



Flanders
State of
the Art

FLEMISH REFORM PROGRAMME 2017

FLEMISH REFORM PROGRAMME 2017¹

¹ This document is the English translation of the Flemish Reform Programme (FRP) 2017. The official version of the FRP (in Dutch) was approved by the Government of Flanders on the 31st of March 2017 and can be found at <https://www.vlaanderen.be/nl/publicaties/detail/vlaams-hervormingsprogramma-2017>

PREFACE

The present Flemish Reform Programme/FRP (Vlaams Hervormingsprogramma/VHP) 2017 is the seventh in a row to be drawn up by Flanders and the third to be presented by the current Government of Flanders. The Government of Flanders is still 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 and subsequently further enhancing public support for it. Like in previous years, consultations were held with the Flemish Parliament and the social partners and several good practices of members of the Liaison Agency Flanders-Europe (Vlaams-Europees Verbindingsagentschap/VLEVA), including (supra) local administrations, were entered in this reform programme. In the autumn of 2016, the Flemish authorities, the Association of Flemish Provinces (Vereniging Vlaamse Provincies/VVP) and the Europe Direct Information Centres of the respective Flemish provinces joined forces in organising a series of lectures under the title 'Building Europe. The European Semester Explained'.

In its FRP 2017 Flanders offers a customised response to the country-specific recommendations and the challenging Europe 2020 targets, in order to present the European Commission with a detailed picture of the measures Flanders is taking within the framework of the European Semester. Flanders was also one of the driving forces behind the fact finding mission of 15 December 2016 between the European Commission and Belgium, which offered Flanders the opportunity to proactively highlight the Flemish measures to the European Commission (COM). Flanders is pleased to find that its proactive attitude has contributed to the fact that the Country Report Belgium (22 February 2017) contains more references to measures and data of the Flemish authorities. Therefore, the Government of Flanders strongly appreciates the efforts made by the COM services.

In the FRP 2016 the Government of Flanders argued in favour of receiving region-specific recommendations and analyses. I reiterated this message in a letter which I sent to the European Commission in July 2016. The same issue was also discussed in the Government of Flanders memorandum 'Vision on the future of the EU' which was adopted on 16 December 2016. The Government of Flanders would like the EU to actively and structurally involve federated states and regions with legislative powers, throughout the policy cycle, for the policy areas for which they have competence. A logical consequence of this would be that the country-specific recommendations take the institutional structure of the Member States into account from now on. This position of the Government of Flanders is also supported by a proposal of resolution on region-specific analyses and recommendations within the framework of the European Semester.

The Government of Flanders is convinced that, through the measures it presents in this FRP 2017, it continues to respond to the virtuous circle of budgetary discipline, structural reforms and investments, and as such lays excellent foundations for the challenges of the future. Flanders is currently preparing itself for this future. The seven transition priorities from the Vision Paper 2050 are in full development. It is definitely no coincidence that these transition priorities address challenges in the Country Report or closely tie in with the Europe 2020 strategy and the sustainable development goals.

Geert Bourgeois
Minister-President of the Government of Flanders

TABLE OF CONTENTS

Executive summary	5
Part 1. Macro-economic developments in the Flemish Region.....	8
Part 2. Measures within the framework of major economic challenges	11
2.0. The Country Report Belgium 2017	11
2.1. Country-specific recommendation 1	12
2.2. Country-specific recommendation 2	15
2.3. Country-specific recommendation 3	23
2.4. Responding to investment challenges	29
PART 3: PROGRESS IN THE REALISATION OF FLANDERS' EUROPE 2020 TARGETS	33
3.0. Introduction	33
3.1. Employment rate	33
3.2. Education	34
3.3. Research and development (R&D)	35
3.4. Climate and energy	37
3.5. Poverty and social exclusion	41
Part 4. Use of structural funds	45
Part 5. Institutional issues and stakeholder participation.....	46
5.1. Enhancing public support	46
5.2. Involvement of the Flemish Parliament	46
5.3. Involvement of social partners	46
5.4. Involvement of (supra) local authorities and stakeholders	46
5.5. Afterword	47
LIST OF ABBREVIATIONS.....	48

EXECUTIVE SUMMARY

The present **FRP 2017** provides a response to the three country-specific recommendations (CSRs) of July 2016 and discusses the progress made with respect to Flanders' Europe 2020 targets.

Part 1 contextualises the main macro-economic developments in the Flemish Region. Positive elements include the attractiveness of Flemish exports in 2015 (+2.2% in real prices), an increased labour productivity in 2016 (+0.5% in real terms) and a revival in investments for 2017.

Part 2 describes the Flemish measures taken within the framework of the major economic challenges (CSRs and other investment challenges):

- With regard to **CSR 1 (public finances and taxation)** work is continued to realise sound public finances, with the Government of Flanders aiming at a balanced budget from 2017 onwards. The current tax legislation is further reformed with an eye to making it more coherent and effective: In terms of simplification, reference can be made for instance to the far-reaching reduction in the number of tax bands in the gift tax on immovable property. With regard to steering taxes, Flanders fully focused on greening by linking the vehicle road tax to emissions, and by introducing a kilometre charge for heavy goods vehicles. As far as the greening of real estate is concerned, properties must be increasingly insulated to be eligible for tax benefits. Ever more stringent E-levels (energy performance levels) and total renovations are aimed at.
- As for **CSR 2 (labour market and education/training)** the reforms for increasing the employment rate which were already initiated are continued. Reference can be made for instance to measures pertaining to the Youth Guarantee, long-term unemployed, the simplification of the target groups policy, the activation of older jobseekers, the reform of training incentives, the reconciliation of work and family life (service vouchers, Flemish care credit), the recognition of competencies, a mobilising strategy focused on talent, the modernisation of secondary education, the dual learning scheme, the reform of adult education and higher vocational education, the extra funding and additional measures for disadvantaged groups and people with a migrant background.
- With regard to **CSR 3 (innovation, competition and investment in transport infrastructure and energy generation capacity)**, the new Flanders Innovation & Entrepreneurship (Agentschap Innoveren en Ondernemen) and the renewed Research Foundation - Flanders (Fonds Wetenschappelijk Onderzoek - Vlaanderen/FWO) have since 2016 been the main contact point in Flanders for entrepreneurs and researchers respectively. The new targeted cluster policy of the Government of Flanders was finally started. The criteria for R&D support to businesses were slightly adjusted and in 2017 the extension of the support scheme will be further developed. The Government of Flanders continues to invest in fundamental and strategic basic research (strategisch basisonderzoek/SBO). On 17/03/2017, the Government of Flanders reached a decision in principle on the abolishment of the Establishment Act for a number of regulated professions. In addition a Decree on retail establishments was adopted by the Government of Flanders. The investment budgets for all modes of transport (road infrastructure, waterways, public transport and cycling infrastructure) will reach a record high by the end of the term of office. The infrastructure works concerning Oosterweel will start in 2017.

For investments in energy infrastructure and smart grids, reference can be made, for instance, to the transition project 'Stroomversnelling' (Flux acceleration) and digital meters. In addition, the network managers are also planning investments in the network to accommodate the transition to a decentralised energy supply.

- The Government of Flanders continues to be a **government of investments** and earmarks a total amount of €613 million for new policy in 2017. Extra resources will be allocated to educational, welfare and care facilities. One of its top priorities is to further improve the business environment. A myriad of measures are being taken, such as the renewed and simplified SME portfolio, the SME growth subsidy, easy access to finance in which the Flanders Holding Company (Participatiemaatschappij Vlaanderen/ PMV) plays a crucial role, the third action plan 'Entrepreneurial Education' ('Ondernemend Onderwijs'), the reform of the enterprise promotion policy, the Smart Flanders programme for smart cities, a joint multi-year internationalisation strategy for the Flemish economy 2017-2021 and the measures regarding the circular economy, etc. Additional resources are allocated for educational, care and health infrastructure.

Part 3 provides a state of play of Flanders' Europe 2020 targets:

- **Research and development.** Flanders keeps investing additional resources in research and development and innovation (for 2017 over €185 million, and another €60 million for investments in research infrastructure). The R&D intensity amounts to 2.46% (2014 figure). Through these extra investments the Government of Flanders continues its strive to reach the 3% target by 2020.
- **Climate and energy.** When considering the whole period from 2013 to 2020, the target of lowering greenhouse gas emissions by 15.7% should be within reach. The Flemish Mitigation Plan 2013-2020 outlines a trajectory for reducing greenhouse gas emissions in all non-ETS sectors. With the establishment of the Climate Fund, the Government of Flanders created the financial framework needed to pursue a long-term climate policy. The Government of Flanders has adopted the energy plan which is aimed at annually monitoring the sub-targets for renewable energy and adjusting them, whenever necessary. To realise these new renewable energy targets, the Government of Flanders aims, among other things, at a substantial increase in solar energy (concept paper 'Solar Plan'), wind energy (concept paper 'Wind Power 2020') and green heat. To improve the energy performance in the buildings sector, non-residential buildings are also subject to E-level requirements from 1 January 2017 onwards. Reference can also be made to an action plan within the framework of the Renovation Pact, a reform of the financial support instruments for energy-saving renovations, the energy policy agreements, etc. The Climate and Energy Pact concluded at the Flemish Climate and Energy Summit of 1 December 2016 testifies to the strong ambitions of the Government of Flanders to shift up a gear in climate and energy.
- **Employment rate.** In 2016 the overall employment rate in Flanders improved modestly with 72.0% in comparison to 71.9% attained in 2013-2015. The employment rate does increase slightly among older employees which allows Flanders to approach the employment rate targets for the 50-64 and 55-64 year age groups. The employment rate

of people with a migrant background stagnates. Nevertheless, it continues to take firm measures to increase the general employment rate as well as the employment rates of disadvantaged groups, as shows from the reply to CSR 2.

- **Education.** In 2015, the number of early school leavers reached 7.2%. The European 10% target was thus amply achieved. The Flemish target of 5.2%, on the other hand, not (yet).

With 43.2% Flanders has met the European target of 40% for the share of 30 to 34-year-olds with a higher education diploma, but still remains short of the Flemish target of 47.8%. Nevertheless, both education targets remain attainable by 2020, and the necessary measures are taken to that end (see reply to CSR 2).

- The figures on **poverty or social exclusion** remain fairly stable. On an EU level, Flanders has excellent figures, placing it in second position. One of the measures taken was the Flemish Poverty Reduction Action Plan 2015-2019, which will be updated and adjusted.

Part 4 discusses the use of structural funds (ESF and ERDF (Flanders and Interreg)) within the framework of the European Semester.

Part 5 outlines the measures introduced to further increase public support for the European Semester in Flanders. Important contributions are made by the Flemish Parliament, the social partners and VLEVA, amongst others.

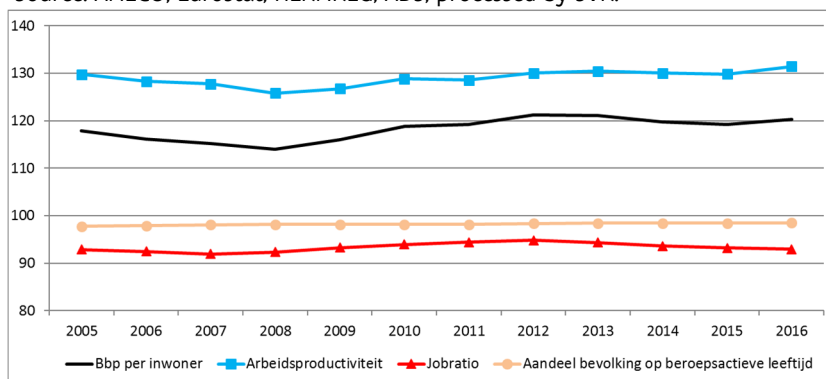
PART 1. MACRO-ECONOMIC DEVELOPMENTS IN THE FLEMISH REGION

For the second year in a row the national and regional accounts are drawn up in accordance with the **new ESA 2010**. The ESA 2010 introduced a number of changes compared to the former ESA 95, like the larger share of industry and the greater importance of services in exports and an upward revision of the GDP figure.

The Flemish Region represents 59.5% of the Belgian gross domestic product (GDP) and 57.6% of the Belgian population². The **GDP per capita** in the Flemish Region can be estimated at €34,900 purchasing power parities (PPPs) per inhabitant in 2016. This is 20% and 11% higher than the average in the EU-28 and EU-15. In 2010 this indicator was 19% higher for the Flemish Region than the EU-28 average, but also 8% higher compared to the EU-15. Specifically for Belgium there is the small geographical description of the Brussels-Capital Region (BCR). 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 for this commuting effect, the Flemish GDP increases to €37,500 per capita in 2016, which exceeds the average in the EU-28 by 29%.

The Flemish Region owes its relatively high GDP mainly to a **high labour productivity**. It is 31% and 23% higher than the average in the EU-28 and EU-15 in 2016, 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 2015, 42.2% of the working population in Flanders has received tertiary training. In the EU-28 this is 33.4%. The **job ratio**, i.e. the share of employment compared to the population of working age (92.9% of the EU-28 average in 2016) and the share of the population of working age (98.5% of the EU-28 average) are not beneficial for the Flemish economy. The proximity of the BCR has an effect on the job ratio. With a correction for commuter movements the Flemish job ratio is no less than 1% lower than in the EU-28.

Figure 1: GDP per capita and its components, Flemish Region, indices (EU-28 = 100), 2005-2016
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 EU-28. This was owing to the relative deterioration of the labour productivity and employment rate. However, in the period from 2010 to

2013 the Flemish Region regained some of the ground lost following an improvement of both indicators. In 2014 and 2015, Flanders lost some of its lead over the EU-28 again, especially due to the job ratio. However, in 2016, the Flemish Region succeeded in increasing its lead over the EU-28 again, because of the labour productivity (Figure 1). The real growth in the Flemish Region can be estimated at +0.5% in 2016.

²Data of 2016, based on HERMREG, supplemented with Eurostat data and processed by the Research Centre of the Government of Flanders (Studiedienst van de Vlaamse Regering/SVR)

Over the years 2006-2016, the **Flemish GDP grew** on average by 1.5% in real terms. This is higher than in the EU-28 or EU-15 (1.0% and 0.9%). This good performance can be attributed to the years 2006-2013. The financial and economic crisis had a relatively large impact on the EU-28 as a whole, whereas Flanders recorded a stronger growth than in the EU-15 and EU-28 during that period. Flanders' stronger economic growth is thanks to the **larger increase in employment in the Flemish Region** (+0.8% over 2006-2016) than in the EU-28 or EU-15 (each time +0.4%). The increase in labour productivity in the Flemish Region (+0.6%) was more or less on a par with that of the EU-28 or EU-15 (+0.6% and +0.5%). According to the latest update of the regional accounts, Flanders' economic growth in real terms (calculated on the basis of gross value added) would be 2.2% in 2014 and 2.1% in 2015. These are definitely good growth figures which exceed those for Belgium or the 3 neighbouring countries, viz. Germany, France and the Netherlands.

The GDP is a measure of the produced prosperity. There is also the **income** citizens **earn** from labour and capital in their own region, as well as elsewhere (commuting). The real household disposable income in Flanders is forecast to grow on average by 1.3% each year between 2015 and 2021, which corresponds to the estimate for Belgium. This growth figure is substantially higher than in the period 2008-2014 (only +0.2% per year). The improved purchasing power of Flemish households is explained by a more dynamic growth of their primary incomes and a decrease in the fiscal and parafiscal pressure compared to the past (Source: HERMEG).

