

Flemish Reform programme 2016



Government
of Flanders

FLEMISH REFORM PROGRAMME¹ 2016

¹ This document is the English translation of the Flemish Reform Programme (FRP) 2016. The official version of the FRP (in Dutch) was approved by the Flemish Government on the 25th of March 2016 and can be found at <http://www.vlaanderen.be/nl/vlaamse-overheid/werking-van-de-vlaamse-overheid/vlaanderen-en-het-europees-semester>

PREFACE

The present Flemish Reform Programme (FRP) 2016 is the sixth in a row to be drawn up by Flanders and the second to be presented by the current Government of Flanders.

The Government of Flanders is convinced that compiling its own reform programme is an important lever for involving public authorities and stakeholders in Flanders more closely in the European Semester. Just like in 2015, consultations were held with the Flemish Parliament and the social partners and several good practices of VLEVA members, including (supra) local administrations, were included in this reform programme. In this way Flanders assumes the necessary ownership within the framework of the European Semester and fully endorses the European Commission's efforts to further increase the support base for the European Semester.

In its reform programme Flanders gives a bespoke response to the country-specific recommendations and challenging Europe 2020 targets. It also provides the EC with a more detailed picture of the measures taken at the Flemish level. To allow Flanders to respond even better to the analyses made by the EC in its country reports or to the country-specific recommendations, the Government of Flanders asks to receive region-specific recommendations and analyses from now on. The Government of Flanders remains open to a dialogue with the EC on this subject.

Moreover, the Government is entirely committed to the positive spiral of budgetary discipline, structural reforms and investments, which is why all these elements are highlighted in the Flemish Reform Programme (FRP). The Government of Flanders notes that the first investment projects in Flanders have been approved within the framework of the European Fund for Strategic Investments (EFSI). Although these are only small-scale projects, the Government of Flanders hopes that EFSI support will also be granted for large-scale, important sustainable investment projects and that EFSI will be relaunched in 2016. To make these necessary investments possible, the Government of Flanders remains in favour of the possibility to amortise large-scale investment projects over a longer period than the construction period (in accordance with the principle of business accounting). Naturally, this must be done within the framework of the Stability and Growth Pact and with preservation of the budgetary discipline. Next, the Government of Flanders would also like more legal certainty to be provided for public-private partnerships.

In late January the Government of Flanders identified seven dossiers in the EC Work Programme 2016 that are a priority for Flanders. One of these dossiers concerns the next steps for a sustainable European future. Flanders too wants to be ready for the future. The Government of Flanders is currently preparing a vision on the future of the European Union that reflects Flanders' views on the governance model, responsibilities and policy choices of the EU. With its Vision 2050 the Government of Flanders looks to the longer term and seeks to prepare Flanders for a future faced with profound changes. This vision paper also includes the sustainable development goals (SDGs) for 2030 which Flanders already wants to start implementing.

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EXECUTIVE SUMMARY

Flanders is an active partner in the **multi-level governance context** of the European Semester of which the 2016 Flemish Reform Programme (FRP) is an important exponent. Through its own reform programme Flanders takes up ownership and strengthens the support base for the European Semester in Flanders with contributions from the Flemish Parliament, the social partners, (supra) local administrations and stakeholders to the FRP.

The FRP aims to provide a response to the country-specific recommendations of July 2015, the investment challenges identified by the EC and the Europe 2020 targets in order to act as much as possible in line with the EC's country report on Belgium that was published on 26 February 2016.

Measures within the framework of major economic challenges

Country-specific recommendations (CSRs) of relevance to Flanders:

- With regard to **CSR 1 (public finances)** work is continued to realise sound public finances, a growth-friendly budgetary policy and a nominal balance from 2017 onwards.
- As far as **CSR 2 (taxation)** is concerned, several initiatives were launched and measures were developed to reform the existing tax legislation in view of enhanced coherence and effectiveness. In this context reference can be made to (i) the Flemish Tax Code, (ii) the simplification, reduction and greening of the Flemish gift tax on immovable property and (iii) the tightening of the tax relief for new energy efficient dwellings. In the context of the extension of the taxable base, the kilometre-based charge for heavy goods vehicles and the Flemish road tax reform can be mentioned.
- With regard to **CSR 3 (labour market)** several measures are being taken to improve the functioning of the labour market and increase the employment rate. Focus is placed on (1) the safeguarding of the youth work guarantee, (2) measures for long-term unemployed (new system of temporary work experience), (3) the simplification of target group policy, (4) support for the reconciliation of work and family life (childcare and regionalisation of the competences for service vouchers), (5) a mobilising strategy concentrated on talents and the elimination of prejudices, (6) the modernisation of secondary education, (7) a comprehensive policy on learning entitlement, truancy and early school leaving, (8) the realisation of a smooth transition from education to the labour market and the elimination of the skills mismatch (including dual learning, Flemish qualification framework, STEM, entrepreneurial education), (9) measures for lifelong learning (including the adult education reform, training pathways for education qualifications) and (10) the reform of the system of training incentives.

Investment challenges:

The Government of Flanders continues to be mainly a government of investments. One of its top priorities is to further improve the business environment (new cluster policy, further simplification of the SME portfolio, the introduction of the SME growth subsidy, international entrepreneurship and easy access to capital. The Flanders Investment Company (Participatiemaatschappij Vlaanderen/ PMV) plays a crucial role in this. Investments are also

made in transport infrastructure, the circular economy, keeping the energy costs controllable, industrial policy (Industry 4.0) and adjusted legislation (including the integrated environmental permit) to support the investment and business environment.

Europa 2020 targets:

Flanders stays abreast of the **Europe 2020 targets** through the present reform programme and introduces a myriad of measures.

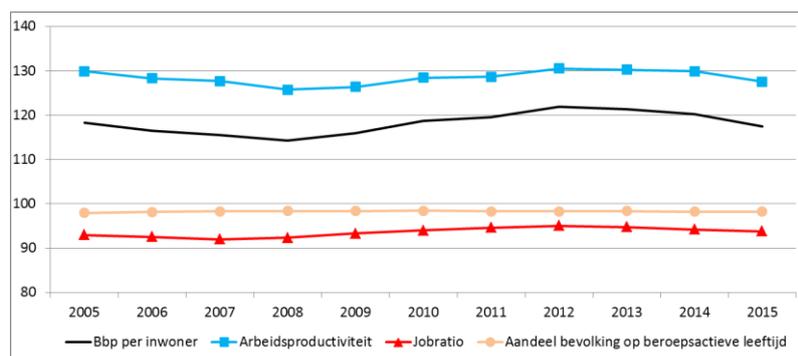
- **Research and development.** The additional funds earmarked by the Government of Flanders have been worthwhile: the indicator amounted to 2.54% in 2013 (compared to 2.12 in 2009), which is the highest figure ever and an increase of over 23% compared to 2009. Important measures include the new cluster policy and the new established Agency: Flanders Innovation and Entrepreneurship.
- **Climate and energy.** On 4 December 2015 the 4 Belgian Ministers responsible for climate reached an agreement on the distribution of the Belgian efforts in the field of climate and energy. The Flemish Mitigation Plan 2013-2020 plays a significant role in reducing greenhouse gases. In the context of **energy efficiency promotion** there is the Renovation Pact and the energy loan, etc. Measures for increasing the **share of renewable energy** include the Fast Lane concept paper for wind energy, the adjustment of the existing support framework for green heating, the extension of this support to deep geothermal energy and the Clean Power for Transport action plan. In 2013 and 2014 Flanders' greenhouse gas emissions met the annual reduction target. This led to a surplus of respectively 1.9 and 3.5 Mtonnes CO₂ eq. The share of renewable energy was 5.7% in 2014 (almost a doubling since 2008) and in the context of energy efficiency the interim target of 9% energy saving in 2016 (compared to the average during the period 2001-2005) is almost achieved.
- **Activity.** Flanders remains at a standstill as far as the employment rate is concerned. In 2014 it amounted to 71.9%. Nevertheless, it continues to take firm measures to increase this rate, as shows from the reply to country-specific recommendation 3.
- **Education.** The falling trend in the number of **early school leavers** continues (2014: 7%). The share of 30 to 34-year-olds with a **higher education diploma** was 44.8% in 2014, which means that Flanders' Europe 2020 target of 47.8% can still be achieved. Flanders keeps taking measures to realise the Europe 2020 targets, as is apparent from the reply to country-specific recommendation 3.
- The figures on **poverty or social exclusion** remain relatively stable. No downward trend is as yet noticeable. The Flemish Poverty Reduction Action Plan can be referred to for the measures taken.

PART 1. MACRO-ECONOMIC DEVELOPMENTS IN THE FLEMISH REGION

The Flemish Region represents 57.6% of the **Belgian gross domestic product (GDP)**² and 57.4% of the Belgian population (data of 2015, on the basis of the medium term model HERMREG, supplemented with Eurostat data and processed by the Government of Flanders Research Centre). The **GDP per capita** in the Flemish Region can be estimated at EUR 33,500 purchasing power parities (PPPs) per inhabitant in 2015. This is 17% and 8% higher than the average in the EU28 and EU15. In 2010 this indicator was 19% higher for the Flemish Region than the EU28 average, but also 8% higher compared to the EU15. Specifically for Belgium there is the small geographical description of the Brussels-Capital Region. As a result, a relatively large number of people living in the Flemish Region commute to the Brussels-Capital Region where they work. With a correction the Flemish GDP increases to EUR 36,000 per inhabitant, which exceeds the average in the EU28 by 26%. The Flemish Region owes its relatively high GDP mainly to a high **labour productivity**. This is 27% and 18% higher than the average in the EU28 and EU15, which is an asset for Flanders' economy. This can be explained by the high level of education of the working population and the capital-intensive production methods. In 2014, 42.4% of the working population in Flanders has received tertiary training. In the EU28 this is 32.7%.

The **job ratio**, i.e. the share of employment compared to the population of working age (93.8% of the EU28 average in 2015), and the share of the population of working age (98.2% of the EU28 average) are not beneficial for the Flemish economy. The proximity of the Brussels-Capital Region has an effect on the job ratio. With a correction for commuter movements the Flemish job ratio is barely 1% lower than in the EU28.

Figure 1: GDP per inhabitant and its components, Flemish Region, indices (EU28 = 100), 2005-2015 (Source: AMECO, Eurostat, HERMREG, ADS, processed by SVR).



Between 2005 and the outbreak of the financial and economic crisis the Flemish Region lost some ground compared to the EU28. This was owing to the relative deterioration of the labour productivity and employment rate. However, in the period from 2010 to 2012 the Flemish

Region regained some of the ground lost following an improvement of both indicators. Still, this could not be consolidated in the last years after 2012 (Figure 1).

Over the years 2005-2015 the **Flemish GDP grew** by 1.3% in real terms. This is higher than in the EU28 or EU15 (1.0% and 0.9%). From 2011 through 2014 the real economic growth in the Flemish Region exceeded that of the other two Belgian Regions. This good performance can be

² Since last year national and regional accounts are drawn up in accordance with **the new ESA2010**. The ESA2010 introduced a number of changes compared to the former ESA95, like the larger share of industry and the greater importance of services in exports and an upward revision of the GDP.

attributed to the years preceding the outbreak of the financial and economic crisis, as well as the years after that up to and including 2012. In that period Flanders' growth was better than in the EU15 and EU28.

However, in the period 2013-2015 the Flemish real GDP growth amounted to on average 0.9%, which is lower than the average in the EU28 and EU15 (1.2% and 1.1%). The stronger **Flemish economic growth** is due to the larger increase in employment in the Flemish Region (0.8% over 2005-2015) than in the EU28 or EU15 (each time +0.4%). It was lower than both European averages only in the period 2013-2015. The increase in labour productivity in the Flemish Region was more or less on a par with that of the EU28 or EU15. According to HERMREG the Flemish real economic growth would amount to +1.3% in 2015. For 2016 a prognosis of no less than 1.7% is made. The acceleration of growth is supported by the rising exports and especially by the stronger contribution of domestic consumption. If the GDP per capita in 2008 is set equal to 100, it amounts to 101.9 in the Flemish Region in 2014. The 2008 level has not been yet reached (99.4) throughout Belgium.

Over the period 2009-2014 **employment growth** amounted to +2.3%. The engine of this growth (in particular the quaternary sector is expanding in this field) was the tertiary sector in the broad sense. Growth was only recorded until 2012. In the two subsequent years a status quo was reached.

Mention should also be made of the **income** citizens **earn** from labour and capital in their own region, as well as elsewhere (commuting). The available income in the Flemish Region is said to increase on average by 2.1% in the period 2014-2020 (Source: HERMREG). Income growth is projected to be moderate, especially in 2014-2016, as a result of wage moderation and a declining income on equity.

In 2015 **gross investment** decreased by 1.0% in the Flemish Region compared to 2014. This was owing to a number of exceptionally important purchases that were made abroad (ships) in 2014. It is projected to increase by 3.7% in 2016 and by 2.7% on average over the period 2017-2020. Companies play a more prominent role in this than the government. The investment ratio, indicating the share of investment in the GDP, is estimated at 24.5% for 2015. This ratio is higher for the private sector than for the public sector (22.6% and 2.1% in 2012).

The **cost of labour per unit of output or unit labour cost (ULC)** is an important measure for cost competitiveness. It concerns the share of wages in the gross value added (with an estimation for the incomes of self-employed). The ratio of the ULC of the Flemish Region to the 3 neighbouring countries (Germany, France, the Netherlands) was 1.05 for the whole economy (= worse) in 2013, but 0.97 for industry alone (= better).

The **employment rate** (the share of the employed living in the Flemish Region in the population aged 20 to 64) reached 71.9% in 2014 and has remained more or less stable in the years following the outbreak of the financial and economic crisis (Source: ADS - LFS). This was owing to a slight decrease among men, which is compensated by an increase among women, in particular in the 55-64 age group (men and women together). A striking evolution is taking place in the employment rate of older workers: from 30.5% in 2005 to 44.3% in 2014. The employment rate is a bit lower in the EU28 and EU15 (69.2% and 69.7% in 2014), but is higher in each of our

neighbouring countries, except for France. It should be mentioned that the Walloon (61.8%) and Brussels (58.7%) employment rates are clearly lower. The employment rate in the 55-64 age group is a point of focus for Flanders, since a slightly higher proportion of the population in that age group is active in the EU28 and EU15.

The **unemployment rate** (LFS) amounted to 5.1% in 2014, which is approximately half of that in the EU28 and EU15 (10.2% and 10.5%). The rate of employment growth is predicted to increase moderately to between 0.7% and 0.9% over the next years. It is forecast that between 2015 and 2020 113,000 jobs will be created in line with the economic growth that is slightly picking up. The extra jobs would mainly be situated in 'health care and social services' and 'business services'.

The Flemish Region can count on a **well-educated labour force** for this. In the Flemish Region the share of employed in the (medium) high-tech industry and knowledge-intensive services was 8.7% in 2014, which is about the same level as in the EU28 and EU15. In relative terms Flanders performs a bit better in the service component and a bit worse in the industrial component. R&D expenditure amounted to 2.54% of the GDP in the Flemish Region in 2013. This indicator has risen continuously since 2009 (2.06%). The EU28 average is 1.92%.

