



**Flanders**  
State of  
the Art

# **FLEMISH REFORM PROGRAMME 2018**

DEPARTEMENT OF  
PUBLIC GOVERNANCE &  
THE CHANCELLERY

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## PREFACE

The present Flemish Reform Programme (Vlaams Hervormingsprogramma/VHP) 2018 is the eighth in a row to be drawn up by Flanders and the fourth to be presented by the current Government of Flanders. More than ever, the Government of Flanders is convinced that compiling its own reform programme is an important lever for involving public authorities and stakeholders in Flanders more closely in the European Semester and subsequently further enhancing public support for it. Europe continues to show great interest in the practice developed for the Flemish Reform Programme. Flanders already explained this practice in greater detail on several occasions over the past years, like for instance during the European Week of Cities and Regions in October 2017.

Like in previous years, Flanders' reform programme offers a customised response to the country-specific recommendations 2017-2018 and the challenging Europe 2020 targets. Flanders provided a lot of detailed information during the fact finding mission of 10 November 2017 between the services of the European Commission and Belgium. The measures listed in this Flemish Reform Programme (FRP) should also guarantee that the European Commission is presented with a sufficiently detailed picture of the measures Flanders is taking within the framework of the European Semester. This FRP also addresses recent developments in the context of the European Semester, which is why Flanders' implementation of the social scoreboard has been included as well.

The Government of Flanders keeps urging the European Commission to give more region-specific recommendations and analyses. This would allow Flanders to take more customised measures in response to the country-specific recommendations, which will be a win-win situation for both Flanders and the European Commission. In this way, a last important step can be taken to complete Flanders' structural involvement in the European Semester. The position taken by the Government of Flanders is also endorsed by the 3 May 2017 Flemish Parliament Resolution on region-specific analyses and recommendations in the context of the European Semester. Over the past years, the Flemish Parliament has played an important role in designing the FRP, which makes it a pioneer compared to many other parliaments in the European Union.

The Government of Flanders is convinced that, through the measures it presents in this FRP 2018, it continues to create a positive spiral of budgetary discipline, structural reforms and investments. By stepping up the work done to deliver sound public finances during the first years of this government's term of office, the required budgetary room was created to make greater efforts to fully concentrate on investments now. From now on, the Government of Flanders will annually invest €610 million in infrastructure in four key areas: mobility and public works, school construction, welfare, research and development and corporate investments. The Government of Flanders is thus a government of investments, as clearly shows from this FRP. Flanders also still attaches a great deal of importance to implementing structural reforms. It was the only federated state in Belgium to submit several requests for support within the framework of the Structural Reform Support Programme.

Geert Bourgeois  
Minister-President of the Government of Flanders

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This document is the English translation of the Flemish Reform Programme (FRP) 2018. The official version of the FRP (in Dutch) was approved by the Government of Flanders on the 30st of March 2018 and can be found at <http://www.vlaanderen.be/int/europese-unie/en/article/flemish-reform-programme-2018>.

## EXECUTIVE SUMMARY

The Flemish Reform Programme (FRP) is the Government of Flanders' response to the challenges arising within the scope of the European Semester. Through its own reform programme, Flanders assumes the required ownership. The FRP constitutes the basis for Flanders' contribution to the National Reform Programme (NRP) and is also delivered to the European institutions. The FRP 2018 is composed of 5 parts.

**PART 1** describes the main macro-economic developments in the Flemish Region. A lot of indicators are green. They include the rising growth figures for the Flemish GDP, the high ratio of total investment (including residential buildings) to the GDP (24.5%) in 2017, the increase in total employment by 1.4% in 2017 and the growth in the export of goods to €304.2 billion (1.5%) in 2016.

**PART 2** describes the measures taken by Flanders within the framework of the major economic challenges (the three country-specific recommendations (CSRs) and investment challenges) and reflects the main focus of the FRP.

With regard to **CSR 1 (public finances and taxes)** Flanders aims to achieve a structurally balanced budget in 2018 as well. To that end, it focuses on a growth-friendly budgetary consolidation, while paying the necessary attention to public investments in economic and social infrastructure. To further improve the quality of the public finances, Flanders is also working to introduce performance-informed budgeting and spending reviews in the budgetary process. In 2016, the Flemish authorities instituted a debt norm to keep debts under control. This debt norm has two objectives: to secure a favourable rating and to maintain a positive net asset position. If additional efforts need to be made to keep debts under control, the Flemish authorities may consider, inter alia, selling ESA-8 participations which are deemed not necessary or not strategic. A whole series of measures, such as the annual road tax and the tariff structure for the gift tax, have been implemented to further simplify tax legislation in Flanders. With regard to the mobility taxes, a tax shift was also aimed at which gradually shifts the various vehicle taxes from a property tax to a tax based on the polluter pays principle.

As far as **CSR 2 (labour market and education/training)** is concerned, Flanders continues its efforts to guarantee equal opportunities for access to quality education, vocational training and the labour market for the most disadvantaged groups. Reference can be made, for instance, to measures regarding pupil guidance, the financing of schools, dual learning, the financing of adult education, poverty reduction, the participation in pre-primary education, the prevention of radicalisation and polarisation, training pathways for educational qualifications, work experience for the young, temporary work experience, neighbourhood work, 'Integration through Work', the action plan for combating work-related discrimination and the focus on the work-family balance (use of service vouchers and childcare).

For **CSR 3 (knowledge-based capital, innovation, competitiveness)**, reference can be made to the support provided by OECD within the framework of the 'Skills Strategy for Flanders' to design a strategy for building, maintaining and utilising in-house human capital to stimulate employment and economic growth and enhance social inclusion and participation. In 2017, the Government of Flanders adopted 4 Orders on research, development and innovation (R&D&I) support for businesses. 2017 was the first full year of operation of the new cluster programme of the Flemish authorities which started with 4 spearhead clusters and 14 innovative business networks (IBN). Recently (autumn 2017), the programme was stepped up with the publication of a second call for IBN proposals. 2018 sees the start of a 5<sup>th</sup> spearhead cluster 'Agri-food'. Flanders also keeps

focussing on digitisation, which is in fact an important part of the Industry 4.0 action plan. After the establishment of a Smart Cities living laboratory in Antwerp in January 2017, a project was launched in October for the submission of proposals within the framework of 'City of Things in each Flemish municipality'. The Smart Flanders project also ties in with this. For 16 regulated professions the vocational qualification requirements are lifted as of 2018. For 11 other regulated professions (building sector) the analysis is still ongoing. The Government of Flanders also decided that the requirement to hold the business management basic knowledge certificate to perform self-employed activities, as main or secondary activity, will no longer apply as of 1 September 2018. An action plan was adopted to reinforce entrepreneurship competencies, and a new licensing scheme for retail trade will become operational in 2018.

The Government of Flanders remains a **government of investments**. From now on, it will annually invest €610 million in infrastructure in four key areas: mobility and public works, school construction, welfare, R&D and corporate investment. With the additional investments in mobility and public works the Government of Flanders is earmarking the record amount of €5.8 billion for investments across the different modes of transport for the period 2017-2019. This sum does not include the Oosterweel project. Apart from the investments in the four key areas, other investments are also made in energy infrastructure and smart grids (roll-out of digital meters, etc.). A raft of specific projects, like the Green Deal 'Circular Purchasing', is to underpin the transition to a circular economy. Continued efforts are made to promote the business environment. Reference can be made, for instance, to the financing instruments of the Flanders Holding Company (ParticipatieMaatschappij Vlaanderen/PMV), the additional focus on the internationalisation strategy of the Flemish economy, and the elimination of administrative barriers, e.g. the integrated environment permit and the Governance Decree.

**PART 3** looks at the state of play of Flanders' Europe 2020 targets.

**Research and development (R&D).** Flanders further invests additional funds in R&D, which translates into a continuous increase in R&D intensity to 2.67% in 2015. In 2017, the Flemish authorities spent an additional (recurring) budget of €160.3 million on R&D&I and made another (one-off) investment of €39.1 million in R&D&I, of which €30.8 million was spent on a supercomputer. In 2018, €115 million will be earmarked for new policy in the economy, science and innovation (Economie, Wetenschap en Innovatie/EWI) domain, part of which has already been invested in economic measures. In early 2018, the Government of Flanders also adopted a regulatory framework for the financing of and/or participation in international research infrastructures by institutes in Flanders.

**Climate and energy.** The challenges facing Flanders in this area remain significant. In the period 2005-2016, non-ETS greenhouse gas emissions in Flanders were found to have stabilised. A limited decrease was recorded from 46.3 Mton CO<sub>2</sub>-eq in 2005 to 46.1 Mton CO<sub>2</sub>-eq in 2016, which is a 0.4% decrease in 2016 compared to 2005. Positive results can be presented in terms of energy efficiency. On the basis of the projected figures for 2016 (23,443 GWh) the target is amply reached. Although the target of 10.33% (25,074 GWh) of renewable energy is far from achieved, it must be noted that the share of renewable energy is growing. To cope with the energy and climate challenges in the long term, the Government of Flanders adopted the Flemish Energy Vision 2030-2050 (Vlaamse Energievisie 2030-2050) in May 2017. In the course of 2018, a Climate Vision 2050 (Klimaatvisie 2050) is to be drawn up as well and by mid-2018 an integrated Climate and Energy Plan 2021-2030 (Klimaat- en Energieplan 2021-2030) will be elaborated. In the meantime, the Government of Flanders keeps pushing for improving energy efficiency in buildings and businesses through the energy performance and indoor climate (energieprestatie

en binnenklimaat/EPB) legislation, the upgrading of the energy performance certificate (EPC), the renewal of the financial support instruments and the energy policy agreements, among other things. In terms of renewable energy the energy plan with underlying sub-targets was updated to meet Flanders' target of 25,074 GWh of renewable energy. The solar plan and the wind plan will help make this target feasible.