Investing means believing in future opportunities for selling products and services. **Gross investment** (residential housing not included) in the Flemish Region amounted to 1.5% of the GDP in 2015. In 2016, this investment continued to drop to +0.4% of the GDP. In 2017, the investment effort will recover to +3.7% of the GDP in the Flemish Region. Finally, for 2018-2021, the Federal Planning Bureau (FPB) forecasts an average investment ratio of 2.2% of the GDP in the Flemish Region.

The **employment rate** (the share of the employed living in the Flemish Region in the population aged 20 to 64) was 72% in 2016 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 decrease among men (from 78.3% in 2008 to 76.3% in 2016), which is compensated by an increase among women (from 66.1% in 2008 to 67.7% in 2016), in particular in the 55-64 age group (men and women together). The employment rate of older workers underwent a striking evolution: from 34.3% in 2008 to 46.7% in 2016. However, the employment rate in the 55-64 age group remains a point of focus for Flanders, since more than half of the population in that age group is active in the EU-28 or EU-15. The employment rate is a bit lower in the EU-28 (70.8% in 2016), but is higher in each of our neighbouring countries, except for France. It should be mentioned that the regional Walloon (62.6%) and Brussels-Capital (59.8%) employment rates are manifestly lower.

The **unemployment rate** (15-64 age group) defined according to the LFS amounted to 4.9% in 2016. This is clearly lower than in the EU-28 and EU-15 (9.6% and 9.9% in 2015). In 2016, a total of 2,688,200 people are employed in the Flemish Region, which is 0.9% more than in 2015. In the following years employment would grow at the same pace. It is forecast that, between 2016 and 2021, 121,200 jobs will be created in line with the economic growth that is slightly picking up. The extra jobs would mainly be situated in 'healthcare and social services' and 'business services'.

Innovation is of crucial importance for the development of a western economy such as that of Flanders. The Flemish Region can count on a highly educated working population for this (see

earlier). 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 EU-28 or EU-15. In relative terms Flanders performs slightly better in the service component and slightly worse in the industrial component. Finally, R&D expenditure amounted to 2.46% of the GDP in the Flemish Region in 2014 (the private sector contributes 1.68%; the public sector 0.78% in 2014). Between 2009 and 2013 this indicator rose continuously. The EU-28 average is 1.95%. However, some reservations should also be made: the 3% target to be met by 2020 as stipulated by the Pact 2020 has not yet been reached, and Germany and several Scandinavian countries score higher.

In 2015, **Flemish exports grew** by 2.2% in real prices. This marked the end of the low growth figures in 2013 and 2014 (around 1%). The foreign order books in industry improved in the second half of 2016, which should be favourably reflected in the export figures for 2016 (yet to be published). Exports are important for Flanders' economy. In 2010, exports accounted for 37% of the generated Flemish gross value added, of which 24% originated from goods and 13% from services. The EU-28 continues to be our main export market (69.8% in 2015), not in the least because of Flanders' central location in the European Union. Over time, the share of the EU-28 decreased until 2014. From then onwards, its share slightly rose again. Emerging trading blocs took an increasingly larger share of Flemish exports, but since 2014 both trading blocs have lost some ground (especially Russia).

The 5 most important export products represented 45.2% of Flemish exports in 2015. The products concerned are vehicles, pharmaceutical products, chemical products, petroleum products and machinery and mechanical appliances. The export of high-tech products totalled €26.1 billion in 2015, which is 8.7% of total Flemish exports. This share increased over the past years (6.9% in 2013 and 7.6% in 2014). In % of GDP this was 10.9% (9.0% for Belgium and 4.6% for the EU-28).

Also in 2015, foreign investors launched 227 projects, which is an absolute record high. These projects represented €2.70 billion, which is a bit less than in 2014, but is still fairly high. Foreign direct investments are vital for a country or region's economic development because of the integration or extension of branches, and because new expertise is often also fed into the local economy.

PART 2. MEASURES WITHIN THE FRAMEWORK OF MAJOR ECONOMIC CHALLENGES

2.0. THE COUNTRY REPORT BELGIUM 2017

On 12 July 2016, the Council made **three country-specific recommendations**³ to Belgium. They pertain to (1) budgetary objectives, (2) labour market, education and vocational training and (3) the capacity to innovate and knowledge-based capital, competition in the business services sector and the retail sector and addressing shortfalls in investment in transport infrastructure and energy generation capacity.

Mainly under the impulse of Flanders a **fact finding mission** (15 December 2016) was organised between the COM services and Belgium. During this mission Flanders tried to present and explain the policy it is pursuing to implement the CSRs and other reform measures as clearly as possible to the COM services. The aim was for these elements to be taken into account in the compilation of the draft Country Report Belgium 2017 (3 February 2017). The final **Country Report**⁴ Belgium 2017 (22 February 2017) of the COM services mainly discusses the most important reform priorities⁵.

The Government of Flanders believes the **enhanced dialogue** between the COM services and Belgium (federal government and Communities and Regions) within the framework of the European Semester generates substantial added value. However, it would also like to keep entering into a direct dialogue with the COM. The Government of Flanders is pleased to find that in the Country Report Belgium 2017 the COM services, more than in the previous country reports, refer to various Flemish measures, policy initiatives and data, which they actually also illustrate with relevant Flemish examples. This is an important plus. Also, a more differentiated picture is given for the different Communities and Regions. As a result, a more customised approach is taken, which means that the requests and suggestions⁶ Flanders previously made in this context are complied with.

The Government of Flanders still would like more regional data to be included in the other (sub-)chapters of the Country Report, for instance with regard to competitiveness and the general economic situation. Generally speaking, the Government of Flanders is of the opinion that the COM services still refer too often to the 'Belgian' situation for these (sub-)chapters and limit their analysis to this. Yet, community and regional data could also prove very interesting for these (sub-)chapters, e.g. in terms of education, productivity, labour cost and exports. The Government of Flanders requests that the COM would consistently consider community and regional competences in the compilation of the CSRs for 2017 and in future country reports.

The Government of Flanders is convinced that the measures in this FRP implement the CSRs for 2016 (*see 2.1 through 2.3*), a number of investment challenges (*see 2.4*) and the Europe 2020 targets (*see Part 3*) and therefore constitute a concrete response to the analyses from the Country Report 2017.

³[http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016H0818\(09\)&from=EN](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016H0818(09)&from=EN)

⁴<https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-belgium-en.pdf>

⁵In concrete terms it concerns (i) public finances and taxation, (ii) financial sector, (iii) labour market, education and social policies and (iv) competitiveness and investment.

⁶See e.g. The Flemish Reform Programme 2016 (<https://www.vlaanderen.be/nl/publicaties/detail/flemish-reform-programme-2016-1>).

2.1. COUNTRY-SPECIFIC RECOMMENDATION 1

*Achieve an annual fiscal adjustment of at least 0.6 % of GDP towards the medium-term budgetary objective in 2016 and in 2017. Use windfall gains to accelerate the reduction of the general government debt ratio. Agree on an enforceable distribution of **fiscal targets** among all government levels. **Simplify the tax system** and **remove distortive tax expenditures**.*

2.1.1. Sound public finances

In the current Stability Programme the Government of Flanders has committed to a nominal shortage of €463 million in 2016, including the negative settlement of €137 million following from the transition mechanism provided in the Special Finance Act and including the asylum expenditure amounting to €94 million. The provisional implementation report from the official Monitoring Committee estimates the actual deficit at €164.7 million, which is €300 million better than anticipated in the 2016 budgetary adjustment.

The Government of Flanders wants to achieve a **balanced budget** from 2017 onwards. When evaluating this balancing target, the Government of Flanders wants to leave the following costs out of consideration: the construction costs related to the Oosterweel link (€80 million in 2017), which it regards as a non-recurring productive investment of great economic importance for the entire country and the Euroregion, and the expenditure in connection with investments in A1/A3 hospital infrastructure which were completed before the transfer of competences within the framework of the 6th state reform, but will continue to have an ESA impact in the coming years. In 2018 a non-recurring correction will be applied with respect to this balancing target for the effects of the revision of the autonomy factor in that year.

When leaving the expenditure related to the Oosterweel link and the problem regarding A1/A3 out of consideration, the Government of Flanders' objective is in line with the recommendation from the High Council of Finance (Hoge Raad van Financiën/HRF) which allows a nominal deficit of €59 million for 2017 and suggests a balanced budget in nominal terms from 2018 onwards. However, for 2018, the HRF allows a deficit for the non-recurring correction for the effects of the revision of the autonomy factor.

The problem of fitting exceptional strategic investments, such as the Oosterweel link, in with the budgetary paths of the various authorities will be further looked into by an intergovernmental working group preparing the Stability Programme 2017-2020. As for the investment expenditure relating to A1/A3 hospital infrastructure, a specific intergovernmental working group will clarify how large the problem is and which impact it has on ESA.

To be able to actually achieve the set targets, the Government of Flanders will **closely monitor** the implementation of the **budget** and make adjustments, if necessary.

In late 2015, KBC repaid the remaining outstanding amount of €3 billion (including penalty) in state aid to the Government of Flanders. This accelerated repayment had a mitigating effect on the debt rise in 2015 and 2016, which is mainly related to the increase in social loans and the liabilities assumed with regard to the A1/A3 hospital infrastructure.

The functioning of the Cooperation Agreement of 13 December 2013 on the implementation of Article 3, §1 of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union is currently being discussed by an intergovernmental working group which was specifically established for that purpose in preparation of the next Stability Programme. In order to achieve an agreement on the distribution of budgetary objectives across all levels of government, a number of technical and political issues need to be resolved.

Prioritising healthy public finances permits the Government of Flanders to invest in new policy, breathing new life into the Flemish economy and supporting economic growth. The Government of Flanders continues to be a government of investments and appropriates a total amount of €613 million for new policy in 2017 (table below). This sum is composed of €507 million for new policy and investments and an amount of €106 million for additional incentives.

New policy and investments (2017)	Description	Amount (€million)
<i>New policy - 2017</i>		
	Welfare	132
	R&D and business measures	195
	Conservation objectives	15
	Housing	10
	Free	5
<i>Total new policy</i>		357
<i>Investments</i>		
	Schools	50
	R&D and business measures	10
	Mobility and Public Works	90
<i>Total investments</i>		150
2017 new policy and investments		507
Additional incentives		106
TOTAL NEW POLICY		613

Considering the investments in the welfare and health sectors, the budget grows by €450 million or 4% in 2017, €132 million of which is destined for new investments in hospital infrastructure, retirement centres, childcare, youth counselling, care for the disabled, welfare, etc. Finally, hospitals and retirement centres will benefit from an innovative financing mechanism, allowing a yearly contribution in infrastructure costs instead of direct subsidies for investment.

The chapters on transport (2.3.5.), business environment (2.4.1.), school infrastructure (2.4.3.) and R&D (3.3.2.) will elaborate on the (extra) resources, earmarked by the Government of Flanders.

2.1.2. Reform of existing tax legislation

Several initiatives were launched and measures were developed to **reform the existing tax legislation** in order to make it more coherent and effective:

- The **Flemish gift tax on immovable property was substantially simplified** and lowered. In the direct line the number of scales was reduced from 8 to 4 and in the lateral line from 15 to 4. The high rates up to 80% were abolished and the new maximum is now at 27% in the direct line and 40% in the lateral line.
- 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 heavy goods vehicles (from 1 April 2016) was incorporated into the code in the first half of 2015. In this way both existing and new legislation is integrated into this key document, which results in a more streamlined and uniform administrative procedure for the different Flemish taxes.

- In 2016, the various **favourable tax regimes** were **listed**. This list is used to examine how the legislation can be optimised and be adjusted, wherever necessary.
- The **increased investment deduction in the tax on equipment and tools** was extended. In this way Flanders continues its policy to gradually reduce the tax on equipment and tools in order to boost economic activity.
- Within the framework of the **core tasks plan**, the **tax on derelict properties and uninhabitable and unfit housing** was partially transferred to the **municipalities**.
- The **Flemish tax relief measures for owner-occupied dwellings** were **harmonised and integrated**. In practice this mainly changed 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/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.
- Since 1 January 2016, the **tax relief for new energy efficient dwellings in the withholding tax on real estate has been tightened**. Following the adjustment of the legislation a 50% reduction applies to an E-level of E30 (previously E40) and a 100% reduction in case of an E-level of E20 (formerly E30). In both cases the tax relief is limited to a five-year period. Since **1 January 2017**, a tax relief has also been introduced in the withholding tax on real estate for large-scale energy saving renovations. Again, the reduction is limited to a five-year period and depends on the E-level that is achieved after the renovation.
- The **tax relief for roof insulation** was **abolished** from **1 January 2017** onwards. A transitional measure was provided for. This eliminates a dual tax relief (through subsidies and tax benefits).
- The **reimbursement for combined transport** in the **annual road tax** was reformed to make it more efficient. Given the limited advantage and heavy administrative burden which initially applied, a reimbursement was de facto never asked for.
- The **annual road tax was greened**, by taking into account the CO2 emission and Euro standard of vehicles. This was done to meet the European targets regarding air pollution, as well as the climate targets. Exemptions were provided for four technologies (BEV, H, PHEV, CNG) which fall within the scope of the European Clean Power Directive.
- On 25 November 2016, the Government of Flanders adopted a **further green reform of the annual road tax for non-leasing light goods vehicles**. On 1 January 2016, a green reform was introduced for newly registered (new and second-hand) passenger cars, dual-use vehicles, and minibuses (except leased vehicles). The Government of Flanders decided to introduce a similar green reform for light goods vehicles according to the 'polluter pays' principle. In this reform *ecoboni* and/or *ecomali* are applied in function of the environmental performance of the vehicle (CO2 emission, type of fuel, and European emission standard). The Government of Flanders also decided to raise the age limit for vintage vehicles from 25 to 30 years, thus reducing the fiscal benefits for older and more polluting cars, and matching the new European standard.

- Together with the three Regions, the Government of Flanders introduced a **kilometre charge for heavy goods vehicles**. This distance-related levy replaces the former time-related Eurovignette and complies better with the 'polluter pays' principle.
- The Flemish Region **is examining the possibility of and public support for introducing a smart kilometre charge for light vehicles**. At the initiative of the Department of Mobility and Public Works (Mobiliteit en Openbare Werken/MOW) a study is ongoing into the development and compilation of a plan of approach for the potential introduction of such a measure. At the same time the Department of Environment, Nature and Energy (departement Leefmilieu, Natuur en Energie/LNE) ordered a study into the shift from the burden on labour to the environment through the road charging instrument.