Flemish **exports** consist mainly of goods (78.0% in 2012). Between 2000 and 2012 services exports grew by 110.3% and goods exports by +63.4%. Over the past decade Western economies have lost market share in global trade to new strong players on the global market. Flanders' market share in global trade decreased in the period 2002-2014 by a percentage which averages around the percentage decrease in the 4 neighbouring countries. However, since 2012 a stabilisation is observed, which is a good sign and means there has been no further decrease (21.0 per mille in 2014). However, when weighting the Flemish Region and the neighbouring countries by population, we find that the Flemish market share exceeds that of reference countries in all the studied markets. In this respect the Flemish Region is thus performing very well.

The Flemish Region is an important supplier to the **neighbouring countries**. The bulk of Flemish exports (68.1%) are intended for other EU countries. This is to a large extent owing to the Flemish Region's location amid larger prosperous economies which account for a large part of our exports. The Flemish Region is not specialised in direct exports to new growth markets (in relative terms compared to the EU15). However, Flemish semi-finished products do find their way to new growth markets because they are processed in end products of the neighbouring countries. Compared to 2008 the share of exports to growth markets is improving. The presence indices in the BRIC, Asian Tigers and N11 grew between 2008 and 2014. Recently, some of the new growth countries have been confronted with a slowdown in their growth. As a result, the prospects for exports to these countries are under pressure. At that moment the stronger orientation of the Flemish Region to the neighbouring countries and the EU in general is an asset.

In comparison to other economies (Germany, France) the Flemish Region is not specialised in research-intensive goods, while there is a fairly strong worldwide demand for these goods. Between 2008 and 2014 progress was made for this category of products in a number of sub-products (specialist machinery, instruments and devices, other transport material). However, a decrease was also recorded for other sub-products, which shows the challenge for Flanders to perform better in this category. Furthermore, the Flemish Region is not specialised in basic materials, but in labour- (diamond) and capital-intensive goods (vehicles). In 2015, 227 **new**

investment projects of foreign companies were detected in Flanders for an investment amount of EUR 2.70 billion, creating 4,352 jobs. 2015 saw a substantial increase in the number of investment projects compared to 2014 (+23.4%), whereas employment rose slightly by 4.5% (+188 jobs).

PART 2. MEASURES WITHIN THE FRAMEWORK OF MAJOR ECONOMIC CHALLENGES

2.0. THE COUNTRY REPORT 2016

On 14 July 2015 the Council made **four country-specific recommendations**³ to Belgium. These pertain to public finances and pensions, taxation, the labour market and wage formation. The EC also proposed a number of **investment challenges** for each Member State. For Belgium⁴ these related to: (1) public administration and business environment, (2) labour market and education, (3) financial sector and taxation and (4) sector-specific regulation. These elements also feature in the EC **Country Report**⁵ Belgium (26 February 2016) which is subdivided into two main parts: the first part contains some issues regarding imbalances, risks and adjustment⁶ and the second part deals with other structural issues⁷.

The Government of Flanders considers the publication of the Country Report to be a good entry point for dialogue with the EC within the framework of the renewed European Semester. The Government of Flanders is pleased to find that the EC refers to several Flemish measures and policy initiatives (for instance with regard to the labour market, education, entrepreneurship, innovation and R&D) in its Country Report. However, several other crucial Flemish measures, like dual learning and the Action Plan 'Samen tegen schooluitval' (Together Against Early School Leaving) are not touched on. Moreover, the regional dimension is less detailed for a number of other policy areas (climate and energy, social inclusion, mobility, etc.).

Generally speaking, the Government of Flanders is of the opinion that the EC still too often talks about the 'Belgian' situation. As a result, it is not always clear whether its analysis pertains to all or only some levels of government. Also, the EC's specific analyses insufficiently elaborate on concrete figures at the regional level (for instance regarding the economic situation and prognoses). In other cases, it is unclear why regional figures are either given (early school leaving) or not (youth unemployment, long-term unemployment), despite the fact that the figures between the Regions reveal significant differences and education and labour market are very closely linked. Finally, the EC does not propose any potential customised policy solutions at the regional level, but often limits itself to giving general measures for all the policy levels together.

The Government of Flanders values the analysis made by the EC for the different policy areas. In some areas this evaluation is positive (like with regard to R&D&I, viz. the 3% target and the measures in the field of STEM, certain elements regarding the business environment, the reduction in early school leavers and the circular economy. In other areas (investments in the

³ http://ec.europa.eu/europe2020/pdf/csr2015/csr2015_council_belgium_nl.pdf

⁴ http://ec.europa.eu/europe2020/pdf/2016/ags2016_challenges_belgium_nl.pdf

⁵ http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_belgium_nl.pdf

⁶ In concrete terms it concerns (i) competitiveness, trends and performance, (ii) labour costs, (iii) innovation and business environment, (iv) indebtedness.

⁷ In concrete terms it concerns (i) labour markets, social policies, skills and education, (ii) taxation, (iii) transport, energy and environment.

transport network, climate and energy challenges, increasing the employment rates of various target groups, educational inequality, etc.) Flanders will sustain its efforts.

With its own FRP the Government of Flanders can inform the EC of the concrete measures it is taking. This will allow the Country Report to be refined and updated in certain areas. The Government of Flanders wants to refine the analysis of the EC whenever it mentions the coordination of policy choices of the governments. The Government of Flanders attaches great importance to good coordination and refers more specifically to the partnerships that are in place in Flanders between the policy areas 'Education and Training' and 'Work and Social Economy' in the context of the dual learning reform and between the policy areas 'Education and Training', 'Work and Social Economy' and 'Welfare, Public Health and Family' for the action plan 'Together Against Early School Leaving'. Contrary to what is stated in the Country Report with regard to STEM it should be indicated that close collaboration exists between the policy areas 'Education and Training' (Onderwijs en Vorming/OV), 'Work and Social Economy' (Werk en Sociale Economie/WSE) and 'Economy, Science and Innovation' (Economie, Wetenschap en Innovatie/EWI). All the policy areas also work closely together around the Flemish Poverty Reduction Action Plan. Another refinement the Government of Flanders wants to make concerns the fact that the Country Report places very unilateral focus on railway and road transport, whereas Flanders also invests actively in port and waterway infrastructure to provide an answer in terms of sustainability and congestion. Part 1 of this FRP 2016 also outlines a number of macro-economic indicators (like for instance with regard to GDP and exports). This will provide the EC with a more detailed picture and allow its conclusion that the Belgian economy has not yet been able to return to its pre-crisis growth rates to be refined for Flanders.

However, the Government of Flanders is convinced that the measures entered in this FRP implement the country-specific recommendations (*see 2.1 through 2.4*), the investment challenges (*see 2.5*) and the Europe 2020 targets (*see Part 3*) and therefore act on the Country Report analyses. The Government of Flanders asks the EC to systematically take account of the regional competences in the compilation of both the 2016 country-specific recommendations and future country reports. Only then will it be possible for Flanders to formulate bespoke measures in response to the EC's findings.

2.1. COUNTRY-SPECIFIC RECOMMENDATION 1

*Achieve a fiscal adjustment of at least 0.6 % of GDP towards the **medium-term budgetary objective** in 2015 and in 2016. Use windfall gains to put the general government debt ratio on an appropriate downward path. Complement the **pension reform** by linking the statutory retirement age to life expectancy. Agree on an enforceable **distribution of fiscal targets among all government levels**.*

When the Government of Flanders took office it was faced with a difficult task because of disappointing growth figures, tightened European budgetary rules (ESA2010) and the sixth state reform. In this difficult context the Government of Flanders has taken its responsibility by choosing a balance between putting its finances in order and investing in the socio-economic fabric. In this way the Government of Flanders expressed its ambition to act as a pole of stability in a rapidly changing environment.

In the years 2016-2019 the Government of Flanders will continue to focus on a **growth-friendly budgetary policy** and pursue a **nominal balance from 2017 onwards** within the multi-year framework set by the High Council of Finance.

The costs for the construction of the Oosterweel project are left out of consideration in the calculation of this nominal balance, since the Government of Flanders regards the Oosterweel connection as a one-off productive investment of major economic importance. Moreover, for the year 2018, the Government of Flanders takes account of a one-off negative effect of EUR 854.7 million as a result of the one-off negative re-calculation of revenues regarding local surcharges, tax expenditure and transition mechanisms. However, this one-off negative settlement for the Regions implies a one-off additional revenue for the federal government and therefore has no impact on the result of the general government. To be able to actually achieve the set targets, the Government of Flanders will carefully monitor the implementation of the budget and make adjustments, if necessary.

2.2. COUNTRY-SPECIFIC RECOMMENDATION 2

Adopt and implement a comprehensive tax reform broadening the tax base, shifting the tax burden away from labour and removing inefficient tax expenditures.

2.2.1. Reducing the tax burden on labour

At the federal level several measures have been taken to shift the burden on labour to taxes with a broader tax base. It goes without saying that this tax shift does not just have consequences for the federal government. Measures relating to the personal income tax, for instance, are partially also borne by the regional budgets, since federal adjustments to the personal income tax with regard to tax relief and rate have a further effect on the regional surcharges, which are after all calculated on the basis of the reduced tax. The Government of Flanders decided not to change the surcharges on the personal income tax, in order to also implement the burden reduction realised by the federal measures for the regional component in the personal income tax. The multiannual estimate 2016-2021 (<http://docs.vlaamsparlement.be/docs/stukken/2015-2016/g21-1.pdf>) presents these figures in greater detail. The table below shows the effects of Tax Shifts I and II on the State taxation and the Flemish surcharges at current prices (in thousand euros).

Tax year Tax Shift I	2016	2017	2018	2019	2020	2021
Annual change in State taxation	-437,000	-428,155	-32,245	-38,350	-34,224	-35,476
Cumulative annual change in State taxation	-437,000	-865,155	-897,400	-935,751	-969,975	-1,005,451
Cumulative effect on Flemish surcharges	-72,367	-145,355	-146,638	-152,897	-158,489	-164,285

Tax year Tax Shift II	2016	2017	2018	2019	2020	2021
Annual change in State taxation		-1,140,000	-42,489	-1,477,070	-1,555,586	-154,165
Cumulative annual change in State taxation		-1,140,000	-1,182,489	-2,659,559	-4,215,145	-4,369,309
Cumulative effect on Flemish surcharges		-189,119	-190,788	-429,809	-683,534	-708,534

Tax year Tax Shifts I & II	2016	2017	2018	2019	2020	2021
Annual change in State taxation	-437,000	-1,568,155	-74,735	-1,515,420	-1,589,810	-189,641
Cumulative annual change in State taxation	-437,000	-2,005,155	-2,079,890	-3,595,310	-5,185,119	-5,374,760
Cumulative effect on Flemish surcharges	-72,367	-334,474	-337,426	-582,705	-842,023	-872,819

2.2.2. Tax reform

Several initiatives were launched and measures were developed to **reform existing tax legislation** in view of enhanced coherence and effectiveness:

- The **Flemish Tax Code** remains the key document for all Flemish tax legislation. After the integration of the inheritance and registration tax in late 2014, the kilometre charge for trucks (from 1 April 2016) was incorporated into the code in the first half of 2015. In this way both existing and new legislation are integrated into this key document.
- The **various favourable tax regimes** are currently listed. In a second stage it is examined for each tax measure whether it is the most efficient means to a specific end and which burden both the taxpayer and administration must be subjected to in order to enjoy the favourable measure. This evaluation will be used to optimise the legislation and make adjustments whenever necessary.
- In Flanders the **tariff structure for the integrated water bill** (for drinking water, wastewater collection and water treatment) has been modified as of 2016. A uniform tariff structure is in place for all drinking water companies with a limited standing charge for the 3 components of the integrated water bill. The variable part which depends on drinking water consumption has been made progressive. This means that the tariff is doubled in case of a higher consumption (above 30m³/dwelling and 30m³/resident domiciled there). In this way a strong incentive is built in to limit high water consumption.
- The **Flemish tax relief measures for owner-occupied dwellings** were harmonised and integrated. In practice this mainly changes the tax relief for the owner-occupied dwelling which is not the only dwelling owned (which means that the tax payer owns at least one other dwelling than the one he or she lives in). The tax relief was reduced in that the owner-occupied dwelling which is not the only dwelling owned is not treated more advantageously than the owner-occupied dwelling which is the only dwelling owned.
- The **Flemish gift tax on immovable property** was simplified, lowered and greened at two levels by reducing the number of scales from nine to four and the categories of beneficiaries to just two. An additional tariff reduction is also granted following renovations or private rentals in order to activate the housing stock.
- Since 1 January 2016 the **tax relief for new energy efficient dwellings** in the property tax has been tightened. Following the adjustment of the legislation a 50% reduction applies to an energy performance level ("E-peil") of E30 (previously E40) and a 100% reduction in case of an energy performance level of E20 (formerly E30). In both cases the tax relief is limited to a five-year period.

Several measures were taken to **broaden the taxable base**:

- The **Viapass road pricing project** for heavy goods vehicles (kilometre charge). From 1 April 2016 onwards the three Belgian Regions will discontinue the levy of the time-related

road-use charge called 'Eurovignette' (vehicles with MPLW > 12 tonnes) and start levying a kilometre charge for heavy goods vehicles of more than 3.5 tonnes MPLW.

A DBFMO (design, build, finance, maintain and operate) contract was concluded with private partner Satellic NV for this new Viapass road pricing system, which will be fully EETS (European Electronic Toll Service) compliant.

It is stipulated by decree that all vehicles subject to the charge are obliged to have an operational on board unit (OBU) when travelling on public roads which will use GNSS (Global Navigation Satellite System) technology to register the distance and roads travelled by the vehicle concerned and will subsequently calculate the charge due. To ensure compliance the regional tax administration and Viapass carry out fixed, mobile and flexible checks on the roads of the toll domain. The taxable base also takes 'green' elements (external costs) into account: the rate not only varies according to type of road and the maximum permissible laden weight (MPLW) of the truck, but also according to the vehicle's Euro emissions class.

No tax reliefs apply. Some categories of vehicles are exempted from the kilometre charge⁸.

- The **vehicle registration tax** (belasting op inverkeerstelling/BIV) has been adjusted for new registrations since 1 January 2016. There is a stronger direction of environmental parameters. Vehicles that are registered in the name of a leasing company continue to be taxed like before on the basis of fiscal hp or kW. Next to the adaptation of the calculation formula of the vehicle registration tax a number of exemptions were also introduced for certain types of vehicles from 1 January 2016 onwards: (1) natural gas vehicles (CNG/LNG): temporarily up to and including 31 December 2020; (2) plug-in hybrid electric vehicles. This exemption is already in force today, but will apply only temporarily up to and including 31 December 2020. Additional conditions are that it must be possible to plug in the battery to charge it and emissions must be lower than 50 g CO₂/km; (3) electric and hydrogen vehicles. Exemptions are already in place for this which will continue to apply for unlimited duration.
- **Reform of the Flemish road tax.** From 1 January 2016 onwards the road tax for newly registered (new or second-hand) passenger cars, dual purpose vehicles and minibuses not only takes the engine's horsepower, but also a number of so-called eco-rewards ("ecobonus") and eco-taxes ("ecomalus") into account for the taxable base, depending on the environmental performance of the vehicle (carbon emission, fuel type and Euro standard).
Since the reform is primarily aimed at reducing air pollution, the tax on diesel cars will increase (in keeping with the principle 'the polluter pays'). Furthermore, the following 'green' vehicles are exempted from the Flemish road tax as of 1 January 2016: (1) vehicles that are powered exclusively by an electric engine or by hydrogen; (2) (until 2021) plug-in hybrid electric vehicles (PHEV); (3) (until 2021) natural gas vehicles.

