2024 onwards. The old-age dependency ratio is projected to rise from 34.9% in 2024 to 39% by 2030 and 43.5% by 2040. Immigration acts as a counterbalance to the natural population ageing by bringing in much younger cohorts. To improve economic migration policies, amendments were made in 2023 to the single permit procedures, particularly for bottleneck professions. The Flemish Region has also improved the way it provides information to foreigners seeking to move to Belgium for work.

Graph A10.3: **Employment rate of specific groups**



Source: Eurostat, LFS (%), 2024)

### Keeping older workers in employment for longer poses significant challenges.

In 2024, only 59.4% of people aged 55-64 were employed, below the EU average (65.2%). Although employment for this age group has increased by 16.1 pps between 2013 and 2023, about the same as the EU's increase of 16 pps, recent growth has been modest, with a 1.6 pps rise between 2023 and 2024. The legal pension age is set to increase from 65 to 66 in 2025 and 67 in 2030, which should positively impact the employment rate<sup>(208)</sup>. However, additional efforts would help keep older workers in employment. Various measures and incentives are already in place, and a federal action plan was adopted in

<sup>(206)</sup>OECD, Skills and Labour Market integration of Immigrants and their Children in Flanders, June 2023.

<sup>(207)</sup>According to national statistics (Statbel).

<sup>(208)</sup>National Bank of Belgium, Economic projections for Belgium, December 2024.

2023, following discussions with the social partners, to improve the working conditions of older people.

**There are still significant gaps to address regarding the labour market situation of persons with disabilities, and the number of people taking long-term sick leave is worryingly high.**

In 2023, the number of workers on long-term sick leave exceeded half a million, prompting recent actions to help reintegration, such as the framework agreements between the federal authority and the regions to implement the 'Back-To-Work' plan, with the specific effects yet to be analysed. For persons with disabilities, the employment gap compared to those without disabilities is still one of the highest among Member States (33.5 pps in 2024 vs 24.0 pps in the EU). Belgium set the target to reduce the disability employment gap to 24.5 pps by 2030. The NEET rate for young persons with disabilities also remains high at 27.2% in 2022 <sup>(209)</sup>. Public services were identified as a key area for action in 2024, but they remain far from their target of 3% employment for persons with disabilities, achieving only 1.44% in 2023 <sup>(210)</sup>. About 62% of persons with disabilities were active in Belgium in 2023 in spite of majority of them wanting to work <sup>(211)</sup>. Measures taken to improve the employment of persons with disabilities include reforms and clarifications to the system of combining work and benefits. Recent initiatives also involve a reform of employment financial aid of the Brussels Capital Region's public employment service, with funding from the European Social Fund Plus (ESF+) and the Recovery and Resilience Facility (RRF), to support the costs of equipment adaptations and to incentivise the recruitment of jobseekers with disabilities to employers and increase sustainable labour market integration. Following the final report of the federal action plan for disabilities 2021-2024, a new law was adopted in 2024, mandating every new government to draft an action plan on the issue.

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<sup>(209)</sup>European comparative data on persons with disabilities, 2022, European Disability Expertise.

<sup>(210)</sup>SPF Sécurité Sociale, Final report of the federal action plan for disabilities 2021-2024.

<sup>(211)</sup>King Baudouin Foundation (2024), Survey on the employment of people with disabilities in Belgium.

**Stark regional differences underline the need to improve cross-regional mobility.**

Unemployment rates in the Brussels Capital Region and the Walloon region were significantly higher in 2024, at 11.8% and 7.4%, respectively, than in Flanders, at 3.8%, making the regional disparity one of the highest in the EU. On the other hand, the job vacancy rate in Flanders is higher, with 4.6% in Q4-2024, than in Wallonia and the Brussels Capital Region (3.5% and 3.4%), although all are still higher than the EU average (2.3%). Limited cross-regional mobility weighs on labour market dynamism and hinders the country's competitiveness. Recent initiatives by the Flemish and Brussels public employment services, such as 'Employing Foreign-language Talents' and 'Activa.Brussels', aim to address these issues, as does the existing cooperation agreement between the Flemish and Brussels PES that strives for more mobility of jobseekers between the regions. However, there remains substantial room for improvement <sup>(212)</sup>, in particular by increasing language learning, cooperation between regional public employment services and by considering mobility offers and early childhood care <sup>(213)</sup>.

**Belgium's robust wage growth in recent years moderated significantly in 2024.**

Nominal wage growth is projected to be 2.9% in 2025, remaining stable to the level of 2024, following substantial increases of 7.5% in 2022 and 8.0% in 2023. These wage developments align with EU averages, though wage growth was noticeably higher than the EU averages in 2022 and 2023 (partly due to automatic indexation), before falling below the EU average in 2024. The projected growth for 2025 is also among the lowest rates across Member States <sup>(214)</sup>. Real wages contracted the most in the EU in 2024, by 1.6%, and are forecast to increase the least in 2025, by 0.1%. This follows a strong rebound in 2023 (5.8%), after relatively moderate losses in 2022 (2.3%, compared to 3.7% for the EU) in a context of high inflation. The recent deceleration in

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<sup>(212)</sup>SPF Emploi, Etat des lieux de la mobilité professionnelle en Belgique, 2022; Carpentier, M. et al., (2023), Interregionale tewerkstellingszones op basis van een vraag- en aanbodanalyse: [link](#).

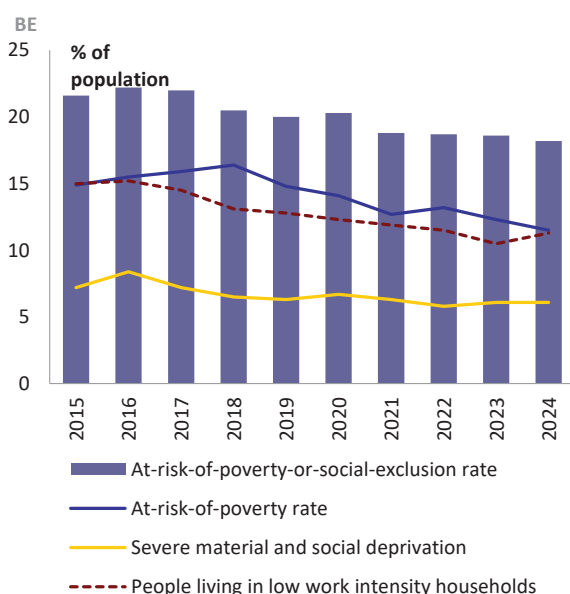
<sup>(213)</sup>See: National Bank of Belgium, Economic Flows Between Regions in Belgium, 2019; Carpentier et al. (2023); OECDE (2023) Unleashing Talent in Brussels, Belgium: [link](#).

<sup>(214)</sup>Based on the European Commission Autumn 2024 economic forecast.

real wages is driven by slowing nominal wages and persisting inflation that has increased again (from 2.3% in 2023 to 4.4% in 2024). In turn, the statutory minimum wage increased by nearly 25% between January 2022 and July 2024, an increase of around 12% in real terms.

**Belgium's overall good social policy outcomes hide uneven opportunities between groups based on socio-economic, migrant and parental backgrounds.** Vulnerable groups are more prone to poverty and social exclusion risks and the regional differences are quite pronounced. The social protection and related benefits are effective but face increasing challenges linked to persistent gaps in coverage. Promoting active and healthy ageing, prolonging working lives, and supporting inclusive growth and competitiveness will help ensure the adequacy and fiscal sustainability of pensions and long-term care, while supporting inclusive growth and competitiveness.

Graph A11.1: **Populations at risk of poverty or social exclusion**



**Source:** Eurostat, EU-SILC [ilc\_peps01n, ilc\_li02, ilc\_mdsl1, ilc\_lvgl11n]

**Poverty and social exclusion risks in Belgium are relatively low and improving, but considerable regional differences persist.** The rate of persons at risk of poverty or social exclusion (AROPE) has been decreasing since 2020, reaching 18.2% in 2024, 2.8 percentage points (pps) below the EU average of 21.0%. Similarly, the share of people under the at-risk-of-poverty (AROP) threshold was low overall (11.5% vs 16.2% for the EU) and has been in decline since 2020. Poverty and social exclusion risks and trends are strikingly different across regions, linked to labour market outcomes. In Flanders, despite the lowest national level (12.8% in 2024) a third consecutive increase is observed in 2024 reaching above the 2021 level, whereas in

Wallonia (21.8%) the risk of poverty or social exclusion continues to decline since 2020, as in the Brussels Capital Region where the level decreased for the third year in a row to 37.2% in 2024 but still remains above the 2020 level of 36.4%. The overall number of people at risk of poverty or social exclusion declined steadily from 2.47 million in 2016 to 2.14 million in 2021 but stagnated until 2023 followed by a drop to 2.12 million in 2024. It will take sustained action for Belgium to reach its national 2030 target of 279 000 fewer people at risk of poverty or social exclusion (from 2.26 million in 2019). In 2023, the number of children at risk of poverty or social exclusion decreased to 460 000, thereby already meeting the national 2030 target. In order to mitigate the impact of poverty on children, Belgium is implementing the European Child Guarantee (ECG) as part of its 2022 action plan. The 2024 implementation report focuses on measures which had already been in place before the creation of ECG and highlights the challenge in service delivery due to institutional complexity.

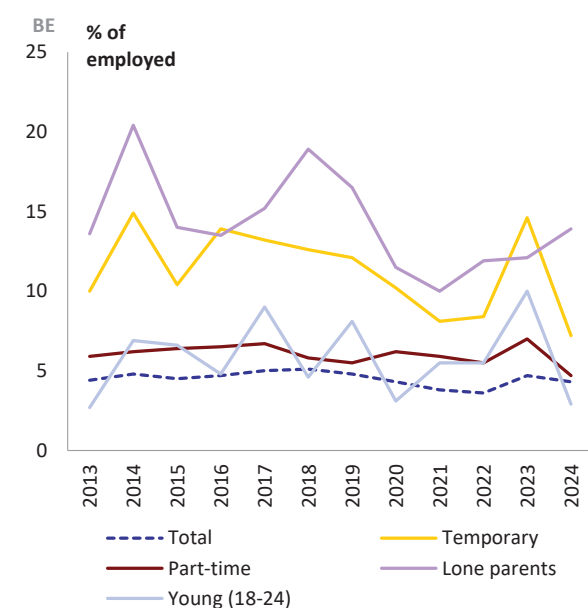
**Particular challenges are associated with low work intensity, especially in single-parent households.** The number of people (under 65 years old) living in households with very low work intensity<sup>(215)</sup> rose by 0.8 pps since 2023 to reach 11.3% in 2024, becoming the highest in Europe (EU: 7.9%). In Flanders 6.9% of people under 64 years old live in a household with very low work intensity, compared to 15.8% in Wallonia and 20.3% in the Brussels Capital Region. Single parents are also more at risk with 23.7% of people living in a household composed of a single parent with dependent children affected by very low work intensity (EU: 22.3%). Single-parent households are also much more likely to find themselves in in-work poverty (13.9% in 2024) than households with two parents (3.5%). This underlines the need for well-designed family-oriented social policies. The share of non-EU-born adults (18 to 64 years old) living in such households is also one of the highest in Europe (22.2% vs 13.6% for the EU), which points to the need for targeted active inclusion policies, including active job market policies (see Annex 8).

<sup>(215)</sup>People from 0-64 years living in households where the adults (excluding students aged 18-24 and people who are retired) had a working time equal to or less than 20% of their total combined work-time potential during the previous year.



**People in a more vulnerable situation on the labour market, such as those with a migrant background or those with disabilities, experience higher poverty and social exclusion risks.** For non-EU-born people, the AROPE rate in 2024 was 26.2 pps higher than the risk for those born in Belgium (40.5% vs 14.3%). There is also a significant gap of 11.8 pps between the rate of in-work poverty among workers from non-EU countries and those born in Belgium (14.6% vs 2.8% in 2024). Concerning persons with disabilities, despite a continuous, albeit small, decline since 2020, 30.0% of persons with disabilities were at risk of poverty or social exclusion (EU 28.8%) in 2024. This is linked to lower employment and a high disability employment gap in Belgium (see Annex 10). The AROPE gap for the population aged 16-64 was 27 pps (2022). At 6.8%, their in-work AROPE rate is below the EU average of 9.7% but has been increasing in recent years. Workers with temporary contracts have seen their in-work poverty rate drop by 7.4 pps. The European Social Fund Plus (ESF+) is allocating EUR 836 million for measures that aim to improve access to the job market, especially for the long-term unemployed, young and older people, those with a low level of education, persons with disabilities and inactive persons.

Graph A11.2: In-work poverty in Belgium according to socio-economic characteristics



Source: Eurostat, EU-SILC [ilc\_iw01, ilc\_iw05, ilc\_iw07, ilc\_iw02]

**While social benefits provide effective protection, not all labour statuses are**

**equally served.** In 2023, an estimated 28.4% of GDP was spent on social benefits, above the EU average of 26.8%, and one of the highest rates in the EU. Access to social benefits is not equal for all. For the self-employed, unemployment benefits are limited to those who were previously employed or only available as a lump-sum for a specific category of self-employed persons. Benefits for accidents at work and occupational diseases are also subject to some restrictions. The most recent data showed that 795 300 self-employed persons were not formally covered either for unemployment benefits or for accidents at work and occupational diseases benefits, even though some of them did benefit from coverage through other schemes<sup>(216)</sup>. In 2024, part-time workers had double the AROPE rate after social benefits compared to full-time workers (4.7% vs 3.6%) and temporary workers had an AROPE rate higher than permanent workers (7.2% vs 2.2%). The unemployed had an AROPE rate of 43%, lower than the EU average of 48.7%, and this was also the case for inactive persons (other than the retired) whose AROPE rate was below the EU average (22.7% against 31.1%).