2.2. COUNTRY-SPECIFIC RECOMMENDATION 2

*Carry out the intended review of the Law of 1996 on the promotion of employment and the safeguarding of competitiveness in consultation with the social partners. Ensure that wages can evolve in line with productivity. Ensure the **effectiveness of labour market activation policies**. Move forward with **education and vocational training reforms** and provide **training support for disadvantaged groups**, in particular people from a **migrant background**.*

2.2.1. Youth Guarantee

Within the framework of the European Youth Guarantee all jobseekers under 25 years of age are offered a customised pathway with actions to boost their competencies (technical and non-technical competencies: attitude, job application skills, etc.), within 4 months after having registered as a jobseeker. Everyone who leaves school without any qualifications starts a vocational training programme and/or work experience at the end of the sixth month after their registration. This may be a training placement, individual company-based vocational training (Individuele Beroepsopleiding/IBO), a paid work placement which young people can undertake in a company, non-profit organisation or public service (Instapstage), a work experience pathway (Werkinleving voor Jongeren/WIJ!), etc. These 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 2016, 7,656 young people started an **IBO**, of which 1,964 low-skilled young people. Also in 2016, 295 young people embarked on a paid work placement, of which 237 low-skilled young people. Since the beginning of the second guidance period of the **work experience pathway (May 2015-May 2017)**, 3,950 low-skilled young people have participated in a WIJ!. The Flemish Service for Employment and Vocational Training (Vlaamse Dienst voor Arbeidsbemiddeling en Beroepsopleiding/VDAB) launches campaigns for young people to make them aware of the usefulness and opportunities of gaining work experience and supplementing their CVs with the competencies they have acquired through placements, volunteer work, as job students and in local associations. Sport and digital media are used to reach young people and kindle their interest (smartphone apps, video chat, e-mail, online job fairs,). Through the project 'Action Plan against School Drop-out' attention is also devoted to guiding and empowering (low-skilled) refugees. VDAB and the education sector also focus on creating a customised provision for **young people** who are not in education, employment or training (**NEET**). Work is done, for instance, to create data flows between the work and education sectors in order to reach, monitor and activate NEET young people more efficiently. This action is part of the action plan 'Together against Early School Leaving' ('Samen tegen Schooluitval') (see 3.2.2).

Within the framework of the **Youth Employment Initiative** a sum of €4.6 million was appropriated to tackle youth unemployment in the BHG among young people with Dutch-language career prospects. These funds will be used to identify 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.

2.2.2. Long-term unemployed

The Flemish Coalition Agreement highlighted a **new temporary work experience scheme** to integrate long-term jobseekers into the labour market. This scheme entered into effect on **1 January 2017** and aims to have all jobseekers move more rapidly to mainstream economic sectors, irrespective of whether they receive unemployment benefit. During the pathway they retain their jobseeker status. Only people who are entitled to a subsistence income and enter a pathway on the basis of Article 60 are given an employment contract because their pathway is designed to build up social rights.

In 2017, the measure is targeted at **people entitled to a subsistence income**. For long-term unemployed the tender 'Intensive Workplace Learning' ('Intensief Werkplekleren') is extended. Through this tender jobseekers who lack recent work experience (mainly jobseekers who are unemployed for more than 12 months or have similar problems) acquire the necessary work experience and can boost their competencies at various workplaces. In 2016, 2,837 jobseekers received guidance. A new work experience tender will be started in 2018.

With a new scheme called '**Neighbourhood Work**' ('wijk-werken'), which replaces the scheme of local employment agencies (Plaatselijk Werkgelegenheidsagentschap/PWA), the Government of Flanders wants to focus additionally on another instrument for gaining work experience. The basic idea is for the new instrument to allow certain jobseekers who are at a greater distance from the labour market to be (or stay) as closely involved as possible in the labour market and not become socially isolated. It concerns jobseekers who (temporarily) cannot work longer than part-time hours. Neighbourhood work can only be used in the context of a pathway to work, which means that a jobseeker can always count on (pathway) counselling by a mediator or consultant. In **2017 the regulatory work will be prepared** to make neighbourhood work operational as of 2018 onwards.

To **recruit long-term unemployed jobseekers (> 2 years)** employers can receive a **financial recruitment incentive** since **1 January 2017**. The amount of this incentive can rise up to a maximum of €1,250 for the first tranche and a maximum of €3,000 for the second tranche (after 12 months). If part-time employed, these amounts will be proportionalised. This measure is specifically targeted at long-term jobseekers who do not qualify for the target group discount (25 to 54-year-olds). The premium is paid in two instalments; the first after three months employment and the second after 12 months employment. All Flemish employers qualify for this premium. This new measure is currently being implemented.

2.2.3. Simplification of the target group policy

To increase the efficiency and effectiveness of the target group policy, the number of measures was restricted to three target groups, namely **young people**, **older employees** and **persons with a work-limiting disability**. The Decree on the Flemish target group policy was adopted on 4 March 2016. The new target group discounts for young people and older employees came into force on 1 July 2016.

- (I) Employers who recruit a low- or medium-skilled **young person (< 25 years)** can receive a discount in employer's contributions (respectively maximum €1,150 and €1,000/quarter) during 8 quarters. This discount is granted when the reference quarter salary is lower than €7,500 during the first year of employment and €8,100 during the second year of employment. If the young person obtains a qualification after all, the employer will retain the discount. A specific discount applies to young people who are employed as apprentice. After the apprenticeship period, employers can receive the discount for employees.
- (ii) For **older employees** a distinction is made between 'zittende werknemers' (employees who are already employed by employers located in the Flemish Region and who belong to the private for-profit sector) 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.
- (iii) The present Flemish support premium (Vlaamse Ondersteuningspremie/VOP) for **people with a work-limiting disability** is maintained. People who are self-employed as a secondary activity will from now on also be entitled to this financial support. Within the framework of the transition from the social economy to mainstream economic sectors the VOP can also be used for people who previously worked as target group employees in the social economy.

The target group policy is closely monitored and will be evaluated in 2018.

As for the **other target group measures** that have been transferred following the sixth state reform the necessary transitional measures have been taken to offer employers and employees legal certainty. Employers can no longer benefit from these measures for recruitments after 1 January 2017. Employers who already availed themselves of these measures can do so until 31 December 2018 at the latest.

In 2017, we are planning a **reform of the return to work premium for over-55s**. This is a monthly premium for older unemployed people who return to work, as a supplement to the income they receive from their now job. The purpose of this premium is to reduce the unemployment trap and to financially encourage jobseekers to return to work.

2.2.4. Activation of older jobseekers

We will also continue to focus on the **activation of older jobseekers (over-55s)**. Mid-2016, an agreement was reached on this matter with the social partners. An approach was agreed which considers the different types of availability for the labour market and in which VDAB's services remain accessible of course to any jobseeker, irrespective of whether he/she is passively or actively available or available in an adjusted context. The extension of the activation approach to 65 years will be carried out in **different stages** and be harmonised with the federal government's decision to increase the age for availability. Each year, the exemption on grounds of age will be increased by 1 year up to 65 years in 2020. In 2016, the age shifted from 60 to 61 years. In this respect account will be taken of VDAB's capacity and the labour market situation.

2.2.5. Focus on the reconciliation of work and family life

The Government of Flanders continues to invest in **childcare**. In 2017, it invests an additional €10 million in childcare, creating additional places. Next, both new childcare establishments and subsidised initiatives can make the transition to establishments where parents pay for childcare according to their income. In order to match supply and demand, a trajectory was also launched to renew the concept of 'flexible childcare'. During an exploratory study not only the needs and requirements of (potential) users of childcare are assessed, but also the opportunities and

obstacles on the supply side. This information will be used to create new legislation in 2017. The concept paper on the guidelines for a new organisation of childcare and leisure time for children is discussed in the Flemish Parliament.. This discussion feeds into the new framework Decree that is being prepared and which will transfer the direction of out-of-school care to the local authorities. This implies that in time the current financing to facilities will be transformed into financing of the provision through the municipalities. In this context, attention will be entirely devoted to a caring transition in order to be able to continue to guarantee the continuity of the service provision and the employment in the out-of-school childcare sector.

The service vouchers remain an important policy instrument to support workers in their **reconciliation of work and family life**. In addition, this scheme is essential in the fight against moonlighting and the activation of low-skilled and long-term unemployed. We find that the use of service vouchers keeps **growing** in the Flemish Region, with an increase of 3.82% in the number of issued service vouchers and 5.83% in the number of Flemish users to 679,437.

In the year ahead we wish to put in additional efforts through the voucher issuer to further **digitise** the scheme and convince as many users and companies as possible to switch to electronic vouchers. In addition, a new allocation method will be applied to distribute the budgets of the **training fund** in 2017 on the basis of a company's level of activity in the Flemish Region.

Finally, to **fight discrimination in the labour market** an agreement was also reached in 2016 with the employers' organisations of the service voucher sector with regard to the **mystery calls**, which will in the first instance fit in with a broader policy of self-regulation and awareness-raising for the sector.

Fifty percent of the informal caregivers indicate that it is difficult to **reconcile work and care**. The Flemish Informal Care Plan was finally approved in 2017. With this Informal Care Plan we seek to recognise and use this enormous societal capital of informal care in Flanders to provide decent support to informal caregivers. The plan outlines 115 concrete actions which are realised across all policy levels and policy areas. The three key themes around which the informal care policy is built are 'recognition and appreciation of informal care', 'support' and 'better cooperation between informal caregivers and professionals'. Special attention is devoted to young informal caregivers.

Following the sixth state reform Flanders has been given competence for the development of a leave scheme for its civil servants in public services, education and local authorities. Since 2 September 2016, the **Flemish Care Credit** has been in place, as a replacement of the federal career break scheme. The Care Credit entitles civil servants to take paid leave for motives of care (to take care of a child or ill family member or to provide palliative care) or to follow training. The federal scheme was not based on motives. The end-of-career scheme within the framework of career breaks was abolished. End-of-career schemes are often defended to keep work workable. However, they increase the workload on current employees and encourage employers and employees not to invest in an innovative labour organisation.

2.2.6. A mobilising strategy focused on talent

The past period was dedicated to the reform of the career and diversity policy, including the Experience Fund which was transferred following the sixth state reform. To increase the employment rate and realise fully-fledged proportional labour participation the existing policy was challenged and rethought.

The new course was to abandon the target group approach and fully develop a talent approach. This **talent approach** is shaped along 3 tracks, viz. a track '**Activation**' (through VDAB's activities),

a track '**HR policy for companies**' (through the SME portfolio) and a track '**Eliminating prejudice**' through partnership agreements with social partners and disadvantaged groups' own specific organisations (GRIP/users' consultation Handicap & Arbeid and Minorities Forum). The agreements have all started and the ESF projects with broader civil society are also up and running.

Whereas 2016 was dominated by the practical development and launch of the various tracks of the concept paper, **2017** will see the initiation **and relaunch of the aforementioned three tracks**, with active work being done on sharing experiences, support and visibility for certain projects and outcomes. This will be achieved in a targeted manner by organising a communication platform, talent brainstorming meetings, theme-based activities and underlying customer-oriented connecting activities. Furthermore, assistance will be provided for the transition of the former measures regarding proportional labour participation and the Experience Fund. Regulations will be adjusted and current projects will be properly finalised.

Finally, the **Action Plan for Combating Work-Related Discrimination** (Actieplan ter Bestrijding van Arbeidsgerelateerde Discriminatie/ABAD) will be reviewed and updated in coordination with the social partners, among other things in view of the newly transferred competences. Within this framework an awareness campaign will be initiated in **2017** to promote an open discussion on discrimination in the workplace.

2.2.7. A smooth transition from education to the labour market and the elimination of skills mismatches

The concept papers on **dual learning** which were adopted by the Government of Flanders in 2015 are further rolled out. The aim is to develop the dual learning scheme into a fully-fledged learning pathway that leads to educational qualifications. In this way work is also done to upgrade current technical and vocational secondary education, which is a vital component in the modernisation of secondary education (see 2.2.10) in Flanders.

Through the Decree of 10 June 2016 on the regulation of certain aspects of alternance training we laid the foundations for a **uniform, harmonised status for each learner**. Since 1 September 2016, only 2 agreements are used within the framework of learning and working and the dual learning living labs, viz. the alternance training apprenticeship agreement and the alternance training agreement⁷. The same Decree also regulates the establishment of the **Flemish Dual Learning Partnership** which is responsible for creating a sustainable network of recognised learning companies, for monitoring and managing the (apprenticeship) agreements and for giving advice on all aspects of the workplace component of dual learning. By delegation sectoral partnerships will also be able to assume these responsibilities. The Flemish Partnership started on 30 August 2016, and 16 sectoral partnerships have become operational so far. **More than 5,000 companies** have also been recognised as quality workplaces within the framework of the new dual learning scheme.

To guarantee the quality, the **dual learning** scheme is first tested through **living labs** before it is translated into legislation (organic Decree on dual learning and the related implementing Order **scheduled to become effective in September 2018**):

⁷Exceptionally, part-time employment contracts are still possible for non-profit organisations using the social Maribel regulation and, in specific circumstances, in part-time vocational secondary education (Deeltijds Beroepssecundair Onderwijs/DBSO) to allow the transition from learning and working to dual learning to proceed gradually.

- As director of workplaces SYNTRA Vlaanderen collects and monitors all available workplaces via **werkplekduaal.be**. It has also developed a guidance and support concept on the basis of a survey among 1,300 companies.
- The Department of Education and Training has initiated the key project '**School Desk in the Workplace**' ('Schoolbank op de werkplek') during which several courses of study across different schools in the Flemish education landscape are organised on a dual basis throughout Flanders. In the school year 2016-2017, the project started in 28 schools and 5 Syntra centres for 6 different courses of study. In the school year 2017-2018, the pilot project will be extended to include 19 new courses of study.
- The ESF Agency launched a call for '**innovative pilot projects for dual learning**' and finances 22 projects from the sector.
- The sector also sets up 8 **exploratory pathways** around various aspects of dual learning. A learning network coordinates all these projects and collates the lessons learnt.

In 2016, VDAB, the adult education sector and businesses and professional sectors organised in each province one experiment regarding **Training Pathways for Educational Qualifications** (Onderwijskwalificerende Opleidingstrajecten/OKOT), in which competencies acquired at the workplace are recognised and validated in the context of the qualification.

In 2017, further focus is placed on promoting entrepreneurship and entrepreneurial spirit. On 10 June 2016, the action plan '**Entrepreneurial Education 2015-2019**' was adopted by the Government of Flanders. With this plan, which was jointly drawn up by the policy areas 'Education and Training' (Onderwijs en Vorming/OV), 'Work and Social Economy' (Werk en Sociale Economie/WSE), 'Agriculture and Fisheries' (Landbouw en Visserij/LV) and 'Economy, Science and Innovation' (Economie, Wetenschap en Innovatie/EWI), Flanders wants to further stimulate entrepreneurial spirit and entrepreneurship through education.

2.2.8. Recognition of competencies

Over the past year, work was done to develop standards and professional qualifications, quality indicators, a website, etc. with regard to the recognition of competencies (Erkenning van competenties/EVC). Parallel to this, the Work policy area also aims specifically at reinforcing the 3-track EVC policy. In 2016, a vision for the future was developed which, in 2017, will result in an **action plan for enhancing the use of My Career** (not leading to qualifications) and for developing a strong alternative for the current certificates of professional competence (leading to qualifications).

2.2.9. Reform of the training incentives system

With the transfer of paid educational leave Flanders now has competence for all the major training incentives for the employed. This gave rise to a scrutiny of all the instruments. In this respect the social partners concluded an agreement on training and education on 23 November 2016. The Minister responsible for Work formulated a reply from the Government of Flanders to this agreement, which was adopted by the Government of Flanders on 3 February 2017. This reply sets out the main lines of the reform.