⁸ More information on Viapass is available at <http://www.viapass.be/>.

2.3. COUNTRY-SPECIFIC RECOMMENDATION 3

Improve the functioning of the labour market by reducing financial disincentives to work, increasing labour market access for specific target groups and addressing skills shortages and mismatches.

2.3.1. Youth Work Guarantee

In 2014 youth unemployment in Flanders dropped again to 16.1%, which may testify to the fact that the labour market is slightly recovering for this category as well. Over the past years Flemish youth unemployment reached a peak of 16.6% in 2013, while the EU average more or less remained stable at around 22.4% in 2014. This falling trend was also recorded in the Brussels-Capital (39.5%) and Walloon (32.1%) Regions in 2014.

In Flanders the evolution of youth unemployment is strongly linked to the economic climate, whereas in the other Regions it is a structural problem. However, Flanders is faced with early school leavers and a poor connection between education and labour market. That is why Flanders has adopted a three-pronged approach: (1) preventing young people from leaving school without a diploma, (2) offering a provision to young people who leave school without any qualifications and (3) combating growing youth unemployment in weak economic times.

- First component: to focus on the **innovation of dual learning** (*see 2.3.9*). With the action plan 'Together Against Early School Leaving' (*see 2.3.8*) Flanders wants to tackle early school leaving. The Flemish Employment and Vocational Training Service (Vlaamse Dienst voor Arbeidsbemiddeling en Beroepsopleiding/VDAB) aligned the general employment approach for young people with the European expectations regarding the Youth Work Guarantee: young people are offered a bespoke provision within 4 months after having registered as a jobseeker.
- Second component: **offering a provision to young people who leave school without a diploma**. Unqualified young people are offered actions to enhance their competencies, such as an apprenticeship, individual vocational training in the company (Individuele Beroepsopleiding in de Onderneming/IBO), a paid work placement which young people can undertake in a company, non-profit organisation or public service (Instapstage), a work experience pathway (Werkinlevingstraject/WIJ!) or vocational training. These 2 actions are intended to promote workplace learning, so that young people can develop new skills by 'doing' (and gain more confidence in their own abilities). In 2015, 15,379 IBO pathways were initiated, of which 7,945 for under-25s (+504 paid work placements). Since the start of the Wij! projects two years ago, no less than 3,600 young people already participated within the framework of the first ESF call (February 2013 - December 2015). Meanwhile, a second ESF call was launched which will provide for more than 6,000 projects from June 2015 over the next three years.
- Through the large-scale campaign 'Ervaring Werkt!' (Experience Works!) young people are made aware of the usefulness and opportunities of gaining work experience. The existing Youth Work Plan is optimised as well. Since mid-2015 some of these projects devote additional attention to sport as an activating incentive for these young people. From the autumn of 2015 onwards, the VDAB enters into labour market partnerships with sports clubs and sports organisations. Apart from sport, digital media are also a most effective way of reaching and stimulating young people. The VDAB invests in

accessible and attractive smartphone applications. For the employment of young people, use is also made of customised e-tools, like Videochat, e-mail and online job fairs.

- Third component: **combating youth unemployment**. Within the framework of the Youth Employment Initiative a sum of €4.6 million was appropriated to tackle youth unemployment in the Brussels-Capital Region for young people with Dutch-language career prospects.

These funds must be used to find 3,000 young people aged between 18 and 30 who are not in education, employment or training (NEET), make them visible and provide them with orientation and guidance to work, placements or training. So far, three projects have been approved which together will offer customised guidance to 1,075 young people.

2.3.2. Long-term unemployed

More than 1 in 3 of the Flemish jobseekers have been out of work for longer than 2 years (37.2% in 2014). The average for the EU28 also increased by almost 2%: from 47.3% to 49.4%. There is still a relatively large gap between the Regions: more than 1 in 2 Walloon and Brussels jobseekers stay out of work for longer than 2 years (56.1% in Wallonia and 58% in Brussels).

The Flemish coalition agreement highlights a **new temporary work experience scheme** to (partially) integrate long-term jobseekers into the labour market. Previous measures included WEP+, gesco and PWA (local employment agencies), Article 60 par. 7 and Article 61). This reform is part of the qualitative measures. The main elements from the 2015 **concept paper** can be summarised as follows:

- A work experience pathway varies between one and two years and is aimed at a faster transition to the mainstream economic sectors. The temporary work experience is targeted on jobseekers who are very distant from the labour market due to lack of competencies or (recent) work experience.
- The pathways are open to all jobseekers, irrespective of whether they receive unemployment benefit. During the pathway they retain their jobseeker status. Only people who enter a pathway on the basis of Article 60 are given an employment contract to build up rights.
- Jobseekers are mentored throughout the pathway by one pathway mentor. On-the-job guidance is provided at the workplace with support from the pathway mentor.
- The workplace is chosen in accordance with the job target and the competencies to be acquired and therefore involves customisation. During the pathway sufficient rotation is possible to various workplaces in order to gain as much work experience as possible.
- The VDAB developed a central database for work experience and apprenticeships. This database will become accessible to all pathway mentors and workplaces.

In late 2014 it was decided to embed the Work Experience measure in the VDAB's renewed approach to workplace learning. A new instrument called '**Intensief Werkplekleren**' (Intensive Workplace Learning) was launched in which external partners guide jobseekers who are at a bridgeable distance to the labour market to employment in the mainstream economic sectors through several workplace learning instruments.

In full flow the instrument will offer guidance to 5,000 jobseekers each year. The new system is to help jobseekers who lack work experience but have sufficient work attitudes find a job in the

mainstream economic sectors through this intermediate step. The system should be complementary to the measures already available within the policy areas 'Work' and 'Social Economy'. Coordination with the local labour market and cooperation with local actors are essential for the implementation of this new framework. The VDAB will work on structural cooperation partnerships with the public centres for social welfare (Openbare Centra voor Maatschappelijk Welzijn/OCMW's), which can be supplemented with other actors at the local level.

Finally, we introduce a new instrument called '**Wijk-Werken**' (Neighbourhood Work) in the context of the Flemish activation policy for long-term unemployed, amongst others. The Neighbourhood Work concept paper which was adopted by the Government of Flanders on 4 March 2016 aims to create a low-threshold instrument for gradually imparting competencies to long-term unemployed, amongst others, in a professional environment. The pathways will normally last 6 months at most and be renewable once for maximum six months following an evaluation by the VDAB. Moreover, they will be monitored and participants will receive a small compensation.

The idea is that a very limited number of hours is worked in a low-threshold assisted working environment during a period of maximum 6 months. The neighbourhood work should function as a gradual leg-up to employment in the mainstream economic sectors and will start on 1 July 2017. During the neighbourhood work period the jobseeker is monitored by VDAB and receives a small compensation. Consumers, on the other hand, must pay a fee for the work done. Neighbourhood work should not crowd out jobs from the mainstream economic sectors.

2.3.3. Simplification of target group policy

To increase the efficiency and effectiveness of the target group policy, the number of measures is restricted to three target groups, viz. **young low-skilled employees, older employees and persons with a work-limiting disability**. To that end the Government of Flanders approved the concept paper 'Naar een Vlaams doelgroepenbeleid' (Towards a Flemish Target Group Policy) on 23 January 2015. 2015 was mainly dedicated to the creation of a new decree. This draft Decree was finally approved by the Government of Flanders on 11 December 2015. On 24 February 2016, the final vote on this decree was taken in the Flemish Parliament and on 4 March 2016 it was ratified by the Government of Flanders. Frequent consultations and discussions with the social partners resulted at the end of the year in an agreement on a component of the **Job Pact** which placed additional focuses for the further development of the target group policy, for instance in the field of training incentives and the temporary work experience scheme.

To be able to concentrate on starters and entrants on the labour market, the Government of Flanders proposes to set the **age limit at under 25**. Besides, the group is limited to the low- and mid-educated (without higher education diploma).

If the young person obtains a qualification after all, the employer will retain the discount. For **older employees** a distinction is made between employees already at work and the recruitment of non-working jobseekers. The target group discount for over-55s will apply to both the recruitment and the retention of employees. The present Flemish Support Premium (Vlaamse Ondersteuningspremie/VOP) for people with a work-limiting disability is maintained with its current terms and conditions. Such a premium will in the future also be granted to people with

psychosocial problems, as described in the Decree on Collective Customisation, who move on from the social economy to the mainstream economic sectors.

As for the **other target group measures** that have been transferred following the sixth state reform the necessary transition measures will be taken to offer employers and employees legal certainty. The exit scenario will also take the development of the new framework for temporary work experience into account. At the regulatory level, work will be done in 2016 on the implementing order to the draft Decree on Target Group Policy. The target date for the entry into force of the policy is 1 July 2016.

2.3.4. Supporting the reconciliation of work and family with childcare and service vouchers

The Government of Flanders continues to invest in childcare and subsequently also supports the reconciliation of work and family life (income-based childcare was extended and the social tariff was maintained):

- Supporting childcare for babies and toddlers. Following the implementation of the new Decree through which the Flemish authorities want to gradually realise sufficient high-quality childcare that is accessible to all.
Childcare must be affordable for parents, as well as financially acceptable for the childcare sector. Through progress consultation the Flemish authorities want to closely monitor the progress of the transition. Furthermore, a number of specific matters are addressed (the development of renewed flexible childcare, further work on the employee status for childminders, a vision on the future of family-based childcare, etc.).
- Extending the number of places for babies and toddlers with consideration of the changes following the implementation of the Decree. In 2015 a new programming exercise was designed which takes account of the tiered subsidy scheme in childcare for babies and toddlers. As a result of this the funds which the Government of Flanders appropriated in 2015 to extend the number of places with basic subsidy, income rate subsidy and plus subsidy in childcare for babies and toddlers were divided. An advance budget appropriation was taken from these funds to increase the number of places in the cities of Ghent, Antwerp and Brussels. The remaining funds were allocated in late 2015 following a call⁹.
- Preparation of a Decree for the “care and free time of school children”.
On 18 December 2015, the Government of Flanders gave its approval to the concept paper ‘Krachtlijnen voor een nieuwe organisatie van de opvang en vrije tijd van schoolkinderen’ (Guidelines for a New Organisation of the Care and Free Time of School Children). This paper will be used to initiate the social debate (in the Flemish Parliament as well) on the reform of out-of-school care with the actors involved.

⁹For group childcare, funds were available for additional places with basic subsidy (tier 1). The bulk was spent on the conversion of existing non-subsidised places. 1,005 non-subsidised places were provided with a basic subsidy. The other part was intended for new places to be authorised. Subsidy promises were made to 338 new places with basic subsidy.

Budget was available for additional places with income rate subsidy (tier 2). This budget is proportionally divided between the conversion of existing places and the creation of new places. It allowed 364 places to be converted to the income rate subsidy and subsidy promises to be made to 471 new places with income rate subsidy.

On top of that 1,235 existing places with income rate subsidy (tier 2) could be converted to eligible places with plus subsidy (tier 3).

- Promoting the quality in childcare settings. In the period 2013-2016 the 'Measuring and Monitoring of Quality' project (**MeMoQ project**) is running which encompasses the development of the pedagogical framework. The ultimate purpose is for each childcare setting to align its quality policy with the pedagogical framework.

Following the sixth state reform the operational implementation and monitoring of the **service voucher** scheme are also transferred to the Regions. Just like in 2015 the necessary steps are taken in 2016 to make sure the service vouchers can be used as an instrument to support the reconciliation of work and family life. There are two challenges:

- (1) Focus was placed on the integration of the activities of the federal actors into the Flemish Department of Work and Social Economy. The responsibilities of the FBS Employment, Labour and Social Dialogue were transferred on 1 April 2015. The Government of Flanders Order of 6 March 2015 introduced the necessary legal adjustments which abolished the obligation to recruit 60% jobseekers or people on a subsistence income.

Sufficient alternatives were developed in advance to ensure the guidance of jobseekers to the service voucher scheme. VDAB will mainly take action to reinforce screening and guidance to service voucher companies. Service voucher companies will introduce measures to improve the recruitment chances of low-skilled and long-term unemployed (job application feedback, coaching of new employees, etc.).

The alternatives laid down in an agreement framework between the Minister for Work and the sector will be monitored on a regular basis and evaluated annually. The responsibilities of the National Employment Service (Rijksdienst voor Arbeidsvoorziening/RVA) will be transferred in 2016.

For the actual transfer of the contracts the Flemish Region is required to assign its own company for the issuance of service vouchers. Following a call for tenders, the issuance of service vouchers has been assigned to Sodexo from 1 January 2016 (for a two-year period). Sodexo is currently already responsible for printing and issuing (paper and electronic) service vouchers. In the new agreement Sodexo envisages to substantially increase the number of electronic service vouchers. The idea is to have the electronic service vouchers amount to more than 95% by the end of 2017. To gain a better insight into the discrimination in the service voucher sector, 32 additional inspections were carried out. These inspections combine the search for signs of discrimination by the company with a survey on customers' experiences with discrimination. This approach is also part of a global action plan that was negotiated with the sector and contains numerous commitments to combating discrimination as much as possible.

The regionalisation also requires the Regions to cooperate. To that end a cooperation protocol was concluded in 2015. In the autumn of 2015 negotiations were started for a cooperation agreement that lays down arrangements for any matters requiring an inter-regional approach.

- (2) A second challenge is to monitor the sector's profitability. There are indeed plenty of signs and studies that show that the sector's viability is jeopardised. In the autumn of 2015 several options were examined to keep the sector structurally viable.

Priority focus is on a better integration of employees of foreign origin.

2.3.5. A mobilising strategy focused on talents and the elimination of prejudice

2015 was dedicated to the reform of the career and diversity policy. To increase the employment rate and realise fully-fledged proportional labour participation the existing policy was challenged and rethought.

The new course is to abandon the target group approach and fully develop a talent approach. This **talent approach** will be shaped along 3 tracks:

- **Track 1: Activating all talent through customisation.** Focus is placed on the guidance of jobseekers who have difficulty in accessing the labour market. This requires an individual approach, which is exactly what the VDAB is doing: offering people customised guidance, orientation and support in their pathway to work.
- **Track 2:** Investing in every talent by concentrating on the **HR policy of companies**. It is essential to keep investing in talent. Flanders wants to support companies to improve the quality of their HR policy. Again, customisation is of central importance: businesses can receive support for purchasing expertise which will benefit them the most at a specific moment. This will be implemented through the renewed SME portfolio and SME growth subsidy.
- **Track 3: Eliminating prejudice** through a mobilising strategy. Together with the social partners a strong mobilising strategy is currently being developed which breaks down prejudice and provides incentives to actions in the field.

The following principles were promoted for the implementation of these three tracks: **customisation, simplification and demand-oriented and market-driven support**. In 2016 work will continue to put (the various tracks in) the concept paper into practice. In dialogue with the stakeholders a mobilising and action-oriented strategy will be designed aimed at eliminating prejudice and turning the spotlight on available talent and competencies (Track 3). The necessary steps are taken to roll out this strategy in the field together with the stakeholders involved. Furthermore, assistance is provided in the transition of the former measures regarding proportional labour participation and the Experience Fund. Regulations are adjusted and current projects are handled appropriately. Finally, the **Action Plan for Combating Work-Related Discrimination** (Actieplan ter Bestrijding van Arbeidsgerelateerde Discriminatie/ABAD) is reviewed and updated in coordination with the social partners, among other things in view of the newly transferred competences. This update of the ABAD will take place in the spring of 2016 in consultation with the social partners.