**Adequate pensions are crucial for mitigating the risks of poverty and inequality in old age.**

In 2024, 14.4% of over 65-year-olds were at risk of poverty or social exclusion (EU: 19.4%), fluctuating between 17% and 21.3% over the previous four years. In 2024, 12.2% of over 65-year-olds were at risk of poverty against 15.8% in 2023. Between 2021 and 2024 the pension system was reformed with particular focus on minimum pensions. The aggregate replacement ratio for pensions (excluding other social benefits) of 0.48 remains below the EU average of 0.61 and demonstrates the significant income drop among those over 65 years old. Pensioners on average have an active working life of 40 years followed by 22.4 years of retirement (2022), positioning Belgium's ratio of working life to retired life among the lowest in the EU (2024 Pension Adequacy Report). In 2024 the gender pension gap among people over 65 years old increased from 27.7% to 31.3% after showing an annual decrease between 2020 and 2022. In 2021 and 2022 the gap remained under the EU average whereas in 2023 and 2024 it surpassed the EU average of respectively 25.4% and 24.7%. Future pension reforms focusing, among other things, on longer

<sup>(216)</sup>National statistics, end 2022.

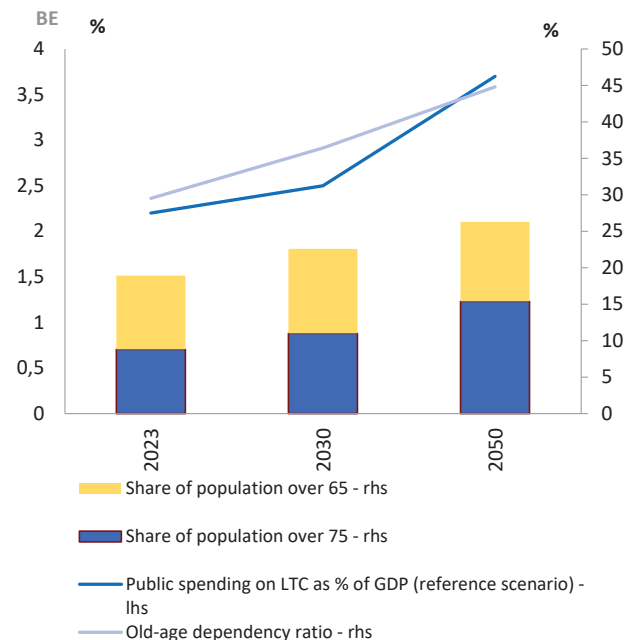


working lives in order to be eligible for a full pension might further increase this gap. As part of the recovery and resilience plan, the recent pension reform aims to encourage a longer working life while also guaranteeing an adequate minimum pension.

**Population ageing is expected to put the long-term care system under strain.** In 2022 2.3% of GDP was spent on long-term care (EU: 1.7%) and it is projected to increase by 0.2 pps by 2030 and by 1.8 pps by 2070 to a total of 4.1% of GDP (EU: 2.7%). This means that Belgium would be among the Member States projected to spend the highest proportion of their GDP on long-term care. According to the most recent data, close to 30% of people aged 65 or over suffered some form of severe difficulty in personal care activities or household activities. Given the demographic ageing, the proportion of the population experiencing this kind of difficulty is expected to increase. In 2023, those aged 65 or over accounted for 19.8% of the population and this is expected to rise to 22.6% by 2030 before reaching 26.3% by 2050, while the share of the population aged 75 or over, much more likely to be in need of long-term care, will increase from 8.8% in 2023 to 11% by 2030 and then 15.3% by 2050<sup>(217)</sup>. In 2022, 460 000 people over 65 years old were considered as dependent, of which 118 000 receive institutional care, 349 000 home care and 194 000 cash benefits. The impact of population ageing on the long-term care system (financial and fiscal sustainability, staff shortages, medical overconsumption) will be considerable, notably in terms of ensuring the right to affordable, good-quality long-term care services<sup>(218)</sup>, in particular home care and community-based services. In recent years, Belgium increased the provision of, and raised awareness about, home care, with concrete results yet to be assessed. The forecasting and planning mechanisms envisaged by Belgium and its federated entities were still in their early stages in 2024 and would need to be appropriately implemented through impactful actions, notably in terms of the cost-effectiveness of certain long-term care options such as institutional care. It will be essential to continue

improving and strengthening collaboration between the different levels of government and authorities responsible for long-term care.

Graph A11.3: Impact of population ageing on long-term care (LTC)



Source: Belgium, 2024 country report on LTC

**Housing market dynamics have remained contained in the context of high interest rates.** House prices have increased by 36% in nominal terms since 2015. They are estimated to be slightly overvalued, by 10-15%. House price growth was moderate and below inflation in 2023, at 2.3% (after 6.7% and 5.5% in 2021 and 2022, respectively). House prices continued to be muted in 2024, growing by 3.6% in Q3-2024, year-on-year. The housing market has also adjusted to the higher level of interest rates since mid-2022, with a significantly lower number of transactions and the number of building permits decreasing by 12.1% in 2022 and 7.2% 2023. In terms of financial stability, in February 2024 the European Systemic Risk Board concluded that the residential housing market in Belgium was subject to medium risks and the macroprudential policy mix was partially appropriate and partially sufficient to mitigate the situation<sup>(219)</sup>.

<sup>(217)</sup>Belgium, Long-term care report 2024.

<sup>(218)</sup>Council Recommendation of 8 December 2022 on access to affordable high-quality long-term care; SPF Sécurité Sociale (2024): Belgian Report 2024 on the Council Recommendation.

<sup>(219)</sup>ESRB (2024): *Follow-up report on vulnerabilities in the residential real estate sectors of the EEA countries*, February 2024.



**Overall, housing affordability has not deteriorated visibly in recent years.** House prices have been increasing broadly in line with household income for several years and the house price-to-income ratio has been stable over the last decade, slightly above the long-term average. The price-to-income in levels attains values comparable to the ones observed in many other EU countries. Taking into account the cost of mortgage funding, the borrowing capacity of households remained largely stable over the last ten years. While the rental market is rather small, the ratio of new rents to incomes decreased over the last decade, both in the city centres and outside of them.

**Housing cost overburden remains relatively low, despite gradual increases over the last decade and long waiting time to access to social housing.** Although the overall housing cost overburden remains below the EU average (6.8% vs 8.2%), 33.2% of those living below the poverty line are confronted with housing cost overburden (EU: 31.1%). Furthermore, individuals over 16 years of age with disabilities suffer an above EU average housing cost overburden (12.0% vs 10.4%). The severe housing deprivation rate (1.7%) is well below the EU average of 4.0% and back at the 2016 level. In 2024, 18.1% of people with lower income were at risk of living in overcrowded housing whereas those with an income above 60% of equivalised income showed an overcrowding rate of 5.1% (both well below the respective EU averages of 28.8% and 14.6%). At the same time, in all regions affordable public housing is scarce, with very long waiting lists. Finally, an estimated 45 860 people are homeless in Belgium, of which 29.4% live temporarily with family or friends and 27.4% are in accommodation for the homeless. The remainder live in non-conventional accommodation (e.g. in camps or squats), in institutions due to a lack of housing (penal or medical institutions), or they live rough or in emergency accommodation.

**Energy poverty remains relatively low overall, but with stark regional differences.** In 2022, 13.5% of Belgian households were estimated to experience energy poverty, with rates reaching 21% in Wallonia. Vulnerable groups include single-parent families, elderly single-person households, tenants – especially social-housing tenants – and households with unemployed individuals. The inability to keep homes sufficiently warm affected 4.9% of the

population in 2024, the lowest level in three years but still 1.4 pps above the 2021 level though well below the EU average (9.2%). Arrears on utility bills increased to 4.0% in 2024, an increase of 1.1 pp. compared to 2021. The proportion of the population living in dwellings with leaks, damp or rot decreased from 15.5% in 2017 to 14.5% in 2020. Belgium implemented at the height of the crisis a range of measures to combat energy poverty at federal, regional and local level. These included a federal social tariff for gas and electricity, regional winter disconnection prevention programmes, and local initiatives such as Ghent's Energy Performance Criteria. Measures adopted during the energy crisis further supported vulnerable households at the time, such as the extension of social tariffs and universal energy bonuses (not targeted). However, the lack of a national definition of energy poverty and a unified federal strategy remains a challenge.

**Vulnerable income groups face higher transport poverty risks in the green transition.** The proportion of people who could not afford a car was 6.1% in 2024, slightly above the EU average of 5.6%. However, the share of people at risk of poverty who cannot afford a car was substantially higher, standing at 23.4% in 2024, compared to 15.9% for the EU overall. This suggests that, in general, people do not face significant challenges in affording a car but that it is a significant problem among vulnerable income groups. Moreover, people's reliance on private cars for inland transport has increased over time (79.5% in 2011 compared to 82.5% in 2022) whereas the use of trains, motor coaches and trolleybuses has decreased. The increasing reliance on private cars, coupled with a decline in public transport use, underscores the growing need for public transportation to meet the needs of the population more effectively. This is especially important given that, in 2024, the majority of people lived in towns and suburbs (55.5%) and only 14.7% lived in rural areas.

**Belgium's education and training systems struggle to keep up with growing demands for highly qualified professionals, especially in science, technology, engineering and mathematics (STEM) and in view of the growing green and digital transition needs.**

Young people's basic skills are declining at an alarming rate, which is damaging the country's competitiveness. Despite targeted action to tackle the issue, the share of students and graduates in STEM fields remains low, and women are under-represented. Teacher shortages remain critical. Adult learning, particularly among low-educated people, is also insufficient to meet the increasing needs of companies involved in the green and digital transitions.

**High participation in early childhood education care (ECEC) has set a strong foundation for skills development, and the Communities have taken measures to improve its affordability.**

In 2022, 98.4% of children aged three to the start of compulsory education attended ECEC, exceeding the EU average of 93.3%. In 2023, Belgium reached its national Barcelona target (53.9%), with a participation rate in formal childcare of 56.3% among children under three. However, a gap remains between the attendance of children at risk of poverty and social inclusion (AROPE) and non-AROPE children (42.5% vs 58.6%). Both the Flemish and French Community governments have mobilised additional funding to improve the affordability of ECEC for vulnerable families<sup>(220)</sup>. However, the shortage of childcare workers and their working conditions still present challenges, especially in Flanders and the Brussels Region<sup>(221)</sup>, which may affect the quality of care provided.

**A rapid decline in young people's basic skills has serious implications for competitiveness.**

Large-scale international studies indicate a general decline in basic skills among young people. According to the 2022 OECD Programme for International Student Assessment (PISA), the share of underachievers in mathematics (25%<sup>(222)</sup>),

science (22.4%) and reading (25.3%) has increased in both the Flemish and the French Communities compared to 2018<sup>(223)</sup>. Average results in Flanders have dropped more sharply. Worryingly, the share of top performers in mathematics – which has long been one of the highest in the EU – has also declined rapidly in the past 10 years (from 19.5% to 11.5%). The deterioration of student performance among younger pupils (fourth graders) is evidenced by the 2023 Trends in Mathematics and Science Study (TIMSS). In mathematics and science, the average scores of pupils in Flanders are around the average of participating EU countries, but the French Community ranks among the weakest performers.

**Gender differences in mathematics and science manifest at an early age.**

Boys outperform girls in mathematics and science by a significant margin in both Communities (TIMSS 2023). Girls show less confidence in these subjects, which is correlated with performance<sup>(224)</sup>. There are also clear gender differences related to future career aspirations among top performers: for example, in the French Community, top-performing 15-year-old girls in science or mathematics are almost half as likely as their male peers to work as science or engineering professionals (PISA 2018). However, they are more motivated to work as healthcare professionals<sup>(225)</sup>.

**Inequalities in education remain significant and are key determinants of skills gaps later in life.**

Although the number of young people leaving school without completing upper secondary education remains below the EU average (7% in 2024 vs EU 9.3%)<sup>(226)</sup>, the school systems are characterised by persisting inequalities. Socio-economic status and migrant background are still major predictors of educational outcome and employment prospects. One of the fundamental drivers of inequalities is tracking students by performance, which is highly correlated with socio-economic status. This leads

<sup>(223)</sup>BEfr 27.1%, BEnl 23.9%, BEde 24.8%, EU: 24.2%.

<sup>(224)</sup>Dupont et al., 2024, TIMSS 2023, Note de synthèse.

<sup>(225)</sup>OECD PISA 2018, Expectation to work as science and engineering professionals among top performers in science or mathematics, by gender.

<sup>(226)</sup>Brussels-Capital Region: 9.8%, Flanders: 5.8%, Wallonia: 8.1%

<sup>(220)</sup>Education and Training Monitor 2024.