From now on three instruments are available: the **Flemish training leave**, the **Flemish training voucher** and the **Flemish training credit**. Training and education are important for individual employees who can improve their competencies, for businesses that find better qualified employees on the labour market and for the future labour market and our economy, because our productivity, competitiveness and innovation are given a boost.

It is essential that the 3 instruments are each time fleshed out on the basis of the same building blocks, in order to make the training provision as a whole uniform and streamlined. The instruments interact, mutually reinforce each other and apply the same standards, which makes them clearer and more transparent for everyone. For example, all recognised courses of study will be annually assessed against five criteria, including the extent to which a course responds to (future) challenges on the labour market, technological advancements, and qualifications or competencies for shortage occupations.

2.2.10. Modernisation of secondary education

To further develop the strengths of today's secondary education, to tackle points for improvement and to guarantee quality education for each pupil, Flanders further **modernises secondary education**. The main lines for this modernisation were elaborated in three concept papers, which were adopted by the Government of Flanders in May 2016 and **January 2017**. These papers contain measures for **pre-primary, primary and secondary education** in Flanders.

In the context of the modernisation of secondary education specific attention is paid to the introduction of **differentiation in the first stage**. This differentiation not only makes it possible to support pupils who need additional assistance, but also allows top performers in secondary education to be challenged even more. In this way each pupil is given the opportunity to explore and develop his/her talents.

The modernisation of secondary education goes hand in hand with an optimisation of governance in education, the reform of the attainment targets and the introduction of a new system of learning and working (see 2.2.7). In **2017**, the legislative framework for the modernisation of secondary education will be further designed, in view of a **phased roll-out of secondary education** from **1 September 2018** onwards.

2.2.11. Reform of adult education

As a partner to lifelong learning, formal adult education offers plenty of opportunities to acquire additional skills. That is why Flanders is continuing its reform of the adult education sector.

In March 2016, the Government of Flanders adopted the concept paper '**Adult education as provider of education full of opportunities for life-long learning, integration and qualification**' ('Volwassenenonderwijs als kansonderwijs. Kansen op leren, integreren en kwalificeren, een leven lang'). This paper focuses on strengthening the sector and reforming the financing system and HR regulation of adult education. In this context particular attention is devoted to the most vulnerable target groups of adult education, such as people without an adult education diploma, people with inadequate literacy skills and people who insufficiently master the Dutch language. The principles from the concept paper are being translated into legislation. In December 2016, an emergency Decree introduced changes to the programming and organisation of the sector, which are to result in a scale-up. Current efforts are concentrated on reforming the financing system and HR regulation. The option of differentiated financing of adult education institutions on the basis of specific target group characteristics is being examined.

2.2.12. Reform of higher vocational education

On 25 March 2016, the Government of Flanders adopted the concept paper 'Extending Higher Vocational Education' ('Uitbouw van het hoger beroepsonderwijs'). The purpose of this paper is to develop higher vocational education (hoger beroepsonderwijs/HBO5) in Flanders into a fully-fledged component of higher education. A more strongly developed HBO5 should attract students who currently do not yet find their way to higher education, and subsequently contribute to the further democratisation of higher education.

Except for the nursing programme, higher vocational education will in the future only be provided by university colleges. More in particular, the university colleges will have to develop their programmes in a manner that allows working adults to follow HBO5 programmes. Just like the bachelor programmes, they will be able to set up trajectories for students with a job, for which extra funding will be provided. Students with a job who enrol for bachelor programmes, will receive funding multiplied by a factor 1.5. Normally, the same arrangement will be applied for HBO5 programmes. The concept paper also envisages a fully-fledged student status for HBO5 students. In the future the course programme of **higher vocational education** will be more in line with that of higher education, but will still retain its individuality which is typical of the current provision (workplace learning, fine-meshed structure, flexibility).

The principles from the concept paper are being translated into legislation. A first emergency Decree, adopted by the Flemish Parliament in December 2016, introduces three big changes in the higher vocational education sector: (1) a limitation of the teaching competence in each location, (2) a new relationship between vocational and educational qualifications, and (3) a procedure for updating HBO5 courses.

2.2.13. Additional funding for disadvantaged groups and people with a migrant background

The operating funds in mainstream primary and secondary education in Flanders are partially allocated on the basis of social indicators (SES indicators). The increase which was envisaged in this funding has fully resumed since 2016 after a temporary interruption in 2015.

In the spring of 2016 the Government of Flanders approved a concept paper on the development of a **vigorous Dutch as second language policy (Nederlands als tweede taal/NT2)**. This paper outlines the framework for a vigorous, targeted and effective NT2 policy for all non-Dutch speakers who want to learn Dutch. The principles from the concept paper are being translated into legislation.

Within the framework of an increased influx of refugees, the Government of Flanders appropriated extra funds (€15.8 million) for additional civic integration programmes. Civic integration is intended to help newcomers integrate and to empower them, as well as to promote their participation at professional, educational and social level. At the same time, another €18.5 million was earmarked in 2016 for the organisation of NT2 courses in adult education. These funds were used to organise 2,200 modules, which represents 26,649 enrolments. **Additional funding** amounting to €9.8 million was also allocated for **2017**. Also in the context of the influx of refugees the Government of Flanders increased funding for primary and secondary schools for the organisation of **reception classes for non-Dutch speaking newcomers** (onthaalklassen voor anderstalige nieuwkomers/OKAN). Programming OKAN in secondary education was made more flexible to make it possible to respond to a sudden need for an increased provision. Additional financial resources were also granted to follow-up school coaches who support OKAN pupils and assist them in their transition from reception education to mainstream education. In 2016-2017, schools that have a growing number of non-Dutch speaking toddlers younger than 5 are again granted a bonus of €950 per additional non-Dutch speaking toddler. The bonus is to be used to initiate and strengthen the knowledge of Dutch of young toddlers.

Finally, the National Programme **AMIF** (Asylum, Migration and Integration Fund) 2014-2020 describes the strategy, objectives and results for Belgium. Flanders will use the European funds to reinforce its inclusive and horizontal integration policy. The funds will be prioritised for closing the employment gap, improving access to public services and staging actions for certain sub-

groups, like women and young people. All actions are specifically oriented to the target group of persons without EU nationality (third-country nationals). Through AMIF work is done, among other things, to create a civic integration provision that is customised to minor newcomers, highly-educated non-Dutch speaking newcomers and low-literate mothers with young children.

2.2.14. Additional measures to support education for disadvantaged groups, more specifically people with a migrant background

Apart from the aforementioned (2.2.13) measures, the following measures also have a positive effect on the educational opportunities for disadvantaged groups, and in particular people with a migrant background: the implementation of the M decree (Decree containing measures for pupils with special educational needs), the reform of the pupil guidance system, enhanced efforts to increase participation in nursery education, the implementation of the 'Strategy for Increased Literacy' ('Strategisch Plan Geletterdheid Verhogen'), the preparation of legislative work in relation to strengthening the recognition of skills, the monitoring of recently introduced measures relating to language policy in compulsory education, the launch of the STEM+ network in schools with a large number of pupils from disadvantaged groups and the introduction of a compulsory, non-binding orientation test for pupils at the end of secondary education.

Several of the aforementioned measures regarding education and work are taken into consideration in the Government of Flanders' broader integration policy in which the **Horizontal Integration Policy Plan** which was adopted by the Government on 15 July 2016 plays an important role. The Government of Flanders also conducts an equal opportunities policy. The government-wide commitment shows from the **Horizontal Equal Opportunities Policy Plan** which was also adopted by the Government of Flanders on 15 July 2016.

2.3. COUNTRY-SPECIFIC RECOMMENDATION 3

*Boost the **capacity to innovate**, in particular by fostering investment in **knowledge-based capital**. Increase **competition in the business services sector** and **the retail sector** by removing unwarranted operational and establishment restrictions. Address shortfalls in **investment in transport infrastructure and energy generation capacity**.*

2.3.1. Boost the capacity to innovate

Since 2016, the new Flanders Innovation & Entrepreneurship (Agentschap Innoveren en Ondernemen/AIO) has been the **main contact point for entrepreneurs in Flanders**. It came about following the integration of the Agency for Innovation by Science and Technology (Instituut voor Innovatie door Wetenschap & Technologie/IWT) into Enterprise Flanders (Agentschap Ondernemen/AO). During this integration it was aimed to achieve alignment between the economic and innovation support instruments. Because of the integration into FWO and the simultaneous discontinuation of the Hercules Foundation for research infrastructure, the renewed FWO has become the **main contact point for researchers in Flanders** since 2016. FWO also took over three programmes from the former IWT. These organisational reforms within EWI may lead to greater focus and a better prioritisation of budgetary resources and policy measures, which may also cause the lever effect of public support to increase.

The latter is also an objective of the **new targeted cluster policy** of the Government of Flanders which was finally started up in 2016. In **2017**, the commitments made by businesses, knowledge institutions and the government with regard to a specific spearhead cluster are laid down in **cluster pacts**. In these pacts project funds can be earmarked by the government to support the long-term strategy, and non-financial commitments (standardisation, licences, etc.) can be entered into. Through this cluster policy the Government of Flanders seeks to stimulate the strategic

cooperation between businesses, sectors and researchers with an eye to speeding up the conversion of innovation into products, investments and jobs. Initiatives can be funded by the government up to a maximum of 50%. In late 2015, a call was launched for the submission of proposals for **innovative business networks (IBN)**. After a selection, 14 small-scale IBN initiatives were approved in May 2016 which will receive funding over a three-year period. In the spring of 2016, the areas of sustainable chemistry, logistics, materials and agri-food were asked to submit a proposal for a **spearhead cluster**. This concerns large-scale initiatives that receive long-term funding and must be ambitious, including participation in European programmes. After this, Catalisti⁸ (sustainable chemistry), VIL (logistics), SIM (materials) and Smart Grid Flanders (energy) submitted a proposal. A positive decision was taken in October 2016 for the areas of sustainable chemistry and logistics. In December 2016 it was decided to support the areas of materials and energy. These **4 initiatives** all **started in 2017**.

In the course of 2016 the criteria for **R&D-business support** were slightly adjusted. As a result, the support can be increasingly used to make a difference and meshes better with the policy accents. In this context a selective advantage is awarded in the assessment to young SMEs where the impact is high. A similar selective advantage is also granted to projects with cooperation and embedding in the ecosystem, which is assessed positively especially in large companies.

In 2017, the **extension of the support scheme** to the later stages of the innovation trajectory is also further developed in cooperation with a sounding board group from the sector. In line with the possibilities of the EU Regulation on R&D&I and the budgetary restraints, the support trajectory is extended to include developments closer to the market (like demonstration projects, pilot installations, living labs and proof of concept initiatives). Thresholds for accessing innovation support for SMEs will be substantially lowered by increasingly aligning procedures and communication with the capacities of SMEs. At the same time, economic and innovation instruments are further aligned, including with regard to knowledge dissemination.

2.3.2 Fostering investment in knowledge-based capital

The Government of Flanders **invests** actively in **fundamental and strategic basic research** through subsidies to specific programmes (e.g. SBO), specific initiatives (e.g. ESFRI), specific infrastructure (e.g. Flemish Supercomputer) and the funds of specific institutions (FWO). In addition, the Government is actively engaged to disseminate knowledge on intellectual property rights (IPR), to offer assistance to academics who want to start their own business, to impart digital skills, to offer on-the-job training, to match innovation supply and demand, to better valorise research results, to increase the number of innovative companies and to promote STEM disciplines (see 3.3.1). Applications of the Internet of Things are discussed below. In 2016, Design Flanders, Flanders Fashion Institute and Flanders DC joined forces and pooled their expertise and strengths in the **renewed Flanders DC**.

2.3.3 Increase competition in the business services sector by removing unwarranted operational and establishment restrictions

In Flanders a thorough analysis has been started into the impact of Directive 2013/55/EU⁹ on **regulated professions**. Apart from the impact, it is also analysed how access can be improved

⁸ Catalisti is the name for the new spearhead cluster for sustainable chemistry, which apart from FISCH also includes the former Flanders Plastics Vision innovation platform.

⁹ Directive 2013/55/EU of the European Parliament and of the Council of 20 November 2013 amending Directive 2005/36/EC on the recognition of professional qualifications

(improvement and simplification of entrepreneurship) and where administrative simplification and deregulation (fewer legal barriers) can be achieved. On 24 February 2017, the Government of Flanders decided to partially transpose Directive 2005/36/EC¹⁰ of the European Parliament and of the Council by ratifying and promulgating a Decree.

On 17 March 2017, the Government of Flanders has reached a decision in principle on the abolishment of the **Establishment Act** for a select number of professions¹¹. The relevant Orders are currently being drawn up and will be submitted for approval to the Government of Flanders in the first half of 2017. In addition, discussions have been initiated with the building sector for a review of the establishment requirements for a number of specific civil engineering professions with a view to the reform thereof. Finally, discussions are currently ongoing with civil society, and a study is being carried out, on a potential reform of the business management basic knowledge certificate.

With regard to the **itinerant trade** the Government of Flanders decided on 24 February 2017 to ratify and promulgate the Decree modifying Articles 8 and 10 of the Act of 25 June 1993 on the exercise and organisation of itinerant and fairground activities. In December it also approved a preliminary draft Government of Flanders Order modifying several provisions of the Royal Decree of 24 September 2006 on the exercise and organisation of itinerant activities.

2.3.4 Increase competition in the retail sector by removing unwarranted operational and establishment restrictions

Typical of Belgium and Flanders is the structure of the **retail trade**: smaller scale and organised to a lesser extent on the basis of branches and in joint purchasing associations than in the 4 large neighbouring countries. As a result, less purchasing power is available for negotiation (i.e. the bargaining power) with producers and wholesalers. Owing to the strong urbanisation in Flanders, people shop more often in smaller neighbourhood shops that are located in the proximity than in Wallonia and the neighbouring countries.

A **Decree on Retail Establishments** was adopted by the Government of Flanders for implementation on 15 July 2016 (Belgian Official Gazette of 29 July 2016)¹¹. Transparency, predictability and monitoring are aspects to be taken into account when drawing up new legislation for trade establishments. For purposes of administrative simplification the objective is to integrate the licence for the trade establishment policy into the integrated environmental permit. This was already announced in the Flemish Coalition Agreement 2014-19 and the different policy papers¹². The 2004 Act on the licensing of trade establishments will continue to be effective until the new legislation is introduced in Flanders. The application of the Act is well-known to entrepreneurs, project developers, local authorities, consultants and professional organisations. Legislation, procedure, possibilities for appeal, etc. are disclosed through the portal site www.vlaanderenonderneemt.be (containing all licensing information). Retailers in Flanders receive generic support from the Government of Flanders to purchase training, consultancy and coaching, for instance to make adjustments to their shop (through the SME portfolio, service providers offered by AIO, www.sterkondernemen.be, ...). Investments for the introduction of new

¹⁰ Directive 2005/36/EC of the European Parliament and of the Council of 7 September 2005 on the recognition of professional qualifications

¹¹ Butcher wholesaler, dry-cleaner/dyer, restaurant owner or caterer/organiser of banquets, bread and pastry baker, hairdresser, aesthetician, masseur, pedicurist, optician, dental technician, funeral undertaker and butcher-pork butcher and regarding the exercise of self-employed activities concerning bicycles and motor vehicles.