**Employment rate.** In 2016, Flanders recorded an employment rate of 72.0%, which is slightly higher than the 71.9% it reached in the period 2013-2015. This upward trend continued in the first three quarters of 2017 (72.8% in the third quarter of 2017). In particular the employment rate among the elderly keeps rising. As a result, Flanders is edging closer to its employment rate targets for the age groups 50 to 64 and 55 to 64. The employment rate for people with a migrant background remains fairly stable. Nevertheless, Flanders is still taking resolute measures to increase the general employment rate as well as the employment rate of disadvantaged groups (see response to CSR 2).

**Education.** The share of early school leavers reached 6.8% in 2016. The European target of 10% was thus amply met. Flanders' target of 5.2%, however, not yet. As for the share of 30 to 34-year olds with a higher education degree, Flanders has met the European target of 40% and with 47.3% the Flemish target of 47.8% is within reach as well. Both education targets are still attainable by 2020, and the necessary measures are being taken to that end. The measures regarding early school leaving include the reforms of the pupil guidance system and adult education, the modernisation of secondary education, the roll-out of dual learning, the reinforcement of pre-primary education and the strategic literacy plan. For higher education graduates, the measures include higher vocational education, the orientation test Columbus and the increase of the operating budget for university colleges and universities.

In the fields of **poverty and social exclusion** Flanders is in second position in the EU, which is an excellent performance. However, meeting Flanders' Europe 2020 target remains a great challenge. Focus is placed on the main Flemish levers for poverty reduction, viz. the right to social services, the right to a family, the right to education, the right to work and the right to housing.

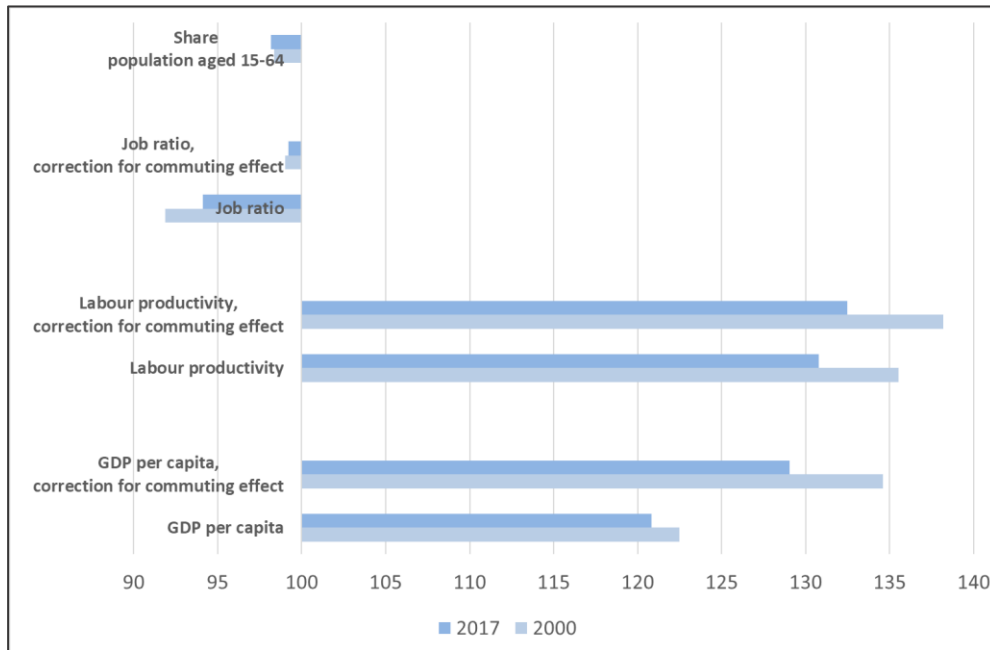
**PART 4** discusses the use of the **structural funds ERDF (European Regional Development Fund) and ESF (European Social Fund)**. With regard to the ESF, plenty of projects and calls were financed in response to CSR 2. In many of these calls guidance for vulnerable groups, including people with a migrant background, took centre stage. In 2018, several calls will be repeated. No less than 72.73% (€127.7 million) of Flanders' available ERDF budget has already been committed between 146 projects, which makes ERDF-Flanders rank among the better performing countries in the EU. The bulk (82.12% of the funds) is spent on the priority 'Innovation'. The Flemish authorities are currently updating their Smart Specialisation Strategy (S3). In 2017, Flanders was active in 5 pilot projects of the Vanguard Initiative (VI) and is heading the 3D printing project. In the new EU interregional partnerships, Flemish participants will lead the consortia for 3D printing and bioeconomy.

**PART 5** describes the measures for strengthening **public support** for the European Semester in Flanders. Like in previous years, the FRP was enriched with contributions from the Flemish Parliament. The Flemish social partners and the (supra) local authorities and stakeholders offered a lot of good practices which address the CSRs and which illustrate that the successful implementation of the European Semester is the responsibility of all levels of government and stakeholders.

## PART 1. MACRO-ECONOMIC DEVELOPMENTS IN THE FLEMISH REGION

In 2017, the Flemish Region represents 59.6% of the Belgian gross domestic product (GDP) and 57.5% of the Belgian population. The **GDP per capita** can be estimated at €35,800 PPPs (Source: Flanders Statistics) in 2017. This is 21% above the average in the EU-28 or 12% higher than the EU-15 average. Between 2000 and 2008, the Flemish Region lost ground compared to the EU-28. In 2000, the Flemish GDP per capita indeed exceeded the EU-28 average by 22%, whereas in 2008 this had dropped back to +16%. The financial and economic crisis had a comparatively less severe impact on Flanders' economy. As a result, the GDP per capita in the Flemish Region was again 20% higher than the average in the EU-28 by 2010. Flanders' position compared to the EU-28 has not changed much since then. In comparison with the EU-15, this 'welfare surplus' of Flanders remained constant at approximately 5% between 2000 and 2008. From 2009 onwards, the Flemish Region has been catching up in this respect as well. The Brussels-Capital Region (BCR) is a geographically small area. As a result, a relatively large number of people living in the Flemish (and Walloon) Region commute to the BCR. With a correction for this commuting effect, the Flemish GDP per capita increased to approximately €38,300 PPPs in 2017, which is 29% higher than in the EU-28 and +20% higher than in the EU-15.

Figure 1: GDP per capita and components, Flemish Region, 2000 and 2017 (Indices, EU-28 = 100)



Source: AMECO, HERMREG, processed by Flanders Statistics.

The GDP per capita is a measure for the produced prosperity and can be broken down into three factors (Source: Flanders Statistics). Flanders' main asset is the **labour productivity**. This indicator is estimated to be 31% higher than the EU-28 average and 22% higher than the EU-15 average in 2017. Flanders owes this asset to the high level of education of the working population and the capital-intensive production method. Between 2000 and 2017, the Flemish Region lost some of its lead to the EU-28 (+36% in 2000; +31% in 2017). This is due to the fact that the economies of the new Member States are catching up. The Flemish Region even gained some ground compared to the EU-15 (+19% in 2000; +22% in 2017). More generally speaking, the rise in labour productivity in Flanders, as well as in Belgium and the EU-15 in general, seems to be somewhat disappointing (in the Flemish Region +0.2% on average over the period 2016-2017). The National Bank of Belgium (NBB) attributes this to the economic difficulties resulting from the debt and euro crisis which followed on from the financial and economic crisis of 2008-2009.



As a result, it took longer for the economy to recover. Innovation, duly considered structural investments and more competitive product markets should boost the productivity of the economy.

The **job ratio**, i.e. the share of employment compared to the population of working age, is at 66.1% in the Flemish Region in 2017. This is lower than the European averages (EU-28: 70.2% and EU-15: 71.3%). Naturally, the proximity of the BCR as source of employment has an important effect on the job ratio. With a correction for commuter movements the Flemish employment level is 69.7% in 2017. In the long term, the job ratio in the Flemish Region is rising (2000: 60.3%; 2017: 66.1%). The Flemish Region scores a bit lower on the **share of the population at working age** (63.9% in 2017) than the average for the EU-28 (65.1%) and the EU-15 (64.6%).

According to HERMREG's medium-term forecast, **Flanders' GDP** would **increase** by +1.8% in both 2017 and 2018. However, these estimates were made in July 2017. Meanwhile, the economic research institutes are a bit more optimistic. In July 2017, the Federal Planning Bureau (Federaal Planbureau/FPB) still estimated the Belgian real-terms growth at +1.6% for 2017 and 2018. In the autumn the FBP adjusted these estimates for Belgium upwards to +1.7% because of the favourable development of economic activity in both the developed and emerging economies. Specifically for Belgium, the favourable development of the domestic costs contributes to the growth in exports. The NBB as well recently estimated the increase in the Belgian GDP for 2017 at +1.7%. All of this means that the growth figures published for Flanders will very likely be adjusted upwards at a later time, given their significant weight in the Belgian economy. Between 2009 and 2012, Flanders' GDP grew annually by an average of 0.9% in real terms. This is in contrast with the decrease in the EU-28 (-0.3%). Flanders owes this relatively good performance to the growing employment during this period (on average +0.5%), whereas the EU-28 was faced with an average annual drop of -0.7% during the period 2009-2012. This illustrates the stronger social buffer in our region. Between 2013 and 2017, Flanders' real-terms growth was on average +1.6%. This is analogous to the average EU-28 growth during this period. In both the Flemish Region and the EU-28 employment and labour productivity contributed in more or less equal measure to economic growth.