<sup>(221)</sup>Pirard, F., B. Peleman, N. Sharmahd, K. van Laere, C. Reinertz, and J. Backes. 2024. 'Belgium – ECEC Workforce Profile.' In early childhood workforce profiles across Europe. 33 country reports with key contextual data.

<sup>(222)</sup>BEfr: 28.3%, BEnl: 22.4%, BEde: 22.9%, EU: 29.55%.

to academic selection that limits the potential of young people and hinders social mobility. The impact of school choice is so high that disadvantaged students in advantaged schools outperform advantaged students in disadvantaged schools <sup>(227)</sup>. Therefore, it is crucial to incentivise schools to diversify their student body and to help students succeed at the same time. Structural barriers include early tracking (in the Flemish and German-speaking Communities) and grade retention policies (in the French Community), coupled with a gradual transfer of lower performing students to vocational tracks, which exacerbates inequalities between academic and vocational tracks <sup>(228)</sup>.

**The share of students that report repeating at least one grade in their educational career is the highest in the EU:** 26.5% of Belgian pupils in all schools <sup>(229)</sup> and 52% in disadvantaged schools in the French and German-speaking Communities. The rate is especially high in the French Community, where the share of students who have repeated at least one year of their studies is as high as 50% by the last two years of secondary education <sup>(230)</sup>. Research shows that grade repetition is costly, ineffective and may increase the risk of early school leaving <sup>(231)</sup>. Recently adopted measures with the support of the Recovery and Resilience Facility (RRF) include personalised pupil guidance and a closer follow-up of school absenteeism, which allow for better prevention and monitoring. However, more efforts could be needed to address the underlying causes, including grade retention policies, which are gradually revised with the introduction of the common core curriculum, and teacher assessment practices.

**Improving digital skills is crucial for Belgium's competitiveness, particularly in light of the digital transition.** Belgium has set a target of 500 000 ICT specialists in employment

by 2030, which would require an increase of at least 220 000 from current levels. The shortage of ICT specialists is still among the highest in the EU, with a job vacancy rate of 5.4% in 2024 (EU: 2.9%). In 2023, 42% of SMEs reported that skills shortages hindered their ability to adopt or use digital technologies (EU: 45%) <sup>(232)</sup>. To improve digital literacy more broadly, Belgium aims for over 70.4% of adults (16-74) to possess at least basic digital skills by 2030. Between 2021 and 2023, this share grew by more than 5 percentage points (pps) from 54.2% to 59.4%. However, the share of 16-19-year-olds with at least basic digital skills declined by 9.2 pps over the same period from 66% to 56.8% (EU: 66.5%), threatening the pool of young people ready to take on ICT jobs in the future. Despite Flemish eighth graders being among the top performers in the EU in the 2023 International Computer and Information Literacy Study (ICILS) study, 36% failed to reach the baseline proficiency level (EU: 43%). Girls outperform boys in digital literacy, and significant differences are observed between students based on parental education <sup>(233)</sup>. Qualified teachers are essential for digital skills development. A comprehensive study of digital education in Flanders <sup>(234)</sup> shows progress in the ICT use and ICT competences of pupils and teachers, but also points to the need for the further professionalisation of teachers.

**The shortage of teachers may impact student success, including in STEM and technical fields.** Evidence shows a correlation between the number of unfilled substitute positions in schools and student performance <sup>(235)</sup>. However, across Belgium, finding qualified substitutes for absent teachers during the school year is a challenge. In Flanders, vacancies published by the Employment Agency reached a record high in 2024. Secondary school teachers of French, mathematics and

<sup>(227)</sup>OECD, 2022, OECD Economic Surveys Belgium.

<sup>(228)</sup>Ibid.

<sup>(229)</sup>BEfr: 33.2%, BEnl: 21.5%, BEde: 23.1%.

<sup>(230)</sup>Fédération Wallonie-Bruxelles, Les indicateurs de l'enseignement 2023.

<sup>(231)</sup>Galand, B., Lafontaine, D., Baye, A., Dachet, D., & Monseur, C. (2019). Le redoublement est inefficace, socialement injuste, et favorise le décrochage scolaire. *Cahiers des Sciences de l'Education*, (38).

<sup>(232)</sup>Eurobarometer 529.

<sup>(233)</sup>European Commission: Directorate-General for Education, Youth, Sport and Culture, *International Computer and Information Literacy Study (ICILS) in Europe, 2023 – Main findings and educational policy implications*, Publications Office of the European Union, 2024.

<sup>(234)</sup>(2024). MICTIVO-4. Monitor voor ICT-integratie in het Vlaamse onderwijs 2023. Eindrapport van overheidsopdracht: Meting ICT-integratie in het Vlaamse onderwijs (MICTIVO). Profacts.

<sup>(235)</sup>Gambi, L. & De Witte, K. (2023). The uphill battle: The amplifying effects of negative trends in test scores, COVID-19 school closures and teacher shortages.

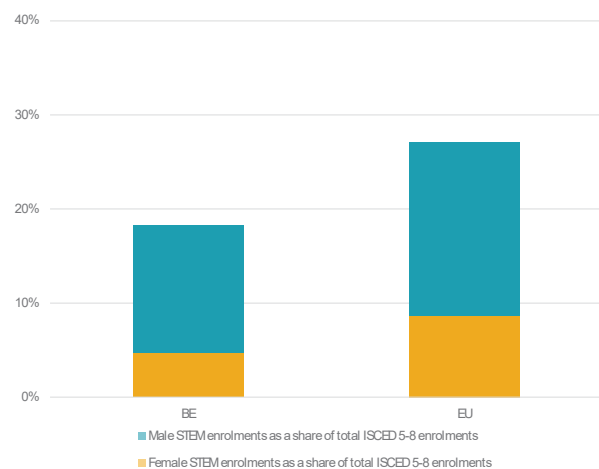
technical subjects remain classified as bottleneck occupations<sup>(236)</sup>. In the French Community, the share of non-qualified teachers decreased in philosophy and citizenship, mathematics, science and languages between 2022 and 2023, but it is still difficult to recruit qualified teachers in technical subjects<sup>(237)</sup>. The reform of initial teacher training has yet to have an effect.

**Vocational education and training (VET) is well developed, and recent graduates are easily employed although with a high level of socio-economic segregation.** 80% of people aged 20 to 34 with a vocational medium-level education were employed in 2024, compared to 72.8% for those with a general medium-level education, indicating that choosing vocational education can pay off. Work exposure during VET is nevertheless less prevalent than in the EU on average (48.8% vs 65.3% in 2024), even though such exposure helps ensure students' adaptability to future employment. 57.3% of students in medium-level education are enrolled in a VET programme (EU: 52.4% in 2024). However, students from socio-economically disadvantaged backgrounds are three times more likely than their more advantaged peers to enrol in those programmes, which is significantly higher than other EU countries (PISA 2022). In 2023, 27.7% of medium-level VET students were enrolled in STEM subjects, below the 36.3% EU average. Both the Flemish and French Communities are implementing VET plans. Flanders has invested in better connecting educational institutions with the needs of the labour market. This includes an increased use of extended reality techniques, and promotion of work-based learning, with premiums for long-term jobseekers who train for a bottleneck occupation. The French Community has strengthened dual learning opportunities, particularly through grant-associated bonuses. Despite dedicated efforts, the evaluation of the Flemish STEM agenda showed little progress in increasing participation in STEM subjects in VET.

**Higher education reforms target better student guidance.** The share of young people

between 25 and 34 holding a tertiary degree is consistently high (50.7% in 2024 vs EU 44.2%), but study completion rates lag behind other EU countries<sup>(238)</sup>. Measures, such as the Landscape Decree in the French Community and the Higher Education Advancement Fund in the Flemish Community, aim to increase study success rates and provide better orientation for students. However, their effectiveness needs to be further evaluated to reduce drop-out rates and study delays.

Graph A12.1: **Share of students enrolled in STEM programmes as a share of total tertiary students (ISCED 5-8), by sex, 2022 (%)**



Source: Eurostat: educ\_uoe\_enrt03.

**Despite targeted policies, the low share of STEM graduates hampers efforts to tackle labour shortages in these fields.** Increasing the share of high-skilled STEM specialists in the workforce would lead to a significant productivity gain of about 20% for a typical firm, far outpacing the benefits of hiring more low-skilled STEM workers or high-skilled non-STEM workers<sup>(239)</sup>. In 2022, the share of students enrolled in STEM programmes compared to the total number of students enrolled at tertiary level was the third lowest in the EU (18.3% vs 27.1%). The share of students enrolled in ICT was also below the EU average (4.1% vs 5.2%). Critically, the share of women among all ICT students is the lowest in the EU, at 13.2% (EU: 20.2%). Given the generally high tertiary attainment rate and above-average

<sup>(236)</sup>Commissie van Wijzen, 2024. PRIORITY FOR PROFESSIONALISM Contemporary personnel policy with competent teachers, powerful schools and strong school boards.

<sup>(237)</sup>Fédération Wallonie-Bruxelles, Les indicateurs de l'enseignement 2023.

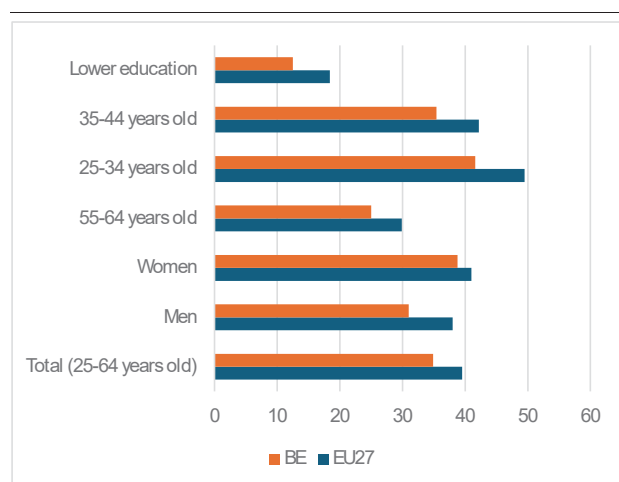
<sup>(238)</sup>Education and Training Monitor, 2024.

<sup>(239)</sup>Bijnens, G., and Dhyne, E., 'The return on human (STEM) capital in Belgium', OECD Productivity Working Papers, 2021-26, OECD Publishing, Paris.



proportion of top performers in mathematics (PISA 2022), the underlying reasons could be linked to student motivation and career orientation. In Wallonia, the reasons why young people are deterred from choosing STEM study programmes and careers are linked to: (i) low self-confidence in scientific subjects; (ii) a preference for professions not requiring high study investment; and (iii) the perception of the working conditions in these professions<sup>(240)</sup>. The STEM agenda in Flanders sets targets to increase the number of students in STEM subjects in secondary education and STEM study efficiency in higher education. STEM academies (providing after-school extracurricular activities) show some positive impact so far on girls' intentions to pursue further studies and careers in STEM<sup>(241)</sup>. Policy responses have been slower in the French Community: only plans of a strategy have been announced.

Graph A12.2: **Adult participation in learning over the last 12 months**



Source: AES 2022 (excluding guided-on-the-job training)

**Strengthening lifelong learning, especially among low-skilled people, is key to maintaining Belgium's competitiveness.** High ICT and STEM shortages hinder economic performance as the educational system alone does not fully address labour market needs. Skills mismatches<sup>(242)</sup> are also still among the highest

in the EU in 2024, at 25.6% vs 19.2% at EU level. Belgium has set a target of 60.9% of adult participation in training by 2030. However, that rate fell from 39.4% in 2016 to 34.9% in 2022, below the EU average of 39.5%<sup>(243)</sup>. Men and most adult age groups but especially older adults (55-64-year-olds) participate less in adult learning than the EU average (see Graph 2). Even more worryingly, the participation rate for those with the lowest level of school education is just 12.5% (vs EU 18.4%). Targeted upskilling and reskilling of adults is essential for improving labour market outcomes and supporting competitiveness. Initiatives taken at federal and federated levels to create portable individual learning rights would need to be strengthened to ensure that workers and non-workers can participate in upskilling and reskilling aligned with labour market needs.

**The green transition calls for significant upskilling and reskilling efforts.** High levels of shortages were reported in 2024 in the construction sector and in the electricity, gas, steam and air conditioning supply sector, both key for the green transition, as well as in specific occupations such as civil engineering technicians, environmental and occupational health inspectors and garden and horticultural workers<sup>(244)</sup>. Opportunities in the green transition sector are significant, but the environmental goods and services sector only made up 1.8% of total employment in 2022, well below the EU average of 3.3%. By contrast, 3.0% of the labour force is working in energy-intensive industries in 2023, which are more likely to be impacted by the green transition. At the same time, 40% of Belgian employees believe they do not have the skills required to participate in this transition (EU: 38%)<sup>(245)</sup>. Without adequate investment in critical skills and targeted reskilling programmes – particularly for those most affected – Belgium risks slowing the pace of its green transition. The recovery and resilience plan (RRP) prioritises green transition policies, including upskilling and reskilling initiatives, and regional governments have launched strategies to support this shift. The Flemish green skills strategy aims to position the region as an EU leader in green innovation, while

<sup>(240)</sup>Bouchat, Pierre, et al., 2020, Les déterminants de l'attrait pour les études et les métiers scientifiques et techniques chez les 12-25 ans, Rapport de recherche, UCLouvain.