¹¹ <http://www.handelsvestigingen.info/>

<http://www.detailhandelvlaanderen.be/documenten/onderwerp/handelsvestiging>

¹² <https://docs.vlaamsparlement.be/docs/stukken/2015-2016/g767-5.pdf>

shop concepts are also supported by the Government of Flanders through the Guarantee Regulation, the Win-Win Loan and SME co-financing from the Flanders Holding Company (PMV). As for the opening hours applicable to retailers, more options are available than is currently the case. Over the past years a lot of surface area became available in Flanders for the retail trade, and a number of new (foreign) retail chains established themselves here. The specific regulation of large-scale outlets is mainly intended to prevent mobility and spatial issues, and does not in any way impede competition or the establishment of new retail businesses.

In Flanders, the **campaign 'Het internet. Ook uw zaak'** was launched to stimulate traders in their online activities. The website received 50,000 hits and 1,100 E-scans were taken.

The **Decree on the short-term lease for trade and craft** (called pop-up lease) was adopted by the Flemish Parliament on 8 June 2016 and ratified by the Government of Flanders on 17 June 2016 (Belgian Official Gazette of 26 July 2016). The Decree, which entered into force on 1 September 2016, creates a clear framework for the short-term lease (max. 1 year) of commercial premises and reflects the economic reality. However, clarity is still required as to the registration requirements of these leases, since this registration on the basis of the Code on Registration Duties is a federal competence.

2.3.5 Address shortfalls in investment in transport infrastructure

The Flemish Region acknowledges the challenges relating to road congestion in Flanders which especially occur around the large agglomerations of Antwerp and Brussels. The Flemish mobility policy tries to address this issue in a multi-model manner, using several policy measures. Before the end of the term of office another €5.8 billion will be invested in Flemish mobility, viz. €2.7 billion in road infrastructure, €2.25 billion in waterways, €816 million in public transport and €300 million in cycling infrastructure. This means that the **investment budgets** for all modes of transport are rising **to a record high**.

The two large road infrastructure projects around **Antwerp (Oosterweel project, €3,250 million)** and **Brussels (Ring Road, €1,147 million)** have entered the final preparatory stage. The planning, licensing and procurement procedures for the Oosterweel project are continued in **2017**, and the works on Linkeroever will start in the autumn. Within the framework of the Brussels Ring Road project, interventions to the regional roads will be executed in **2017**. Also, a general phasing plan will be drawn up, the contract for the realisation of the HST cycling bridge will be awarded and the environmental impact study, a communication campaign for the general public and the public consultation will be initiated. The works to the cycling bridge and the refurbishment of the Ring Road within the framework of the 'Less Nuisance' ('Minder Hinder') project are scheduled for 2018 and 2019 respectively.

Apart from the substantial investments in road infrastructure in the urban nodes Flanders also focuses on alternative modes of transport. The Oosterweel project is part of the **Master Plan 2020** for Antwerp, a comprehensive mobility strategy for mobility in and around Antwerp. The Master Plan 2020 encompasses a whole series of investments in cycling and tram infrastructure, combined with a reinforcement or extension of the Antwerp tram network. In this context infrastructure projects for public transport (Brabo 2), ITS and bicycle highways are currently running. Through the Brussels Ring Road project alternative modes of transport are also invested in, such as the construction of three new tram lines in the northern periphery of Brussels (Brabantnet) and the roll-out of three bicycle highways between the Vlaamse Rand and Brussels.

In addition to the large infrastructure works in urban areas, investments are also made to eliminate bottlenecks and construct missing links. (Preparations for) road infrastructure projects are being executed to the A11, the North-South connection in Limburg, the R4-East and R4-West in Ghent and the E34. The budget for maintenance works to road infrastructure has also increased over the past years. In 2016, €135 million was appropriated for road works to improve the condition of the road infrastructure. The overall budget for structural maintenance and investments in new road infrastructure will grow from €396.90 million in 2016 to around €442.82 million in 2017.

In addition, the **modal shift** from road transport to alternative modes of transport is fully focused on. For this reason, the **Flemish waterways network** has been substantially invested in over the past years. These investments are intended to modernise waterway infrastructure, stimulate automation and promote waterways as an alternative mode of transport, among other things. To eliminate bottlenecks, €77.78 million was invested in 2016 in projects like the Albert Canal, Seine-Scheldt and the Sea Canal Brussels-Scheldt. These investments will amount to €94.95 million in 2017. In 2017, the two Flemish waterway managers will be amalgamated in order to make inland shipping more efficient.

Furthermore, the Flemish Region strongly promotes **bicycles** as mode of transport through its own Cycling Policy Strategy on cycling policy, cycling infrastructure and cycling culture. In 2017, work will continue on the realisation of 80 bicycle highways, while missing links will be addressed. In the coming three years 30 bicycle highway projects will be realised with a total value of €21.7 million.

In April 2016, a **kilometre charge for heavy goods vehicles** (road pricing system for trucks) was introduced in the three Belgian Regions. The implementation of the 'user pays' principle for heavy road transport benefits the competitiveness of alternative modes of transport. The initial findings on the basis of the months from April to December 2016 show that each day around 140,000 heavy goods vehicles larger than 3.5 tonnes travel an average of 24 million kilometres on Belgian roads. This generates a monthly revenue for the Flemish Region of around €35 million. Until April 2017, extensive and detailed control measurements will still be carried out to map the impact of the kilometre charge.

A **further extension of the kilometre charge** to a general system for all motorised traffic **is currently being examined**. A fully-fledged kilometre charge can be a powerful instrument to tackle congestion in a structural manner and to internalise the mobility costs. A preliminary study into this matter tries to bring clarity about which steps should be taken to implement the system and to build public support for the measure. Afterwards, a more in-depth study will be initiated into the available technological options.

2.3.6. Investments in energy infrastructure and smart grids

The Government of Flanders is working on a long-term vision which is to serve as assessment framework for new policy and investment decisions in the field of energy. For this purpose, the transition project '**Stroomversnelling**' was set up in the spring of 2016, the main lines of which have been laid down in the Coalition Agreement and in the concept paper which was adopted in February 2016 and contains the trajectory for an energy vision and energy pact. In addition, **Vision 2050**¹³ highlights the energy transition as one of the seven priority transition areas. The intended

¹³ <https://www.vlaanderen.be/nl/publicaties/detail/visie-2050-een-langetermijnstrategie-voor-vlaanderen>

energy transition is to put Flanders on the road to a low-carbon society. In the **Energy Plan 2020** of July 2016 the Government of Flanders acknowledges that renewable energy is one of the key components of the energy transition. The uncertainty surrounding biomass also brings with it a stronger ambition for solar energy, wind energy and green heat.

To facilitate the energy transition, a smart energy system is required which can control energy flows much more efficiently and makes more effective use of energy grids. As far as the electricity grid is concerned, the smart meter is a first major step forward. **On 3 February 2017**, the Government of Flanders adopted a **concept paper** which initiates the large-scale roll-out of **digital meters**.

Apart from that, the Government of Flanders approved the basis for a Decree on the **roll-out of heating and cooling networks**. This Decree was adopted by the Flemish Parliament in early 2017. Heat - and especially green heat - is an essential source in the energy transition. By providing a framework the Government of Flanders wants to encourage investments in these networks.

2.4. RESPONDING TO INVESTMENT CHALLENGES

2.4.1. Continuing to promote the business environment

On 1 April 2016, the renewed and simplified **SME portfolio** entered into force. The system of several separate pillars was discontinued. Instead, the transition was made to a simpler and easily accessible instrument for broad professionalisation with only two pillars, viz. advice and training. SMEs can choose how to use this portfolio depending on their needs and requirements. The support ceilings were raised as well and differentiated according to company size. There is also an increase in the annual total subsidy and a simple support percentage. Recent figures have now revealed that more SMEs are reached with the same budget. The simplification of the SME portfolio is a first important step towards making the provision simple and easy to access, but still sufficiently flexible.

In 2016, the **SME growth subsidy** was launched to help SMEs that have ambitious growth plans (by innovating, extending international activities or transforming the business with new activities). This support measure integrates a number of former support formulas of AO and IWT into one single simple and easily accessible funding instrument. SMEs can make use of it to realise their transformation, innovation or internationalisation process. Because of the higher risk the government covers 50% of the costs through a low-threshold procedure. To support SMEs in each stage of their development, the Government of Flanders has developed and integrated a set of policy instruments which respond to the businesses' different needs and life cycle phases. Through the SME Programme and the Sprint Programme feasibility studies and innovation projects of non-R&D intensive SMEs and large businesses respectively are supported.

The project 'Leaping forward to **Industry 4.0** (De sprong maken naar de 'Industrie 4.0') was selected as one of the transition priorities in the context of Vision 2050. This project is aimed at supporting Flemish companies in their profound transformation to Industry 4.0, and will be further implemented in the course of 2017. Industry 4.0 is an umbrella term for new technologies and concepts within the knowledge and manufacturing economy. It refers to the intensive digitisation of industry. Flanders wants to participate fully in this transition to realise a new productivity leap in the existing manufacturing industry on the one hand, as well as to create a playing field for new industrial activities to emerge on the other. Within Industry 4.0 developments can also lead to a more efficient use of materials and energy and have a major impact on the competencies that will be required from employees, on labour organisation and on job availability in industry. The **transition initiation memorandum** was adopted by the Government of Flanders on **24 February 2017**.

The Government of Flanders continues to actively promote entrepreneurship and entrepreneurial spirit and adopted in June 2016 the **third action plan 'Entrepreneurial Education** for the period 2015-2019 (see 2.2.7). More starters, stayers and growers is the essence of the reform of the **enterprise promotion policy** which was introduced in the course of 2015-2016. In 2016, a public contract was awarded for this purpose to 11 intermediary partners to carry out the new strategy described in the vision paper '**Promoting increased and more ambitious entrepreneurship in Flanders**' ('Het stimuleren van meer en ambitieuzer ondernemerschap in Vlaanderen'). In 2016-2020, €100 million was appropriated in this context for a wide range of projects to boost entrepreneurship in Flanders. In addition, agreements were concluded with various stakeholders for the period 2016-2019. The provincial innovation centres and Flanders DC constitute the front office of AIO.

To improve access to capital, the Government of Flanders decided to **increase the capital of the ARKImedes Fund II nv** by €50 million, viz. from €160 million to €210 million. This allows the ARKImedes Fund II to further develop into a rolling, perpetual fund and to invest in larger ARKIV funds, which enables these ARKIVs to invest in scale-ups through larger investment rounds.

In early 2017, the Government of Flanders agreed to adjust the activities of **SOFI** (Spin-Off Financing Instrument), which is a PMV fund. It decided to earmark the SOFI funds for spin-off financing and to enter the existing SOFI participations on the PMV balance and integrate SOFI with the existing activities of PMV, so as to allow it to operate as an actual seed capital fund. It was also decided to abandon the incubation loan and only work with fully-fledged capital participations in start-up businesses. Start-up businesses will thus receive more funding combined with good support and guidance, in order to maximise their viability. In addition, €1.5 million was committed from the SOFI resources for a pre-seed fund initiative, taken by Imec, more specifically imec.istart fund. This fund will focus specifically on small capital participations in start-up ICT businesses. The existing incubation loans granted to strategic research centres will be transferred to Imec vzw.

Since June 2016, PMV uses an umbrella term for SME co-financing, the Start-up Loan+, the Win-Win Loan and the Guarantee Regulation: **PMV/Z**. In this way PMV specifically targets 'smaller' SMEs, self-employed persons and start-up companies and wants to make its provision more transparent for these target groups. The **SME co-financing** is the successor of the former Starteo, Optimeo and BA+ loans and was fully operational throughout 2016. The **Start-Up Loan+** has succeeded the Start-Up Loan since mid-2015. This subordinated loan at an advantageous rate is now also available for students. Funding through the Start-Up Loan+ is partially made possible by the EU, namely through the COSME Guarantee and the European Fund for Strategic Investments (EFSI).

In August 2016, the search was started for a partner for the redevelopment of the former **Ford site in Genk**. A master plan was used for transforming the site into a new industrial estate for manufacturing industry and water-bound value-added logistics, with the ambition of creating a total of 2,500 jobs on the site.

In late 2016, the **Smart Flanders programme** was launched through which the Government of Flanders supports the 13 central cities and the Flemish Community Commission (Vlaamse Gemeenschapscommissie/VGC) for the BCR in their development into **smart cities**. A project grant of €1 million is awarded to Imec for this support programme which runs until late 2019. In a smart city, city councils, businesses, research institutes and citizen initiatives create joint solutions for urban challenges. Quality open data combined with the latest ICT possibilities (the Internet of Things that links sensors, cameras, etc.) offers strong opportunities to help address these challenges. The project will indeed concentrate on standardising smart city data, which allows private (app) developers to start developing smart city applications that can be used in all the cities. The Smart Flanders programme and Imec will assist the central cities in opening up their smart city data. In an initial stage of the support trajectory Imec will help all Flemish central cities and the VGC to become open & agile smart cities (OASC). In a second stage cities identify common urban needs which they will help solve using specific data sets. This will lead to 1 to 2 pilot projects each year during which smart city data sets are opened up and cooperation and learning takes place across the cities. In a third stage cities will also be able to use the City of Things test bed in Antwerp. With this 100% realistic living lab city councils and urban actors can design, test and optimise products and services with a positive impact on citizens.

As for **international enterprise**, a further internationalisation and reinforcement of the Flemish economy's competitiveness is of vital importance. This requires a close relationship with businesses. For this reason, **Enterprise Europe Network (EEN) Flanders** has joined forces with FIT and AIO. On 25 November 2016, the Government of Flanders took note of **a joint multi-annual internationalisation strategy for the Flemish economy 2017-2021**. This strategy was designed together with 150 businesses, civil society actors and knowledge institutions. The scope of this strategy will be to market products and services internationally and to attract and retain direct foreign investments. There are 3 key objectives: (1) to strengthen Flanders' international position in 5 areas, (2) to encourage more companies to internationalise by focusing on a better detection of companies with international growth potential, and to anchor more businesses here, and (3) to eliminate barriers for companies and create greater transparency. With regard to **life sciences & health** Flanders seeks to offer better support to SMEs, use the potential of European funds and enhance the competitiveness of the Flemish medical sector. Another area is **'food'** where the priority is on exploring new markets, informing businesses on foreign legislation and developing a branding strategy which turns the spotlight on Flanders' various strengths. Flanders' strengths, such as diversity and tourist appeal. In the third area of **solution driven engineering and technology** the Government of Flanders will design a strong branding strategy together with businesses and partners, and encourage the formation of clusters. In the area of **smart logistics** Flanders wants to reinforce its position even more by devising new concepts and an innovative strategy and improving branding. This new branding strategy will be based on the current qualities and potential of Flanders' logistics sector. Finally, Flanders plays an important role in terms of **sustainable materials, resources & chemistry** and the Government of Flanders wants to capitalise on this sector's many qualities by improving branding and coordinating the internationalisation of the various actors. This position can reach its potential through better international branding and enhanced coordination between the different actors.

2.4.2. Circular economy

According to calculations from the Policy Research Centre for Sustainable Materials Management (Steunpunt Duurzaam Materialenbeleid/SuMMA) the circular economy can generate a value added of €2.3 billion for Flanders. This would create 27,000 new jobs, which corresponds to 1% of employment in Flanders.