The GDP should be considered together with the **disposable income**. The latter is a measure for the income which the inhabitants of a region have actually earned, irrespective of the location. Flanders' real disposable income dropped by an average of 0.7% per year between 2010 and 2014, but increased by +0.7% in real terms in 2015. This would amount to 0.8% in 2016. In 2017 and 2018, a real-terms growth of respectively +1.3% and +2.1% is expected (Source: HERMREG 2017). This improvement is mainly due to a strong increase in wages (lower tax burden) and a rise in the net income from capital over these two past years. Flanders is a prosperous region. In a Eurostat ranking of 26 EU countries in 2014 the Flemish Region is in third position with regard to disposable income in purchasing power parities, behind Austria and Germany. No data are available for Luxembourg and Croatia.

**Investments** are important for the economy's innovation potential. In 2017, HERMEG estimated the total investment (including residential buildings) at 24.5% of the GDP in the Flemish Region. This is almost the same level as in 2000. The indicator was the lowest in 2002 (22.0%) and the highest in 2008 (25.7%). Flanders scores high from an international perspective. With an investment-GDP ratio of 24.3%, it was only passed by Ireland (29.3%) and the Czech Republic (25.0%) in 2016.

Total **employment** in the Flemish Region grew by 1.4% in 2017. The other tradable services (mainly business services) and healthcare and social services delivered the largest contribution



to growth with 0.7 percentage point (pp) and 0.4 pp. In 2015, employment grew by 1.5%. For 2018, a growth of +1.1% is expected (Source: HERMREG 2017). The **employment rate**, i.e. the share of employed people compared to the population aged 20 to 64, was at 72.0% in 2016 (Source: Statbel - LFS) and remained mostly stable in the years following the outbreak of the financial and economic crisis. Among men a decrease was recorded from 78.3% in 2008 to 76.3% in 2016. However, this was counterbalanced by an increase among women from 66.1% in 2008 to 67.7% in 2016. Among the 55-64 age group (men and women combined) there is a marked rise from 34.3% in 2008 to 46.7% in 2016. However, the employment rate in this older age group still needs to be given attention, since more than half of the population in that age group is active in the EU-28 or EU-15. The total employment rate is a bit lower in the EU-28 (70.8% in 2016), but is higher in each of our neighbouring countries, with the exception of France. The employment rate is manifestly lower in the Walloon Region (62.6%) and the Brussels-Capital Region (59.8%). The Flemish **unemployment rate** in the 15-64 age group amounted to 4.8% in 2016 (Source: Statbel - LFS), which is clearly below the level of the EU-28 (8.6%) and EU-15 (9.1%).

Flanders is an **innovation-driven economy**. A prerequisite for this is a highly-educated working population. In 2016, the share of the population aged 30 to 34 with a higher education diploma was 47.3%. This is slightly better than the Belgian result (45.6%) and above that of the EU-28 (39.1%). These past years, this share has been growing even more. In 2008, the indicator in the Flemish Region was still at 43.6%. In 2016, 8.5 people out of 100 were employed in knowledge-intensive sectors in the Flemish Region. This is just below the share in the EU-28 (8.7%), which is due to a weaker industrial component. The percentage of R&D expenditure in the GDP is an important measure for the orientation towards innovation. According to Eurostat, the Flemish Region has a score of 2.67% in 2015 (2.47% for Belgium and 2.03% for the EU-28). The percentage of R&D expenditure to the GDP has been on the rise these past few years.

The **export of goods** of the Flemish Region increased by 1.5% in real prices in 2016 (Source: INR) and amounted to €304.2 billion. The international order books grew until the summer of 2017 and have remained at a high level since then. The principal export market is the EU-28 (70.3% of Flemish exports in 2016). It mainly concerns the key countries of the EU-15 (65.1%) and in particular neighbouring Germany, France and the Netherlands. The emerging trade blocs gained importance in Flanders' exports until 2012-2013. After that, their share slightly decreased. In 2016, the BRIC countries accounted for 6.5% of Flanders' exports. For the N11, this was 3.8%. The 5 main products together represent 44.6% of Flanders' exports in 2016. It concerns vehicles, chemical products, pharmaceutical products, machinery and mechanical appliances and petroleum products. The top 5 has been declining in importance for 3 years now. This is owing to the category of petroleum products (share of 13.1% in 2013 to 7.0% in 2016). Foreign direct investments are vital for a country or region because they often go hand in hand with the integration or expansion of establishments and jobs. In addition, expertise is also fed into the local economy. According to Flanders Investment and Trade (FIT) the Flemish Region attracted 215 projects of foreign investors in 2017. These projects represent an investment of about €2.08 billion, which is 11.4% more than in 2016. The export of high-tech products accounted for 10.3% of Flanders' GDP in 2016 (calculations by Flanders Statistics on INR data). For the EU-28 this was 4.6% (Eurostat - 2015 figure).

## PART 2. MEASURES WITHIN THE FRAMEWORK OF MAJOR ECONOMIC CHALLENGES

### 2.0. THE COUNTRY REPORT BELGIUM 2018

On 11 July 2017, the Council made three country-specific recommendations<sup>1</sup> to Belgium. These measures refer to (1) budgetary objectives, (2) the labour market and education and (3) the knowledge-based capital, the competition in professional services markets (business services) and retail and the market mechanisms in network industries.

Flanders again took active part in the fact finding mission (FFM) of 10 November 2017 between the services of the European Commission (COM) and Belgium and tried to present and clarify Flanders' reform measures as clearly as possible to the COM services. The purpose of the FFM was to deliver input which could be taken into account by the COM services in the draft Country Report 2018. Just like last year, the Member States were given the opportunity to formulate remarks on the draft Country Report (30 January 2018), which Flanders again made use of. In the final Country Report 2018<sup>2</sup> (7 March 2018) many of the amendments submitted by Flanders have been taken into consideration.

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 still like to establish a direct dialogue with the COM itself. During its consultations with the federal government and the COM services Flanders continues to systematically point out the importance of including region-specific measures, analyses and data and therefore delivers a growing amount of region-specific data to the COM services. However, according to the Government of Flanders a great deal of progress is yet to be made in terms of the inclusion of region-specific statistics in future country reports.

The Government of Flanders is convinced that the measures included in this FRP implement the CSRs 2017 (see 2.1. through 2.3.), a number of investment challenges (see 2.4.) and the Europe 2020 targets (see Part 3). Important elements from the Country Report 2018 which require further attention were addressed as well.

### 2.1. COUNTRY-SPECIFIC RECOMMENDATION 1

*Pursue a substantial fiscal effort in 2018 in line with the requirements of the preventive arm of the Stability and Growth Pact, taking into account the need to strengthen the ongoing recovery and to ensure the sustainability of Belgium's public finances. Use windfall gains, such as proceeds from asset sales, to accelerate the reduction of the general government debt ratio. Agree on an enforceable distribution of fiscal targets among government levels and ensure independent fiscal monitoring. Remove distortive tax expenditures. Improve the composition of public spending in order to create room for infrastructure investment, including on transport infrastructure.*

#### 2.1.1. Budgetary elements

Thanks to the efforts amounting to €2 billion which it has made since its entry into office, the Government of Flanders can also aim at a budget in structural balance in 2018 (see Draft Budget Plan 2018).

The Government of Flanders endeavours to achieve a growth-friendly budgetary consolidation by concentrating on structural measures (like more efficient public structures) and at the same

<sup>1</sup>[http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017H0809\(01\)&from=EN](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017H0809(01)&from=EN)

<sup>2</sup><https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-report-belgium-en.pdf>

time continuing to reinforce public investment in economic and social infrastructure. From now on, the Government of Flanders will **annually invest €610 million in infrastructure in four key areas**: mobility and public works (see also 2.4.4.), school construction (see also 2.4.5.), welfare (see also 2.4.6.), research and development and corporate investments (see also 3.3.). Apart from that, the Government of Flanders will still earmark additional funds for investments through alternative financing and through participations and loans. In the 2018 budget the investment budget for the new public-private partnership (PPP) 'school construction' is raised from €300 to €550 million. Besides, the Government of Flanders appropriates €285 million for additional loans within the framework of social housing construction. To make a coherent Flemish policy on combined mobility possible, the Government of Flanders also reserves €100 million to promote participation in the development of integrated mobility nodes, such as peripheral car parks. Finally, €75 million is set aside for additional investments in promising innovative industrial businesses. To further improve the quality of the public finances, Flanders is working on the introduction of performance-informed budgeting and spending reviews in the budgetary process.

### 2.1.2. Debt elements

In 2016, the Flemish authorities instituted a debt norm to keep debts under control. This debt norm has two objectives: to secure a favourable rating and to maintain a positive net asset position. If additional efforts need to be made to keep debts under control, the Flemish authorities may consider, inter alia, selling ESA-8 participations which are deemed not necessary or not strategic.

### 2.1.3. Tax elements

A whole series of measures were introduced to further simplify tax legislation in Flanders:

- In the tariff structure for the gift tax the tax bands were drastically reduced to 4, as opposed to the 24 bands that were used until then.
- In the annual road tax an administrative simplification was implemented for the reimbursement for combined transport (Decree of 23 December 2016).
- In the annual road tax, the more favourable tax regime for vintage vehicles was standardised (Decree of 16 June 2017).
- The tax on unfit and uninhabitable housing was decentralised (Decree of 23 December 2016).
- In the income tax the tax relief for roof insulation was abolished, which now requires a total renovation (Decree of 23 December 2016).
- Finally, a draft Decree is currently on the table with approximately 10 rationalisation measures.

On 16 March 2018, the Government of Flanders finally approved the draft decree for the reduction and simplification of the purchase tax. The new rules will apply for sales agreements as of 1 June 2018.