<sup>(241)</sup>Blondeel, A. and Coussement, S., 2022. STEM academies exploratory impact study research report.

<sup>(242)</sup>The macroeconomic skills mismatch indicator measures the dispersion of employment rates across skill groups (proxied by qualification levels, with ISCED 0-2 low; 3-4 medium and 5-7 high).

<sup>(243)</sup>Excluding guided-on-the-job training, in line with the methodology agreed to monitor the 2030 target, age 25-64.

<sup>(244)</sup>European Labour Authority, 2025, EURES Report on labour shortages and surpluses 2024.

<sup>(245)</sup>Eurobarometer SPS27, 2022.

the Wallonian 2025-2035 Skills for Life plan identifies the green transition as a strategic priority.



# ANNEX 13: SOCIAL SCOREBOARD

Table A13.1: Social Scoreboard for Belgium

Equal opportunities and access to the labour market	Adult participation in learning (during the last 12 months, excl. guided on the job training, % of the population aged 25-64, 2022)	34.9
	Early leavers from education and training (% of the population aged 18-24, 2024)	7.0
	Share of individuals who have basic or above basic overall digital skills (% of the population aged 16-74, 2023)	59.4
	Young people not in employment, education or training (% of the population aged 15-29, 2024)	9.9
	Gender employment gap (percentage points, population aged 20-64, 2024)	8.0
	Income quintile ratio (S80/S20, 2024)	3.45
Dynamic labour markets and fair working conditions	Employment rate (% of the population aged 20-64, 2024)	72.3
	Unemployment rate (% of the active population aged 15-74, 2024)	5.7
	Long term unemployment (% of the active population aged 15-74, 2024)	2.0
	Gross disposable household income (GDHI) per capita growth (index, 2008=100, 2023)	106.1
Social protection and inclusion	At risk of poverty or social exclusion (AROPE) rate (% of the total population, 2024)	18.2
	At risk of poverty or social exclusion (AROPE) rate for children (% of the population aged 0-17, 2024)	20.2
	Impact of social transfers (other than pensions) on poverty reduction (% reduction of AROP, 2024)	52.7
	Disability employment gap (percentage points, population aged 20-64, 2024)	33.5
	Housing cost overburden (% of the total population, 2024)	6.8
	Children aged less than 3 years in formal childcare (% of the under 3-years-old population, 2024)	52.2
	Self-reported unmet need for medical care (% of the population aged 16+, 2024)	1.4
<div>Critical situation</div> <div>To watch</div> <div>Weak but improving</div> <div>Good but to monitor</div> <div>On average</div> <div>Better than average</div> <div>Best performers</div>		

(1) Update of 5 May 2025. Member States are categorised based on the Social Scoreboard according to a methodology agreed with the EMCO and SPC Committees. Please consult the Annex of the Joint Employment Report 2025 for details on the methodology (<https://employment-social-affairs.ec.europa.eu/joint-employment-report-2025-0>).

Source: Eurostat



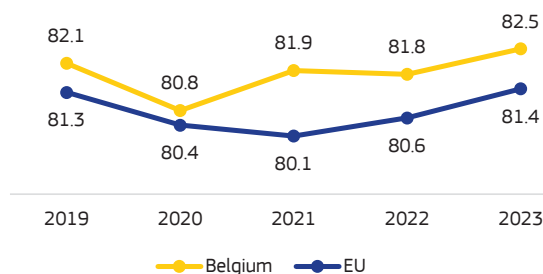
## ANNEX 14: HEALTH AND HEALTH SYSTEMS

**Belgium's health system faces challenges that need to be addressed if the country is to improve the health of its population and social fairness, while boosting the competitiveness of its economy.** Belgium has a fragmented approach to care organization between primary and secondary care. There are significant disparities in healthcare access between income groups - among the highest in the EU. In 2022, the share of out-of-pocket spending increased and accounted for over 20% of total healthcare spending in Belgium. The growing shortage of health professionals, particularly doctors, raises concerns about service accessibility amid rising demand.

**Life expectancy at birth in Belgium rebounded above its pre-COVID-19 level and stood slightly above the EU average in 2023.**

There are gender gaps in health outcomes. While women can expect to live 4.1 years longer than men, they would expect to live less time in good health - about nine months less than men. Treatable mortality, which has continuously improved in the last decade, is one of the lowest in the EU, suggesting that the health system is effective (see Table A11.2). Diseases of the circulatory system (cardiovascular diseases) and cancer are the leading cause of death. Belgium participates in several joint actions funded by EU4Health, which aim to reduce the burden of cardiovascular diseases, cancer, diabetes and respiratory diseases. The national suicide rate was above the EU average in 2021 but has been decreasing steadily since 2012.

Graph A14.1: Life expectancy at birth, years

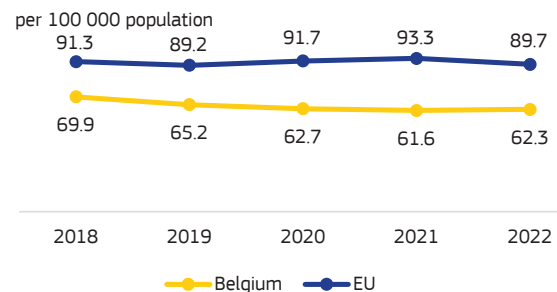


Source: Eurostat (demo\_mlexpec)

**Healthcare delivery in Belgium remains considerably hospital-centred** despite recent efforts to strengthen primary and integrated care, including the Memorandum of Understanding on the Inter federal plan for integrated care and

programmes for pregnant women, vulnerable groups and childhood obesity. In 2022, health spending per person in Belgium (adjusted for differences in purchasing power) exceeded the EU average. Notably, spending on inpatient care was higher than the EU average, while expenditure on outpatient services, retail pharmaceuticals and medical devices was lower. The public share of health expenditure in Belgium is below the EU average and saw a slight decline in 2022 (72.12% of current expenditure vs an EU average of 81.30%). Additionally, out-of-pocket healthcare payments in Belgium increased to 20.1% of total healthcare spending in 2022, surpassing the EU average of 14.3%.

Graph A14.2: Treatable mortality



Age-standardised death rate (**mortality that could be avoided through optimal quality healthcare**)

Source: Eurostat (hlth\_cd\_apr)

**As regards public health, support for prevention is comparatively modest.** While the rate of preventable mortality in Belgium is lower than the EU average, the share of spending directed at prevention stood at 2.5% of total public spending on health in 2022 - less than half of the EU average of 5.5%. Vaccination coverage with recommended doses for measles was below the EU average in 2023 and measles outbreaks were reported in Belgium in both 2023 and 2024<sup>(246)</sup>. Belgium's population has a comparatively high level of fruit and vegetable consumption, alcohol intake has gone down, and the smoking rate is below the EU average<sup>(247)</sup>. However, the regular use of vaping products, also among young adults (15-24), is above the EU average. In 2024, Belgium introduced measures to reduce tobacco use, including extending smoking bans to outdoor public places by December 2024 and prohibiting

<sup>(246)</sup>OECD/European Commission (2024), [Health at a Glance: Europe 2024 - State of Health in the EU Cycle](#), pp 160-161.

<sup>(247)</sup>[Health at a Glance: Europe 2024](#), Chapter 4.

Table A14.1: Key health indicators

	2019	2020	2021	2022	2023	EU average* (latest year)
Cancer mortality per 100 000 population	229.3	223.2	220.1	218.2	n.a.	234.7 (2022)
Mortality due to circulatory diseases per 100 000 population	229.0	217.9	217.0	221.6	n.a.	336.4 (2022)
Current expenditure on health, purchasing power standards, per capita	3 827	3 872	4 181	4 339	n.a.	3 684.6 (2022)
Public share of health expenditure, % of current health expenditure	75.2	78.1	76.6	75.1	n.a.	81.3 (2022)
Spending on prevention, % of current health expenditure	1.6	2.1	3.1	2.5	n.a.	5.5 (2022)
Available hospital beds per 100 000 population**	416	412	408	404	n.a.	444 (2022)
Doctors per 1 000 population*	3.4	3.5	3.5	3.6	n.a.	4.2 (2022)*
Nurses per 1 000 population*	n.a.	n.a.	11.6	n.a.	n.a.	7.6 (2022)*
Mortality at working age (20-64 years), % of total mortality	14.3	12.9	14.2	13.4	13.2	14.3 (2023)
Number of patents (pharma / biotech / medical technology)	228	194	163	130	163	29 (2023)***
Total consumption of antibacterials for systemic use, daily defined dose per 1 000 inhabitants****	21.4	16.7	17.4	20.4	20.6	20.0 (2023)

\*The EU average is weighted for all indicators except for doctors and nurses per 1 000 population, for which the EU simple average is used based on 2022 (or latest 2021) data except for Luxembourg (2017). Doctors' density data refer to practising doctors in all countries except Greece, Portugal (licensed to practise) and Slovakia (professionally active). Density of nurses: data refer to practising nurses (EU recognised qualification) in most countries except France and Slovakia (professionally active) and Greece (hospital only). \*\*\*Available hospital beds covers somatic care, not psychiatric care. \*\*\*The EU median is used for patents.

Source: Eurostat database; European Patent Office; \*\*\*\*European Centre for Disease Prevention and Control (ECDC) for 2023.

the display of tobacco products at points of sale from April 2025.

**Belgium faces challenges with unequal access to services.** While the overall proportion of the population reporting unmet medical needs in 2023 was below the EU average, specifically among people who declared having medical needs, the gap between people below and above the poverty threshold reporting unmet needs (defined as 60% of the median equivalised income) is higher in Belgium than the EU average. However, Belgium has invested around EUR 30 million from the European Social Fund Plus to improve the accessibility, quality and resilience of the health system.

**Shortages of health staff undermine the accessibility of healthcare services.** In Belgium, general practitioners (GPs) do not act as gatekeepers, meaning that individuals can directly access specialised care without a referral. In addition, due to growing demand and limited resources, GPs are increasingly refusing new patients, exacerbating long waiting times – sometimes lasting months – and making it difficult to deliver timely services, such as mental health care for example. The number of practising doctors (3.5) per 1 000 population in Belgium in 2022 was below the EU average (4.1). Improving the attractiveness of the health professions was a key area of focus in 2024, with the creation of new roles and profiles to support nurses and GPs. A royal decree of September 2023, amended in April 2024, set out the nursing services that can be provided by a nursing assistant, as well as their conditions of practice. In April 2024, two royal decrees also set out the clinical activities and

medical procedures that advanced practice nurses may carry out, as well as the criteria to obtain recognition as an advanced practice nurse. To support GPs, the title of practice assistant has also been recognised since May 2024. These paramedical professionals assist GPs with administrative tasks as well as some technical support tasks (such as taking samples for the laboratory or recording a patient's weight), under the supervision of the physician.

**The Belgian health system has the potential to drive innovation and foster industrial development in the EU medical sector.**

Belgium reports an increase in public spending on health research and development, reflected in 163 European patents granted in 2023 in the combined areas of pharmaceuticals, biotechnologies and medical technologies <sup>(248)</sup> (see Annex 3). Belgium is among the EU countries with a relatively high number of clinical trials <sup>(249)</sup>. The Belgian recovery and resilience plan includes investments supporting innovation through research and development in the health sector, including nuclear medicine for cancer treatment.

**Belgium already has a good uptake of e-health and overall health system digitalisation.** Both the share of people accessing their personal health records online and/or using online health services (excluding phone) instead of in-person consultations increased in 2022 compared to 2020. Significant investment under

<sup>(248)</sup>European Patent Office, [Data to download | epo.org](https://data.epo.org/).

<sup>(249)</sup>EMA (2024), [Monitoring the European clinical trials environment](#), p. 9.

the recovery and resilience plan is aimed at further boosting the digital transformation of the healthcare sector in Belgium. The investment in digital health and health data aims to develop standardised care sets for patient data collection and storage, extending the e-prescription system, creating an integrated tracking system for medicine use, rolling out teleconsultations, and providing digital tools for integrated care teams among other things. Belgium has adopted legislation to set up a Health Data Authority, in line with the European Commission's proposal for a European Health Data Space.