2.3.6. Reforming the system of training incentives

With the transfer of paid educational leave Flanders now has competence for all the major training incentives for the employed. Together with the social partners the Government of Flanders wants to achieve greater synergy and coordination in training incentives, as well as increased customisation within the framework of the Job Pact. Training incentives for the employed should be increasingly customised to employees.

To that end, all the existing instruments (training vouchers, paid educational leave, training credit) will be integrated, in consultation with the social partners, into a new labour market-oriented instrument that allows the employed to retrain or to reorientate themselves in order to start a different professional career. Support may consist of a financial contribution, additional leave or a combination of both. A vision and various blueprints are being developed for this purpose. Within this framework we aim to create a training component within the Jobs Pact with contributions from the social partners.

2.3.7. Modernising secondary education

Flemish secondary education scores well in international comparative research. To retain this position, its strengths will be developed further and points of improvement tackled, and the focus will be on quality education for every pupil. The orientation programme for pupils will be strengthened and the connection to higher education and the labour market will be improved. During the past year of operation the secondary education master plan was further implemented in dialogue with the education sector. One of the points of improvement contained therein was the high impact of socio-economic status on the choice of school and the performance at school. Other actions included the development of the new standard for the (pre-)primary education certificate, the adoption (*see 2.3.9*) of an entirely new concept for dual learning in labour market-oriented courses of study from the second grade onwards and the focus on optimising study choice guidance. In 2016 the Master Plan will be fine-tuned while safeguarding the connection with the developments in the field of dual learning and the roll-out of the M-Decree (Flemish Parliament Decree containing measures for pupils with special educational needs). Following the completed screening of the study provision, a proposal is being designed to update and reduce it. Apart from that a concept paper is being developed on the content and architecture of future secondary education, in dialogue with the education partners.

2.3.8. A comprehensive policy on study entitlement, truancy and early school leaving

To combat early school leaving a new **action plan** was developed called 'Samen tegen schooluitval' (Together Against Early School Leaving). This includes actions relating to learning entitlement (the right of every pupil to quality education and pupil guidance), truancy and early school leaving and is aimed at having as many young people as possible leave secondary school with an educational qualification. The concept paper of the action plan will be further shaped in consultation with the sector in 2016. In line with the European Recommendation on reducing early school leaving the plan has both a preventive and a remedial character. It is primarily designed to prevent truancy, since this turns out to be a key predictor of early school leaving. The plan will mainly be rolled out by local education actors and administrations. Actions were also integrated which are directed more at young people who are at risk of dropping out (intervention) and those who have dropped out (compensation). Finally, the plan encompasses actions for stimulating 'information-rich environments' so that all actors involved have the information they need to implement and monitor a policy. In concrete terms this means that additional emphasis is placed on monitoring to allow schools to hold a mirror to themselves on the basis of reliable and objective information. Examples include the development of the Flemish indicator for early school leaving and the website 'Mijn onderwijs' (My Education) where schools can find information about themselves.

Today's **reception classes for non-Dutch speaking newly arrived migrants** (onthaalonderwijs van anderstalige nieuwkomers/**OKAN**) are well-organised in Flanders. They enable a flexible response to rapidly changing situations, like the current increased influx of refugees. However, given the rate at which the influx grew, additional measures were required. Examples include the specific allowance for each non-Dutch speaking newly arrived migrant in nursery education for the school year 2015-2016 and an additional count in view of the recalculation of the teaching periods in accordance with the scales for these extra pupils for the school year 2016-2017.

Secondary schools wishing to organise an OKAN provision must normally apply for this in the preceding school year. However, to respond more flexibly to the growing demand, programming applications for the current school year were also allowed in 2015. Given the already existing capacity pressure in certain regions in Flanders and in Brussels and the related burden on infrastructure a budget was also appropriated for modular units which should allow schools to create additional capacity if necessary. Finally, for 2016, additional funds are reserved for the recognition and statement of equivalence of foreign diplomas and for the development of a flexible procedure for refugees who are unable to present their diplomas and the required documents and for an additional provision of Dutch as a Second Language (NT2) courses for adults.

2.3.9. A smooth transition from education to the labour market and the elimination of the skills mismatch

The Government of Flanders wants to transform the system of Learning and Working into an efficient **dual learning** system. With this reform it has the following objectives in mind: (1) a central role for work experience and the acquisition of competencies in the workplace; (2) the set-up of standard pathways which a clear overview of the competencies to be acquired in different settings (at the workplace and at the education/training institute); (3) employment on the basis of a unequivocal status and (4) a clear framework for quality monitoring.

All these elements are based on good guidance for pupils, a strong partnership and close collaboration between education partners and work partners.

The **concept paper 'Duaal Leren, een volwaardige kwalificerende leerweg'** (Dual Learning, A Fully-Fledged Pathway for Qualifications) which was adopted by the Government of Flanders on 23 January 2015 marked the beginning of a whole series of activities in 2015 which will be continued in 2016. Following the advisory opinions of the Flemish Education Council (Vlaamse onderwijsraad/VLOR), the Flanders Social and Economic Council (Sociaaleconomische Raad van Vlaanderen/SERV) and the Board of Directors of SYNTRA Vlaanderen and the hearings at the Flemish Parliament the concept paper was further developed and fine-tuned. The Government of Flanders adopted an adjusted concept paper on 3 July 2015. An implementation plan with a timing and consultation structure was also laid down to further roll out dual learning. Four projects/pathways were also initiated by the 'Work' and 'Education' policy areas:

- In the key project *Werkplek 21* SYNTRA Vlaanderen, as director of work, explores all relevant aspects for turning the workplace into a high-quality, forward-looking learning environment and aims to increase the provision of apprenticeships.
- The Department of Education and Training started the key project 'Schoolbank op de werkplek' (School Desk in the Workplace) during which a number of courses of study

across different schools in the Flemish education landscape were set up on a dual basis throughout Flanders.

- The ESF Agency launched a call for **innovative pilot projects for dual learning**. It finances projects from the sector with the aim of researching and testing in practice one or several aspects of the new dual learning concept in an innovative manner.
- The sector also sets up exploratory pathways on various aspects of dual learning without ESF support in accordance with existing legislation.

These pilot projects take place during the school year 2016-2017 and play a key role in the new dual learning scheme that will come into effect on 1 September 2017.

As far as **study and work** is concerned, Flanders aims for a unified status for all pupils who combine learning with a job at a company. This creates greater transparency for companies and may improve the participation of companies in the dual learning system. Due to the roll-out of dual learning this concept of working and studying will be implemented on a larger scale than is currently the case: pupils in technical and vocational secondary education will be able to combine a learning component with employment under the status of 'alternance learner'. Apart from the dual learning system, several placements are already available in most of the courses in technical and vocational secondary education. Since 2014-2015 there is an obligation to do a placement in years 6 and 7 of vocational secondary education and a large part of year 6 of technical secondary education. To raise awareness of these placements, an unequivocal legal framework is provided in which these placements can take place.

Attainment targets, developmental objectives and qualifications make the results which society expects from an educational career more tangible. For the moment the current attainment targets and developmental objectives are being evaluated, adjusted and, if necessary, reduced. The idea is to formulate them in a clear and ambitious manner to have them meet the needs of the modern age.

In the spring of 2016 a thorough debate will be held about this with education providers and partners, higher education institutions, civil society organisations, labour market actors and the government. The general public will be involved as well. The debate (led by the Flemish Minister for Education and the Flemish Parliament) will ultimately result in a decision on the expectations regarding the adjustment of the attainment targets in the autumn of 2016. In this context attention will be paid to giving schools sufficient room to implement the attainment targets as they see fit.

Today, the **Flemish Qualification Structure** counts just over 200 professional qualifications standards that are recognised by the Government of Flanders. In 2016 around 80 validated professional qualifications standards will be added to that. These professional qualifications are entirely drawn up by labour market representatives (sectoral social partners). Work is done to develop a format for educational qualifications standards and the inclusion therein of professional qualifications. Consultations are also held with the education partners on a possible simplification and harmonisation of the procedures for using educational qualifications in several pathways leading to educational qualifications, like full-time and dual learning, secondary adult education and special secondary education, and in pathways for the recognition of competencies. Together with the 'Work and Social Economy' policy area the main

lines were defined for a shared system of external quality control of courses within and outside education that lead to a professional qualification standard (including EVC pathways).

In 2015 the concept paper on the integrated policy for the **recognition of previously acquired competencies** (eerder verworven competencies/EVC) was adopted by the Government of Flanders. This paper lays down a shared EVC framework. A preliminary draft Decree is currently in preparation. This Decree takes the Council Recommendation on the validation of non-formal and informal learning into consideration. Additional focus is also placed on harmonising the implementation of the EVC policy in the different policy areas.

Between September 2015 and June 2016 a study is also carried out to gain a better understanding of the costs and benefits of EVC and the possibilities for funding it. The outcomes which can be used to make a cost estimate for the integrated EVC policy are expected in the course of 2016. Concrete steps for the preparation of this integrated policy include developing EVC standards for professional qualifications, determining quality indicators, further designing an EVC website and finishing the professional qualifications standards for assessor and career counsellor.

The **STEM Action Plan 2012-2020** (Science, Technology, Engineering and Mathematics) is at its halfway point. From 2016 onwards the emphasis will be on target group policy (girls, technical and vocational secondary education and young people with a disadvantaged socio-economic background), as well as on the relevance of STEM to society. The continuing professional development of teachers is also supported by the STEM Learning Networks in which teachers, trainers and mentors continuously inform each other and exchange practical experiences. The STEM quality framework with its building blocks for a strong STEM policy uses the same reference frameworks.

A **digital STEM Portal** is also designed which pools the entire provision of STEM contact points and their materials from the angles of education, work, free time and cooperation with companies.

The **STEM Charter** is rolled out on a large scale and already brings together more than 50 companies and organisations which have indicated that they lend their full support to the STEM initiative. Work will also continue on the professional development of teachers by linking them to top STEM scientists and leading STEM companies. The intensified dialogue with companies and sectors should, gradually and in the short term, reduce the gap between supplied and demanded skills in a continuous way and in practical sense. In 2016 Flanders will step up its efforts to promote STEM professions on the labour market. The Management Authority of the European Regional Development Fund (ERDF) has appropriated EUR 12.5 million to finance the T2 (Talent and Technology) campus in Genk. The programmes of study generate the technological talent that is in demand on the market as well as strengthen entrepreneurial competencies. The T2 campus will become an engine of technology, accelerate the dissemination of knowledge on new and future technologies and leave much room for entrepreneurship. The total investment cost amounts to EUR 43 million. Within the framework of the Strategic Action Plan for Limburg Squared (Strategisch Actieplan voor Limburg in het Kwadraat/SALK) Syntra Limburg, VDAB, the City of Genk and the Flemish authorities each contribute EUR 10 million, 8.2 million, 6.3 million and 6 million respectively. In the spring of 2016 the building permit will be applied for so that the works can be contracted out as soon as possible. The building works are scheduled for 2017-2018.

In 2016 further focus is placed on promoting entrepreneurship and the spirit of enterprise. In late 2015 the updated action plan **Entrepreneurial Education 2015-2019** was presented to the Government of Flanders. With this plan, which was jointly drawn up by the policy areas 'Education and Training', 'Work and Social Economy', 'Agriculture and Fisheries' and 'Economy, Science and Innovation', Flanders wants to continue stimulating the spirit of enterprise and entrepreneurship through education. The plan has been submitted for advice to VLOR, SERV and providers of actions for promoting the spirit of enterprise and entrepreneurship.

2.3.10. Lifelong learning

The participation rate in in-service training has varied around 7% (in 2014: 7.5%) for more than a decade now in Flanders.

Next to VDAB and Syntra Vlaanderen, formal adult education - as a partner in lifelong learning - offers plenty of opportunities for acquiring additional competencies. Since the spring of 2016 a vision text is being developed on the **reform of adult education** which will be submitted for advice to the social partners. This reform is targeted at creating more visible institutions with increased autonomy, a reformed funding system and an adjusted HR regulation.

The Education Inspectorate reviewed the provision of **Dutch as a Second Language** in the adult (basic) education centres to gain a better understanding of the needs of students, teachers and service providers. The final report was presented in early 2016 and will lay the foundations for stronger collaboration between the stakeholders.

Since 2013 the Department of Education and Training, VDAB and Syntra Vlaanderen have been joining forces in an attempt to tackle skills supply and demand mismatches. In this context the **Training Pathways for Educational Qualifications** (Onderwijskwalificerende Opleidingstrajecten/OKOT) were set up, among other things. The emphasis is on the *educational qualification* character, which means that the shortage on the labour market is used as starting point. These pathways not only offer a second chance of obtaining a secondary education diploma (through secondary adult education or year 7 of vocational secondary education), but also of obtaining a qualification in higher vocational education (HBO5) or a professional bachelor's programme or specialisation within secondary after secondary education.

2.3.11. Measures and provisional appropriations regarding the increased influx of refugees

Within the framework of the **increased influx of refugees** the Government of Flanders appropriated the following funds to finance measures regarding civic integration, education, welfare, work, housing and local authorities.

Policy area	2016 estimate	Budget to Policy area	Provisional budget	Total allocated budget
Civic integration (excl. NT2)	23,655,314 euros	11,827,657 euros	11,827,657 euros	23,655,314 euros
Education	42,096,228 euros	20,403,114 euros	21,693,114 euros	42,096,228 euros
NT2	37,094,728 euros	18,547,364 euros	18,547,364 euros	37,094,728 euros
Other	5,001,500 euros	1,855,750 euros	3,145,750 euros	5,001,500 euros

Welfare	16,519,904 euros	5,705,907 euros	5,705,907 euros	11,411,814 euros
Housing assistance	10,216,180 euros	2,554,045 euros	2,554,045 euros	5,108,090 euros
Other	6,303,274 euros	3,151,862 euros	3,151,862 euros	6,303,724 euros
Work	18,780,666 euros	2,500,000 euros	16,166,666 euros	18,666,666 euros
VDAB job assistance	5,000,000 euros	2,500,000 euros	2,500,000 euros	5,000,000 euros
Tender	13,666,666 euros	0 euros	13,666,666 euros	13,666,666 euros
Work permits	114,000 euros	0 euros	0 euros	0 euros
Housing	5,000,000 euros	0 euros	5,000,000 euros	5,000,000 euros
Local authorities	20,000,000 euros	0 euros	20,000,000 euros	20,000,000 euros
TOTAL	126,052,112 euros	40,436,678 euros	80,393,344 euros	120,830,022 euros

2.4. COUNTRY-SPECIFIC RECOMMENDATION 4

Restore competitiveness by ensuring, in consultation with the social partners and in accordance with national practices, that wages evolve in line with productivity.

This is mainly a federal competence.

2.5. RESPONDING TO INVESTMENT CHALLENGES

2.5.1. Continuing to promote the business environment

Flanders wants to boost business further by using or reforming the support instruments for businesses in an easy-access, demand-oriented and transparent manner.