With regard to the mobility taxes, a tax shift was also aimed at, which gradually shifts the various vehicle taxes from a property tax to a tax based on the polluter pays principle. Apart from the inclusion of environmental and air quality features in the tariff structure of existing taxes, a kilometre charge for heavy goods vehicles was also introduced. The further roll-out of a similar system for the other types of vehicles is being closely examined (see also 2.4.4.).

## 2.2. COUNTRY-SPECIFIC RECOMMENDATION 2

*Ensure that the most disadvantaged groups, including people with a migrant background, have equal opportunities to participate in quality education, vocational training, and the labour market.*

### 2.2.1. Activation measures at full speed

Some of the most important Flemish policy measures in the policy area 'Work' were thoroughly reformed over the past years, in particular following the 2014 state reform and the end-of-career measures of the successive federal governments. These reforms are now beginning to gain momentum.

Flanders' **target group policy** entered into effect on 1 July 2016 and will reach cruising speed in 2018. With this policy the recruitment of low- and medium-skilled young people, over-55s and people with a work-limiting disability is stimulated through wage cost reductions. With these measures more than 250,000 working people in Flanders will be supported in 2018. They represent about 10% of employment in Flanders. The target group discount for low- and medium-skilled young people is targeted on young people with a low wage and is mainly intended to facilitate the entry in the labour market of these more vulnerable young people. The reason is that a difficult entry in the labour market may also negatively impact the rest of their careers. The target group discount for over-55s encourages employers to keep older employees at work longer. A greater incentive is provided for the recruitment of jobseeking over-55s who often have difficulty in finding a new job after they have become unemployed. A recruitment incentive for employers will also promote a smoother transition from unemployment to work for long-term jobseekers.

The **activation** and guidance of these older jobseekers has already been reinforced over the past years. The minimum age for exemption from availability for the labour market is being gradually lifted by the federal government. The Flemish Employment and Vocational Training Service (Vlaamse Dienst voor Arbeidsbemiddeling en Beroepsopleiding/VDAB) is extending its guidance provision at the same pace to include increasingly older jobseekers. In 2018, the age is at 62. Contrary to before, jobseekers aged between 50 and 55 receive the same guidance as other jobseekers, which results in rising outflow and satisfaction levels. Jobseekers between the ages of 55 and 62 are offered adjusted guidance.

The **service voucher** (dienstencheques) scheme (see also 2.2.5.) is a growing success. In 2017, the scheme employed over 88,000 people in Flanders. Just under half of them are people with a migrant background. The users mainly include people in their thirties.

In 2018, the Government of Flanders launched the **transition premium** (transitiepremie), i.e. financial support for jobseekers who want to become entrepreneurs. From 15 March 2018, this premium will alleviate the financial insecurity during the first months when a new company is formed.

### 2.2.2. Transition from unemployment to work for vulnerable groups

After the reform of the target group policy (see also 2.2.1.), which is oriented to all working people, several measures that were targeted on vulnerable jobseekers were reformed. Again, it mostly concerned measures which were regionalised during the last state reform and which had not always been well suited to the Flemish activation policy.

The **temporary work experience** (tijdelijke werkervaring) scheme which started in 2017 for people on social assistance was already successful in its first year of operation. During the first year, more than 5,400 people on social assistance were given a work experience as part of their competence-enhancing activation pathway, with the purpose of helping them move on to mainstream economic sectors. Since 1 January 2018, the temporary work experience has been extended to include all long-term jobseekers. Several older measures, such as the global projects and the youth bonus, are being converted to work experience places. During the pathway the participants retain their status as jobseekers, unless they are persons on social assistance entering the scheme on the basis of Article 60, who receive an employment contract.

Apart from temporary work experience, the **neighbourhood work** (Wijk-werken) scheme was introduced as well on 1 January 2018. This is a reform of the former scheme of local employment agencies (plaatselijk werkgelegenheidsagentschap/PWA), in which jobseekers can receive a small allowance on top of their unemployment allowance by doing a limited number of hours of work experience in an easily accessible working environment. This measure is primarily intended for jobseekers who are not yet ready for a (more intensive) temporary work experience. Just like the temporary work experience, neighbourhood work aims to activate people to mainstream economic sectors.

For jobseekers with medical, mental, psychological or psychiatric problems, the **work-care pathways** (Werk-Zorg-traject) will start in 2018. These temporary pathways last a maximum of 18 months. During this time participants do an internship while receiving care counselling at a welfare institution, a psychiatric hospital or a public social welfare centre (Openbaar Centrum voor Maatschappelijk Welzijn/OCMW), for instance, and while receiving guidance to work by VDAB or one of its partners. The number of hours per week is increased depending on the participant's capacity and the moments when he or she receives care counselling.

### 2.2.3. NEET young people

In cooperation with local authorities and youth organisations, VDAB takes on a new approach to guide young people who are not in education, employment or training (NEET) via partners to **specialised NEET consultants** of VDAB. In addition, VDAB will develop structural cooperation with the Adult Basic Education Centres (Centra voor Basiseducatie) around literacy training (digital skills, calculation, language) for jobseekers.

Existing ESF projects which guide young people who do not register with the employment service to VDAB are continued. In addition, school-leavers who have so far stayed under the radar are better detected in 2018 because the databases of Education and VDAB are linked to each other to be able to offer them a more customised service as well.

Existing measures are of course continued, including VDAB's **training pathways for educational qualifications** (Onderwijskwalificerende OpleidingsTrajecten/OKOT). These pathways allow jobseekers to attend a full-time programme in daytime education without losing their unemployment allowance. The programme can be attended in full at an education institution, or in part at VDAB or one of its partners. These pathways have turned out to be very successful in getting jobseekers without qualifications into work in shortage occupations.

In accordance with the European Youth Guarantee young people who register as jobseeker are offered a job, internship or training programme within 4 months. Of the young people who are not in employment yet after 4 months, some 200 to 300 low-skilled young people undertake a **work experience pathway** (Werkinleving voor Jongeren/WIJ!) each month. These work experience pathways guide these young people to the labour market step by step. After the success of the past years, the third series of WIJ! pathways was launched in the autumn of 2017.

### 2.2.4. People with a migrant background

In 2017, the VDAB **project 'Integration through Work'** was set up in cooperation with the Agency for Integration and Civic Integration (Agentschap Integratie en Inburgering) and the Federal Agency for the Reception of Asylum Seekers (Federaal Agentschap voor de Opvang van Asielzoekers/Fedasil). Together with these partners VDAB wants to get refugees into work as soon as possible through short, integrated pathways. This approach will be fine-tuned in the next policy year. Training courses are provided as integrated as possible and language and technical competencies are pooled into one package. Through partnerships with education, the social economy and local authorities focus is placed on language coaching at work for participants in workplace learning.

The **Action Plan for Combating Work-Related Discrimination** (Actieplan ter Bestrijding van Arbeidsgerelateerde Discriminatie) was extended with actions in the field of monitoring and penalisation. An agreement on **mystery calls** was concluded with the service voucher sector. These calls will mainly be intended to raise awareness. However, if repeated violations are established, the Flemish inspectorates will intervene. In the new generation of sectoral covenants 2018-2019, the financial government support was made dependent on the adoption of a sectoral code of conduct for non-discrimination.

#### 2.2.5. Focus on the reconciliation of work and family life

The Government of Flanders continues work to improve the reconciliation of work and family life.

It keeps investing in **childcare for babies and toddlers**. €19 million is earmarked for creating additional places in 2018, including extra income-based places. Because parents pay a contribution based on their income for these places, childcare becomes more affordable. A larger number of income-based places also implies greater accessibility, since organisers with an income tariff subsidy must respect a number of priority rules. Absolute priority must be given to children from families where childcare is required in the context of the employment situation (retaining or looking for work or following vocational training to that end), as well as to children from single-parent families and low-income families, and to foster children.

Thanks to a renewed provision of more extended opening hours and emergency childcare places the **flexible childcare** offer is better attuned to the demand. This offer is the response to a study into the needs and requirements of (potential) users of flexible childcare and the related obstacles that existed on the side of the providers. The Government of Flanders appropriates around €2 million to implement this new offer as of 2018 onwards. The new regulation on this offer is currently being finalised.

Further to the concept memorandum of the Government of Flanders a parliamentary initiative is expected shortly to regulate the future organisation model for extra-curricular activities by decree. The central objective is to create an integrated provision of extra-curricular activities which: offers children opportunities to develop and the possibility to enjoy themselves in their spare time, allows parents to participate in the labour market, follow (vocational) training and/or take part in activities that contribute to their personal development, and promotes social cohesion and equal opportunities. To achieve this, initiatives will join forces in a local partnership with a view to creating an integrated provision for all children from pre-primary age, with the local government fulfilling a director's role. In time, the current financing for childcare settings will be converted to financing for the local authorities for extra-curricular activities. A thoughtful transitional period will be provided for.

To optimise the policy regarding **inclusive formal childcare**, a comprehensive analysis will be carried out in 2018 to map the experiences and needs of parents with children with special needs on the one hand and the support which childcare settings need to be able to implement inclusive childcare on the other hand.

Within households not only the care for children or other persons requiring care is time-consuming. Other household chores like cleaning, ironing and shopping also take up a great deal of private time. With the **service vouchers** (see also 2.2.1.) the Flemish authorities offer families a simple and affordable instrument to 'buy in' domestic help. This allows them to continue to work full-time, whereas household chores would otherwise make this impossible.