The development of the **Circular Economy Transition**, one of the seven transition priorities from Vision 2050, can build on experiences and insights from the Flemish Materials Programme. On **24 February 2017**, the Government of Flanders gave its approval to the 'Transition Initiation Memorandum 'Continue the transition to a circular economy'. With closed (materials) loops as basis, responses are looked for to the challenge of (future) scarcity of materials, food, water, space and energy, and the link is made with Flanders' climate policy. A **rolling multi-year programme** is set up which is frequently updated in consultation with the stakeholders. Each year, a more focused content-based programme is developed which, in **2017**, discusses the themes of circular city, circular purchasing and business models for the circular economy. After creation of a vision, the short-term valorisation will be concentrated on, among other things by guiding innovative projects and connecting pioneering entrepreneurs and organisations. This is supported with a policy that enhances competitiveness and is oriented towards innovation (like the spearhead cluster policy) and with targeted policy-relevant research contracts, including the new **Policy Research Centre for Sustainable Materials Management in a Circular Economy (SuMMA+)**.

2.4.3. DBFM - Investment in school infrastructure

In 2010, Flanders embarked on a large-scale catch-up operation for school infrastructure through alternative funding, better known as **DBFM** (Design, Build, Finance and Maintain). The DBFM programme 'Schools of Tomorrow' ('Scholen van Morgen') is a public private partnership between the Government of Flanders, AG Real Estate and BNP Paribas Fortis.

The DBFM company is responsible for the design, construction, 30-year owner maintenance and funding of the DBFM projects. In exchange, the competent governing body pays, during thirty years, a performance-related availability payment to the DBFM company, which is subsidised by the Government of Flanders through AGION. After the 30-year period, the school infrastructure is transferred to the governing body free of charge.

The DBFM programme 'Schools of Tomorrow' encompasses 182 school construction projects which represent some 200 school buildings with a total gross building surface area of around 707,000m² for more than 125,000 pupils. The programme is well into the implementation phase and more than 100 schools have already been completed. According to the planning of Schools of Tomorrow, some additional 40 projects will be finalised in **2017**.

On **5 March 2017**, the Minister for Education launched a **new call for another DBFM programme for school infrastructure**, totalling €300 million. This new call is separate from the Schools of Tomorrow programme.

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

3.0. INTRODUCTION

Below, the state of play is given of the progress in Flanders' Europe 2020 targets and of the relevant measures Flanders is taking. A lot of the measures for realising a higher employment rate were discussed in Part 2.

3.1. EMPLOYMENT RATE

3.1.1. Background

In 2016, the employment rate (aged 20-64) reached 72.0%, which means that for the first time since 2010, the milestone of 72% has been reached again, leaving behind the 71.9% scores of the years 2013-2016. It is clear that realising the Europe 2020 target of 76% remains quite a challenge.

Key indicator	2008	2009	2010	2011	2012	2013	2014	2015	2016	2020 target	Distance (+ position EU-28)
Employment rate (aged 20-64) (%)	72.3	71.5	72.1	71.8	71.5	71.9	71.9	71.9	72.0	76.0	4.0pp <i>12 out of 28 (in 2016)</i>

In Flanders, this rate seems to have substantially improved mainly among the over-50s and over-55s. In 2016, the employment rate among **over-50s** was 59.1%, which is 1pp higher than in 2015 and still only 0.9pp short of the 60% target by 2020. The 50% target for **over-55s** is also in sight.. Currently, the employment rate of over-55s is 46.7% or 1.1pp higher than in 2015 and 3.3pp below the target. Among **people with a work-limiting disability** (aged 20 to 64) an employment rate of 43% is aimed at by 2020. This target was attained in 2015. Little progress has been made among **people born outside the EU** (aged 20 to 64) in the realisation of the 64% target by 2020. This seems to be highly sensitive to cyclical movements, which causes the employment rate to fluctuate between 52% and 55%.

Sub-indicators Employment rate Disadvantaged groups	2008	2009	2010	2011	2012	2013	2014	2015	2016	2020 target	Distance (+ position EU-28)
Aged 15-24 (%)	31.7	28.6	28.8	29.4	28.1	27.7	27.0	27.9	27.0	/	<i>16 out of 28 (in 2015)</i>
Aged 50-64 (%)	49.1	50.9	53.1	53.6	54.6	56.5	57.5	58.1	59.1	60	1.9pp <i>16 out of 28 (in 2015)</i>
Aged 55-64 (%)	34.3	35.8	38.2	38.9	40.5	42.9	44.3	45.6	46.7	50	4.4pp <i>20 out of 28 (in 2014)</i>
Woman (20-64) (%)	66.1	65.7	66.7	66.4	66.2	66.9	67.6	68.2	67.7	75	6.8pp <i>11 out of 28 (in 2015)</i>
Man (20-64) ¹⁴ (%)	78.3	77.2	77.4	77.0	76.7	76.8	76.2	75.6	76.3	/	12 out of 28 (in 2015)
Non-EU nationality (%) (20-64) (%)	47.2	47.0	44.4	46.3	42.7	46.4	44.6	48.7	/	58	9.3pp <i>21 out of 26 (in 2015)</i>
Born outside EU (20-64) (%)	56.3	53.4	53.4	53.0	51.8	54.9	53.3	53.7	/	64	10.3pp <i>25 out of 26 (in 2014)</i>
With work-limiting disability (20-64) (%)	-	37.5	33.5	38.6	38.7	40.4	42.7	43.1	/	43	Achieved <i>(no comparative figures available)</i>

¹⁴ Is not a disadvantaged group. The employment rate among men was included in the table because it offers an additional insight into the general employment rate (20-64). The employment rate is slightly increasing among women, whereas among men it is falling a bit.

Every three years, the 'Foundation Innovation & Work' maps **workability**. In January 2017 the workability monitor was brought up to date. **In 2016 the workability rate for employees was 51.0%**. This means that the number of employees with a workable job decreased compared to 2013, when a workability rate of 54.6% was recorded.

In Flanders, the participation rate in **lifelong learning** amounted to 7% in 2015, which was a slight decrease (compared to 7.7% in 2014) and remains below the EU average of 10.7%. In 2005 the participation in training courses was still estimated at 9%, but since that time participation has shown a downward trend. Reaching the 15% target in 2020 remains quite a challenge. To turn the tide, the Government of Flanders has – within the framework of Vision 2050 – approved a concept paper dealing with transition priority **'life-long learning and a dynamic professional career'** on 10 March 2017. The concept paper is the start of a new vision on the learning career. The transnational ESF project 'Partnerships policy as a lever for lifelong learning, innovation and change' will also play an important role in structurally increasing participation in training courses in Flanders.

3.1.2. Measures

Reference can be made to 2.2. for measures that increase the employment rate.

3.2. EDUCATION

3.2.1. Background

In 2015, the number of **early school leavers** reached 7.2%. Flanders' Europe 2020 target of 5.2% has not yet been achieved. With 7.2% of early school leavers, Flanders stays well below the European target of 10%. With regard to the share of **30 to 34-year-olds with a higher education diploma** Flanders has a score of 43.2% in 2015. This means that the European target of 40% is realised while the Flemish target of 47.8% remains within reach.

Key indicators	2008	2009	2010	2011	2012	2013	2014	2015	2020 target	Distance (+ position EU-28)
Early school leavers (%)	8.6	8.6	9.6	9.6	8.7	7.5	7	7.2	5.2	2pp <i>8 out of 28 (in 2015)</i>
30 to 34-year-olds with higher education diploma (%)	43.6	43.1	45	42.3	45.3	44.1	44.8	43.2	47.8	4.6pp <i>14 out of 28 (in 2015)</i>

3.2.2. Measures

The '[Action Plan against School Drop-out](#)' was further rolled out in 2016. The plan contains actions pertaining to **learning entitlement, truancy and early school leaving**. These actions are aimed at making as many young people as possible leave secondary education with an educational qualification. Within the framework of the action plan greater focus is placed on the monitoring of early school leaving. The most recent Flemish monitoring report, which maps the evolution in school drop-out rates in Flemish education from the school year 2009-2010 until the school year 2014-2015, confirms the falling trend in early school leaving in Flanders. In order to reduce the number of early school leavers Flanders also continues work on **reforming the pupil guidance system**. The goal is to clearly delineate the roles and responsibilities of all the actors involved in pupil guidance. Also in **2017**, the principles from the concept paper 'Guidelines for reforming pupil guidance in Flanders' ('Krijtlijnen voor een hervorming van de leerlingenbegeleiding in Vlaanderen'), which was adopted by the Government of Flanders in December 2015, will be further refined.

Both the access to and the quality of higher education remain priorities for the Government of Flanders. In the context of developing a complete trajectory to offer pupils quality guidance in their choice of higher education studies, **Columbus** was launched in the spring of 2016. This instrument fleshes out the **planned mandatory non-binding orientation test for pupils in the third stage of secondary education** who wish to embark on higher education studies. In the future, the focus of Columbus will be extended to include the transition to the labour market. For purposes of a good initial assessment upon entry into higher education, mandatory non-binding tests were developed and taken for the first time for the engineering and integrated teacher training programmes. At a later stage such tests can also be developed for other higher education programmes.

In the financial year **2017**, the **operating funds for university colleges and universities** will be **increased**. The ‘click mechanism’ (i.e. a mechanism whereby rising student numbers are translated into an annual budget increase) which is laid down by Decree is applied in full, which means that funds will grow by €25.3 million. An additional increase by €14.5 million is provided for in the implementation of the Integration Decree (2013). More operating funds for university colleges and universities may have a beneficial effect on the number of students attracted to higher education. The **reform of higher vocational education** (see 2.2.12) is intended to attract students who today do not yet find their way to higher education, and to contribute to the further democratisation of higher education in Flanders.

3.3. RESEARCH AND DEVELOPMENT (R&D)

3.3.1. Background

The **R&D intensity** of the Flemish Region amounts to 2.46% in 2014 (the private sector contributes 1.68% and the public sector 0.78%). The **total science budget** of the Flemish authorities amounted to €2.25 billion in 2016, €1.41 billion of which was earmarked for R&D. This is a historic high. This amount also included a provision, of which at least €31.8 million was allocated to R&D for diverse initiatives, like FISCH (sustainable chemistry), EnergyVille, Flanders Make, innovation traineeships, etc.

Key indicator	2008	2009	2010	2011	2012	2013	2014	2020 target	Distance (+ position EU-28)
Gross domestic expenditure on R&D (%)	2.06	2.12	2.21	2.33	2.53	2.55	2.46	3	0.54pp <i>Place 6 out of 28 (in 2014)</i>

3.3.2. Measures

Since 2016, the new AIO and the renewed FWO have been the main contact points in Flanders for entrepreneurs and researchers respectively. In late 2016, the Government of Flanders approved the covenants with the Flanders Institute for Biotechnology (Vlaams Instituut voor Biotechnologie/VIB), Imec, the Royal Zoological Society of Antwerp (Koninklijke Maatschappij voor Dierkunde Antwerpen/KMDA), the Orpheus Institute and the Flanders Marine Institute (Vlaams Instituut voor de Zee/VLIZ) for the period 2017-2021 and with the Antwerp Management School (AMS) for the period 2017-2022.

For **2017**, **€195 million of additional funds** are appropriated for the EWI domain, of which €185 million for R&D. The main beneficiaries of the additional funds for **2017** are: Imec (€29 million), VIB (€14.7 million), university colleges and project-based scientific research (€10 million), FWO (€30.3 million), Special Research Fund for the universities (€10 million), new cluster policy (€40 million),

more innovation support (€20 million), and living labs for the Internet of Things and Industry 4.0 (€8 million). **Another €60 million** will also be spent on **investments in research infrastructure in 2017**.

FWO has received an **additional commitment authorisation** for €70.8 million in 2017, to be spread over 4 years. This is a consequence of the sixth state reform during which the inter-university attraction poles (IUAP) are transferred from the Science Policy PPS to the Communities. FWO will launch a call for the Flemish Community in **2017** and grant the scholarships from 2018 onwards. In other policy domains of the Flemish public administration as well, diverse initiatives are running which pertain to the science leg of the EWI domain and which also contribute to Flanders' R&D investments. In **2017**, an extra amount of €14.5 million is appropriated for science policy (intended for the higher education integration) by Department OV. Another example is an investment of €30 million for a new wave tank on the Blue Growth campus at GreenBridge Science Park in Ostend.

In **2017-2018**, a structural framework will be developed for the participation of Flemish researchers in **international research infrastructures** (including ESFRI). This means that as of 2019, Flanders will make structural use of its resources to realise Flanders' sustainable participation in such infrastructures. Until now, Flanders participated through ad hoc calls. For **2017 and 2018**, the researchers who had been involved so far were allocated bridge financing for an amount of €16.4 million.

Flanders completed its **ERA roadmap** and delivered it to the COM in the spring of 2016 as annex to the Belgian ERA roadmap. Some of the priorities are technology transfer and knowledge dissemination, for which varying policy measures have been in place for a long time within the Flemish public administration. For the new ESFRI roadmap as well, the necessary initiatives have been taken and additional budget will be earmarked in **2017**.

Since many years, **STEM disciplines** have been promoted at school in implementation of the cross-policy area STEM Action Plan. This is also furthered by the **Science Communication Policy Plan 2015-2020**. The number of STEM graduates is growing and STEM initiatives are becoming increasingly important (annual budget of around €9 million). In **2017**, the ICT Impulse Programme which was launched in late 2016 will be rolled out on top of the existing initiatives in order to devote special attention to computer and programming skills in young people. In this context mention can also be made of the establishment by the Government of Flanders of a **T2-Campus** at Thor Park in Genk. T2-Campus stands for Technology/Talent campus. The core activities of the campus are education, training and related services in (innovative) technologies. For instance, an in-house innovative provision of courses is developed which cultivates essential theoretical and practical competencies. To that end infrastructure is created which also allows interesting and concrete opportunities to be offered in lower, secondary, higher technical and university education.

In the autumn of 2016, the **Innovation Procurement Action Plan** was adopted. A 3% target has been set which may help other policy areas to showcase their potential. An initial budget of €5 million is provided by the Hermes Fund to start up 5 new pre-commercial procurements (PCPs) and 10 public procurements of innovative solutions (PPIs). The fund is mainly targeted at public institutions. 85% of the budget is used to support 50% co-financing for PCPs and the remainder mainly to support contracting authorities in the preparation of a PCP or PPI. Initially, the action plan aims to actively support public contracting authorities which are included in the areas of

the Flemish Vision Paper 2050. In a subsequent phase the action plan will be extended to all areas of public interest.

Following the sixth state reform the programme of the inter-university attraction poles (IUAP) at the Science Policy PPS has been discontinued and the funds have been transferred to the Communities. FWO has, together with its counterpart of the French Community, FNRS, set up a **new bilateral research programme between the Communities**, i.e. **EOS** (Excellence of Science). It will launch calls for the submission of proposals for consortia of participating research groups originating from both Communities. The idea is to launch new projects in January 2018. For this purpose FWO is allocated an annual budget of €17.7 million and FNRS appropriates €13.9 million each year.