In July 2015, the Government of Flanders launched a **new cluster policy** (see 4.1.3.) within the framework of innovative entrepreneurship. It was also decided to (further) simplify the **SME portfolio** and to introduce a new instrument (integrated with the former IWT starters' subsidies), i.e. the **SME growth subsidy**. The SME portfolio is transformed into an easier and low-threshold instrument for broad professionalisation, whereas growth companies are offered a new transparent support instrument as a result of this new measure. The simplified SME portfolio will become a generic instrument which SMEs can use to seek advice and training. The system is also simplified in terms of administration: it does not require the public authority's prior consent. There is an increase in the annual total subsidy and an easy support percentage. The **new SME Growth Subsidy** is directed at companies with growth plans (by innovating, expanding international activities or transforming the business with new activities). Because of the higher risk the government covers 50% of the costs through a low-threshold procedure in which the Agency for Innovation and Enterprise (Agentschap Innoveren en Ondernemen/AIO) reviews the application.

The procedure was started to adjust the Flemish legislation on economic support measures to the new EU framework. This implies the adjustment of the framework Decree and the Government of Flanders Orders on business centres and relay buildings, SME portfolio, ecology subsidy, strategic ecology support (STRES) and strategic transformation support to the general block exemption regulation, the de minimis aid regulation, the environmental guidelines and the guidelines on rescuing and restructuring aid.

The Government of Flanders adopted a **concept paper on entrepreneurship** with the promotion of ambitious entrepreneurship as guiding principle and the AIO as an important orchestrator. The basic principles of this paper include life cycle thinking, awareness raising, culture and

public perception and internationalisation. In late 2015 the contract for the organisation of the service provision to companies (3 lots) was officially communicated through e-notification and in the Official Journal of the European Union.

It concerns the provision to companies of services regarding: (1) awareness raising, public perception of entrepreneurship, (2) guidance across the various life stages with focus on (pre)start and attention to access to funding, financial literacy, support for businesses in difficulty, relaunch/restart after bankrupts, monitoring & take-over and (3) networking targeted on (high) growth companies. An inspiring policy on **entrepreneurial education** is actively pursued through a new action plan 2015-2019 (*see 2.3.9*).

The number of citizens purchasing online is growing. In 2014 59% of the Flemish people (aged 16 to 74) made online purchases. 36% of the purchases are made from foreign companies. This means that the European Digital Agenda target (resp. 50% and 20%) has been reached. However, this share is still far below that of the neighbouring countries. The share of small and medium-sized enterprises that sell at least 1% of their turnover online (33% Digital Agenda target) amounts to 21.7% for small and 33.8% for medium-sized enterprises respectively. These shares are lower than in 2010. In 2015 the Flemish authorities launched a campaign 'Het internet. Ook uw zaak' (The Internet. Your business too) to convince merchants of the importance and opportunities of online shopping. Apart from raising awareness, information and tools are also provided and customised training is organised for merchants. Merchants who take the step to **e-commerce** can receive government support to seek advice and make certain investments.

In the area of **international entrepreneurship** the EC approved the Work Programme 2015-2016 of the Enterprise Europe Network (EEN) Flanders (www.enterpriseeuropenvlaanderen.be), as well as the Framework Partnership Agreement 2015-2020 to guarantee EU funding of the activities of the Flemish partnership in EEN. The application for relevant Flemish co-financing has also been submitted and approved. The new consortium EEN Flanders started on 1 January 2015, with the AIO and Flanders Investment & Trade (FIT) as partners.

FIT is developing an internationalisation strategy for the Flemish economy together with over 80 public and civil society partners, research centres and companies. This strategy is intended to accelerate the internationalisation of the Flemish economy to increase Flanders' competitiveness and is to develop an even better ecosystem in Flanders which allows Flemish companies with potential to grow internationally and which is a pole of attraction for foreign companies to realise their growth plans in a sustainable manner. Four strategic lines have been prioritised for which numerous partners will collaborate. They were presented at the first **Flanders International Economic Summit** of 25 January 2016: (1) accelerations (focussing on five value chains in which Flanders is currently already strong and where potential is still available: life sciences and health; food, solution driven engineering and technology; circular economy, bio-economy and sustainable economy; smart logistics), (2) more companies that internationalise, more embedding, (3) better support, less fragmentation and (4) elimination of barriers.

Easy access to capital for businesses at each stage of their life cycle remains a priority. To that end the **Flemish Investment Company** (Participatiemaatschappij Vlaanderen/PMV), planned and introduced adjustments to the structures and instruments in 2015-2016 so as to make them better attuned to the needs of entrepreneurs and businesses. Once again, the aim is to make

access for entrepreneurs easier and more customer-friendly by simplifying as well as streamlining the instruments. Meanwhile, the Flemish Energy Company (Vlaams Energiebedrijf/VEB) has been integrated into PMV and PMV has received a capital increase. The Government of Flanders adopted a global framework agreement with PMV on the Guarantee Regulation, the Win-Win Loan and the Participatiefonds Vlaanderen (Flemish Investment Company for start-ups and SMEs). Customer-friendliness is increased by taking the specific needs of (potential) customers as starting point for the provision of a specific type of support.

To that end, PMV classified its instruments for corporate finance into one of the 4 central themes of its activities: capital, loans, guarantees, investments in funds. At the same time the PMV instruments were partially regrouped:

- Within the theme ‘capital’ a bundling takes place, as a result of which the new PMV Capital will now include measures of the Flemish Innovation Fund (Vlaams Innovatiefonds/Vinnof), Flanders Care Invest, the capital dossiers of CultuurInvest, and the TINA Fund (Transformation, Innovation and Acceleration).
- Within the theme ‘loans’ the PMV company loans encompass the following instruments: Groeimezzanine (“growth mezzanine”), Participatiefonds Vlaanderen (including the loans Innovatiemezzanine (“Innovation mezzanine”)), the Vinnof part of the former IWT, and CultuurInvest) and the Social Investment Fund (Sociaal Investeringsfonds/SIFO).
- PMV also replaced the Starteo, Optimeo and BA+ loans of the regionalised Participation Fund with one single new simplified loan arrangement for companies wishing to cooperate with a business angel or another co-financier. It manages this together with the Business Angels Network (BAN) Flanders: the new “SME co-financing” scheme¹⁰. Thanks to this SME co-financing start-up and growing companies are given opportunities outside of the traditional capital market.

The Government of Flanders decided to increase the capital of the ARKImedes Fund II by EUR 100 million and the PMV will adjust the Fund’s operation. ARKImedes will become an Evergreen Fund. As a result, the fund will have the possibility to use revenues from its investments for new investment opportunities. Moreover, it will be able to recognise **ARKIVs** (private funds which invest in promising SMEs) whenever these present themselves, which means that new fund proposals can be considered on a continuous basis. In this way it will prevent ARKIVs from pursuing the same investment dossiers at the same time, which would have detrimental effects on their price and profitability. The ARK Decree has raised the maximum investment amount per investment round to EUR 20 million.

At the international level the Government of Flanders has appointed the PMV as central contact point for applications for projects in Flanders within the framework of the **EFSI** with the European Investment Bank (EIB). An investment platform was set up to streamline Flemish project proposals in the context of the so-called “Juncker Plan”.

2.5.2. Circular economy

The Government of Flanders is pleased to find that the EC indicates in the Country Report 2016 that Flanders has made further progress in promoting a more circular economy. A more circular economy with greater resource efficiency will help stimulate investments with both short and

¹⁰This is a subordinated loan for a maximum amount of EUR 350,000 (always combined with co-financing by a bank or investment fund or by one or several business angels). The co-financier contributes at least 20% of the total funding.

long-term benefits for the economy, the environment and employment. In September 2015 the Government of Flanders gave its approval in principle to the **concept paper 'Vision 2050'** with **circular economy** as one of the seven transitions it seeks to realise in the coming years across the policy areas and together with all stakeholders from society. It provides direction to the long-term policy and creates a framework for investments with a long-term perspective.

The circular economy entails new innovation opportunities, amongst others in product design, the manufacturing industry, services and business models, but also in agriculture, nutrition and water-intensive sectors. This offers opportunities for entrepreneurs because of increased chain cooperation, less raw material consumption and waste production, access to new raw materials from waste and the international valorisation of Flemish expertise. Closed-loop material cycles are key in this, because they also lower the dependence on raw material imports.

The transition policy is further shaped through a relaunch of the Flemish Materials Programme as **circular economy platform**. The following measures are all part of this programme and will be worked out in an integrated manner: customised guidance for pioneers (Plan C), targeted research, the development of guidance and supportive policy, including coordination between administration and the streamlining of policy and innovation, as well as the social integration of the Circular Economy principles. These measures are aimed at more sustainable design and sustainable value chains, more efficient production, increased upgrading and re-use of products, waste prevention and material recycling. They also fuel innovation, entrepreneurship, growth, jobs and our industry's competitiveness.

2.5.3. Energy costs

In early 2015 the new distribution network tariffs for electricity and natural gas entered into effect. The Flemish Regulator for the Electricity and Gas Market (Vlaamse Energieregulator/VREG) has chosen income regulation as methodology because it stimulates efficient business operations by network managers. The new tariffs reflect as well as possible the actual costs of the network managers, so that no new non-charged costs arise.

On 17 July 2015, the Government of Flanders adopted a number of measures through an adjustment of the Energy Decree to eliminate the surplus of green certificates and finance the future green power policy. The historical mountain of debt will be charged through an adjustment of the energy tax which will become effective on 1 March 2016. The tax will be charged for each off-take point of electricity and depends on the electricity consumption.

Before that, on 29 May 2015, the Government of Flanders decided to terminate the financial support of new small-scale PV installations (below 10 kW). As a result, new PV installations that are inspected as of 14 June 2015 are no longer eligible for support through green certificates.

In the coming years Flanders will have to make substantial progress in decarbonising the energy system in order to meet Flanders' climate and energy targets for 2020 and beyond. The Paris Climate Agreement and the EU Policy Framework for Climate and Energy to 2030 offer clear guidelines for a future energy transition. Energy efficiency must improve substantially, the share of renewable sources of energy in the energy supply must strongly increase and energy supply must be guaranteed. The energy bill must remain affordable for all households and be competitive for companies. Within this framework the Government of Flanders agreed to the **concept paper 'Traject naar een energievisie en een energiepact'** (Trajectory Towards an Energy Vision and Energy Pact) on 19 February 2016. The Minister for Energy will set up and coordinate

the trajectory activities and the Government of Flanders asks the social partners to participate in the creation of an energy vision.

2.5.4. Investing in transport infrastructure

In its Country Report Belgium 2016 the EC states that the good location for logistics clusters and distribution centres is threatened by increasing road congestion, the lack of adequate road maintenance, missing links, and road safety issues.

The Government of Flanders is determined to vigorously tackle one of the major bottlenecks, viz. the **Antwerp mobility issue**, during this term of office. However, the Government of Flanders requests the necessary **budgetary flexibility** for this one-off productive investment of great economic importance. It also engages in other important road projects like the **A11 project** and the re-organisation of the **Brussels Ring Road (R0)**. In 2015 Flanders realised a breakthrough in the **Iron Rhine** dossier by putting its weight behind a large-scale study into the three routes on the table for re-activating this railway line. In addition, all the aforementioned projects meet the goals of the European TEN-T policy. For the next one and a half years Flanders will invest approximately EUR 140 million in roads and public transport. Due to the kilometre charge for trucks the Government of Flanders is expected to raise the budget for road building (EUR 350 million in 2015) by at least EUR 100 million in 2017. Another EUR 36 million will be appropriated for preparatory works of the Oosterweel project in Antwerp. These works will start in 2016. The infrastructure works at Linkeroever and Zwijndrecht and of the **Oosterweel connection** are scheduled to begin in 2017. The Government of Flanders has appointed a curator to study the covering of the entire ring road. He started his work in early 2016. Flanders also fully commits to investing in sustainable modes of transport by opting for important incentives for **inland navigation**¹¹ (new Terneuzen lock, Kieldrecht lock, Sein-Scheldt connection, raising of the bridges over the Albert Canal). By reinforcing the Flemish waterways network a positive and attractive alternative to road transport is offered. It is advisable to include this dimension in future country reports.

2.5.5. A vigorous industrial policy

Within the framework of AIO's call 'Factory of the Future' the Made Different Initiative has been launched in which partners, technology federation Agoria and Sirris (the Collective Centre of the Belgian Technology Industry) help more than 200 other companies in their conversion to a **Factory of the Future** through 7 transformations. Companies are groomed for transformations like the fourth industrial revolution (**Industry 4.0**). In February 2016, 7 companies were awarded the "Factory of the Future" logo. Over the past years these companies have invested in the modernisation of their machinery, digitisation and their workforce to such a degree that they currently rank among the world's best in terms of production.

In 2014 the new strategic research centre **Flanders Make vzw** was established on the Government of Flanders' initiative. This centre focuses on strengthening the international competitiveness of

¹¹ With the new lock in Terneuzen ships up to 120,000 tonnes will be able to sail on to Ghent (start is scheduled in 2017, final acceptance by 2021). As a result, the new lock will become a crucial link in the Seine-Scheldt connection which is aimed at realising, in a European context, an inland navigation connection for vessels with a large loading gauge of up to 4,500 tonnes. The building cost of the entire project (planning horizon 2030) is estimated at EUR 1.525 billion. The project for raising the bridges over the Albert Canal is to make sure that the canal becomes accessible to four-level container shipping so that the canal also increases the accessibility to short sea shipping and the transport of big indivisible loads.

Flanders' manufacturing industry in the long-term by carrying out industry-led, pre-competitive, excellent strategic and applied research in 3 technology domains (mechatronics, product development methods, advanced production technologies). At the end of 2015 the Government of Flanders decided to add EUR 5 million to the subsidy for Flanders Make for the 2015 year of operation in order to allow it to further strengthen the international competitiveness of Flanders' manufacturing industry.

In 2011 the Government of Flanders launched the **TINA Fund** in the context of the transition policy. With the TINA Fund, managed by PMV, the Government of Flanders mainly seeks to stimulate industrial transition through innovation and bring it onto the market at an accelerated pace. In 2015 the TINA Fund reached cruising speed. As a result, it already made 15 investments for a total (actually spent) amount of EUR 80.2 million by the end of 2015. These 15 investments total EUR 128.4 million, including the commitments (the amount of our investment obligation which has not yet been withdrawn). On the other hand private investments are made for an amount of EUR 313.1 million.

2.5.6. Legislation to support the investment and business environment

Due to complex and long planning and licensing procedures infrastructure projects are very often seriously delayed or legally challenged. For this reason several initiatives were taken to adjust the legislation. On the one hand, a number of procedures were integrated. On the other hand, more attention was devoted to consultation, participation and public support. The **Complex Projects Decree** was introduced for projects of great social and spatial impact. It took effect on 1 March 2015. The legislation for other infrastructure works is currently being adjusted. This should result in a new procedure in which processes for spatial planning and impact assessment are better attuned to each other in terms of both content and timing. In a good business environment potential investors are certain to receive a speedy and clear reply to a spatial implementation request. That is why the new **integrated environmental permit** has been introduced. The integrated environmental permit (omgevingsvergunning) integrates the former town planning permit, including the land division permit, and the environmental permit. It has a lead time of 60 days, whereas this used to be 285 days. The appeal procedure was shortened as well from 120 to 60 days. Today, customised permits are issued for unlimited duration. After the approval of the **Integral Trade Establishment Policy Decree** (envisaged for 2016) the current socio-economic permit for larger retail projects will be incorporated into the integrated environmental permit.