### 2.2.6. Worker mobility

To address the large number of skills-shortage vacancies, workers from outside Flanders are recruited as well, primarily from the Brussels-Capital and Walloon Regions, but also from across the national borders. In February 2018, VDAB concluded a **new partnership agreement with the Walloon Service for Employment and Vocational Training, Le Forem**, with the aim of annually guiding at least 2,500 Walloon jobseekers to Flemish jobs, including in the West Flanders border region. In 2016, 51,088 Walloon people worked in Flanders. In Brussels, VDAB and the Brussels Regional Employment Service, Actiris, have been housed in the same building since 2017, where they are also establishing a careers resource centre together. VDAB and Actiris are also jointly working on a large-scale campaign to promote employment opportunities in the periphery around Brussels among Brussels jobseekers.

Moreover, in 2018, the policy for attracting and retaining foreign talent will be reformed. On the one hand, the policy is adjusted to meet the European requirements regarding seasonal work, ICT, research and interns. On the other hand, it is examined how Flanders can better attract foreign talent, including via the Flemish universities and research centres as attraction poles, and how this talent can more easily move on to Flemish companies.

### 2.2.7. Dual learning

In the school year 2017-2018 **dual learning** exists in Flanders as a pilot project with 21 programmes of study. However, this will be further rolled out from 1 September 2018 onwards. As of 1 September 2019, dual learning will be generalised. At that time it will be possible to introduce 55 dual programmes in cooperation with the sectoral partnerships and the Flemish partnership. Dual learning is similar to all other types of secondary education. However, because 'learning at school' and 'workplace learning' (at least 14 hours a week) are combined, this learning pathway will increase the motivation of many young people. To ensure quality training, not only the teacher, but a mentor as well will be responsible for guiding and training the young people and for evaluating them at a later stage. Cooperation between the education and work domains is extremely important here.

### 2.2.8. Reform of the training incentives

On 11 July 2017, the Government of Flanders and the social partners concluded an **agreement Education and Training (Golden Spurs Agreement) on the 'reform of the Flemish training incentives for workers'** within the Flemish Economic and Social Consultative Committee (Vlaams Economisch en Sociaal Overlegcomité/VESOC). In 2018, the 5 building blocks of this agreement will be made operational: a labour market-oriented and forward-looking training focus, a generic quality framework, a training database, a uniform monitoring and evaluation system, and the promotion of transparency and digitisation.

VDAB also works to improve the training provision by offering more opportunities for **workplace learning** and by better aligning the various schemes for workplace learning with each other.

### 2.2.9. Focusing on quality education with attention to equal opportunities

When calculating the **operating budget** for schools in mainstream primary and secondary education in Flanders, part of this budget is allocated on the basis of four social indicators: 1) language spoken by the pupil at home, 2) highest level of education of the mother, 3) whether or not they receive a school allowance, and 4) the neighbourhood where the pupil lives. A growth path will allow the share of the total budget allocated on the basis of these socio-economic status (SES) indicators to increase from 14% in 2009-2010 to 15.5% in 2020 for primary education and from 10% to 11% for secondary education.



The **pupil guidance** system in Flanders is being reformed with the aim of (more) clearly demarcating the roles and responsibilities of the various actors concerned. The funds which a pupil guidance centre (Centrum voor Leerlingenbegeleiding/CLB) will receive in the future, will be tailored, amongst others, to the needs of the pupils it offers guidance to. This will reinforce the centres which support a large number of pupils who meet the SES indicators. Moreover, CLBs will be instructed to cooperate more closely and increasingly share their expertise across networks. In this way they can offer all pupils a more qualitative and equally oriented provision. Finally, the centres will also devote more attention to the guidance of disadvantaged pupils, truancy and early school leavers.

The reform of the **adult education** sector introduces a new financing system which, more than before, places emphasis on vulnerable groups, viz. people without a secondary education diploma, jobseekers, people with insufficient literacy skills, prisoners, people who do not sufficiently master the Dutch language, etc. Priority is given to offering opportunities for obtaining sustainable qualifications, such as a secondary education diploma or a certificate of vocational training, language training or Dutch as a Second Language training. As such, the reform not only enhances participation in lifelong and lifewide learning, but also helps develop equal educational opportunities for vulnerable groups.

In 2017, the implementation was started of the **Action Plan for Participation in Pre-Primary Education** (Actieplan Kleuterparticipatie) which was launched in December 2016. The plan aims at maximum participation in pre-primary education (enrolment and attendance) from the age of 3, taking vulnerable groups as the focus. Actions include providing targeted information; supporting parents and raising their awareness, in particular parents from vulnerable groups; promoting cooperation with and between local actors, and enhancing the participation of specific groups which do not sufficiently participate in pre-primary education, with the main focus being on travelling parents and pre-primary children. The measure which allocates schools with a growing number of non-Dutch speaking pre-primary children under five a **premium of €950 for each additional non-Dutch speaking pre-primary child**, will also apply in the school year 2017-2018. The idea behind the premium is to initiate and reinforce the Dutch language skills of infants.

In 2017, it was decided to improve the subsidisation for the organisation of **tutoring for pupils** in 2018. The subsidisation call is open to higher education institutions whose students offer study and homework guidance, study motivation, and language and family support to vulnerable pupils in primary and secondary education. Thanks to the project the learning and development opportunities of pupils increase, parents become more involved and students learn how to deal with poverty and diversity.

In 2017, the competent Flemish Minister granted €100,000 to three projects around **homework guidance** in Ghent, Ostend and Bruges/Blankenberge. These projects offer homework guidance, study skills development and language stimulation in an easily accessible manner and provide family support at home to some 400 socially vulnerable households. In this way work is done to prevent and eliminate educational delays, reinforce parents and offer parenting support within the framework of the children's school careers. Future teachers, remedial educationalists, applied psychologists, health visitors and social workers are given the opportunity to put the theory into practice during their training.

The Flemish authorities finance relevant **research and monitoring activities** conducted by the Education Research Centre (Steunpunt voor Onderwijsonderzoek/SONO). Relevant lines of research within the centre are focused on the equal educational opportunities policy, language

stimulation measures in education, the M-Decree (Decree containing measures for pupils with special educational needs), financing in pre-primary, primary and secondary education, the review of the new enrolment policy, and the monitoring of study costs. The Flemish Ministry of Education and Training also co-financed the **Diversity Barometer Education** (Diversiteitsbarometer Onderwijs) which was carried out in Flanders by Ghent University (UGent) and the Catholic University of Leuven (KU Leuven) on the authority of UNIA, which is the Interfederal Centre for Equal Opportunities (Interfederaal Gelijkekansencentrum). The results of this research were presented in February 2018.

Several initiatives for the **fight against poverty** promote equal opportunities in education. In 2017, the procedure for the application of **school and study allowances** was further automated. As a result, financial support is guaranteed for the most vulnerable groups. In 2017-2018, a **study cost monitor** is being implemented in mainstream and special pre-primary, primary and secondary education. The results of this study inspire a stronger policy on cost control and equal educational opportunities. Also in 2017-2018, a network of 45 schools takes part in an in-service training programme on the theme of poverty at school and the realisation of inclusive education in the project **'Together against unpaid school bills'** (Samen tegen onbetaalde schoolfacturen). The Flemish Minister for Education and Training financially supports this project that was launched in April 2017 for an amount of €248,000.

In June 2017, the Government of Flanders adopted a new **action plan for the prevention of radicalisation and polarisation**. The goal of the existing action plan from 2015 was extended to include the objective of preventing social instability, promoting citizen participation and safeguarding a shared community founded on democratic citizenship and respect for other world views. More specifically in the field of education and training the plan aims, among other things, to strengthen the capacity and resilience of both pupils and teachers and to professionalise schools and teachers with regard to radicalisation, inclusion and diversity in the classroom.

In the context of the **Flemish Horizontal Equal Opportunities Policy 2015-2019** (Vlaams Horizontaal Gelijkekansenbeleid 2015-2019) and the related Action Plan 2016-2017, the education and training policy area worked on a number of actions regarding gender awareness and gender equality, the LGBT theme, children with special educational needs and children with a vulnerable socio-economic background. New actions are currently under development for the period 2018-2019.

Within the framework of an inclusive and horizontal integration policy, measures are being taken in all Flemish policy areas for the integration of people of foreign origin. These measures are laid down in the **Flemish Horizontal Integration Policy Plan** (Vlaams Horizontaal Integratiebeleidsplan) which will be updated in 2018. In 2017, about 22,000 free civic integration programmes were started, either on a mandatory basis or not. Specifically within the framework of the asylum crisis, additional funds were earmarked for civic integration programmes, participation in pre-primary education, youth welfare, trauma assistance for children in education, housing assistance and psycho-social care, among other things.

In addition to the aforementioned measures, the **following measures** also have a positive effect on training opportunities for disadvantaged groups and in particular people with a migrant background: the implementation of the M-Decree, the organisation of priority in-service training (2017-2018) on the M-Decree, the roll-out of the modernisation of secondary education, the reform of the dual learning scheme, the provision of additional funds for the organisation of 'Dutch as a Second Language' courses in adult education, the extension of the project 'Small Children, Big Opportunities' (Kleine Kinderen, Grote Kansen) which was launched in 2016 and

focuses on teaching future pre-primary teachers how to deal with deprivation and diversity, the roll-out of the new Strategic Literacy Plan 2017-2024 (Strategisch Plan Geletterdheid 2017-2024) with specific focus on certain target groups, the allocation of additional funds for follow-up school coaches who support, guide and monitor OKAN pupils (pupils in reception classes for non-Dutch speaking newcomers) in their transition from the reception classes to mainstream education, and the development of a uniform registration system for vulnerable groups by the higher education institutions.

