Belgium

1. Covid-19 Pandemic and National Recovery and Resilience Plans

Question 1	Based on early indications, how satisfied or dissatisfied are you with the way your country has started implementing the national recovery and resilience plan?	Neutral
Question 2	How satisfied or dissatisfied are you with the involvement of social partners in the implementation so far of your national recovery and resilience plan?	Satisfied
Question 3	How confident are you that the European Commission will enforce strong implementation of the reforms in the national recovery and resilience plans across the EU?	Somewhat confident
Question 4	How do you judge the overall economic policy response in your country over the past 24 months to the COVID-19 recession? (e.g. furlough schemes, tax deferrals, state aid schemes)	Very Good
Question 5	How do you judge the overall economic policy response from the European Union over the past 24 months to the COVID-19 recession? (e.g. SURE, Recovery and Resilience Facility, single market)	Fair
Question 6	To what extent has the COVID-19 pandemic and recession led to scarring i.e. permanent structural damage to your national economy?	To some extent
Question 7	To what extent has the COVID-19 pandemic and recession led to scarring i.e. permanent structural damage to the EU27 economy?	To some extent
Question 8	More specifically, how much lower do you expect GDP in your country to be in 2025 than would have been the case without the crisis?	GDP in 2025 expected to be 3 % lower than what would have been the case without the pandemic

2. Assessment of Country Specific recommendations 2020-2021 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR **1**	In line with the general escape clause, take all necessary measures to effectively address the 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. Reinforce the overall resilience of the health system and ensure the supply of critical medical products.	Extremely important	Mixed	First part (measures to address the pandemic) and last part (resilience of health system) was fine. But the big question mark concerns public finances (hugely correlated with our debt ratio…). Our public finances were severely injured and, without policy changes, our public finances will again deteriorate significantly from 2024 and the deficit would remain close to 4%.
CSR **2**	Mitigate the employment and social impact of the crisis, notably by promoting effective active labour market measures and fostering skills development.	Extremely important	Mixed	The first part has been done effectively (mitigation of social and employment' impact of the crisis), but regarding the promotion of effective labour market measures, we're still far from it (proof: vacancy rate is already at an all-time high)

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		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR **3**	Ensure effective implementation of the measures to provide liquidity to assist small and medium-sized enterprises and the self-employed and improve the business environment. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on infrastructure for sustainable transport, clean and efficient production and use of energy, digital infrastructure, such as 5G and Gigabit Networks, and research and innovation.	Extremely important	Mixed	For the first part (provide liquidity to assist [...] enterprises [...] and improve business environment), little progress and there is clearly room for improvement. Concerning front-load mature public and private investment to foster economic recovery, this is pretty positive. However, the support was more on the side of public than private investment. Concerning the last part (focus on green and digital transition), the Belgian plan is very ambitious and even more ambitious than what is required (51% of investments planned vs. 37% requested). Downside risk: the "envelope" for Belgium could be reduced by 1 billion because in terms of recovery, Belgium is performing better than expected. Some projects would then be cut and we don't know which ones.

3. Reform Progress in your Member State in 2020 & 2021

How would you assess reform progress in 2020 & 2021, for the following broad areas:

Taxation and Public Finances	Unsatisfactory
Business environment (regulation/access to markets)	No progress
Labour market	Unsatisfactory
Innovation and skills	Mixed
Access to finance and Financial stability	Satisfactory

Is there any example of an economic reform, specific to your country that BusinessEurope could highlight in its 2022 Reform Barometer?

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4. Reform priorities for 2022

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 1	Competition policy framework Wage bargaining and wage-setting policies	The impact of COVID has led to the disruption of supply chains and generated input increases in many areas. This is generating significant price pressures that are persisting more than initially envisaged. Given our automatic wage indexation system, this will generate automatic wage cost increases that will affect the competitiveness of companies and limit the room for maneuver of social partners in their negotiations. The situation shows the lack of flexibility of the current system and the problems it creates.	No
Priority 2	Active labour market policies Labour market mismatch and labour mobility	The support policies have made it possible to preserve the "tissu économique belge" as well as employment (the increase in unemployment has been only marginal given the scale of the economic shock). Nevertheless, the employment rate is still too low in order to ensure the sustainability of our welfare system while at the same time, the vacancy rate has already passed its pre-crisis level (and has never been so high). Some old industrial areas are still facing high unemployment rates while others are at frictional level. Labour market flexibiliy should increase, as well as the activating capabilities of the employment agencies and promote more collaboration between schools and private firms.	No

	I. Policy Area	II. Concrete Recommendations	III. Are the proposed recommendations already in the agenda of your Government?
Priority 3	Sector specific regulation (telecom, energy)	The sharp rise in energy prices in 2021 has once again shown the weaknesses of the energy strategy. The future of Belgian nuclear power plants is still unclear. Although they could be a crucial factor to combine low electricity prices and security of delivery with zero carbon emissions in the next twenty years.	Yes
Priority 4	Consolidation of public expenditures Public sector efficiency Public investment	The necessary support measures have put huge pressure on public finances. The damage will continue in the medium term, and the current financial trajectory (with no policy changes) is towards an increase in debt and a deficit close to 4%. The pre-crisis structural elements weighing on public finances in the long term (ageing and the ecological transition) have not evaporated with the COVID crisis. More efficiency in public spending is even more prevalent now, given the importance of future investments (transport, mobility, energy, digitalization, etc.).	No
Priority 5	---	---	---