The Government of Flanders invests €30 million in **imecXpand**, which is an investment fund under Imec's authority. Its purpose is to create innovative businesses in the emerging sector of the Internet of Things (IoT), which do not have access to the traditional financing instruments when marketing IoT technology. The objective is to collect €100 million in the fund. In October the **Flemish strategic research institutes Imec and iMinds merged**, as had been announced in early 2016. The npo iMinds ceases to exist, but its activities are re-started within Imec, which will therefore become a unique high-tech research centre for digital economy. It will design disruptive technologies and solutions in application areas, such as healthcare, smart cities and mobility, logistics and Industry 4.0, and energy. The new organisation brings together almost 3,500 scientists from all over the world and has a unique structure. During the transition it has to be made sure that the iMinds innovation models (ICON, Living Labs and iStart incubation), which have a distinct market-driven and low-threshold character, are reinforced. In 2016, ERDF support and additional Flemish co-financing were granted for the further extension of **EnergyVille**, the research partnership in the area of sustainable energy between KU Leuven, the Flemish Institute for Technological Research (Vlaamse Instelling voor Technologisch Onderzoek/VITO) and Imec. These funds are used for the further integration of energy research by extending the three research lines within EnergyVille: thermal systems, optimally paired energy systems and photovoltaic systems.

3.4. CLIMATE AND ENERGY

3.4.1. Background

In implementation of the Paris climate agreement the Government of Flanders has committed itself to providing a response to the climate challenges in the short, medium and long term. On 19 April 2016, a first Flemish Climate Summit was organised, followed by round-table conferences where stakeholders and policymakers developed proposals and formulated commitments. The Ministers of the Government of Flanders each organised such consultation for their own competences. For the field of energy, this ran parallel to the transition project 'Stroomversnelling' of the Government of Flanders, which includes a similar process as a step towards the compilation of a Flemish energy vision and energy pact. Results from both trajectories were presented at the **Flemish Climate and Energy Summit of 1 December 2016** where the Government of Flanders concluded a **Climate and Energy Pact**. This Pact outlines actual commitments made by both the Government of Flanders and stakeholders to further reduce greenhouse gas emissions in the short and medium term. The Government of Flanders also makes a commitment to draw up a climate vision 2050 and an integrated Flemish Climate and Energy Plan 2021-2030. This Flemish plan will be developed in parallel to the process for the compilation of the Belgian Climate and Energy Plan

in accordance with the directives of the European Energy Union. Within this framework a steering group has been mandated by the Belgian energy consultation group (ENOVER) and the National Climate Commission (NCC) with representatives of the three Regions and the federal government. The **climate debate in the Flemish Parliament** resulted on 23 November 2016 in the adoption of a resolution with recommendations (including targets for 2030 and 2050) to the Government of Flanders for a strong long-term climate policy¹⁵. Although the resolution is not binding, it is expected to become one of the building blocks of the future Flemish climate and energy policy.

Key indicators	2005	2008	2009	2010	2011	2012	2013	2014	2015	Target 2020	Distance (+ position EU-28)
Greenhouse gas emissions Non-ETS greenhouse gas emissions scope 13-20 ¹⁶ (kton)	46,203	46,865					45,861	43,572	45,242	-15.7% greenhouse gas emissions compared to 2005	Met the annual reduction target from 2013 to 2015 <i>19 out of 28 (in 2014)</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)	In 2016 a saving of 14% is realistic ¹⁷
Primary energy use, excl. Non-energetic (Mtoe)	33.6	32.9	32.0	33.7	31.7	31.1	32.1	29.4	29.8		Downward evolution 2008-2014 <i>12 out of 28 (in 2013)</i>
Renewable energy (RE) - Quantity RE (Mtoe)	0.48	0.70	0.90	1.11	1.05	1.30	1.39	1.31	1.40	2.156 Mtoe	0.756 Mtoe
- Share of RE in gross final energy consumption (%)	1.9	2.9	3.9	4.5	4.6	5.6	5.7	5.7	6.0	10.33%	5.33% 25 out of 28 (in 2014)

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

Flanders committed itself to realising an emission reduction (in the so-called non-ETS sectors) of 15.7% in 2020 compared to 2005. On 14 April 2016, the **first progress report of the Flemish Mitigation Plan 2013-2020**, which evaluates the policy measures and achieved emission reductions, was submitted to the Government of Flanders. The report shows that the Flemish emissions are below the reduction trajectory towards 2020, which means that a surplus has been created. However, projections indicate that there would be a deficit from **2017** onwards. Still, when considering the entire period from 2013 to 2020, the -15.7% target would be within reach.

The Flemish Mitigation Plan 2013-2020 outlines a trajectory for reducing greenhouse gas emissions in all non-ETS sectors. For the transport sector, reference can be made to the introduction of the

¹⁵ <http://docs.vlaamsparlement.be/docs/stukken/2016-2017/g992-2.pdf>

¹⁶ When determining the Belgian non-ETS target, account was taken of the inclusion of additional emissions under ETS from the period 2013-2020 (scope 13-20). Non-ETS greenhouse gas emissions are therefore expressed with consideration of this ETS scope expansion.

¹⁷ Third Flemish action plan on energy efficiency

kilometre charge for heavy goods vehicles and the reform of the Flemish vehicle taxation system (see 2.1.2), as well as the roll-out of the Flemish action plan for alternative vehicle technologies (see further on 'Clean Power for Transport') and the green reform of inland shipping. For the buildings sector, the development or adjustment of measures to support energy renovation and the tightening of energy performance requirements (see 3.4.3), among other things, is referred to. For the non-ETS industry, mention can be made of the new generation energy policy agreements and the promotion of energy efficiency in SMEs (see 3.4.3), as well as the development of the Flemish action plan for the reduction of F gases in April 2016.

With the establishment of the **Climate Fund**, the Government of Flanders created the financial framework needed to pursue a long-term climate policy. The Climate Fund is financed with the Belgian revenues from the auctioning of EU ETS emissions allowances that are allocated to Flanders. The Government of Flanders decided to earmark €324.2 million for climate measures for the period 2016-2019: €262 million in the buildings sector, €25.2 million in the transport sector and €12 million to support local authorities. Finally, €25 million is reserved for international climate finance.

3.4.3. Flemish measures for improving energy efficiency

To improve the energy performance in the buildings sector, **E-level requirements** also **apply to non-residential buildings** since **1 January 2017**. In 2016, the Government of Flanders also adopted a draft amendment Decree and Order regarding the energy performance legislation. Apart from the nearly zero-energy level and the accompanying stricter level for all non-residential buildings, the amendment Order also introduces an S level, which is a parameter for the building shell, from 1 January 2018 onwards. In order to improve the energy performance certificate (EPC) continuing education is provided for energy experts. Work is also done on an improved inspection protocol which will enter into force in **mid-2017**.

Within the framework of the **Renovation Pact** a coherent action plan is being developed in consultation with all stakeholders, which is to substantially increase the renovation rate of the housing stock in Flanders and optimise its energy performance to the nearly zero-energy level.

In 2016, proposals were elaborated for reforming the **financial support instruments for energy-saving renovations**. The Government of Flanders also reformed the subsidies in July 2016. This reform implies, among other things, the introduction of new subsidies (e.g. for external wall insulation and complete renovation projects) and the phase-out of a number of existing subsidies. Process guidance is also provided for collective renovations. In addition, the Flemish energy loan was further developed into a major cornerstone of the Flemish instrument mix for support to energy renovations.

To promote energy efficiency in energy intensive companies the **energy policy agreements** (energiebeleidsovereenkomsten/EBO) came into force in 2015. In mid-2016, 338 establishments had joined, which together represent over 80% of industrial energy consumption. Building on the experiences with the energy intensive companies, the Government of Flanders is now setting up a pilot project to create so-called mini-EBOs for SMEs. The feasibility of the establishment of an ESCO (Energy Services Company) Fund in Flanders was also examined.

3.4.4. Measures for increasing the share of renewable energy

In the intra-Belgian climate and energy agreement of 4 December 2015 Flanders engages to have the renewable energy production increase to 2.156 Mtoe¹⁸ or 25,074 GWh by 2020. On 8 July 2016, the Government of Flanders adopted the **concept paper 'Energy Plan 2020'** which formulates a proposal for renewable energy sub-targets by type. After consultation with the stakeholders and advisory councils these sub-targets will be definitively fixed.

To realise the new renewable energy targets, the Government of Flanders aims, among other things, at a substantial increase in solar energy, wind energy and green heat. On 24 June 2016, it gave its approval to a **concept paper for a Solar Plan**. This plan encompasses measures for accelerating the development of solar energy for citizens, as well as for businesses and authorities. In the **spring of 2017**, a solar map will be available which will show the potential for generating solar energy for more than 2.5 million roofs. To promote the production of wind energy, the **concept paper 'Wind Power 2020'** was adopted on 15 December 2016, which presents actions to build more wind turbines faster, by simplifying licensing procedures, the enhancement of public support and a better urban planning. In June 2016, the first heat map for Flanders was published which indicates the heat demand points compared to the heat supply. On the basis of this map an overall cost-benefit analysis was carried out to allow initiators to verify whether it is interesting to install a heating network and/or cogeneration (warmtekrachtkoppeling/WKK) system. In 2016, work was also done on a regulatory framework for heating networks in Flanders (preliminary Decree approved on 3 June 2016). It is also examined how the residual potential for green heat can be tapped, and geothermal projects are initiated. A **global heat plan** will be presented to the Government of Flanders in **2017**. To support the production of green heat a new project call was launched in **January 2017**. The Government of Flanders earmarked a budget of over €12 million for this. Businesses which use residual heat, generate heat on the basis of geothermal heat from the deep underground or produce biomethane can receive support for this. In Flanders, each newly constructed building, office and school must draw a minimum amount of energy from renewable resources. Since **1 January 2017**, this obligation also applies to all new non-residential buildings, with the exception of industrial buildings.

The **Flemish action plan 'Clean Power for Transport'** is under implementation. This plan focuses on the financial support of the purchase of clean vehicles, the development of loading infrastructure, the communication and the promotion of zero emission vehicles. The zero emission bonus runs until 2020. The Government of Flanders earmarked €700,000 for support to projects around environmentally-friendly vehicles. During the first project call in the autumn of 2016, 7 projects were selected which are aimed at greening niche fleets, installing semi-public charge points and raising citizens' awareness.

¹⁸ Megatons of oil equivalent

3.5. POVERTY AND SOCIAL EXCLUSION

3.5.1. Introduction

The figures remain stable for both poverty and social exclusion. However, in EU-SILC 2015 it can be established that the figures are better than the three previous years. Flanders continues to perform very well in EU context. Nevertheless, it is apparent that achieving the Europe 2020 target remains a huge challenge.

Key indicator		2008	2009	2010	2011	2012	2013	2014	2015	2020 Target	Distance (+ position EU-28)
Composite indicator (persons in poverty or social exclusion)	%	15.2	14.6	14.8	15	16	15.4	15.3	15	10.5%	4.5pp 2 out of 28 (in 2015)
	Number x 1,000	930	900	910	940	1,000	970	970	960	650 by 2020 (= decrease by 30% or -280,000 people compared to 2008)	310

Key indicator		2008	2009	2010	2011	2012	2013	2014	2015	2020 target	Distance (+ position EU-28)
Children with a standardised household disposable income under the at-risk-of-poverty threshold after social transfers %	%	9.9	9.8	11	10.4	11.2	12.1	13.6	11.7	5%	6.7pp 3 out of 28 (in 2015)
	Number x 1,000	120	120	140	130	140	150	170	150	60 by 2020 (= decrease by 50% or 60,000 children compared to 2008)	90

3.5.2. Measures

The implementation of the **Flemish Poverty Reduction Action Plan 2015-2019** is in full progress. The **update and adjustment of the Poverty Reduction Action Plan** is essential for further fleshing out the Flemish poverty reduction policy. Work towards this goal was started in the spring of 2016. It was opted, among other things, to work around a limited number of cross-policy area themes where a difference can be made. **Several working groups** were established to that end.

The action plan retains its **focus on families with young children**. Local authorities, for example, are further subsidised and supported in realising a **local child poverty reduction policy**. In this context, the subsidisation of local child poverty reduction was integrated into the Municipalities Fund (except for the VGC and the municipalities in the Brussels periphery). Working at the level of the local authorities, i.e. municipalities and public social welfare centres (Openbaar Centrum voor Maatschappelijk Welzijn/OCMW), allows for a more targeted approach to taken to the spatial concentration of problems, and subsequently increases the chance of quickly visible and tangible results. That is why local authorities are the partners by excellence to take up local control. The

aim is to distil concrete policy recommendations for local authorities and the Flemish authorities into a more efficient and effective local (child) poverty reduction policy.

In addition, the Government of Flanders also continues to promote the provision of **low-threshold, accessible and qualitative services**. One of the working groups set up within the framework of the adjustment is addressing this theme and is working on a screening instrument that may help civil servants (engaged in poverty), besides other methods, to examine the accessibility of initiatives. The integration of the services of municipal authorities and OCMWs at the local level will also lead to more accessible services. Another action pertains to the Children's Centres (**Huizen van het Kind/HvK**) which are intended to offer fully-fledged basic services and where plenty of partners, like childcare, parenting support, education, leisure time actors, etc. are brought together at the local level. In early 2017, 135 Children's Centres were recognised with an operating area of 191 municipalities and the Brussels-Capital Region, which means that more than 70% of the children live in a municipality with a Children's Centre. The Government of Flanders also continues to concentrate on **health promotion**. Within the framework of a new organisation model and the organisation of primary health care a content-related framework was proposed at the primary healthcare conference, which focuses on cooperation between healthcare and welfare actors at all levels of governance and operation. This policy framework will be translated into an action plan in 2017. The Government of Flanders also promotes access to **sufficient healthy food**. Focus is placed on the redistribution of qualitative and healthy food surpluses to the most vulnerable in our society. The roll-out and evaluation of the €1 meals also tie in with this framework. In order to allow people with a migrant background to participate in society in a fully-fledged manner, **living labs for 'central guidance for newcomers from third countries aged 16 to 18'** were started. The living labs for **'customised civic integration for low-literate women with young children'** are currently running as well. In the implementation of these living labs attention is paid to the integrated work that is done with regard to social orientation, NT2, parenting support and childcare. In these projects the main emphasis is on providing Dutch language lessons in a low-threshold provision, helping mothers in the care and upbringing of their children and improving the development opportunities of children.

For many households having **sufficient disposable funds** is of decisive importance for what is possible and what is not. To tackle poverty through the **activation to work**, integrated and strong cooperation is required (dual learning (see 2.2.7), the activating IBO (see 2.2.1)). Jobseekers are also provided with tailor-made services by VDAB within the framework of the comprehensive customised approach. After each interview with a jobseeker a mediator assesses whether he/she is in need of further personalised services. Signs of poverty are one of the points to consider during the assessment. Target group employees within the social economy receive the support they need to continue to work on their professional development. Moreover, employers who recruit a long-term jobseeker receive a premium since **2017**. This premium is allocated in two instalments and is intended for both the recruitment and the sustainable employment of these jobseekers. On the other hand, Flanders invests in **cost-reduction measures** which increase the disposable income of households with young children (e.g. income-based childcare, growth package, rent premium and rent subsidy). It is important that **rights are automatically granted whenever possible** or that accompanying measures (e.g. administrative simplification and proactive service provision) are taken to allow people to easily avail themselves of their rights. In the school year 2015-2016 a record number of 116,000 dossiers for school and study allowances were automatically initiated through the so-called safety net mechanism. Within the boundaries

of current and future regulations social corrections are used in the different policy areas for specific socially vulnerable target groups. The terms and criteria, which differ between regulations for the specification of these target groups, will be reviewed. The final purpose of this review is not to achieve a uniform description of the target group for social corrections, but to reach, through a joint vision, a well-considered and concerted choice for the specification of this target group in the specific policy measures in the different policy areas. For this reason, the Government of Flanders established the **Social Corrections working group** in early 2016 to implement this.