## 2.3. COUNTRY-SPECIFIC RECOMMENDATION 3

*Foster investment in knowledge-based capital, in particular with measures to increase digital technologies adoption, and innovation diffusion. Increase competition in professional services markets and retail, and enhance market mechanisms in network industries.*

### 2.3.1. Fostering investment in knowledge-based capital

On 30 January 2018, the OECD project “Skills Strategy for Flanders” was started. With this project the OECD for the first time assists a federated state, following 9 countries, in designing a strategic approach for building, maintaining and utilising in-house human capital to promote employment and economic growth and increase social inclusion and participation. Since challenges, such as digitisation, will put skills under great pressure in the future, Flanders will be able to work out a skills strategy across the policy areas, thanks to the OECD.

In 2017, the Government of Flanders adopted **4 Orders on R&D support for businesses**. They encompass support for research (short term), development (long-term) and talent, as well as support for business consortia that engage in interdisciplinary cooperative research (Interdisciplinair Coöperatief Onderzoek/ICON) with knowledge institutes. The **first 2 Orders** will abolish 3 R&D&I support instruments for businesses from 2018 onwards, viz. the SME programme<sup>3</sup>, the Sprint projects and the R&D business support. As of 2018, these 3 programmes will be converted to **two new (adjusted) types of innovation support**, viz. **development projects** for innovative ideas which can change and reinforce the company in the short term, and **research projects** to build knowledge which, in the long term, will lay the foundations for changes within the company. For each of these two support measures an additional bonus of up to 10% (medium-sized companies) or 20% (SMEs) is allocated, and a 10% bonus in case of cooperation between independent companies. The purpose is to develop more targeted and more accessible innovation support so as to have a greater effect on businesses in Flanders. The **third Order** creates a regulatory framework for existing **Baekeland and Innovation mandates**. The **fourth Order** refers to support for **R&D projects for partnerships between companies and research organisations** within a broader context. The content of the supported R&D project differs from traditional R&D business projects, and several provisions have been included to avoid market distortion in keeping with the provisions of the European framework regulation.

In early 2018, the Government of Flanders also adopted a **preliminary draft Order for support to projects of collective research and development and collective knowledge diffusion**. This will constitute the future legal basis for the Order on support to projects for innovation stimulation, technological advice and collective research at the request of Flemish Cooperative Innovation Networks (Vlaams Innovatiesamenwerkingsverband/VIS) which expired in late 2017. On 9 February 2018, the Government of Flanders gave its final approval to the **Order on the subsidisation of incubators** which adjusts the existing Order, inter alia by tightening the

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<sup>3</sup> Until late 2017, the SME programme granted support to either innovation projects or feasibility studies in SMEs.

requirements for the co-management of knowledge institutes and placing focus on the financing of infrastructural investments.

2017 was the first full year of operation of the **new cluster programme** of the Flemish authorities with the start of 4 spearhead clusters and 14 innovative business networks (IBN) that are operational. In June 2017, the Government of Flanders signed **cluster pacts** with spearhead clusters Catalisti (sustainable chemistry), SIM (smart materials) and VIL (logistics) and, in December 2017, with Flux50 (smart energy networks). These pacts are agreements specifying the commitments of the government, the cluster organisation and the cluster members for the next 10 years. In 2018, a 5<sup>th</sup> spearhead cluster, Flanders Food, is started in the agri-food domain. For the **innovative business networks** (IBN) a new call for proposals was published in the autumn of 2017. The project proposals are currently being evaluated.

All these initiatives help improve the diffusion of innovation and lower thresholds for companies. **Digitisation** is another major point of focus. It is part of the **Industry 4.0 action plan** (see also 2.4.1.). Apart from that, digitisation and the development of Internet of Things applications also take centre stage in a whole series of other initiatives. The Flemish policy supporting the **digitisation of companies** is founded on 3 major pillars: (a) delivering high-performance infrastructure which companies and private individuals can use, (b) supporting companies in their digitisation processes and (c) making sure the active population in Flanders has sufficient skills for the digital transformation. With regard to infrastructure, Flanders is working on strong research centres for digitisation and ICT. In late 2016, the Interdisciplinary Institute for Broadband Technology, iMinds, was incorporated into Imec (Interuniversity Micro-Electronics Centre). Following on from this, the Government of Flanders granted the merged institution an additional amount of €29 million for 2017, which means it now receives an annual subsidy of more than €100 million. Digitisation is also an important component for Flanders Make, which receives €15 million extra to establish an additional branch in West Flanders. Some of the newly selected innovative business networks (IBN) have digitisation as one of their areas of action, like for instance Digitising Manufacturing, Green Light Flanders, and Smart Digital Farming.

The **5 new spearhead clusters** also have an important responsibility in supporting the digitisation of companies. Flanders is an active member of the **European Platform of National Initiatives on Digitising Industry** which was set up by the COM in 2017. At the beginning of 2017, Flanders, Imec and the City of Antwerp created a **Smart Cities living lab** where companies, researchers, residents and the city can jointly experiment with smart technologies that may contribute to a more pleasant and more sustainable city life. Via Imec the Flemish authorities annually invest €4 million in this City of Things project and its expansion to the rest of Flanders. This digital innovation increases the city's economic power. Moreover, the insights acquired through the City of Things project can help the city and companies to collect and use data to take effective decisions and design innovative smart applications. The idea is to have the Antwerp Living Lab grow into the largest European living lab for Internet of Things applications. In October 2017, Flanders Innovation & Entrepreneurship (Agentschap Innoveren en Ondernemen/AIO) launched a call (budget of €4 million, with a maximum of €200,000 per allocated project) for proposals within the framework of '**City of Things in each Flemish municipality**' (City of Things in elke Vlaamse gemeente). This gives all the Flemish cities and municipalities the opportunity to submit proposals for Internet of Things. With this project they can gain an understanding of the technology, the needs of users and the business side, with the assistance of Imec. Much attention is paid to an open approach to make sure that applications that are developed in one specific municipality also offer opportunities for applications in

another city. This will cause the number of data connections, partnerships and, ultimately, innovative applications, to grow substantially. The **Smart Flanders project** (budget of €1 million for the period 2017-2019) is also in line with this vision. It is co-managed by Imec and aims to support 13 Flemish cities and the Flemish Community Commission (Vlaamse Gemeenschapscommissie/VGC) in the Brussels-Capital Region in their development towards smart cities. The purpose is to evolve to open and agile smart cities and to meet specific needs (or solve specific problems) by analysing and using large data sets in those cities. Within the Smart Flanders programme Imec works together with cities and other relevant actors on the design of a supported open data charter, 1 to 2 pilot projects per year in which smart city data sets are opened up, a maturity check in terms of smart cities and open data in cities and the VGC (in cooperation with the Flemish Cities Knowledge Centre/Kenniscentrum Vlaamse Steden), access to and the implementation of reference models for Open & Agile Smart Cities (OASC), and the facilitation of the use of the City of Things living lab in Antwerp. Examples of solutions for urban challenges include an optimal parking policy, less traffic jams, the implementation of a sustainable distribution of goods to and from the inner city, air quality improvement, health promotion, etc.

### 2.3.2. Increasing competition (business services and retail)

Following the 6th state reform of 1 July 2014, the competence for the establishment legislation, which regulates access to the pursuit of certain professions, was transferred from the federal government to the regional governments. Apart from the general requirement of **business management basic knowledge** for anyone wanting to manage their own business, 27 **regulated 'craft' professions** come since that date under the EWI policy area within the Flemish public administration. For the 27 regulated professions as well as the business management basic knowledge AIO initiated a thorough evaluation process during which the professional federations concerned were surveyed. The evaluation was carried out in different stages, given its scale and the need for a swift response. The analysis for 16 regulated professions<sup>4</sup> has been completed. It shows that the regulation on these professional qualifications which regulate access to the profession was no longer justified, proportionally expedient or desirable. The Government of Flanders Order of 14 July 2017 (Belgian Official Gazette of 9 August 2017) repeals the **professional qualification requirements** for these **16 regulated professions** as of 1 January 2018. For the other **11 regulated professions**<sup>5</sup>, which all belong to the building sector, the analysis is still ongoing.

The analysis of the business management basic knowledge certificate was completed as well. On 9 March 2018, the Government of Flanders decided that the requirement to hold the **business management basic knowledge certificate to perform self-employed activities, as main or secondary activity**, will no longer apply as of 1 September 2018. In addition, an **action plan to strengthen entrepreneurship competencies** has been adopted, which is to increasingly focus on the continuous development of skills. It builds on existing good practices and offers more targeted training for both starting and established entrepreneurs.

The **new licensing scheme for retail trade**, which will integrate the licence for commercial establishments into the uniform integrated environment permit (see also 2.4.1.), will enter into

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<sup>4</sup> These professions are: butcher wholesale, laundry/dry-cleaning, restaurant owner/caterer, baker/pastry maker, car bodyworker/panel beater/painter, bicycle/moped, repair motor vehicles max. mass < 3,5 ton, repair motor vehicles max. mass > 3,5 ton, slaughterer – pork butcher, chiropodist, hairdresser, aesthetician, massage therapist, optician, dental technician, funeral undertaker.

<sup>5</sup> These professions are: refrigeration contractor, mason, plasterer, tiler, roofer, glazier, joiner/carpenter, painter/decorator, central heating/plumber, electrical equipment/repair/install, building contractor.



effect in 2018. A control system is also built in to assess the impact of the new legislation. The legal basis for the new licensing scheme is a decree which was adopted by the Flemish Parliament in July 2016. The decree has a simplifying effect, since only four main retail trade categories are left, whereas their number previously exceeded 20. In terms of procedures, the integration of the commercial establishment licence into the integrated environment permit also amounts to a simplification (one-stop shop, integrated application). Currently, a **new project** is being prepared to **support retailers in the digital transformation** during the period 2018-2020. The instruments and information on the portal are being updated. This time the focus is on action and implementation and not so much on awareness-raising.