The Minister-President of the Government of Flanders will also initiate a dialogue about how the Flemish authorities can further **reduce the regulatory burden** and give more confidence to citizens, companies and associations. Meanwhile, further steps have already been taken to reduce the regulatory burden for companies (for instance, the level of detail of the rules for the allocation of subsidies to SMEs was reduced).

By reforming Flemish governance law the Government of Flanders also wants to realise a number of breakthroughs for a more customer-friendly public authority which gives more confidence to citizens, companies and associations.

Following the sixth state reform the competence regarding **Access to the Profession** was transferred from the federal government to the Regions. Since 1 January 2015 the AIO is competent for this matter. To guarantee continuity to entrepreneurs and stakeholders and to

allow the Regions to familiarise themselves with this matter, it was opted to take over and apply the transferred federal legislation without any changes. The evaluation of **regulated professions** was introduced in 2015 on the basis of this federal legislation. The justification for maintaining the regulated professions was founded on consumer protection and reasons of public safety and health. One year later Flanders has acquired the necessary experience and insights to carry out a targeted analysis and study and to examine how the access to the profession can be organised in a more modern and high-quality fashion. The modernisation is primarily intended to eliminate barriers to entrepreneurship and administrative simplification in order to strengthen entrepreneurship in Flanders. This in-depth analysis will begin in the first quarter of 2016.

The European regulatory dimension is monitored as well. The Government of Flanders keeps abreast of **new REFIT initiatives** announced by the EC which are relevant to Flanders (including the REFIT initiative for regulations on the standard procurement document and standard forms for public procurement). This monitoring also meshes with the regulatory management policy of the Government of Flanders which concentrates on reducing unnecessary administrative burdens for companies and governments in the pursuit of quality legislation. In this context the Government of Flanders backs the idea of a reduction target, provided it can be realised through the application of a mixture of qualitative and quantitative methods. The Flemish authorities opt for this differentiated, solution-oriented approach according to the relevance of the policy issue. This approach will be further developed in a document to be approved by the Government of Flanders in 2016.

The Government of Flanders has selected the dossier 'EU Blue Card' from the package 'better migration management' laid down in the Commission Work Programme 2016 as pilot project to assess the impact of this European initiative on the Flemish competences. The pilot project will contribute to the determination of an informed position by the Government of Flanders and to the accurate, timely and complete transposition and application of European regulations in the Flemish legal order, including the prevention of gold plating (i.e. with the smallest possible additional regulatory burden). The latter is an important objective for the entire Government of Flanders. It is one of the three areas of action mentioned in the memorandum to the Government of Flanders on strengthening the EU reflex in Flanders. That is why the Government of Flanders has ordered the drafting of a **new circular** on this subject in 2016 which clearly outlines the procedures and responsibilities in view of a timely and accurate transposition of European directives.

PART 3. PROGRESS IN THE REALISATION OF FLANDERS' EUROPE 2020 TARGETS

3.0. INTRODUCTORY COMMENTS

Below, a status update is given on the progress in Flanders' Europe 2020 targets and on the relevant measures Flanders is taking. A lot of the measures for realising a higher employment rate and combating early school leaving were discussed in Part 2. Part 3 elaborates on the (additional) measures relating to the education target regarding higher education graduates, research and development, climate and energy, poverty or social exclusion.

3.1. EMPLOYMENT RATE

3.1.1. Background

In comparison to the rest of Europe Flanders performs well in terms of unemployment (5.1%) and youth unemployment (16.1%) in 2014. However, Flanders' employment rate is rather mediocre (71.9%) and Flanders performs weakly in terms of the employment rate of over-55s (44.3%). In 2014 short-term unemployment stabilised, but long-term unemployment strongly increased, which caused the total employment rate to continue to rise. The employment rate in Flanders was higher in 2014 than the European average (69.8%) and the rates of Wallonia (61.6%) and the Brussels-Capital Region (58.8%). It is clear, however, that realising the Europe 2020 target of 76% remains quite a challenge.

Key indicator	2008	2009	2010	2011	2012	2013	2014	2020 target	Distance
Employment rate (aged 20-64) (%)	72.3	71.5	72.1	71.8	71.5	71.9	71.9	76.0	4.1 ppt <i>Place 11 out of 28 (in 2014)</i>

For the **over-55s** we observe an increase in the Flemish employment rate from 38.2% in 2010 to 44.3% in 2014. Flanders remains on schedule for the realisation of the 50% target in 2020. The employment rate in this category is higher than in Wallonia (38.8%), gradually approaches that of the Brussels-Capital Region (46.6%), but is still more than 7% below the European average (52.9%).

This growing trend is also reported in the employment rate of **persons with a disability**: from 33.5% in 2010 to 42.7% in 2014.

It can be observed that lower rates are still recorded among **people with a migrant background** than among people born in Belgium. The employment rate for both people born outside the EU and people of non-EU nationality stagnated between 2010 and 2014. The gap with the Flemish average has not narrowed in recent years. In both cases the employment rate is substantially lower than the average in Europe. This gap in the activity (and unemployment) rates between the different origin groups is owing to a poorer balance between supply and demand among people of foreign origin than among people of Belgian origin. The following factors/barriers cause this gap to widen even more: (1) overrepresentation in sectors that are sensitive to

economic market trends, (2) an educational mismatch, (3) the difficult recognition of foreign qualifications, (4) structural language deficiencies and (5) negative public perception.

The elements above not only indicate that people with a migration background in Flanders have difficulty in finding a job, but also that Flemish society is leaving plenty of potential labour resources unused, since the share of people of foreign nationality or origin on the Flemish labour market has increased, whereas the share of employed people of Belgian origin is falling due to the outflow of the baby boom generation, among other things. In 2015 the Department of Work and Social Economy (WSE) launched the **Origin Monitor** in cooperation with the Policy Research Centre for Work and Social Economy to map the labour market position of people of foreign origin on the basis of administrative data (http://www.werk.be/sites/default/files/herkomstmonitor_2015.pdf).

Sub-indicators Employment rate Disadvantaged groups	2008	2009	2010	2011	2012	2013	2014	2020 target	Distance
Aged 15-24 (%)	31.7	28.6	28.8	29.4	28.1	27.7	27.0		Place 15 out of 28 (in 2014)
Aged 50-64 (%)	49.1	50.9	53.1	53.6	54.6	56.5	57.5	60	2.5 ppt Place 15 out of 28 (in 2014)
Aged 55-64 (%)	34.3	35.8	38.2	38.9	40.5	42.9	44.3	50	5.7 ppt Place 21 out of 28 (in 2014)
Woman (20-64) (%)	66.1	65.7	66.7	66.4	66.2	66.9	67.6	75	7.4 ppt Place 11 out of 28 (in 2014)
Non-EU nationality (%) (20-64) (%)	47.2	47.0	44.4	46.3	42.7	46.4	44.6	58	13.4 ppt Place 25 out of 27 (in 2014)
Born outside EU (20-64) (%)	56.3	53.4	53.4	53.0	51.8	54.9	53.3	64	10.7 ppt Place 25 out of 26 (in 2014)
With work-limiting disability (20-64) (%)	-	37.5	33.5	38.6	38.7	40.4	42.7	43	0.3 ppt (no comparative figures available)

3.1.2. Measures

Reference can be made to 2.3. for the measures that increase the employment rate.

3.2. EDUCATION

3.2.1. Background

The share of early school leavers ended up being 7.0% in 2014, which confirms the decline in 2013. Still, Flanders' Europe 2020 target of 5.2% has not yet been reached. Flanders reports a share of 44.8% for 30 to 34-year-olds with a higher education diploma in 2014, which means the Flemish target of 47.8% is still within reach.

Key indicators	2008	2009	2010	2011	2012	2013	2014	2020 target	Distance
Early school leavers (%)	8.6	8.6	9.6	9.6	8.7	7.5	7	5.2	2.8 ppt Place 12 out of 28 (in

										2014)
30 to 34-year-olds with higher education diploma (%)	43.6	43.1	45	42.3	45.3	44.1	44.8	47.8		3 ppt Place 9 out of 28 (in 2014)

Work continues on a comprehensive policy regarding **learning entitlement, truancy and early school leaving** (see 2.3.8).

The Flemish authorities want to offer students the best chances of success. In order to be able to halt the trend of extended course duration the regulation on student progress measures has been recast. This allows higher education institutions to monitor student performance from the academic year 2015-2016 onwards across the institutions and education programmes through the Higher Education Database (Databank Hoger Onderwijs/DHO). Subsequently, they will be able to take the necessary **guidance and reorientation measures** and possibly impose student progress monitoring measures in a more adequate and faster way. The system of study credit which also monitors student progress is currently being scrutinised.

A generic and institution-neutral **orientation instrument** which must be administered at the end of secondary education should support young people's choices and make sure they are provided with an insight into the higher education courses commensurate with their talents and interests. The orientation instrument will be tested for the first time among a representative trial group around Easter 2016 and then be further developed and fine-tuned. Next to orientation at the end of secondary education focus is also placed on an effective admission assessment at the start of higher education through non-binding admission tests. That is why two pilot projects are launched at the beginning of the academic year 2016-2017: one entry test (instaproef) for integrated teacher training programmes at university colleges and one positioning test (ijkingstoets) for engineering programmes at universities.

In 2016 further work will be done on the **development of HBO5** as a fully-fledged component of higher education.

3.3. RESEARCH AND DEVELOPMENT

3.3.1. Introductory comments

Flanders' R&D intensity (R&D expenditure as % of GDP) reached its highest level ever in 2013, i.e. 2.54%. This is the result of sustained budgetary efforts over the past years, despite the budgetary challenges. The Flemish authorities' overall initial budget for science and innovation amounted to EUR 2.189 billion in 2015, of which EUR 1.308 billion was intended for R&D.

Key indicator	2008	2009	2010	2011	2012	2013	2020 target	Distance
Gross domestic expenditure on R&D (%)	2.06	2.12	2.29	2.40	2.42	2.54	3	0.46 ppt Place 7 out of 28 (in 2013)

The policy objectives include increased demand drivenness, results orientation, efficient service provision (including through enhanced transparency and better alignment between support instruments) and a greater lever effect of public efforts. To that end a number of substantial organisational adjustments have been made on 1 January 2016 within the Economy, Science and Innovation policy area. The Hercules Foundation for research infrastructure was wound up and its programmes were integrated into the Research Foundation - Flanders ("Fonds voor

Wetenschappelijk Onderzoek/FWO”) which also took over 3 support programmes of the Agency for Innovation by Science and Technology (“Agentschap voor Innovatie door Wetenschap en Technologie/IWT”): applied biomedical research, strategic basic research and strategic research fellowships. From now on this institute is the point of contact for Flemish Community researchers. This allows the **renewed FWO** to commit to authorisations for an amount of EUR 320.8 million in 2016, with a budget increase of EUR 10.9 million. The new **AIO** is a government agency established on the basis of the Enterprise Flanders Agency (Agentschap Ondernemen/AO) and the business-oriented programmes of IWT (which is discontinued). Since 2016 AIO is the contact point for entrepreneurs in Flanders.

With respect to the comparable budget of the former AO and IWT the total budget has risen in 2016 by a budget provision of EUR 80 million which is intended for innovation support. This causes Flanders’ total budget for support to businesses to exceed half a billion euros. The additional funds for the EWI budget amounted to EUR 20 million in 2015 compared to 2014 (of which R&D&I: EUR 5 million for Flanders’ Make) and EUR 25 million in 2016 compared to 2014 (of which R&D&I: EUR 8 million for FWO for clinical research). In 2016 the strategic research centre Flanders’ Make receives another EUR 5 million.

In the summer of 2015 the Government of Flanders adopted a **concept paper on a (business-driven) cluster policy** which further reforms the strategic collaboration between public authority, knowledge institutes and businesses with attention to focus, cooperation and impact. Within this framework the former IWT launched a call for the submission of **innovative business networks (IBN)** in the autumn of 2015. The networks will succeed the existing theme-based innovation platforms (Lichte Structuren) and Flemish innovation partnerships (Vlaamse innovatiesamenwerkingsverbanden/VIS) which were or still are supported by IWT (now AIO). The IBNs will become small-scale bottom-up networks with future potential which operate in emerging markets or may consist of a number of smaller initiatives (which are to be regrouped). They can receive 50% funding at most from the Flemish authorities for a three-year period. The Government of Flanders also adopted an order in early 2016 which allows AIO to await proposals for **spearhead clusters**. These encompass large innovative areas which may and will make the difference on the economic level in the future (in terms of employment and added value). These spearhead clusters which must operate on a large scale, apply the triple helix model and be limited in number will receive support amounting to maximum EUR 0.5 million per year for a 10-year period. Meanwhile, the areas ‘sustainable chemistry’, ‘logistics’, ‘materials’ and ‘agri-food’ have been asked to submit a proposal. The role of both types of cluster organisations is to bring actors together and look for interesting cooperation opportunities, developments and international connections. It must be clear at the latest by mid-2016 whether the proposals prepared on the basis of these initiatives will be selected as clusters.

In early 2016 the Government of Flanders adopted the **Action Plan ‘Flanders Care 2.0’**. Flanders will invest in a new care model in which the patient/client takes centre stage and the provided care is customised to society’s needs. The idea is to use advances in science and technology in the care sector and at the same time generate economic added value for Flemish businesses at the international level. For this purpose the sharing of data between healthcare actors, with Vitalink in the front line, internationalisation and new cooperation and business models are promoted. In the short term efficient and quality online support will be developed for the further prevention of depression, burnout and suicide.

Since 2016 Flanders Inshape (design) has been fully integrated into the Antwerp Management School. In 2015 the Government of Flanders also extended the covenants with the (sub-regional) **Flemish Innovation Centres** for five years. Each Flemish province has such a centre. They are easy access service providers for the business community, in particular SMEs.

Their remit is mainly to offer advice on the financing of innovation projects of businesses and to provide a framework and find the right partners for these innovation projects (often through the Flemish Innovation Network which encompasses over 200 knowledge institutes, including universities and university colleges). Between 2011 and 2015 around 3,000 partnerships were established.

In the context of **internationalisation** Flanders is preparing its own ERA road map regarding the completion of the European Research Area. This road map will be submitted to the EC in 2016, just like the Belgian ERA road map. Within the framework of research infrastructure a Flemish ESFRI (European Strategy Forum on Research Infrastructures) road map will also be further prepared and developed in 2016.

3.4. CLIMATE AND ENERGY

3.4.1. Introductory comments

The European Effort Sharing Decision (ESD) stipulates that, between 2013 and 2020, the EU Member States must reduce their emissions in non-ETS sectors according to a linear declining path¹² with annual reduction targets. In the context of the European Climate and Energy Package Belgium accepted the target for raising the share of renewables in the gross final energy consumption to 13% in 2020. On **4 December 2015** the 4 Belgian Ministers responsible for climate concluded an agreement on the distribution of the required Belgian efforts. Flanders will reduce its **greenhouse gas** emissions by 15.7% compared to the 2005 reference year. In 2013 and 2014 Flanders' greenhouse gas emissions met the annual reduction target. This led to a surplus of respectively 1.9 and 3.5 Mtonnes CO₂ eq in 2013 and 2014. Flanders has committed to increasing the renewables production to 2.156 Mtoe¹³ by 2020, taking into account the energy efficiency target of 17.8% reported by Belgium to the EC within the framework of the transposition of the Energy Efficiency Directive.