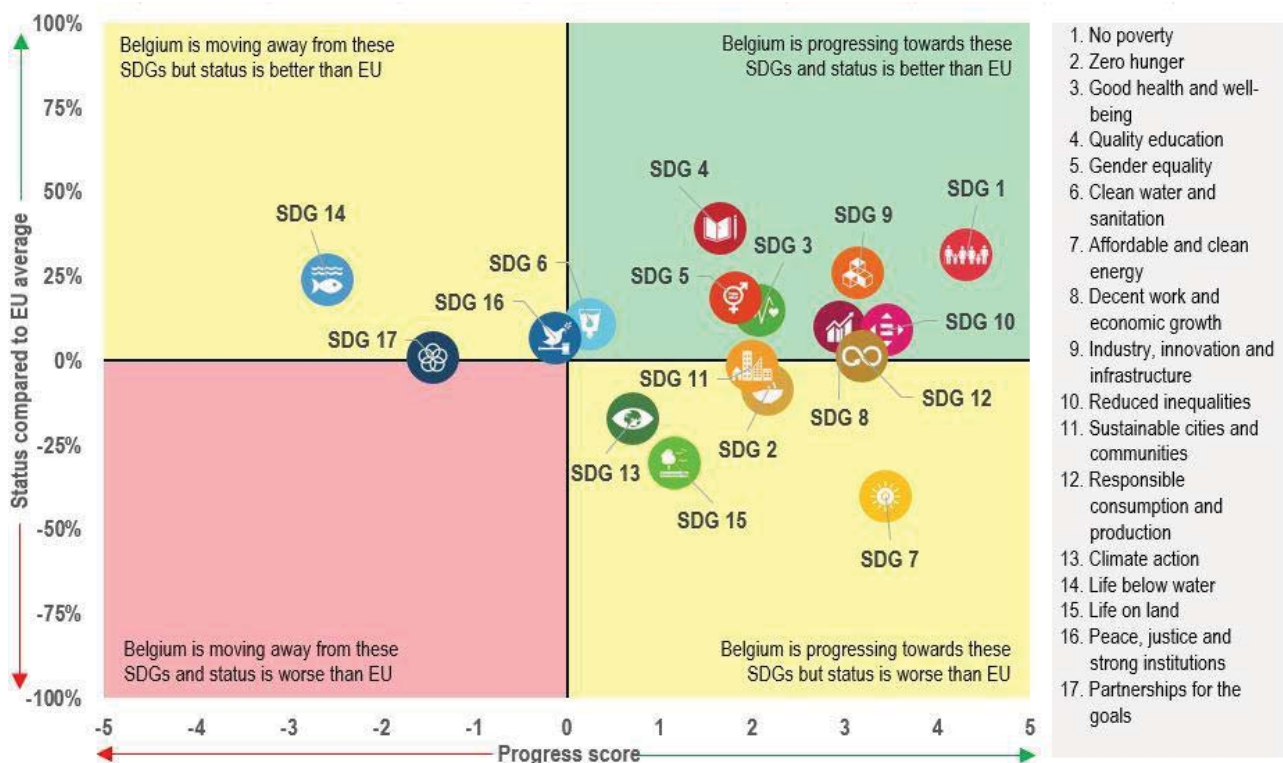
**This Annex assesses Belgium's progress on the Sustainable Development Goals (SDGs) along the dimensions of competitiveness, sustainability, social fairness and macroeconomic stability.** The 17 SDGs and their related indicators provide a policy framework under the UN's 2030 Agenda for Sustainable Development. The aim is to end all forms of poverty, fight inequalities and tackle climate change and the environmental crisis, while ensuring that no one is left behind. The EU and its Member States are committed to this historic global framework agreement and to playing an active role in maximising progress on the SDGs. The graph below is based on the EU SDG indicator set developed to monitor progress on the SDGs in the EU.

**Belgium performs well and is improving on all SDGs on competitiveness (SDGs 4, 8, 9).** It performs strongly in particular on innovation, with R&D intensity of 3.3% of GDP in 2023 well above

the EU average (2.2%). The share of households with a high-speed internet connection in 2023 (96.0%) is now above the EU average (78.8%). Belgium is performing well on education indicators overall, although there are still concerns over high inequalities in educational outcomes linked to the socio-economic background of pupils. The share of adults with at least basic digital skills was above the EU average in 2023 at 59.4% (EU 55.6%). However, the country still faces a significant challenge to improve digital skills. The recovery and resilience plan (RRP) includes large investments to improve digital infrastructure and equipment in schools.

**While Belgium is improving on nearly all the SDGs related to sustainability, it is losing ground on SDG 14 (Life below water) and needs to catch up with the EU average on SDG 7 (Affordable and clean energy), 15 (Life on land), 13 (Climate action) and SDG 11 (Sustainable cities and communities).** Belgium

Graph A15.1: Progress towards the SDGs in Belgium



For detailed datasets on the various SDGs, see the annual Eurostat report '[Sustainable development in the European Union](#)'; for details on extensive country-specific data on the short-term progress of Member States: [Key findings – Sustainable development indicators – Eurostat \(europa.eu\)](#). A high status does not mean that a country is close to reaching a specific SDG, but signals that it is doing better than the EU on average. The progress score is an absolute measure based on the indicator trends over the past five years. The calculation does not take into account any target values, as most EU policy targets are only valid for the aggregate EU level. Depending on data availability for each goal, not all 17 SDGs are shown for each country.

**Source:** Eurostat, latest update of 28 April 2025. Data refer mainly to the period 2018-2023 or 2019-2024. Data on SDGs may vary across the report and its annexes due to different cut-off dates.



has made some progress on energy consumption indicators, including the share of renewable energy in gross final energy consumption (SDG 7), which increased from 9.1% in 2017 to 14.7% in 2023. However, Belgium's performance remains below the EU average (24.6% in 2023). The final energy consumption in household per capita (SDG 7) decreased from 704 kilos in 2018 to 591 kilos in 2023 of oil equivalent but is still above the EU average of 511 kilos in 2023. Belgium's RRP includes measures to support the shift from fossil fuels, in particular for the energy renovation of buildings, decarbonisation of industrial production, and sustainable transport. Emissions from agriculture (ammonia, nitrates) are above the EU average (SDGs 2 and 6); this is also the case for the indicator phosphate in rivers (SDG 6). On SDG 12, the circular material use rate declined from 20.6% in 2018 to 19.7% in 2023, nevertheless remaining well above the EU average (11.8%).

**Belgium performs well or is improving on all SDGs related to social fairness (SDGs 1, 3, 4, 5, 7, 8, 10).** The country performs well on poverty and inclusive growth (SDGs 1 and 8), reflecting the high redistributive impact of the tax and benefits system. The share of people at risk of poverty or social exclusion fell in 2023 to 18.6%, below the EU average of 21.3%. Belgium has made progress on various employment indicators. These include indicators like the long-term unemployment rate (2.6% in 2018 against 2.0% in 2024) and the number of young people not in employment, education or training (11.4% in 2018, 9.9% in 2024). Several measures in the RRP aim to further tackle unemployment, in particular by improving training and life-long learning. However, despite these measures the employment rate remains well below the 2030 national target, being held back by

a low activity rate (see Annex 14). Labour market participation remains low in particular for vulnerable groups, such as adults with a lower level of education, people with a migrant background and people with disabilities. Belgium needs to catch up with the EU average on affordable and clean energy (SDG 7), including on the share of renewable energy in gross final energy consumption, which was 14.7% in 2023 – well below the EU average of 24.6%. However, the proportion of the population unable to keep their home adequately warm is lower than the EU average (6% in 2023; EU average: 10.6%).

**For macroeconomic stability, Belgium performs well and is improving on SDG 8 related to decent work and economic growth while it is moving away from achieving SDG 16 (peace, justice and strong institutions) and SDG 17 (Partnerships for the goals).** It performs relatively well on the quality of its institutions (SDG 16), and on access to justice, but worse than average on peace and personal security. The perceived independence of the justice system by the population decreased from 64% in 2018 to 61% in 2024 but was substantially above the EU average of 52% in 2024. Belgium performs better than the EU average on most indicators related to SDG 8 (Decent work and economic growth) except for the employment rate, which was 72.3% in 2024, below the EU average of 75.8%, and the long-term unemployment rate, which at 2.0% was slightly higher than the EU average of 1.9% in 2024.

As the SDGs form an overarching framework, any links to relevant SDGs are either explained or depicted with icons in the other annexes.





**Belgium faces structural challenges in a wide range of policy areas, as identified in the country-specific recommendations (CSRs) addressed to the country as part of the European Semester.** They refer, among other things, to taxation policy, the pension system, long-term care, policies to help people find work or stay in work, skills and education, restrictions on competition, the business environment, energy and transport.

**The Commission has assessed the 2019-2024 CSRs considering the policy action taken by Belgium to date and the commitments in its recovery and resilience plan (RRP).** At this stage, Belgium has made at least 'some progress' on 75% of the CSRs <sup>(250)</sup>, and 'limited progress' on 22% (Table A16.2).

**EU funding instruments provide considerable resources to Belgium by supporting investments and structural reforms to increase competitiveness, environmental sustainability and social fairness, while helping to address challenges identified in the CSRs.** In addition to the EUR 5.3 billion funding from the Recovery and Resilience Facility (RRF) in 2021-2026, EU cohesion policy funds <sup>(251)</sup> are providing EUR 2.5 billion to Belgium (amounting to EUR 5.7 billion with national co-financing) for 2021-2027 <sup>(252)</sup> to boost regional competitiveness and growth. Support from these instruments combined represents around 1.3 % of 2024 GDP <sup>(253)</sup>. The contribution of these instruments to different policy objectives is outlined in Graphs A16.1 and A16.2. This substantial support comes on top of financing provided to Belgium under the 2014-2020 multiannual financial framework, which financed projects until 2023 and has had significant benefits for the economy and Belgian society.

<sup>(250)</sup> 7% of the 2019-2024 CSRs have been fully implemented, 5% substantially implemented and some progress has been made on 63%.

<sup>(251)</sup> In 2021-2027, cohesion policy funds include the European Regional Development Fund, the European Social Fund Plus and the Just Transition Fund. The information on cohesion policy included in this annex is based on adopted programmes with the cut-off date of 5 May 2025.

<sup>(252)</sup> European territorial cooperation (ETC) programmes are excluded from the figure.

<sup>(253)</sup> RRF funding includes both grants and loans, where applicable. GDP figures are based on Eurostat data for 2024.

Project selection under the 2021-2027 cohesion policy programmes has accelerated and is advanced.

**The Belgian RRP contains 119 investments and 40 reforms to stimulate sustainable growth, accelerate the transition towards a more low-carbon economy, maximise the benefits of the digital transformation and ensure social cohesion.** A year before the end of the RRF timespan, the implementation is delayed with 46.5 % of the funds disbursed. At present, Belgium has fulfilled 28.3 % of the milestones and targets in its RRP <sup>(254)</sup>. Significant efforts are needed to ensure completion of all RRP measures by 31 August 2026. Enhancing administrative capacity and improving the timely detection and resolution of potential delays would support the effective implementation of the plan.

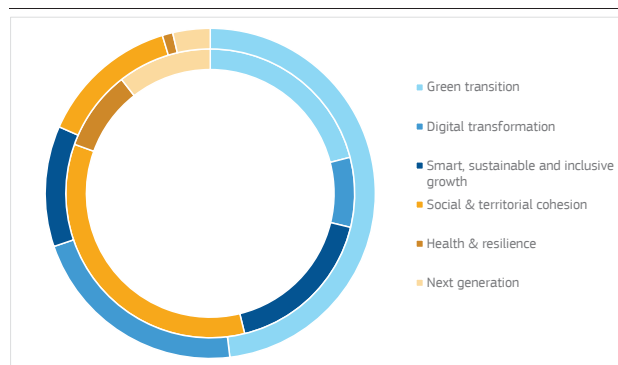
**Belgium also receives funding from several other EU instruments, including those listed in Table A16.1.** Most notably, the common agricultural policy (CAP) provides Belgium with an EU contribution of EUR 3.3 billion under the CAP strategic plan for 2023-2027<sup>(255)</sup>. A further EUR 290.1 million are available under the Asylum, Migration and Integration Fund (AMIF), together with the Border Management and Visa Instrument (BMVI) and internal security funds. Operations amounting to EUR 537.8 million <sup>(256)</sup> have been signed under the InvestEU instrument backed by the EU guarantee, improving access to financing for riskier operations in Belgium.

<sup>(254)</sup> As of mid-May 2025, Belgium has submitted 3 payment requests, the last one being under assessment.

<sup>(255)</sup> An overview of Belgium's formally approved strategy to implement the EU's common agricultural policy nationally can be found at [https://agriculture.ec.europa.eu/cap-my-country/cap-strategic-plans/belgium-flanders\\_en](https://agriculture.ec.europa.eu/cap-my-country/cap-strategic-plans/belgium-flanders_en) and [https://agriculture.ec.europa.eu/cap-my-country/cap-strategic-plans/belgium-wallonia\\_en](https://agriculture.ec.europa.eu/cap-my-country/cap-strategic-plans/belgium-wallonia_en)

<sup>(256)</sup> Data reflect the situation on 31.12.2024.

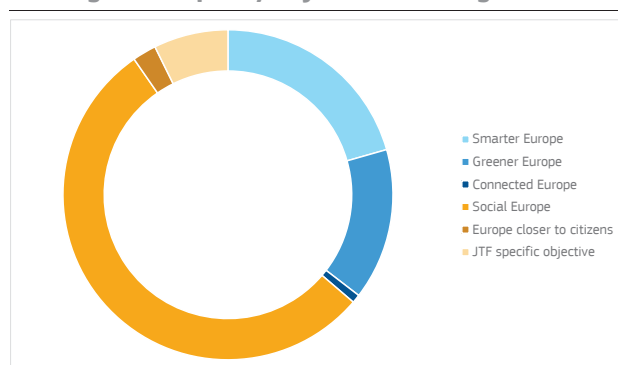
Graph A16.1: **Distribution of RRF funding in Belgium by policy field**



(1) Each RRP measure helps achieve the aims of two of the six policy pillars of the RRF. The primary contribution is shown in the outer circle, while the secondary contribution is shown in the inner circle. Each circle represents 100% of the RRF funds. Therefore, the total contribution to all pillars displayed on this chart amounts to 200% of the RRF funds allocated.