## 2.4. RESPONDING TO INVESTMENT CHALLENGES

### 2.4.1. Continuing to promote the business environment

In late 2017, the Government of Flanders adopted the **joint Flemish-Dutch chemistry strategy** as well as the **trilateral strategy for the chemical industry between Flanders, the Netherlands and North Rhine-Westphalia**. In the spring of 2017, the Government of Flanders took note of the **Concept Memorandum “Initiation Memorandum for the Transition Priority ‘Leaping forward to Industry 4.0’”** (Conceptnota: “Startnota transitieprioriteit ‘De sprong maken naar Industrie 4.0’”) and the **Concept Memorandum “Initiation Memorandum for the Transition Priority ‘Going ahead with the Transition to a Circular Economy’”** (Conceptnota: “Startnota transitieprioriteit ‘De transitie naar de circulaire economie doorzetten’”) (see also 2.4.3.). These memorandums define specific steps for moving forward, including how to manage the transitions. With regard to **Industry 4.0**, the action plan consists of 5 main lines: 1) Maintaining a platform which disseminates information on Industry 4.0 and raises awareness; 2) reinforcing the knowledge base; 3) speeding up the application by offering targeted support to entrepreneurs, depending on their familiarity with and involvement in the transition; 4) promoting good environmental conditions; 5) supporting international cooperation, mainly at European level. In 2017, activities were started for all these topics. Within the context of the third item, 2 calls for projects were launched, one on living labs in Industry 4.0 and the other on support for transitions in the cluster domains. Moreover, a number of projects were initiated which were oriented on specific focus groups, such as retail trade, and concentrated on digitisation (e-commerce). The new Flemish cluster policy increases and improves innovation diffusion among actors and companies. In February 2018, **7 living lab projects** will be presented at Imec within the framework of **Industry 4.0**. They will be launched from 2018 onwards. Several strategic research centres and spearhead clusters participate in these projects as well. One example of such a project is the ‘Living Lab Industry 4.0 for Agri-food’, involving Flanders Food and the Institute for Agricultural, Fisheries and Food Research (Instituut voor Landbouw-, Visserij- en Voedingsonderzoek/ILVO).

With regard to **access to financing** as well existing initiatives are continued or new ones will be embarked on. In 2016, the Flanders Holding Company (PMV) launched the new brand PMV-Z (Flanders Holding Company for the Self-employed/ParticipatieMaatschappij Vlaanderen voor zelfstandige ondernemers) which offers a ‘customised standard solution’ and pools a number of financing instruments: the Start-up Loan+, SME co-financing, the Guarantee Regulation and the Win-Win Loan. For 2017 the results were as follows: 131 start-up loans were taken out for an average amount of €47,875 (total investment amount of €6.3 million), 117 SME co-financing operations were approved with an average allocated amount of €195,077 (total investment amount of €22.8 million), and a record amount of €260.9 million was allocated under the Guarantee Regulation in 1.944 commitments. For each euro of guarantee a €2.4 investment was realised in 2017. Under the Win-Win Loan scheme 2,555 loans were registered for a total financing amount of €60.3 million. In 2017, it was decided that the PMV and Flanders’ public

radio and television broadcaster (Vlaamse Radio- en Televisieomroeporganisatie/VRT) will set up a joint venture to invest in the growth of promising enterprises that are active in the Flemish media sector, with the purpose of further professionalising and internationalising the media ecosystem. The new initiative will offer a combination of financing and investment resources that are tailored to the company's needs, viz. capital participations or loans (either subordinated and/or convertible or not) or a combination of both. The authorised capital of the joint venture is fixed at €10 million, committed in equal proportion by PMV and the VRT.

As for **international entrepreneurship**, it is of vital importance to further internationalise and reinforce the competitiveness of Flanders' economy. On 25 December 2016, the Government of Flanders took note of a joint multi-annual internationalisation strategy for Flanders' economy for the period 2017-2021. **Flanders Accelerates! (Vlaanderen versnelt!)**, which is the internationalisation strategy of the Flemish economy, aims to have more Flemish companies export and strengthen Flanders' position as operating base for foreign investors. This is to arm Flanders' economy against the growing competition and groom Flemish companies for future challenges. An additional amount of €1.7 million is appropriated for the internationalisation of the Flemish economy, which takes **Vlaanderen versnelt!** up to cruising speed in 2018. These extra funds originate from the European Regional Development Fund (ERDF) and the Flemish Hermes Fund.

Continued efforts are also made to **reduce administrative barriers**, including the issuing of licences. Simplified, sound instruments remain a priority for the Government of Flanders. On 23 February 2017, the Flemish authorities, the provinces and a couple of municipalities started to apply the **integrated environment permit**. All the other municipalities followed their example as of 1 January 2018. The integrated environment permit replaces and combines the town planning permit, the land division permit and the environmental permit. Applications are submitted to a one-stop shop, viz. the Environment Desk (Omgevingsloket), which has been operational since 1 January 2018. After that, one public consultation and one advisory round are organised. The environmental permit of limited duration is changed into an environment permit of unlimited duration. This allows the permit holder to make corporate investments without having to take account of the permit expiry date. However, the public consultation and the protection of man and the environment continue to be guaranteed.

On 9 March 2018, the Government of Flanders adopted the **draft Governance Decree** (Bestuursdecreet) which constitutes the legal framework for a more open and agile government in Flanders. One of the main new elements in the Governance Decree is the fact that each new administrative procedure, e.g. the application of subsidies or licences, will be submitted to the Flemish authorities by digital means from the very start onwards. An analogue variant will still be in place as well.

Finally, the Spatial Policy Plan Flanders (Beleidsplan Ruimte Vlaanderen) (see also 3.4.3.) encompasses investments in logistic developments and makes sure that functional industrial sites offer suitable space to companies, which also promotes the business climate.

#### 2.4.2. Investments in energy infrastructure and smart grids

On 19 May 2017, the Government of Flanders adopted the concept memorandum **Energy Vision Flanders 2030-2050** (Vlaamse Energievisie 2030-2050) and on 30 June 2017 it approved the initiation memorandum 'Realising an Energy Transition' (Zorgen voor een Energietransitie). These documents serve as guidelines for new policy and investment decisions regarding energy and are oriented to the following priority areas: increasing energy efficiency, promoting renewable energy production, developing a flexible energy system, financing the energy transition, and designing a smart innovation strategy. In Flanders the energy transition is being



rolled out through the project 'Stroomversnelling' (literally translated as Rapids). Apart from that, an Interfederal Energy Pact is being negotiated. In this pact agreements will be made between the three regional governments and the federal government on the strategic long-term choices for our energy system, including the nuclear power phaseout.

The Flemish authorities have been investing for years in improving energy efficiency (see also 3.4.3.) and stimulating renewable energy production, in line with priorities from the Renovation Programme 2020, the Renovation Pact and the Energy Plan 2020 (6 October 2017). However, to facilitate the energy transition, a **smart energy system** is required as well. The digital meter for electricity and gas is the next big step in the transition. In February 2017, the Government of Flanders adopted a concept memorandum which initiates the **large-scale introduction of digital meters from 2019** onwards. A regulatory framework for allowing and fostering greater flexibility in the energy system is under preparation as well.

In addition, the Government of Flanders has laid down a regulatory framework in the Energy Decree for the implementation of **heat and cooling networks** to stimulate investments in this area.

Cooperation with all the stakeholders is essential to realise the aforementioned targets. For this reason, a cluster pact was concluded in December 2017 between the government and companies from the energy sector, pooled together in the **spearhead cluster Energy (Flux50)**. In this cluster pact the parties concerned (Flux50, Government of Flanders, Flanders Innovation & Entrepreneurship (VLAIO) and Flemish Energy Agency (Vlaams Energieagentschap/VEA)) commit to reinforcing each other whenever needs and opportunities occur. Through concrete projects, businesses, knowledge institutes and (local) authorities will work together innovatively in the coming years with the purpose of generating maximum added value and identifying and removing obstacles to the energy transition.

Citizens are actively involved as well. Via an online platform, consisting of a representative sample of the population, it was inquired in late 2017 after a focus for local energy policy as lever for the energy transition.

To enhance **support for the local energy policy**, citizens will be challenged by the Flemish authorities in the course of 2018 to take action themselves and help invest in the design and practical implementation of local energy efficiency projects and the further development of renewable energy production. Citizens will be encouraged to work together at the local level to shape the energy transition and its investments from the bottom up. On 16 March 2018, the Government of Flanders decided to grant a budget of €6.5 million for the realisation of local energy projects linked to the citizen challenges within the framework of 'Stroomversnelling' via transfers from the Flemish Climate Fund to the Energy Fund.

#### 2.4.3. Circular economy and efficient use of resources

**Circular Flanders (Vlaanderen Circulair)** is the partnership of governments, businesses, civil society and the knowledge community taking joint action for a circular economy in Flanders. It establishes smart links between the different relevant policy themes and gives effect to the Vision 2050 and the Circular Economy Package of the COM. Closing materials cycles takes centre stage in this and responses are looked for to the (future) challenge of scarcity of materials, food, water, space and energy, and to a contribution to the Flemish Climate Policy.

In late February 2017, the Government of Flanders adopted the initiation memorandum of Circular Flanders. In 2017 and 2018, the key focus is on a proactive commitment to Circular City, Circular Purchasing (in accordance with the innovative public procurement programme) and Circular Entrepreneurship and on a demand-led approach for the themes that are prioritised by external stakeholders. Road maps are being developed for each of these themes. With regard to

**Circular Purchasing**, a **Green Deal** was initiated in June 2017, involving 86 purchasing and 47 supporting organisations. In 2017, €4.8 million was earmarked for the financing of circular economy projects in Flanders. Two project calls resulted in the selection of 63 projects which have meanwhile started. Also in 2018, the Government of Flanders will be releasing €5.3 million for the financing of additional projects.