In the light of the Paris Climate Agreement (December 2015) the Government of Flanders has committed to providing a response to climate challenges in the course of 2016. On 19 April 2016 a **first climate summit** will be organised to fuel the debate and discuss the commitments made by the public sector, businesses, trade unions, environmental organisations and research institutes. The Government of Flanders has already started making a list of which additional measures can be taken to reduce greenhouse gas emissions. A second climate summit is planned to take place in November 2016 and a third in autumn 2017/spring 2018.

¹² This path started in 2013 from the average non-ETS emissions in the years 2008, 2009 and 2010. Next, Belgium must follow a linear reduction path which will realise a 15% emission reduction in 2020 compared to non-ETS emissions in 2005.

¹³ Megatons of oil equivalent

Key indicators	2005	2008	2009	2010	2011	2012	2013	2014	2020 target
Greenhouse gas emissions Non-ETS greenhouse gas emissions scope 13-20 ¹⁴ (kton)	45,953	45,381	44,733	46,405	42,928	43,273	45,927	43,254	-15.7% greenhouse gas emissions compared to 2005 <i>Place 17 out of 28 (in 2013)</i>
Energy efficiency Non-ETS final energy consumption savings (GWh, % compared to 2001-2005)				10,818 GWh (5.7%)		16,499 GWh (8.8%)			Flemish target 9% energy savings in 2016 compared to average of 2001- 2005
Primary energy consumption, excl. Non- energetic (Mtoe)	33.7	32.9	32.0	33.8	31.8	31.2	32.0	29.6	<i>Place 20 out of 28 (in 2013)</i>
Renewable energy (RE)									
- Production of renewable energy (Mtoe)	0.48	0.70	0.90	1.11	1.05	1.30	1.38	1.31	2.156 Mtoe <i>Place 24 out of 28 (in 2013)</i>
- Share of RE in gross final energy consumption (%)	1.9	2.9	3.9	4.5	4.5	5.6	5.7	5.7	

3.4.2. Measures for reducing the greenhouse gas emissions of non-ETS activities

The intra-Belgian climate agreement of 4 December 2015 also defines the allocation of Belgian revenues from the auctioning of EU ETS emissions allowances in the trading period 2013-2020. Flanders receives a 53% share or around EUR 173 million for the amount that is currently already available from these **auctions** (EUR 326 million). The Flemish share in the revenues from future auctions will amount to 52.76%.

Finally, the Ministers for climate policy agreed on the Belgian annual contribution to **international climate funding**, which is to help developing countries implement policies to fight climate change and adapt to its consequences. Flanders will bear EUR 14.5 million of the Belgian annual contribution of EUR 50 million. The **Flemish Mitigation Plan 2013-2020** outlines a trajectory for reducing greenhouse gas emissions in all non-ETS sectors. With regard to the **transport sector** reference can be made to the introduction of the kilometre charge for trucks on 1 April 2016 and the reform of the Flemish vehicle taxation system (*see 3.1.2 reply to CSR2*), as well as the adoption of the Flemish action plan promoting alternative vehicle technologies (*see 3.4.3. 'Clean Power for Transport'*). For the **buildings sector** reference can be made to the measures taken to improve the energy efficiency and energy performance of buildings (*see 3.4.3. energy efficiency*). For the non-ETS industry, one can make a reference among other things to the new generation energy policy agreements and the obligatory energy audit for large companies (*see 3.4.3 "energy efficiency"*), as well as the measures for the reduction of N2O emissions from caprolactam production and the reduction of F-gas emissions.

3.4.3. Flemish measures for improving energy efficiency

To improve the energy performance of buildings the Government of Flanders established an **energy performance level (E-level) for all types of buildings** on 18 December 2015. Until then this had only been done for new (or large-scale energy refurbishments of) residential houses, schools

¹⁴ When determining the Belgian non-ETS target, the inclusion of additional emissions under ETS from the period 2013-2020 (scope 13-20) was taken into account. Non-ETS greenhouse gas emissions are therefore expressed with consideration of this ETS scope expansion.

and office buildings. Work was also done on the quality improvement of the energy performance certificate (EPC), penalties for non-compliance with EPC requirements, etc.

Through a **Renovation Pact**, which was launched in December 2014, the Government of Flanders wants to substantially increase the refurbishment rate of the housing stock in Flanders, in consultation with 32 stakeholder organisations. Several previously announced policy adjustments are further refined within the framework of the Renovation Pact. On 17 July 2015 the Government of Flanders laid down the strategic policy framework and priority measures for this Renovation Pact.

The **energy loan**, which succeeds the federal FRGE loan (Fund for the Reduction of the Overall Energy Cost/Fonds voor de Reductie van de Globale Energiekost) and has been a regional competence since 1 July 2014, was turned into a cornerstone of the Flemish mix of policy instruments for supporting energy refurbishments.

To promote energy efficiency in energy intensive companies the **energy policy agreements** entered into effect on 1 January 2015. These agreements run until 31 December 2020. Mid-2015, 337 industrial plants had joined. Together they represent 85% of industrial energy consumption. Large businesses (with the exception of energy policy agreement companies) must also carry out a compulsory **energy audit** at the latest by 1 December 2015.

On 13 July 2015 a web application was launched which allows the results of the energy audits to be collected in a structured manner.

To facilitate the implementation of **energy saving investments**, in particular in SMEs, the Government of Flanders has decided to order a study into the feasibility of the establishment of an ESCO (Energy Service Company) Fund. This ESCO Fund could take over the lending operations of ESCO projects.

3.4.4. Flemish measures for increasing the share of renewable energy

In 2015 the Government of Flanders took further steps to reinforce the investment climate for renewable energy. Through an amendment of the Energy Decree on 17 July 2015 a number of measures were approved for optimising and simplifying the support mechanism for renewables and CHP.

On 20 March 2015 the Government of Flanders also approved the concept paper '**Fast Lane for Wind Energy**'. Within this framework a start was made on accurately mapping the technically and socially acceptable potential of wind turbines in Flanders. Existing instruments are also reviewed and possibilities for introducing new ones (like tendering) are looked into. A roadmap for increasing public support and participation in wind energy projects is currently in development.

To promote solar energy a charter is being written for group purchases of solar panels. With this charter a further reduction in investment costs is pursued, combined with a good service and support for local employment. Furthermore, a solar energy map will be designed including a tool to facilitate the best possible installation of solar panels.

On 17 July 2015 the Government of Flanders decided to extend the support for **green heating** to include deep geothermal energy projects. District heating systems are supported as well, as soon as the heating system is fed with at least 50% renewables or 50% residual heat. The production of biomethane to be used as fuel will be supported as well. For the allocation of investment aid a call was launched in October for a total aid budget of EUR 10.2 million. In 2016 two more calls will be organised.

On 18 December 2015 the Government of Flanders finally adopted the Action Plan ‘Clean Power for Transport’ in the context of the transposition of Directive 2014/94/EU. The most important measures in this action plan are the stimulation of clean power (electricity, CNG, LNG and hydrogen) for transport and the quick development of the necessary infrastructure.

On 8 January 2016 the Government of Flanders decided to introduce a modularised subsidy for zero emission vehicles. At an earlier stage exemptions had already been introduced for Clean Power vehicles in the context of greening the road tax (*see 3.1.2. reply to CSR2*).

3.5. POVERTY AND SOCIAL EXCLUSION

3.5.1. Introductory comments

In the field of poverty and social exclusion hardly any progress was made over the past years. However, Flanders continues to perform well in comparison to the EU average. This is also the case for child poverty: despite the fact that there has been an increase in child poverty since 2008 Flanders is still doing well on the European level (see also Poverty Monitor 2015, <https://www.vlaanderen.be/nl/publicaties/detail/vlaamse-armoedemonitor-2015>). Nevertheless, Flanders continues its efforts to fight (child) poverty.

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

Key indicator	2008	2009	2010	2011	2012	2013	2020 target	Distance
% children with a standardised available household income under the poverty risk threshold after social transfers	9.9	9.8	11	10.4	11.35	12.1	5%	7.1 ppt Place 4 out of 28 (in 2013)

3.5.2. Measures

On 3 July 2015 the Government of Flanders adopted the **Flemish Poverty Reduction Action Plan 2015-2019**. This action plan outlines a structural and participatory poverty reduction policy on the basis of concrete goals that are formulated for each of the fundamental social rights (participation, social service provision, income, family, education, leisure time, work, housing and health). The key goal Flanders seeks to realise by 2020 is to halve the number of children born in poverty and to reduce the overall at-risk-of-poverty rate by 30% in Flanders. The fact that a plan clearly focuses specifically on preventing and fighting **child poverty** is a first. For this purpose 72 local municipal authorities are subsidised to work out a specific child poverty reduction plan. The development and implementation of these plans are supported through a learning network. In addition the ESF call ‘Poverty’ will devote special attention to low work intensity households. This past year these measures were made more concrete and put into practice. During the coming months work will be done to adjust the action plan. The first agreements for this

adjustment will be made public in late February 2016. A progress report will be published on this work in the spring of 2017.

The Flemish poverty reduction policy is targeted on anyone living in poverty or social exclusion. The policy is based on an inclusive approach which is integrated into the mainstream policy areas if possible and is customised if necessary. The Flemish integration policy aspires to achieve fully-fledged socio-cultural and socio-economic participation for people of foreign origin. As a result, it wholly contributes to the poverty reduction policy.

The civic integration programme offered by the Agency for Integration and Civic Integration assists newcomers in taking the first steps in their integration process and promotes autonomous and proportional participation. The Flemish Poverty Reduction Action Plan 2015-2019 contains several specific measures for **people of foreign origin**, like sharing knowledge and expertise and developing methodologies so that front-line professionals receive better support in dealing with poverty among people of foreign origin on a daily basis.

Accessible services. The Government of Flanders wants to provide low-threshold, accessible and quality services, with maximum focus on the automatic allocation of rights. The basic support budget which is rolled out as of 2016 in the context of the start of person-linked financing will be automatically allocated on the basis of child and integration benefit certificates for adults and children respectively.

Where this proves impossible, it will be tried to realise administrative simplification and proactive actions, like giving information to the people who are entitled to this budget. To allow the **Huizen van het Kind** (Children's Centres) to grow into fully-fledged basic settings in the 308 municipalities in Flanders numerous partners are brought together at the local level, like childcare settings, youth assistance bodies, the education sector, leisure time bodies, etc. Complete coverage is aimed at by the end of this term of office. The significance of young children also shows from the efforts to continue to work towards **sufficient, high-quality and accessible childcare** in Flanders (*see 2.3.4*). The childcare sector is supported through a guidance pathway 'social function' which pays much attention to the impact of new regulations on the accessibility of childcare for babies and toddlers.

Investments are made in income-based childcare and childcare which assumes additional tasks to support vulnerable families and fight poverty in households. Finally, several alternatives are being examined for the 'Kinderopvangzoeker' (Childcare Finder) in its current form.

The Government of Flanders continues to concentrate on **health promotion**. The sixth state reform creates the possibility and opportunity to thoroughly reflect on the reorganisation of both the structure and content of primary health care. Preparations are already being made for this. These should result in a primary health care conference in the spring of 2017. Concrete steps are also taken for the development of a **Flemish Social Protection** system. Following the sixth state reform a Flemish social protection system is being developed in **Flanders** which integrates a number of existing allowances like the care insurance scheme with a number of transferred types of financing of care, including the financing of elderly care and home care. The aim is to achieve maximum participation in society through affordable, high-quality and accessible care and support.

In this context a new allowance is entered in this Flemish Social Protection system, namely the basic support budget, which allows people with disabilities to organise care in their homes with the help of mainstream services, volunteers and informal carers. It is estimated that 6,500 disabled adults in Flanders will receive this monthly budget from September 2016 onwards.

With the integration of the public centres for social welfare into the municipalities, the Government of Flanders intends to establish a stronger integrated social policy for the residents of the municipalities. The municipality's integrated and inclusive social policy lowers thresholds when a one-stop-shop is in place where social services are delivered alongside other local services.

Sufficient available resources. Developing competencies and talents is essential for earning an income from work, which offers the best guarantee against poverty. Important building blocks for this are dual learning (*see 2.3.9*), the activating individual vocational training in the company (*see 2.3.1*) and sustainable development in mainstream economic sectors through customisation. The implementation of the Customisation Decree is currently on hold. However, the idea is to change to customisation again, with individual workers receiving a 'backpack' depending on their distance to the labour market. Although the Government of Flanders wants to switch to the customisation principle again as soon as possible, it will thoroughly prepare this transition. Greater investments will also be made in the employees themselves: all target group employees within the social economy receive the support they need to continue to work on their professional development. As a result of the sixth state reform Flanders now has competence for **child benefit**, which is an important lever in the fight against child poverty. When adjusting the child benefit system in Flanders, sufficient time will therefore be taken to implement a poverty test. We want the child benefit to evolve towards an income-based benefit.

It is essential to keep optimising the allocation of the **school or study grant**. A safety net is in place: those who received a grant in the past two years, but have not yet submitted an application halfway through this school year, will be contacted in writing to ask them whether they want to receive this grant.

This 'semi-automatic' approach in any case seems to work and has resulted in an increase by more than 40,000 applications. Within the framework of a cost control policy, measures are taken for pre-primary, primary and secondary education. For pre-primary and primary education the system of the maximum bill is continued. Within secondary education the cost control policy is reinforced.

Energy and housing. An Energy Poverty action plan was finalised. This action plan seeks to optimise the protection against energy supply disconnection, which is already quite extensive today, and to structurally lower energy consumption in the houses of vulnerable families. Vulnerable target groups will be reached even better following the optimisation of the energy loan (formerly known as loan from the FRGE). It is examined how the instrument can be better attuned to the target group needs and be better integrated into the Flemish instruments supporting the implementation of energy saving works.

Existing energy subsidies are reviewed and reformed to make sure they actually reach the most vulnerable people and are customised to the different target groups. We will provide measures to combat energy poverty.

Energy saving measures are prioritised. The social roof insulation programme is promoted and an additional social programme for high efficiency glass and cavity wall insulation is launched. Actions are also taken to keep the water bill affordable.

The Government of Flanders also promotes **quality housing**. On the one hand, the 'shrinking' of the private rental market is stopped with targeted support. In this context we observe the balance between tenant and letter, with the tenant being entitled to home security in a quality

dwelling and the private tenant being entitled to income security and the protection of his or her property. Account is at all times taken of the weakest through the rent guarantee fund, the rent subsidy, the rent premium, the guaranteed housing insurance and the social loan scheme, among other things. Continued efforts are also made to improve housing market accessibility. Rentals to social rental agencies are further encouraged as well. On the other hand, the social rental market is scrutinised. Lifetime contracts are abandoned, so that the limited provision of social housing benefits the people who really need it. Measures are also taken to renovate the existing property portfolio in a safe, healthy and energy efficient manner.