**Source:** European Commission

Graph A16.2: **Distribution of cohesion policy funding across policy objectives in Belgium**



**Source:** European Commission

### Cohesion policy funds aim to increase the productivity and competitiveness of Belgian firms and improve the business environment.

The European Regional Development Fund (ERDF) and the Just Transition Fund (JTF) are used to boost investments in research, innovation and digitalisation. This includes the transfer of advanced technologies to increase the competitiveness of small and medium-sized businesses (SMEs) and investments in the digitalisation of SMEs. Support will extend to nearly 14 000 SMEs, more than half of them in Wallonia, and enable the development of digital services, products and processes in over 200 public institutions. Wallonia has allocated EUR 120 million to support research and innovation investment in the region's less developed and transition areas, in addition to EUR 147 million to improve the competitiveness of the SMEs and

boost job creation. The European Social Fund Plus (ESF+) provides EUR 836 million to support overall access to the labour market, especially for long-term unemployed people, older people, low-educated, disabled and inactive individuals. More specifically, interventions address youth unemployment and precarious work for young people, promote self-employment and foster the social economy. ESF+ also contributes EUR 35 million to the modernisation of labour market institutions and the educational system benefits from support worth EUR 124 million. EUR 400 million from ESF+ is used to reduce skills mismatches through skilling, upskilling and reskilling, emphasising digital and green skills, with the aim of boosting Belgium's competitiveness.

### Other funds are contributing to competitiveness in Belgium, for instance through open calls.

The Connecting Europe Facility has financed strategic investments, for instance in inland waterways, including the Seine-Scheldt project, maritime transport and rail infrastructure, as well as the deployment of alternative fuel infrastructure and of 5G in smart communities. Horizon Europe has supported research and innovation, from scientific breakthroughs to scaling up innovation, with digital, industry and space, and climate, energy and mobility as top priorities in Belgium. The Technical Support Instrument focused in 2024, among others, on empowering educators in the digital transition; implementing the national EU Emission Trading System and developing the Social Climate Plan; and the digitalisation of the justice system as regards storage and consultation of evidence.

### Belgium's RRP also contains ambitious measures to improve the business environment and competitiveness.

As part of the measures covered by payment requests assessed over the past year, reforms have been implemented to develop an individual entitlement to training for employees and to create tax incentives for companies to provide training. Auctions to assign 5G spectrum were completed and radiation standards were adapted to allow for the rollout of 5G in accordance with the recommendations of relevant committees on health and environmental aspects. New digital platforms have started operating in the Brussels Region to help individuals and businesses complete their procedures on permitting, including environmental permit procedures, urban archives

and urban information procedures. A reform to facilitate the conducting of tendering procedures entered into force. A project management office has been set up for digitalisation of the justice system and a portal for accessing justice services and information was put online. Several pilot spending reviews have been completed at different government levels to improve the quality and efficiency of public spending and the practice is being integrated into budgetary processes.

**EU funds are playing a significant role in promoting environmental sustainability and green transition in Belgium during the current seven-year EU budget (multiannual financial framework).** Almost EUR 400 million from the ERDF is being invested in greenhouse gas emission reduction, energy efficiency and renewable energy. Of this amount over EUR 86 million is being used for renovation and energy efficiency in public infrastructure in less developed and transition regions in Wallonia. Investments also cover sustainable mobility and the expansion of waste recycling capacity by 46 751 tonnes a year in Belgium, of which 36 050 tonnes in Wallonia. In addition, EUR 183 million from the JTF is being invested in developing a low-carbon, circular and energy-efficient economy, to support economic diversification and a fair climate transition in Wallonia. Wallonia's CAP strategic plan allocates EUR 110 million (56% of rural development funding) to environmental and climate objectives and EUR 345 million (26% of direct payments) to eco-schemes, supporting biodiversity, organic farming and sustainable practices, including EUR 140 million to support organic farming covering 132 000 hectares over the five-year period. Around 68.5% of agricultural land will be covered by incentives to reduce emissions, to maintain and enhance carbon storage, such as developing permanent grasslands or increasing the biodiversity in agricultural areas. Flanders' CAP strategic plan allocates EUR 185 million (54% of rural development funding) to environmental and climate objectives and EUR 261 million (25% of direct payments) to eco-schemes, supporting biodiversity, organic farming and sustainable practices. These measures are aimed at reducing greenhouse gas emissions, increasing soil and water quality and strengthening biodiversity amongst other things.

**Belgium's RRP, including the REPowerEU chapter, has a comprehensive set of reforms and investments for the green transition.**

Sustainable transport measures covered by payment requests assessed over the past year include: a federal tax incentive for the installation of private and semi-public charging points for electric cars; a law to reform the company car tax scheme aimed at phasing-out the existing scheme for conventional cars; incentives to increase demand for sustainable alternatives to company cars for commuting between home and work; and a (legislative) framework for the installation of charging stations in the different regions. To establish a supportive framework for the energy transition, Belgium has approved the legal framework for energy grant schemes in Flanders, Brussels and the German-speaking community, and adopted the electricity ordinance to introduce a one-stop shop for renovation. It also improved the energy subsidy scheme of the Flemish Region. To facilitate the transition to a circular economy a roadmap has been developed for the governance of the central platform in Flanders that promotes the transition to a circular economy.

**Promoting fairness, social cohesion and improving access to basic services are among the key priorities for EU funding in Belgium.** While the ERDF supports investment in educational systems, EUR 423 million from the ESF+ allocation (31%) is dedicated to increasing social inclusion and active participation especially among disadvantaged groups and vulnerable people, including children in poverty. In this respect, ESF+ programmes aim to align with the European Child Guarantee which ensures access to the most fundamental rights such as healthcare and education for children at risk of poverty or social exclusion. In addition, Belgium focuses on helping people into work and increasing their self-reliance. ESF+ programmes aim to identify and eliminate structural barriers to participation in society and integration into the labour market. In addition, the AMIF supports the digitalisation of asylum procedures and the optimisation of reception capacities; as well as early integration with a focus on integration on the labour market; and the development of an integrated approach to return procedures, focusing on cooperation with local and international authorities, and adapting strategies for vulnerable groups.

**Belgium's RRP contains several reforms and investments related to fairness and social policies.** One of the measures within the payment request assessed over the last year is a deinstitutionalisation strategy for older people and

Table A16.1: **Selected EU funds with adopted allocations - summary data (million EUR)**

Instrument/policy	Allocation 2021-2026		Disbursed since 2021 (1)
RRF grants (including the RepowerEU allocation)	5 033,9		2 372,5
RRF loans	244,2		83,2
Instrument/policy	Allocation 2014-2020 (2)	Allocation 2021-2027	Disbursed since 2021 (3) (covering total payments to the Member State on commitments originating from both 2014-2020 and 2021-2027 programming periods)
<b>Cohesion policy (total)</b>	2 339,0	2 503,1	1 458,4
European Regional Development Fund (ERDF)	1 077,6	992,8	696,7
European Social Fund (ESF, ESF+) and the Youth Employment Initiative (YEI)	1 261,4	1 327,6	705,1
Just Transition Fund (JTF)		182,6	56,6
<b>Fisheries</b>			
European Maritime, Fisheries and Aquaculture Fund (EMFAF) and the European Maritime and Fisheries Fund (EMFF)	41,7	40,3	22,2
<b>Migration and home affairs</b>			
Migration, border management and internal security - AMIF, BMVI and ISF (4)	238,5	290,1	140,1
<b>The common agricultural policy under the CAP strategic plan (5)</b>	<b>Allocation 2023-2027</b>		<b>Disbursements under the CAP Strategic Plan (6)</b>
<b>Total under the CAP strategic plan</b>	3 301,1		995,6
European Agricultural Guarantee Fund (EAGF)	2 763,3		944,8
European Fund for Agricultural Development (EAFRD)	537,8		50,8

(1) The cut-off date for data on disbursements under the RRF is 31 May 2025.

(2) Cohesion policy 2014-2020 allocations include REACT-EU appropriations committed in 2021-2022.

(3) These amounts relate only to disbursements made from 2021 onwards and do not include payments made to the Member State before 2021. Hence the figures do not comprise the totality of payments corresponding to the 2014-2020 allocation. The cut-off date for data on disbursements under EMFAF and EMFF is 29 April 2025. The cut-off date for data on disbursements under cohesion policy funds, AMIF, BMVI and ISF is 5 May 2025.

(4) AMIF - Asylum, Migration and Integration Fund; BMVI- Border Management and Visa Instrument; ISF - Internal Security Fund.

(5) Expenditure outside the CAP strategic plan is not included.

(6) The cut-off date for data on EARDF disbursements is 5 May 2025. The information on EAGF disbursements is based on the Member State declarations until March 2025. Disbursements for the Direct Payments (EAGF) started in 2024.

Source: European Commission

people with a disability, as part of the Walloon health policy. A framework decree was adopted to support pupils with psychosocial and educational issues relating to COVID-19 to prevent early school leaving in the French Community; and 1 358 ICT devices and WiFi points were provided for schools in Brussels with a high level of vulnerable pupils. To enhance education and employment opportunities, Belgium has deployed a reinforced support mechanism for students in need and developed an action plan based on output of the employment conference. To promote activation, upskilling and reskilling, Belgium has improved the support for training leaves and the online training offer, and envisages better support for the temporarily unemployed.

Table A16.2: Summary table on 2019–2024 CSRs

Belgium	Assessment in May 2025	Relevant SDGs
<b>2019 CSR 1</b>	<b>Limited progress</b>	
Ensure that the nominal growth rate of net primary government expenditure does not exceed 1.6 % in 2020, corresponding to an annual structural adjustment of 0.6 % of GDP.	No longer relevant	SDGs 8, 16
Use windfall gains to accelerate the reduction of the general government debt ratio.	No longer relevant	SDGs 8, 16
Continue reforms to ensure the fiscal sustainability of the long-term care and pension systems, including by limiting early exit possibilities from the labour market.	Some progress	SDG 3
	Limited progress	SDG 8
Improve the composition and efficiency of public spending, in particular through spending reviews,	Some progress	SDGs 8, 16
and the coordination of fiscal policies by all levels of government to create room for public investment.	Limited progress	SDGs 8, 16
<b>2019 CSR 2</b>	<b>Some progress</b>	
Remove disincentives to work and strengthen the effectiveness of active labour market policies, in particular for the low-skilled, older workers and people with a migrant background.	Limited progress	SDGs 8, 10
Improve the performance and inclusiveness of the education and training systems	Some progress	SDGs 4, 8, 10
and address skills mismatches.	Some progress	SDG 4
<b>2019 CSR 3</b>	<b>Some progress</b>	
Focus investment-related economic policy on sustainable transport, including upgrading rail infrastructure,	Some progress	SDGs 10, 11
the low carbon and energy transition	Some progress	SDGs 7, 9, 10, 11, 13
and research and innovation, in particular in digitalisation, taking into account regional disparities.	Some progress	SDGs 9, 10, 11
Tackle the growing mobility challenges, by reinforcing incentives and removing barriers to increase the supply and demand of collective and low emission transport.	Some progress	SDG 11
<b>2019 CSR 4</b>	<b>Some progress</b>	
Reduce the regulatory and administrative burden to incentivise entrepreneurship	Some progress	SDGs 8, 9
and remove barriers to competition in services, particularly telecommunication, retail and professional services.	Some progress	SDG 9
<b>2020 CSR 1</b>	<b>Substantial progress</b>	
Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment.	No longer relevant	SDGs 8, 16
Reinforce the overall resilience of the health system and ensure the supply of critical medical products.	Substantial progress	SDG 3
<b>2020 CSR 2</b>	<b>Some progress</b>	
Mitigate the employment and social impact of the COVID-19 crisis, notably by promoting effective active labour market measures	Substantial progress	SDGs 1, 2, 8, 10
and fostering skills development.	Some progress	SDG 4
<b>2020 CSR 3</b>	<b>Some progress</b>	
Ensure effective implementation of the measures to provide liquidity to assist SMEs and the self-employed	Full Implementation	SDGs 8, 9
and improve the business environment.	Some progress	SDGs 8, 9
Front-load mature public investment projects	Some progress	SDGs 8, 16
and promote private investment to foster the economic recovery.	Some progress	SDGs 8, 9
Focus investment on the green and digital transition, in particular on infrastructure for sustainable transport,	Some progress	SDG 11
clean and efficient production and use of energy,	Some progress	SDGs 7, 9, 13
the circular economy,	Some progress	SDGs 6, 12, 15
digital infrastructure, such as 5G and Gigabit Networks,	Some progress	SDG 9
and research and innovation.	Some progress	SDG 9

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Table (continued)