Because everything starts with a **good and energy efficient dwelling**, the Government of Flanders adopted the **Energy Poverty Programme** in 2016 which is founded on two pillars, viz. social protection and energy saving. Regulatory work was carried out to prepare the implementation of the selected measures. The legal basis for the introduction of social programmes for cavity wall insulation and high efficiency glazing is included in the amendment Order that updates the premium system, among other things. In **2017**, the implementation of an integrated set of instruments is envisaged for adopting a structural approach to energy poverty. The Government of Flanders also promotes **quality housing**. The rent guarantee fund, the rent subsidy, the rent premium, the guaranteed housing insurance and the social loan scheme are measures which people in poverty can apply for. In 2016, the ad hoc study for the preparation of new rent subsidy scheme was started by the Policy Research Centre for Housing.

In **2017**, a harmonised Order on rent allowances will be aimed at. An **initial evaluation of the recognition Order of social letting agencies** (Sociale Verhuurkantoren/SVK) was **started** to examine whether the new provisions effectively support and encourage SVKs to extend their housing provision, without this being detrimental to the quality of the services provided to tenants and prospective tenants. In a short-term amendment of the SVK Order an extra budget of €8.7 million is earmarked for the sector. This will reinforce the own capital of SVKs, since the additional funds serve as a buffer against rent arrears and rental damage. Furthermore, the rate of payment of the subsidy instalments to SVKs was optimised. In **2017**, the **regulatory framework** will be **further adjusted** on the basis of the evaluation results. On the other hand, the private rental market has been subject to a scrutiny process as well. On 15 July 2016, the Government of Flanders adopted a **concept paper on private renting**, outlining its vision on the private rental market. Housing rental law is an essential component of this paper, next to measures for improving access to the private rental market. Within this framework a new rent guarantee scheme is being developed, i.e. the rent guarantee loan. The concept paper also envisages the development of an action plan 'Flemish anti-discrimination policy on the private rental market', which pools all the initiatives and measures taken to give shape to the anti-discrimination policy. The opportunities and advantages of rolling leases are looked into as well. Apart from the structural approach for quality housing, the Government of Flanders also concentrated on the prevention of evictions in the private rental market through (accompanying) guidance. This policy measure is intended to respond more quickly in case of imminent evictions. This highly preventative measure and other measures were included in a **global plan on homelessness 2017-2019** that was drawn up in late 2016. This plan is used to address this complex issue in an integrated manner.

To achieve a sustainable approach to poverty, it is crucial for society, organisations and policymakers to have a nuanced **perception** of poverty and the impact of living in poverty. In this field initiatives are taken across the policy areas.

Emphasis is also placed on the **inside of poverty**. One of the methodologies under consideration to fight poverty is to enhance and strengthen the informal personal network of vulnerable individuals and families, on the basis of the qualities and abilities of these people and not of a concrete support and service provision. In other words, a network where they can receive support, where they belong and where they can (continue to) fulfil a meaningful role. To flesh out this objective in a sustainable and effective manner, scientific research was started. Apart from that, the methodology of growth trajectories is tested in several locations. In this context disadvantaged parents of young children participate in an educational programme for empowerment. In addition to the educational pathway, parents also receive individual support to improve their home situation.

PART 4. USE OF STRUCTURAL FUNDS

The **Flemish Smart Specialisation Strategy (S3)** served as an important guideline for establishing priorities for the content of the various Operational Programmes 2014-2020 (ERDF for the Flemish Region and for Interreg). Mid-2016, over 130 Interreg projects with Flemish partners were approved, which together represent a total project cost of €142 million, of which €74.3 million ERDF funds.

Since late 2016, the **Flemish ERDF programme and the ERDF Interreg programmes** have hit cruising speed in terms of the selection and subsidisation of projects. The S3 domains (and interlinkages) highlighted by Flanders in its S3 return almost 1 on 1 in a majority of the projects that have been approved so far. Examples of prominent projects in this field include IMPACT and Biobase4SMEs (bio-based economy), BlueChem (chemistry), CAPTURE (circular economy, manufacturing industry, chemistry), Wasterstofregio (low-carbon economy, transport) and OLV Robotic Surgery Institute or ORSI (health).

For the Flemish ERDF programme it is examined how, in **2017**, the substantial **demand for R&D&I resources for demonstration and pilot projects** can be met, using the limited available resources. It is anticipated that the demand will largely exceed the available resources. A great (application) demand is expected, not in the least from the actors who were recently (2016) identified within the framework of the new Flemish Cluster Policy, e.g. clusters and innovative business networks, and prospective business networks.

Strategic use will also be made of the several hundreds of millions of euros of ERDF funds that are still available in transnational Interreg programmes for the internationalisation of Flemish clusters and the performance of demonstration and pilot projects of a European scale by and between clusters and cluster members.

The **ESF Operational Programme 2014-2020** specifies priorities and objectives for measures totalling approximately €1 billion. They are intended to help around 250,000 people find a job, start up a company or acquire new competencies. €394 million thereof is contributed by the EU. In 2016, 16 additional calls were launched.

Through the calls in cooperation with Department OV, the ESF co-finance bridging projects to combat early school leaving (Europe 2020), among other things. The ESF also supports education/work innovations towards dual learning (CSR 2). For the recognition of competencies the ESF also keeps offering incentives on the intersection of education and work (CSR 2).

ESF supports the increase in the employment rate through curative and preventative actions (Europe 2020). In cooperation with the VDAB it finances the guidance and training of jobseekers, among whom 25% are migrants (CSR 2). In 2016, calls were also launched for the guidance of refugees and Roma to the labour market (CSR 2). The new calls 'Sustainable career policy' ('Duurzaam Loopbaanbeleid') and 'Alternative organisation' ('Anders Organiseren') are aimed at increasing the workability of jobs and as such counter the early exit from the labour market.

The call 'Poverty' which was launched in 2016 is explicitly targeted at the sub-indicator of households with a low work intensity and therefore directly meets the Europe 2020 targets.

PART 5. INSTITUTIONAL ISSUES AND STAKEHOLDER PARTICIPATION

5.1. ENHANCING PUBLIC SUPPORT

Flanders attaches considerable importance to enhancing public support for the European Semester. The success of the European Semester in Flanders is the joint remit of the Government of Flanders, the (supra) local authorities and the various stakeholders. Over the past year, several initiatives were taken to increase public support.

In the autumn of 2016, the policy area 'Public Governance and the Chancellery' (Kanselarij en Bestuur/KB), the Association of Flemish Provinces and the Europe Direct Information Centres of the respective Flemish provinces combined efforts to organise a **series of lectures**¹⁹ 'Building Europe. The European Semester Explained' ('Bouwen aan Europa. Het Europees Semester uitgelegd'). On 30 September 2016, a **training course on the European Semester** was also organised at the Flemish Parliament. This course was open to members of the Flemish Parliament and their collaborators, as well as to civil servants of the Flemish public administration. The course was given by two members of the official working group for the European Semester and one of the European Semester Officers for Belgium.

Meanwhile, the follow-up of the European Semester is very well embedded in the Flemish public administration. Within the context of an EU theme meeting (8 June 2017) the **Board of Chairmen** will look back on the current European Semester in order to consider points of focus for the future.

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** since the European Semester 2015. This year this discussion took place on **21 March 2017**. The great interest of the Flemish Parliament in the follow-up of the European Semester also resulted in a draft resolution²⁰, that was approved on 21 March 2017 in the aforementioned Committee. The involvement of the Flemish Parliament in the creation of the FRP is also referred to in a European Parliament study²¹.

5.3. INVOLVEMENT OF SOCIAL PARTNERS

The social partners were also involved in the compilation of the FRP 2017 within the framework of the Flemish Economic and Social Consultative Committee (Vlaams Economisch en Sociaal Overlegcomité/**VESOC**) through an exchange of views on **15 March 2017**.

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 2017. After publication of the draft CSRs for 2017 in mid-May 2017, VLEVA will again organise a workshop²².

¹⁹ <http://www.vlaanderen.be/int/europese-unie/nieuws/lezingenreeks-bouwen-aan-europa-het-europees-semester-uitgelegd>

²⁰ <https://www.vlaamsparlament.be/parlementaire-documenten/parlementaire-initiatieven/1101845>

²¹ [http://www.europarl.europa.eu/RegData/etudes/STUD/2016/497743/IPOL_STU\(2016\)497743_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2016/497743/IPOL_STU(2016)497743_EN.pdf)

²² On 6 June 2016, an information session was held where interaction took place on themes of the CSRs between the COM services, the Flemish authorities and VLEVA members (<https://www.vleva.eu/event/geef-uw-insteek-voor-de-landenspecifieke-aanbevelingen-het-europees-semester>)

The **Association of Flemish Provinces (VVP)** points out that **provincial initiatives** are aimed at matching domestic energy production and energy demand (CSR 2), while improving **energy efficiency** through innovative solutions and research:

- COBEN is a partnership between six partners from different countries that develops projects that create a lever for sustainable, locally produced energy. Belgium is represented by East Flanders which is implementing a pilot project in Eeklo regarding a profitable heating network with residual heat.
- See2do! promotes energy efficient renovations in the housing sector to reduce CO2 emissions. It is a partnership between Antwerp, East Flanders, Flemish Brabant and Dutch partners.
- EnergyVille performs research into the implementation of photovoltaic systems, thermal systems and paired energy systems within the framework of the SALK programme and with support from ERDF, the Government of Flanders and the Province of Limburg, amongst others. It combines modern infrastructure with international expertise and a living lab environment to facilitate the transition to a sustainable energy region.

Other provincial initiatives stimulate **R&D&I**:

- ACCELERATE brings together 3D printing expertise from Dutch Limburg and West Flanders in a structural manner so that the necessary knowledge and testing infrastructure can be structurally pooled to allow businesses in the regions to grow.
- CROSSCARE supports the development of lifetech prototypes and receives funding from the Interreg A Flanders-Netherlands programme. It is important for the Provinces of Antwerp, Flemish Brabant and Limburg. Lifetech prototypes are further developed and tested in living labs. One of their products is designed to help people with a tremor to drink normally.

5.5. AFTERWORD

Within the framework of the European Semester 2017 Flanders also played a pioneering role in the organisation of a fact finding mission (15 December 2016) between the COM and Belgium on the compilation of the draft Country Report Belgium 2017. In keeping with tradition, Flanders delivered its contribution to the creation of the **National Reform Programme (NRP)** of Belgium. The FRP 2017 is included as annex to the NRP. Flanders also participated actively in the European Semester 2017 during the several bilateral meetings with the COM at political and administrative²³ level which are dedicated to the implementation of the CSRs, among other things.

With its own FRP Flanders assumes ownership within the European Semester. The Government of Flanders also delivers the FRP directly to the Presidents of the COM, the European Council, the European Parliament, 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 operation of the **Europe 2020 Monitoring Platform²⁴ of the Committee of the Regions**.

²³ In 2016, meetings also took place between the COM services and various policy areas of the Flemish public administration, either separately or together with the other federal institutions of that area.

²⁴ <https://portal.cor.europa.eu/europe2020/Pages/welcome.aspx>

LIST OF ABBREVIATIONS

ABAD	Actieplan ter Bestrijding van Arbeidsgerelateerde Discriminatie (Action Plan for Combating Work-Related Discrimination)
AGS	Annual Growth Survey
AIO	Agentschap Innoveren en Ondernemen (Flanders Innovation & Entrepreneurship)
AMIF	Asylum, Migration and Integration Fund
AMS	Antwerp Management School
AO	Agentschap Ondernemen (Enterprise Flanders)
ARKimedes	Activeren RisicoKapitaal (Activation of risk capital)
ARKIV	Private funds investing in promising SMEs
BAN	Business Angels Network
BEV	Battery Electric Vehicle
BHG	Brussels Hoofdstedelijk Gewest (Brussels-Capital Region)
BIOMED	Biomedisch Onderzoeksinstituut (Biomedical Research Institute)
BSO	Beroepssecundair onderwijs (vocational secondary education)
CNG	Compressed natural gas
CO ₂	Koolstofdioxide (carbon dioxide)
COM	European Commission
CoR	Committee of the Regions
CSR	Country-specific recommendation
DBFM	Design, Build, Finance and Maintain
DBSO	Deeltijds beroepssecundair onderwijs (part-time vocational secondary education)
EBO	Energiebeleidsovereenkomsten (energy policy agreements)
EEN	Enterprise Europe Network
EESC	European Economic and Social Committee
EFSI	European Fund for Strategic Investments
EOS	Excellence of Science
EPC	Energy performance certificate
ERA	European Research Area
ERDF	European Regional Development Fund
E-level	Energy performance level
ESA	European system of national and regional accounts
ESCO	Energy Services Company
ESF	European Social Fund
ESFRI	European Strategy Forum on Research Infrastructures
ETS	EU Emissions Trading System
EU	European Union
EVC	Erkennen van Verworven Competenties (recognition of previously acquired competencies)
EWI	Economie, Wetenschap en Innovatie (Economy, Science and Innovation)
FISCH	Flanders Innovation Hub for Sustainable Chemistry
FIT	Flanders Investment & Trade
Flanders DC	Flanders District of Creativity
FNRS	Fonds Nationale de la Recherche Scientifique
FPB	Federal Planning Bureau
FRIS	Flanders Research Information Space
FWO	Fonds voor Wetenschappelijk Onderzoek (Research Foundation - Flanders)
GDP	Gross Domestic Product
GESCO	Gesubsidieerde contractuelen (employees with subsidised contracts)
GNSS	Global navigation satellite system
GRIP	Gelijke rechten voor iedere persoon met een handicap (equal rights for each person with a disability)
GWh	Gigawatt hour (unit of energy)
H	Hydrogen
HBO	Hoger beroepsonderwijs (higher vocational education)
HvK	Huizen van het Kind (Children's Centres)
IBN	Innovative business networks
IBO	Individuele beroepsopleiding (individual company-based vocational training)
ICON	Interdisciplinair coöperatief onderzoek (inter-disciplinary cooperative research)
ICT	Information and communication technologies

VIL	Vlaams Instituut voor de Logistiek (Flanders Institute for Logistics)
VITO	Vlaamse Instelling voor Technologisch Onderzoek (Flemish Institute for Technological Research)
VLEVA	Vlaams-Europees Verbindingsagentschap (Liaison Agency Flanders-Europe)
VLIZ	Vlaams Instituut voor de Zee (Flanders Marine Institute)
VOP	Vlaamse ondersteuningspremie (Flemish support premium)
VVP	Vereniging Vlaamse Provincies (Association of Flemish Provinces)
WEP	Work experience projects
WIJ	Werkinleving voor Jongeren (work experience pathway for young people)
WKK	warmtekrachtkoppeling (cogeneration)
WSE	Werk en Sociale Economie (Work and Social Economy)