Plenty of other measures are introduced as well. **Inclusive participation** in society (the roll-out of the UiTPAS throughout Flanders, etc.) is focused on as well. Within the boundaries of current and future regulations **social corrections** are used in several policy areas for certain socially vulnerable target groups. The terms and conditions and criteria, which differ by regulation for the specification of these target groups, will be mapped and evaluated. The Government of Flanders also promotes access to **sufficient healthy food**. It is aimed to redistribute food surpluses to the most vulnerable in our society. The roll-out of the €1 meal ties in with this framework. Emphasis is also placed on the **'inside of poverty'** (continued focus on the training of teaching personnel in detecting and dealing with poverty situations at school, empowering parents through growth pathways, etc.).

PART 4. USE OF STRUCTURAL FUNDS

In April 2015 the Government of Flanders approved the final **ERDF Operational Programme 2014-2020**. Subsequently, in May 2015, the first relevant calls were launched. Various projects will be initiated in early 2016. EUR 173.5 million is available for the “Investment for Growth and Jobs” objective and EUR 172 million for the European Territorial Co-operation objective (through the same Operational Programmes as before). Still, stronger choices are made within this budget than before. In this way 40% of the budget is reserved for additional actions in the field of R&D&I (Priority 1), with support from a Flemish RIS3 strategy containing 8 thematic priorities (www.vlaio.be/efro). Strong focus is also placed on accompanying measures to promote entrepreneurship (Priority 2). Finally, the transition to a low-carbon economy and society is Priority 3. This illustrates that Flanders clearly uses its EU funds to implement important EU2020 targets relating to R&D and Climate and Energy, as well as for policy themes which are also prioritised in the policy memoranda. The already completed project calls include calls for the stimulation of dissemination of technologies in view of knowledge valorisation and marketization and for the promotion of an enterprise-friendly climate among local and provincial authorities. In terms of cross-border cooperation the existing 7 ERDF Interreg programmes are continued in the period 2014-2020.

In keeping with the spirit of the European territorial cohesion policy these ERDF programmes are focused on area-specific processes and strategic bottom-up projects. Special attention is devoted to the position and role of cities (including their immediate environment). The Flemish metropolitan cities Antwerp and Ghent, for instance, have in certain cases been given responsibility for the selection of projects within the framework of an integrated urban strategy. Another example of such an approach is the 3 ITI areas in the Flemish ERDF programme (ITI Limburg, ITI West Flanders and ITI Campine Region). A specific steering committee is put in place for each ITI. This committee is composed on the basis of the triple helix philosophy (representatives from the Flemish authorities, the province, the Association of Flemish Cities and Municipalities VVSG, associations of universities and university colleges and the business community).

The **ESF Operational Programme 2014-2020** specifies priorities and objectives for measures totalling approximately EUR 1 billion. They are intended to help around 250,000 people find a job, start up a company or acquire new competencies. EUR 394 million is contributed by the EU. The programme prioritises customised services for jobseekers and the social inclusion of the most vulnerable in the labour market, support for education and competence enhancement and workability promotion in businesses. Apart from these large axes, the programme also focuses on spearhead actions for entrepreneurship, for young people who have difficulty in entering the labour market, for transition in the social economy and for employment for marginalised communities like the Roma. Finally, the fifth priority of the programme is aimed at further supporting labour market innovation and transnational cooperation around labour market-oriented themes between all the stakeholders. That the ESF is a concrete response to Flemish policy shows from the innovative pilot project ‘dual learning’ (see 2.3.9.) The EC turned the spotlight on ESF Flanders because it facilitated a unique preparatory stage for the call ‘Transnationality’ and used simplified cost options. (<http://ec.europa.eu/esf/main.jsp?catId=67&langId=en&newsId=2471>).

PART 5. INSTITUTIONAL ISSUES AND STAKEHOLDER PARTICIPATION

5.1. ENHANCING THE SUPPORT BASE

Flanders attaches considerable importance to enlarging the support base of the European Semester. The success of the European Semester in Flanders is the joint remit of the Flemish authorities, the (supra) local authorities and the various stakeholders. For this semester as well several support enhancing initiatives were taken to maximally meet the call from the EC to involve the largest number of partners when drawing up reform programmes.

Within the Flemish authorities increased emphasis is placed on the monitoring of the European Semester. This monitoring was structurally embedded in the activities of the **Board of Chairmen** (Voorzitterscollege), which is the highest consultation body within the Flemish administration. On 17 March 2016 an exchange of views took place within this board with the European Semester Officer. Within the Office of the **General Representation of the Government of Flanders to the EU** within the Permanent Representation of Belgium to the EU (Algemene Afvaardiging van Vlaanderen bij de EU binnen de Permanente Vertegenwoordiging van België bij de EU/AAVR) the focus on the European Semester is enhanced through a secondment from the Policy Area 'Public Governance and the Chancellery'. The FRP is available at <http://www.vlaanderen.be/nl/vlaamse-overheid/werking-van-de-vlaamse-overheid/vlaanderen-en-de-europa-2020-strategie>.

5.2. INVOLVEMENT OF THE FLEMISH PARLIAMENT

To increase the involvement of the Flemish Parliament in the European Semester the draft FRP is discussed in the Flemish Parliament **General Policy, Finance and Budget Committee**¹⁵ since the European Semester 2015. This year this discussion took place on 15 March 2016. Flanders takes up a pioneering role in this context within Belgium.

5.3. INVOLVEMENT OF SOCIAL PARTNERS

The social partners were also involved in the compilation of the FRP 2016 (within the framework of **VESOC**) through an exchange of views on 17 March 2016.

5.4. INVOLVEMENT OF (SUPRA) LOCAL AUTHORITIES AND STAKEHOLDERS

This year the VLEVA members again presented a number of good practices for inclusion in the FRP 2016.

The **Flemish provinces** strongly focus on **energy efficiency**. The Interreg project 'PV op maat' (Bespoke PV), with European co-financing and financial support from the provinces of Flemish Brabant and Limburg, aims for more efficient solar panels which can be integrated into buildings in a more customised manner. Dutch knowledge institutes, the Catholic University of

¹⁵ Pursuant to Article 84/1 (Flemish Reform Programme) of the Regulations of the Flemish Parliament.

Leuven, IMEC and Hasselt University are involved in its development. Each new building must generate a minimum quantity of energy from renewable energy sources, like solar panels. This obligation results from the European regulation that was transposed into the Flemish energy performance regulation. To make solar panels more efficient and aesthetic, photovoltaics are required which can be more easily integrated. That is why the project 'PV op maat' researches and demonstrates promising applications of thin film PV in construction elements.

The material is affixed directly to glass, steel or film material. Moreover, the shape, colour and electric properties can be adjusted. This new knowledge can be implemented on a broad scale, which will make the technology visible in the streetscape.

Consultation is currently taking place between the Flemish authorities and the **Association of Flemish Provinces** (Vereniging van Vlaamse Provincies/VVP) to organise a joint 'tour' on the European Semester throughout Flanders in the autumn of 2016.

Since 2014 the **Flemish municipalities and OCMWs** have all applied the so-called **policy and management cycle** (beleids- en beheerscyclus/BBC), which is a new system of planning, registration and reporting. The policy and management cycle obliges administrations to permanently link the thematic policy to its financial consequences. Moreover, the administrations must draw up a policy-based and financial multi-year plan which currently runs until 2019 and which is to show that they have reached a structural balance in terms of finances. In this way the Flemish local authorities make an important contribution to the reorganisation of the Belgian public finances imposed by the European Commission.

The **Flemish Institute for Technological Research** (Vlaamse Instelling voor Technologisch Onderzoek/VITO) focuses on **deep geothermal energy** which will cause a fundamental change of course in energy supply, energy consumption and spatial planning. To facilitate this change of course VITO started the Deep Geothermal Energy project BALMATT in September 2015. Through this pilot project VITO wants to prove the technical and economic feasibility of deep geothermal energy in Flanders. Next, a road map is designed to allow the geothermal potential in the Campine Region to be tapped in an efficient and socially responsible manner. An efficient development of geothermal energy in Flanders requires foreign knowledge and experience to be aligned with the local situation. This refers directly to the typical Flemish spatial planning and the desired evolutions in the field of geological knowledge and drilling technology. If the potential of geothermal energy in Flanders is realised to the full, this may generate around 1,500 new full-time jobs for the Campine Region alone in the period 2015-2050. It is estimated that 75% of this job creation is situated in Flemish companies and 25% in foreign companies.

5.5. AFTERWORD

In keeping with tradition, Flanders has delivered its contribution to the production of the national reform programme (NRP) of Belgium. The FRP 2016 is included as annex to the NRP. Flanders also participated actively in the European Semester 2016 during the bilateral meetings with the EC that are mainly devoted to the implementation of the country-specific recommendations.

Flanders assumes ownership within the European Semester with its own reform programme. This is one of the reasons why the Government of Flanders also delivers the FRP directly to the Presidents of the EC and the European Council, the European Economic and Social Committee (EESC) and the Committee of the Regions (CoR). Through its initiatives within the framework of the European Semester Flanders also makes an important contribution to the functioning of the **Europe 2020 Monitoring Platform of the Committee of the Regions** and is willing to share data, policy results and its approach with other governments.

LIST OF ABBREVIATIONS

AAVR EU	Algemene Vertegenwoordiging van de Vlaamse Regering bij de EU binnen de Permanente Vertegenwoordiging van België bij de EU (General Representation of the Government of Flanders to the EU within the Permanent Representation of Belgium to the EU)	FWO	Fonds voor Wetenschappelijk Onderzoek (Research Foundation Flanders)
ABAD	Actieplan ter Bestrijding van Arbeidsgerelateerde Discriminatie (Action Plan for Combating Work-Related Discrimination)	GDP	Gross Domestic Product
ADS	Algemene Directie Statistiek (Directorate General Statistics)	GNSS	Global Navigation Satellite System
AGS	Annual Growth Survey	GWh	Gigawatt hour (unit of energy)
AIO	Agentschap voor Innoveren en Ondernemen (Flanders Innovation and Entrepreneurship)	HBO	Hoger Beroepsonderwijs (Higher Vocational Education)
AO	Agentschap Ondernemen (Enterprise Flanders Agency)	IBN	Innovative Business Networks
ARKIV	Private funds investing in promising SMEs	IBO	Individuele Beroepsopleiding in de Onderneming (Individual Vocational Training in the Enterprise)
BAN	Business Angels Network	ICT	Information and Communication Technologies
BBC	Beleids- en Beheerscyclus (Policy and Management Cycle)	IMEC	Interuniversity Micro-Electronics Centre
BIV	Belasting In Verkeerstelling (Vehicle Registration Tax)	ITI	Integrated Territorial Investment
CHP	Combined Heat and Power	IWT	Agentschap voor Innovatie door Wetenschap en Technologie (Agency for Innovation by Science and Technology)
CNG	Compressed Natural Gas	KB	Beleidsdomein Kanselarij en Bestuur (Policy Area Public Governance and the Chancellery)
CO ₂	Carbon dioxide	LFS	Labour Force Survey
CoR	Committee of the Regions	LNG	Liquid Natural Gas
CSR	Country-specific recommendation	MPLW	Maximum Permissible Laden Weight
DFFMO	Design, Build, Finance, Maintain, Operate	MTOE	Million Tonnes of Oil Equivalent
DHO	Databank Hoger Onderwijs (Higher Education Database)	NEET	Not in Education, Employment or Training
EC	European Commission	NRP	National Reform Programme
EEN	Enterprise Europe Network	NT2	Basisopleiding Nederlands als Tweede taal (Basic course in Dutch as second language)
EESC	European Economic and Social Committee	OBU	On board unit
EETS	European Electronic Toll Service	OCMW	Openbaar Centrum voor Maatschappelijk Welzijn (Public Centre for Social Welfare)
EFSI	European Fund for Strategic Investments	OKAN	Onthaalonderwijs van Anderstalige Nieuwkomers (Reception classes for non-Dutch speaking newly arrived migrants)
EIB	European Investment Bank	OKOT	Onderwijskwalificerende Opleidingstrajecten (Training Pathways for Educational Qualifications)
E-level	Energy Performance Level	OV	Onderwijs en Vorming (Education and Training)
EPC	Energieprestatiecertificaat (Energy performance certificate)	PMV	Participatiemaatschappij Vlaanderen (Flanders Investment Company)
ERA	European Research Area	PPP	Purchasing Power Parities
ERDF	European Regional Development Fund	Ppt	Procent point
ESA	European system of national and regional accounts	PV	Photovoltaic
ESCO	Energy Service Company	PWA	Plaatselijk Werkgelegenheidsagentschap (Local Employment Agency)
ESD	Effort Sharing Decision	R&D	Research and development
ESF	European Social Fund	R&D&I	Research, development and innovation
ESFRI	European Strategy Forum on Research Infrastructures	RE	Renewable energy
ETS	EU Emissions Trading System	REFIT	Regulatory Fitness and Performance Programme
EU	European Union	RVA	Rijksdienst voor Arbeidsvoorziening (National Employment Service)
EVC	Erkennen van Verworven Competenties (Recognition of Previously Acquired Competencies)	SALK	Strategisch Actieplan voor Limburg in het Kwadraat (Strategic Action Plan for Limburg Squared)
EWI	Economie, Wetenschap en Innovatie (Economy, Science and Innovation)	SDG	Sustainable Development Goal
FBS	Federal Public Service	SERV	Sociaaleconomische Raad van Vlaanderen (Flanders Social and Economic Council)
FIT	Flanders Investment and Trade	SIFO	Sociaal Investeringsfonds (Social Investment Fund)
FRGE	Fonds ter Reductie van de Globale Energiekost (Fund for the Reduction of Overall Energy Costs)	SME	Small and Medium-sized Enterprise
FRP	Flemish Reform Programme	STEM	Science, Technology, Engineering and Mathematics
		STRES	Strategic Ecology Support

SVR	Studiedienst van de Vlaamse Regering (Research Centre of the Government of Flanders)	VKS	Vlaamse Kwalificatiestructuur (Flemish Qualification structure)
SYNTRA	Flemish Agency for Entrepreneurship Training	VLEVA	Vlaams-Europees Verbindingsagentschap (Liaison Agency Flanders-Europe)
TINA	Transformation, Innovation and Acceleration Fund	VLOR	Vlaamse Onderwijsraad (Flemish Education Council)
ULC	Unit Labour Cost	VOP	Vlaamse Ondersteuningspremie (Flemish support premium)
VDAB	Vlaamse Dienst voor Arbeidsbemiddeling en Beroepsopleiding (Flemish Service for Employment and Vocational Training)	VREG	Vlaamse Energieregulator (Flemish Regulator for the Electricity and Gas Markets)
VEB	Vlaams Energiebedrijf (Flemish Energy Company)	VVP	Vereniging van de Vlaamse Provincies (Association of Flemish Provinces)
VESOC	Vlaams Economisch en Sociaal Overlegcomité (Flemish Economic and Social Consultative Committee)	VVSG	Vereniging van Vlaamse Steden en Gemeenten (Association of Flemish Cities and Municipalities)
Vinnof	Vlaams Innovatiefonds (Flemish Innovation Fund)	WEP	Werkervaringsprojecten (Work Experience Projects)
VIS	Vlaamse Innovatiesamenwerkingsverbanden (Flemish Innovation Platforms)	WIJ	Werkinleving voor Jongeren (Work experience for young people)
VITO	Vlaamse Instelling voor Technologisch Onderzoek (Flemish Institute for Technological Research)	WSE	Werk en Sociale Economie (Work and Social Economy)
		WVG	Welzijn, Volksgezondheid en Gezin (Welfare, Public Health and Family)