<b>2021 CSR 1</b>	<b>No longer relevant</b>	
<i>In 2022, use the Recovery and Resilience Facility to finance additional investment in support of the recovery while pursuing a prudent fiscal policy. Preserve nationally financed investment.</i>	No longer relevant	SDGs 8, 16
<i>When economic conditions allow, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions and ensuring fiscal sustainability in the medium term.</i>	No longer relevant	SDGs 8, 16
<i>At the same time, enhance investment to boost growth potential. Pay particular attention to the composition of public finances, on both the revenue and expenditure sides of the budget, and to the quality of budgetary measures in order to ensure a sustainable and inclusive recovery. Prioritise sustainable and growth-enhancing investment, in particular investment supporting the green and digital transition.</i>	No longer relevant	SDGs 8, 16
<i>Give priority to fiscal structural reforms that will help provide financing for public policy priorities and contribute to the long-term sustainability of public finances, including, where relevant, by strengthening the coverage, adequacy and sustainability of health and social protection systems for all.</i>	No longer relevant	SDGs 8, 16
<b>2022 CSR 1</b>	<b>Limited progress</b>	
<i>In 2023, ensure prudent fiscal policy, in particular by limiting the growth of nationally financed primary current expenditure below medium-term potential output growth, taking into account continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine. Stand ready to adjust current spending to the evolving situation.</i>	No longer relevant	SDGs 8, 16
<i>Expand public investment for the green and digital transitions, and for energy security taking into account the REPowerEU initiative, including by making use of the Recovery and Resilience Facility and other Union funds.</i>	No longer relevant	SDGs 8, 16
<i>For the period beyond 2023, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions and ensuring credible and gradual debt reduction and fiscal sustainability in the medium term through gradual consolidation, investment and reforms.</i>	No longer relevant	SDGs 8, 16
<i>Prioritise reforms to improve the fiscal sustainability of long-term care, including by promoting a cost efficient use of the different care settings.</i>	Some progress	SDG 3
<i>Reform the taxation and benefit systems to reduce disincentives to work by shifting the tax burden away from labour and by simplifying the tax and benefit system. Reduce tax expenditures and make the tax system more investment-neutral.</i>	Limited progress	SDGs 8, 10, 12
<b>2022 CSR 2</b>		
<i>Proceed with the implementation of its recovery and resilience plan, in line with the milestones and targets included in the Council Implementing Decision of 13 July 2021.</i>	RRP implementation is monitored by assessing RRP payment requests and analysing reports published twice a year on the achievement of the milestones and targets. These are to be reflected in the country reports.	
<i>Submit the 2021-2027 cohesion policy programming documents with a view to finalising their negotiations with the Commission and subsequently starting their implementation.</i>	Progress on the cohesion policy programming documents is monitored under the EU cohesion policy.	
<b>2022 CSR 3</b>	<b>Some progress</b>	
<i>Address labour shortages and skills mismatches, notably by improving the performance and inclusiveness of the education and training system, enhancing the quality and labour market relevance of the vocational education and training and developing more flexible and attractive career paths and training for teachers.</i>	Some progress	SDG 4
<b>2022 CSR 4</b>	<b>Some progress</b>	
<i>Reduce overall reliance on fossil fuels</i>	Limited progress	SDGs 7, 9, 13
<i>by stepping up energy efficiency improvements and the reduction of fossil fuel use in buildings,</i>	Some progress	SDG 7
<i>promoting the use and supply of public transport as well as soft mobility</i>	Some progress	SDG 11
<i>and accelerating the deployment of renewable energies and related grid infrastructure by further streamlining the permitting procedures including by reducing the length of appeal procedures and adopting framework conditions to boost investments in solar energy installations</i>	Some progress	SDGs 7, 8, 9, 13

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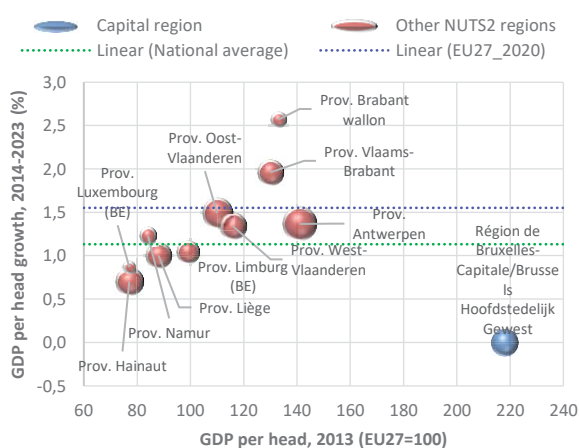
<b>2023 CSR 1</b>	<b>Limited progress</b>	
Wind down the emergency energy support measures in force, using the related savings to reduce the government deficit, as soon as possible in 2023 and 2024. Should renewed energy price increases necessitate new or continued support measures, ensure that these are targeted at protecting vulnerable households and firms, fiscally affordable, and preserve incentives for energy savings.	Substantial progress	SDGs 8, 17
Ensure prudent fiscal policy, in particular by limiting the nominal increase in nationally financed net primary expenditure in 2024 to not more than 2%.	No progress	SDGs 8, 17
Preserve nationally financed public investment and ensure the effective absorption of RRF grants and other EU funds, in particular to foster the green and digital transitions.	Full Implementation	SDGs 8, 17
For the period beyond 2024, continue to pursue a medium-term fiscal strategy of gradual and sustainable consolidation, combined with investments and reforms conducive to higher sustainable growth, to achieve a prudent medium-term fiscal position.	No progress	SDGs 8, 17
Strengthen efforts to improve the efficiency of long-term care.	Some progress	SDG 3
Pursue the reform of the taxation and benefits system to reduce disincentives to work by shifting the tax burden away from labour and by simplifying the tax and benefits system.	Limited progress	SDGs 8, 10, 12
Review tax expenditures to reduce their economic, social and environmental harmful impact.	Limited progress	SDGs 8, 10, 12
<b>2023 CSR 2</b>		
Ensure an effective governance to allow for a swift and steady implementation of its recovery and resilience plan. Swiftly finalise the REPowerEU chapter with a view to rapidly starting its implementation. Proceed with the speedy implementation of cohesion policy programmes, in close complementarity and synergy with the recovery and resilience plan.	RRP implementation is monitored through the assessment of RRP payment requests and analysis of the bi-annual reporting on the achievement of the milestones and targets, to be reflected in the country reports. progress with the cohesion policy is monitored in the context of the Cohesion Policy of the European Union.	
<b>2023 CSR 3</b>	<b>Some progress</b>	
Address labour shortages and skills mismatches, in particular by strengthening activation policies (including guidance) to integrate disadvantaged groups into the labour market.	Some progress	SDGs 8, 10
Improve the performance and equity of the education and training systems and continue reforms to strengthen the teaching profession.	Some progress	SDG 4
<b>2023 CSR 4</b>	<b>Some progress</b>	
Reduce overall reliance on fossil fuels	Limited progress	SDGs 7, 9, 13
by stepping up energy efficiency improvements and the reduction of fossil fuel use in buildings,	Some progress	SDG 7
by further stimulating the decarbonisation of industry and	Some progress	SDG 7
by promoting the use and supply of public transport as well as soft mobility.	Some progress	SDG 11
Accelerate the deployment of renewable energies and related grid infrastructure by further streamlining the permitting procedures, including by reducing the length of appeal procedures, and by adopting legal frameworks to further boost investments in renewable energy installations and facilitate energy sharing.	Some progress	SDGs 7, 8, 9, 13
Step up policy efforts aimed at the provision and acquisition of skills and competences needed for the green transition.	Some progress	SDG 4
<b>2024 CSR 1</b>	<b>Limited progress</b>	
Submit the medium-term fiscal-structural plan in a timely manner.	Full Implementation	SDGs 8, 16
In line with the requirements of the reformed Stability and Growth Pact, limit the growth in net expenditure in 2025 to a rate consistent with, inter alia, putting the general government debt on a plausibly downward trajectory over the medium term and reducing the general government deficit towards the 3% of GDP Treaty reference value.	Full Implementation	SDGs 8, 16
Address the expected increase in age-related expenditure,	Limited progress	SDGs 8, 16
including by making the long-term care system more cost-effective.	Some progress	SDG 3
Reform the tax and benefits system to strengthen incentives to work by shifting the tax burden away from labour and by reviewing the design of benefits.	Limited progress	SDGs 8, 10, 12
Finance the labour tax reduction,	Limited progress	SDGs 8, 10, 12
including by reducing tax expenditure.	Limited progress	SDGs 8, 10, 12
In particular, take steps to phase out fossil fuel subsidies, including by shifting excise duties from electricity to fossil fuels.	Limited progress	SDGs 6, 7, 9, 12, 13, 15
<b>2024 CSR 2</b>		
Significantly accelerate the implementation of the recovery and resilience plan, including the REPowerEU chapter, ensuring completion of reforms and investments by August 2026, by ensuring effective governance. Accelerate the implementation of cohesion policy programmes. In the context of their mid-term review, continue focusing on the agreed priorities, while considering the opportunities provided by the Strategic Technologies for Europe Platform initiative to improve competitiveness.	RRP implementation is monitored through the assessment of RRP payment requests and analysis of the bi-annual reporting on the achievement of the milestones and targets. Progress with the cohesion policy is monitored in the context of the Cohesion Policy of the European Union.	
<b>2024 CSR 3</b>	<b>Some progress</b>	
Address labour shortages and skills mismatches, including for the green transition, and strengthen activation policies to further integrate disadvantaged groups into the labour market.	Some progress	SDGs 4, 8, 10
Improve the performance and equity of the education and training systems and continue reforms to strengthen the teaching profession.	Some progress	SDG 4
<b>2024 CSR 4</b>	<b>Some progress</b>	
Improve the business environment and business dynamics by reducing regulatory burden and complexity,	Some progress	SDGs 8, 9
and by easing the restrictions in the service sector.	Some progress	SDG 9

Source: European Commission

The regions of Belgium showcase higher competitiveness levels than the EU average. Nonetheless, disparities persist at regional level, and regions and provinces have different challenges and opportunities for growth. While the transition towards a green and sustainable economy is progressing, regional challenges remain as regards the transformation of historically energy-intensive economic areas and sectors.

**Belgium's economy, while prosperous compared to the EU average, overall, shows significant regional disparities in terms of GDP per head and growth rates.** The Flemish Region and the province of Brabant Wallon have displayed strong long-term growth, in contrast to other Walloon provinces. While the Brussels-Capital Region maintains a high GDP per capita compared to the national average, its long-term growth has also lagged, as population growth has been outpacing economic output. The provinces of Hainaut and Luxembourg – that are less economically developed – have a GDP per capita below 75% of the EU average <sup>(257)</sup>.

Graph A17.1: Average annual real GDP per head growth vs GDP per head in 2013



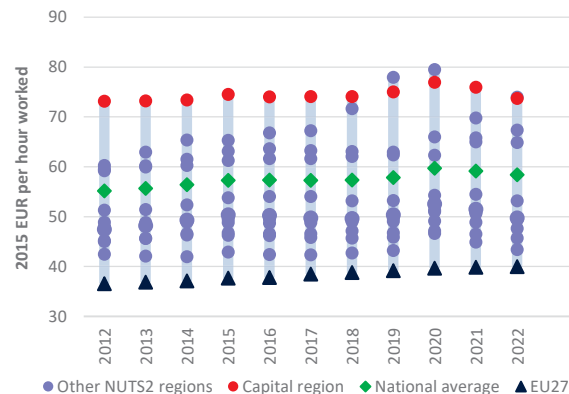
X axis: GDP per head, 2013 (PPS, index EU-27 = 100).  
Y axis: Annual average real growth of GDP per head, 2014-2023 (EUR, 2015 prices, %). Bubble size: Population, 2023.  
Source: ARDECO (JRC)

<sup>(257)</sup>NUTS 1 level corresponds to the 3 regions and NUTS 2 to the 10 provinces plus the Brussels-Capital Region. Provinces exercise their powers autonomously while remaining under the supervision of their region.

## Competitiveness

In 2022, Belgium's labour productivity was **35% higher than the EU average, with significant and widening regional disparities.** Belgium's real labour productivity in 2022, measured as GDP per hour, was EUR 58.4, 1% percent lower than the previous year. While the province of Brabant Wallon and the Brussels-Capital region both boast the highest labour productivity (EUR 73.9 and EUR 73.7 per hour, respectively), their trajectories diverge sharply. Brabant Wallon experienced a significant 6% increase in real productivity growth in 2022 bringing it almost back to pre-pandemic level, while Brussels saw a decline of 3%. Apart from Vlaams-Brabant which enjoyed a substantial 4% growth rate, the other provinces experienced productivity losses. The productivity gap between Belgium's most and least productive provinces steadily widened over the past two decades until 2020, and despite a recent narrowing, it exceeds EUR 30 per hour.

Graph A17.2: Labour productivity per hour



Unit: Real GDP per hour worked (EUR, 2015 prices)

Source: ARDECO (JRC)

**All Belgian provinces surpass the EU average in the Regional Competitiveness Index (RCI), which measures a region's attractiveness for businesses and residents.** However, Flemish provinces consistently outperform most Walloon provinces. The Brussels-Capital Region, Vlaams-Brabant, and Brabant Wallon form a strong and interlinked economic hub.

**Knowledge-intensive and high-tech sectors are significant drivers of productivity and provide opportunities in many Belgian**



Table A17.1: Selection of indicators at regional level in Belgium

	GDP per head (PPS)	Real GDP per head growth	Productivity - GDP per hour worked (PPS)	Real productivity growth (per hour worked)	Human resources in science and technology (core)	Employment in knowledge-intensive services	Regional Competitiveness Index	Employment rate 20-64	At-risk-of-poverty or social exclusion	Access to alternative fuel infrastructure	Greenhouse gas emissions	Green employment - in sustainable but competitive sectors
	Index EU-27 = 100	Average annual % change	Index EU-27 = 100	Average annual % change	% of total employment	% of total employment	Index EU-27 = 100	% of population aged 20-64	% of total population	Number of electric vehicles charging points within 10 km	tCO <sub>2</sub> eq. per person	% of total employment
	2023	2014-2023	2022	2013-2022	2024	2024	2022	2024	2024	2022	2023	2020
European Union (27 MS)	100	1,6	100	0,9	49,2	41,5		75,8	21,0	287	7,1	15,1
Belgium	118	1,1	135	0,6	56,5	50,1		72,3	18,2	633	9,0	19,3
Région de Bruxelles-Capitale/Brussels Hoofdstedelijk Gewest	191	0,0	167	0,1	64,6	48,9	136	64,1	37,2	2718	2,3	61,5
VLAAMS GEWEST	121	1,5	134	0,7	56,1	48,6		76,9	12,8	556	8,4	
Prov. Antwerpen	138	1,4	149	0,9	57,1	49,7	134	75,8	15,8	850	8,2	18,4
Prov. Limburg (BE)	95	1,0	116	0,3	50,8	46,5	126	75,7	11,6	224	6,6	14,1
Prov. Oost-Vlaanderen	110	1,5	125	0,4	58,0	49,5	135	78,9	13,1	482	11,3	14,3
Prov. Vlaams-Brabant	135	2,0	154	1,3	63,3	54,2	136	74,7	10,1	624	6,5	25,5
Prov. West-Vlaanderen	116	1,3	116	0,5	49,1	41,7	121	79,0	11,2	365	8,3	14,6
RÉGION WALLONNE	86	1,2	119	0,6	54,4	53,9		67,1	21,8	87	12,4	
Prov. Brabant wallon	148	2,6	172	2,1	72,6	59,2	136	73,7	16,9	116	6,5	21,0
Prov. Hainaut	72	0,7	110	0,5	47,0	50,4	108	64,3	26,8	73	16,5	5,8
Prov. Liège	85	1,0	116	0,1	55,8	53,5	112	65,1	20,5	126	9,9	9,2
Prov. Luxembourg (BE)	73	0,9	101	0,2	52,0	54,7	105	72,0	17,8	28	12,5	4,2
Prov. Namur	81	1,2	104	0,2	55,8	58,3	111	70,3	17,8	45	11,5	8,7

Source: Eurostat and JRC

**provinces.** Brabant Wallon leads Belgium in knowledge-intensive and high-tech industries, driving significant economic growth. In 2024, half of Belgian employment was concentrated in knowledge-intensive services, with Brabant Wallon and Namur boasting the highest share (nearly 60%) – well above the EU average of 41%. High-tech employment is also concentrated in Brabant Wallon, with 8.3% of the workforce employed in this sector, compared to a mere 3.4% in West-Vlaanderen. Innovation thrives particularly in Walloon Brabant and Flemish Brabant, as evidenced by their high number of patent applications, especially in biotechnology and ICT. These regions rank among the top in the EU, taking advantage of R&D policies, and the presence of world-class research universities like KU Leuven and UCLouvain and of multinational companies. As such, 98.8% of the patent applicants are non-Belgian holders <sup>(258)</sup>.

**Belgium's regional innovation landscape is characterised by several centres of excellence across different areas and sectors, which enable opportunities for economic development.** Regional cluster policies are well implemented and specialised in fields such as biotechnologies and the green industry,

with a strong focus on sustainable and competitive innovations. Cluster-based ecosystems boost industrial competitiveness, R&D, exports, and foreign investment, while enabling workforce reskilling to meet evolving industry needs <sup>(259)</sup>.

**The southern provinces, Hainaut in particular, are lagging behind in terms of human capital** <sup>(260)</sup>. In Hainaut, 20.5% of the population aged 0 to 64 live in a household with a very low work intensity. In addition, only 37% of 30 to 34-year-olds have a high level of education. This is less than in the rest of Wallonia (43.6%) and much less than in Flanders (51.7%) or the Brussels-Capital Region (63.8%). On a positive note, the number of early school leavers in Wallonia fell from 10.9% in 2019 to 8.1% in 2024, a trend that can also be observed in Hainaut. The province of Luxembourg faces similar challenges in terms of human capital. A significant part of its workforce, while residing mainly in the areas around Arlon, Bastogne and Virton, actually works in the Grand Duchy of Luxembourg <sup>(261)</sup>, which improves

<sup>(259)</sup>European Cluster Collaboration Platform, *Country factsheet Belgium*, [clustercollaboration.eu](https://clustercollaboration.eu).

<sup>(260)</sup>Human capital encompasses knowledge, skills and competences, highlighting the importance of education, training and experience in building a workforce that drives economic growth, innovation and productivity.

<sup>(261)</sup>Idelux, 2023, *Tableau de bord socioéconomique*, [idelux.be](https://idelux.be).

<sup>(258)</sup>FPS Economy, 2024, *Intellectual Property Office – Annual Report 2023*, [economie.fgov.be](https://economie.fgov.be).

household income, while the province's GDP per capita remains low.

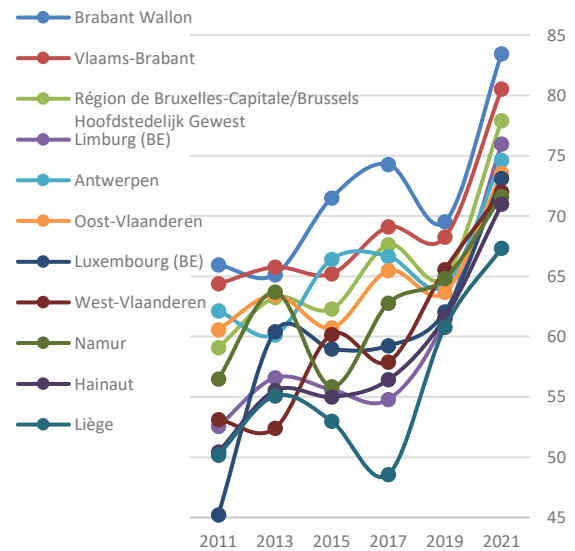
**Labour market conditions are generally better in Flanders than in the Brussels-Capital Region or Wallonia.** Belgium's 2024 employment rate (72.3%) was lower than the EU average (75.8%), with significant regional differences. Flanders led with a 76.9% employment rate, while Wallonia (67.1%) and Brussels (64.1%) lagged. West-Vlaanderen and Oost-Vlaanderen had the highest employment rate (79%), and Hainaut and Liège the lowest (64-65%). Women's employment rates remain lower than men's nationwide. Youth unemployment is a concern, particularly the rates in Brussels (23.6%) and Namur and Hainaut (26.3 and 28.1%), which significantly exceed the EU (14.9%) and national (17.4%) averages. At the same time, skill mismatches and labour shortages pose significant challenges to small to medium-sized enterprises (SMEs). In 2023, 75% of Belgian SMEs declared that skill shortages negatively affect their general business activities, above the EU average of 63% <sup>(262)</sup>. Innovation and competitiveness can be impeded by skill mismatches/shortages. This is particularly challenging given the ongoing industrial and green transitions.

**The Regional Quality of Government index <sup>(263)</sup> varies across the Belgian regions with Flanders and Wallonia scoring above the EU average and Brussels slightly below it.** Coordination and cooperation are a necessity in a multi-level institutional system with extensive regional and at times shared competencies and can require considerable effort. However, improvements in governance and in providing services, including at regional and local level, can be achieved even in complex institutional settings. This is illustrated, for example, by the roll-out of public e-services and the share of the population using them which has accelerated substantially in recent years, including in the less developed provinces (Graph A17.3).

<sup>(262)</sup>European Commission, 2019, Skills Mismatch and Productivity in the EU, [Europa.eu](https://europea.eu).

<sup>(263)</sup>European Quality of Government Index 2024| University of Gothenburg

Graph A17.3: **Share of internet users interacting with public authorities: percentage of individuals who used the internet within the last year (%)**



Source: Eurostat

## Social fairness

**The highest poverty rates in Belgium are in Brussels, where 37.2% of the population is at risk of poverty or social exclusion, and 13.6% experience severe material and social deprivation.** These figures are significantly higher than the national averages and are more pronounced than in Wallonia and Flanders. High poverty rates in Brussels are in part exacerbated by relatively high housing costs, driven by multiple economic factors. These include higher demand, and consequently higher prices for Brussels and its surrounding areas, higher wages, limited expansion opportunities, general inflation and rising energy prices <sup>(264)</sup>. The cost of housing places a substantial burden on city residents, with 11% of the country's urban population facing housing cost overburden in 2024, meaning that these households spend more than 40% of disposable income on housing costs. While the cost of housing is a national issue, it is less pronounced in towns and suburbs, and rural areas (5%). A focus on affordable housing management with special consideration for vulnerable

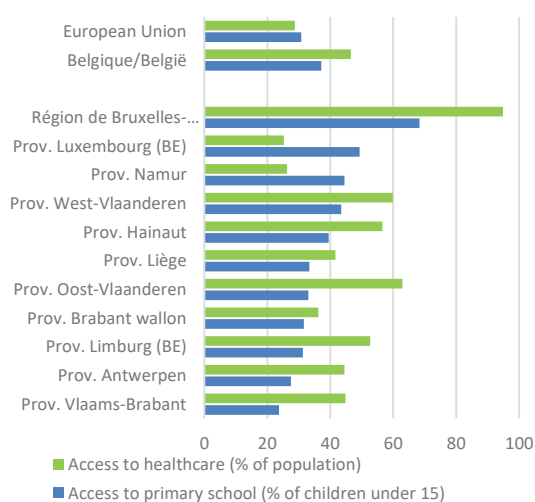
<sup>(264)</sup>OECD, 2024, OECD Territorial Reviews: Brussels-Capital Region, Belgium, [oecd.org](https://oecd.org).



populations could improve overall living conditions in Brussels.

**There are significant regional differences in access to healthcare and primary education in Belgium's rural areas** (Graph A17.4). The proportion of the population living less than 10 minutes by car from the nearest health centre ranges from 25% in Luxembourg, below the EU average of 29%, to 63% in Oost-Vlaanderen <sup>(265)</sup>. While the EU average is 31%, in Vlaams-Brabant, 24% of children in rural areas live less than a 15-minute walk from the nearest elementary school, compared to 49% in Luxembourg. In urban areas, around 90% of the population has close physical access to hospitals and primary education facilities except for the provinces of Limburg and Namur as regards access to elementary schools.

Graph A17.4: **Access to services in rural areas in 2021**



Units: Access to healthcare: Percentage of population that can reach nearest hospital within 10 minutes by car (EU-27).

Access to primary school: Percentage of children under 15 who can reach primary school within 15-minute walk (EU-24).

**Source:** Eurostat

<sup>(265)</sup> The south-eastern area of the Brussels-Capital Region is covered by forest, which means that the parcels are classified as rural according to the degree of urbanisation. For this reason, a small part of the population living there has reduced access to hospitals or schools compared to other parts of the region.

## Sustainability

**Belgium significantly reduced annual greenhouse gas emissions per person from 14.5 to 9 tCO<sub>2</sub>eq between 1990 and 2023.**

While Brussels is the lowest-emitting region with 2.3 tCO<sub>2</sub>eq per person, Hainaut's emissions are seven times higher. Carbon intensive industry accounts for 29.7% of CO<sub>2</sub> emissions in Wallonia, due to the activities of cement, chemicals and power plants. Three districts within Hainaut are included in the Wallonia's Just Transition Plan, with the aim of helping them transition to more sustainable production processes and diversify their economic base.

**Green employment is concentrated in Brussels, where 62% of jobs are classified as sustainable and competitive <sup>(266)</sup>.** This is significantly higher than in Hainaut, where the share is only 5.8%, even below the EU benchmark for less developed regions (6.3%). However, several structural Walloon plans <sup>(267)</sup> establish the framework of sustainable development, boosted by measures for training for underqualified workers for specialised sectors. Proper implementation of the industrial/green transition in the province of Hainaut is key to ensuring local economic resilience and social cohesion.

**Belgium's electric vehicle charging infrastructure <sup>(268)</sup> varies significantly across regions.** Brussels boasts the highest density, with an average over 2 700 charging points within a 10 km radius of where people live. In contrast, the province of Luxembourg has only 28, compared to the Belgian average of 633 and the EU average of 287.

<sup>(266)</sup> JRC data: Jobs from 56 NACE activities which produce less greenhouse gas emissions per worker and are more productive per worker than the EU median value.

<sup>(267)</sup> List of Walloon plans on [Wallonie.be](https://www.wallonie.be).

<sup>(268)</sup> Indicators of access to alternative fuel infrastructure are based on calculations by DG REGIO and the JRC, using data from the European Alternative Fuels Observatory (EAFO), Eurostat, TomTom and Eco-Movement.