In 2017, the competent Flemish Minister made €5.6 million available for circular economy projects within the spearhead clusters (see also 2.3.1.). To that end, AIO launched an open call 'transition priorities within the spearhead clusters' (transitieprioriteiten binnen de speerpuntclusters) which continued in 2018. A total of 7 project proposals were submitted. For the clusters Flanders Food, SIM and Catalisti, respectively 1, 3 and 2 project proposals were declared eligible by the Hermes decision-making committee on 14 December 2017.

A new **research support centre on circular economy** has been established. In 2018, this will lay the foundations for a new set of indicators for the circular economy. Also, social and economic effects will be mapped on the basis of cases.

To develop **new spatial practices** for the circular economy, it is examined what a circular approach can actually mean for the (re)development of areas. Within several area development projects, such as the territorial development programmes (Territoriaal OntwikkelingsProgramma/T.OP) Limburg, Kustzone and Noordrand, the Flemish authorities stimulate the practical continued effect of the principles of circular economy in spatial structure plans, action programmes and/or working areas.

With the **Spatial Policy Plan Flanders** the Government of Flanders seeks to transform the spatial organisation. Today's low densities and urban sprawl cause structural costs for society, such as higher energy consumption, climate sensitivity and congestion. Hard space functions, like living, working or facilities, are given as much room as possible within the existing occupied space, and the open space is safeguarded to the highest possible extent. The strategic objective is to systematically reduce the average additional daily occupied space to 0 ha/day by 2040, with a decrease from 6 to 3 ha/day by 2025 as intermediate objective. The urban densification operation is to be tailored to local situations. Improving the quality of life and increasing climate resilience, for instance by providing a green-blue network and reducing soil sealing, are key priorities. By eliminating regulatory barriers, investments in urban densification are promoted.

The Government of Flanders has decided in favour of developing new housing units and workplaces around collective transport nodes and in places with an existing concentration of facilities. This will allow the air quality to improve and greenhouse gas emissions to be reduced. The residential density and the business surface area will, in places with a (very) good node value as well as a (very) good level of facilities, have increased by 28.4% by 2050 compared to 2015. This will have a beneficial effect on the business environment.

The Government of Flanders has taken several legislative initiatives to set the transformation in motion. The **modified Flemish Spatial Planning Codex** (Vlaamse Codex Ruimtelijke Ordening) has been in force since 30 December 2017 and contains measures which foster the urban densification operation. The codex encompasses, among other things, a new subsidy scheme for urban densification projects (spatial incentive projects) and simplified procedures for the abolishment of outdated rules that hamper parcelling. On 12 January 2018, the Government also gave its approval in principle to the Instruments Decree to provide governments and other actors with instruments to implement their spatial projects.

On the basis of existing legislation, the circular '**A differentiated spatial transformation policy in built-up and unbuilt areas**' (Een gedifferentieerd ruimtelijk transformatiebeleid in de bebouwde

en onbebouwde gebieden) lays the foundations for promoting spatial efficiency within built-up areas and for safeguarding open space in unbuilt areas.

The Policy Plan encompasses investments in logistic developments and makes sure that functional industrial sites offer suitable space to companies. The spatial policy also helps reduce energy demand to a minimum, maximise energy efficiency, create an efficient energy system and increase the share of renewable energy. The neutrality in use eliminates barriers and facilitates investments in renewable energy (see also 2.4.2.).

#### 2.4.4. Investment in transport infrastructure

The Flemish authorities address the growing mobility demand and congestion problem by investing more than ever in **(multimodal) transport infrastructure**. For this purpose, the Government of Flanders earmarks the record amount of €5.8 billion for investments across the different transport modes (2017-2019, excluding Oosterweel), of which €1.5 billion will be spent in 2018. An integrated multimodal approach is taken to the main infrastructural nodes like Brussels and Antwerp.

**Investments in road infrastructure** are rising by 37% to €2.7 billion (2017-2019), €652 million of which will be spent in 2018 (excl. Oosterweel). In the first instance, the large road infrastructure projects around Antwerp (Oosterweel project) and Brussels (Ring Road 'R0') are focused on, since these two routes account for more than half of the hours of traffic jams within the Flemish Region. On 8 February 2018, the first works for the Oosterweel project started with the construction of a P&R on the Left Bank (Linkeroever). The planning, licensing and procurement procedures for the tunnel under the Scheldt and the works on the Right Bank (Rechteroever) are continued in 2018. The works for the optimisation of the Brussels Ring Road (R0) are scheduled to begin in 2019. In addition to the works to the ring road itself, substantial investments are already being made in 2018 in public transport and in cycling infrastructure in the northern periphery of Brussels (see below). In addition, 32 'large-scale project sites' will be put in place along the motorways to guarantee smoother and safer traffic.

The share of **inland navigation** in relation to the total freight transport within Flanders is growing each year. In 2017, the inland waterways in Flanders reported a real record year totalling over 72 million tonnes of transported goods, which is a 6.5% increase compared to 2016. Between 2017 and 2019, the Flemish authorities will be investing €2.25 billion in Flanders' inland waterways network. This is an increase in budget of 17.5%, €280 million of which will be spent in 2018. Investments will relate, among other things, to the modernisation and further expansion of the waterways and to the promotion of inland navigation as an alternative mode of transport. In 2018, major investments will be made in a number of ongoing inland waterway projects, including the Terneuzen Lock (€59.5 million), the Seine-Scheldt connection (€48.6 million) and the upgrading of the Albert Canal (€40 million). Moreover, the merger of Flanders' two waterway managers into De Vlaamse Waterweg nv will result in an even more efficient management of the inland waterways in Flanders. The Flemish authorities aim to raise the share of inland navigation in total freight transport from 15% to 20% by 2030.

**Public transport** investments will amount to €816 million for the period 2017-2019, which is a 43% increase. Within the framework of the Brussels Ring Road project, investments are made in the construction of three tram(bus) lines in the northern periphery of Brussels (Brabantnet), which will make NATO and Zaventem airport, amongst others, more accessible. In cooperation with the road managers, the Flemish Public Transport Company - De Lijn continues to make sustained and substantial investments to improve the quality of the traffic flow. The transition

will be made from basic mobility to basic accessibility, with direct focus on travellers and their environment.

The Flemish Region also invests in safe and reliable **cycling infrastructure** as a valid alternative for both leisure and commuter traffic. The investment budget is raised to €300 million in the period 2017-2019. In 2018, €110 million will be spent on cycling infrastructure, which is a 25% increase compared to 2014. Apart from the roll-out of three bicycle highways between the Vlaamse Rand and Brussels, investments will be made in numerous cycling projects along regional roads. In addition, the Flemish authorities encourage cities and municipalities, via the Cycling Fund (Fietsfonds), to invest more in local cycling infrastructure.

To facilitate the modal shift between the different modes of transport, €100 million is invested in **multimodal transfer points** where people can easily switch from one mode to another.

To further shape the multimodal transport policy, the Flemish authorities are working on a **new mobility plan for Flanders**. This Mobility Plan Flanders (Mobiliteitsplan Vlaanderen) will set out the main lines for implementing sustainable mobility in the short term (2030), building on the mobility vision from the long-term strategy for Flanders 2050. Attention will be devoted to coherence with the Spatial Policy Plan Flanders and the Flemish Climate Plan (Vlaams Klimaatplan). The mission of the mobility plan is to realise a sustainable, safe, intelligent and multimodal mobility and logistics system, with maximum support for the functioning of society and the economy. To achieve this ambition 5 thematic pillars for the future mobility policy are put forward: smart, robust, safe and environmentally friendly transport networks, a multimodal integrated transport system, innovation, cooperation, and the promotion of a change in behaviour.

The further development of the current kilometre charge for trucks into a **global system of road charging for all motorised traffic** will be **further looked into**. In July 2017, an initial study was completed into the steps to be taken to implement such a system and build social support for this measure. An in-depth study into the opportunities and terms and conditions (rate, network, etc.) of road charging for light vehicles is scheduled to start in June 2018. On the basis of the key study results which are expected in March 2019, a decision will be made on the follow-up measures.

#### 2.4.5. Investment in school infrastructure

On the basis of a multi-annual planning, **capacity resources** totalling €150 million have been allocated for the period 2016-2018 (€50 million per year). These resources have been divided between capacity projects which were highlighted as priorities by local task forces. The resources were used to create 11,213 additional places in pre-primary and primary education and 1,933 additional places in secondary education.

Flanders also embarked on a large-scale catch-up operation for school infrastructure via alternative financing, better known as **DBFM<sup>6</sup> (Design, Build, Finance and Maintain)**.

The DBFM programme '**Schools of Tomorrow**' (Scholen van Morgen), a public-private partnership (PPP), encompasses 182 school construction projects which account for 200 school buildings with a total gross building surface area of around 710,000m<sup>2</sup> for more than 133,000 pupils, across all the educational networks. The programme is well into the implementation phase with

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<sup>6</sup> DBFM is a PPP in which a DBFM company is responsible for the design, construction, 30-year owner maintenance and financing 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 Flemish authorities through AGION. After the 30-year period, the school infrastructure is transferred to the governing body free of charge.

152 projects completed and put into operation so far, together representing new school infrastructure for more than 105,000 pupils. On 5 March 2017, a **new DBFM call** was launched among school boards for an investment value of €300 million. This amount was raised to €550 million in the autumn agreement of the Government of Flanders. 52 applications were submitted and 41 schools have been selected to realise their building project. This means that additional new school buildings will be constructed for a total surface area of 250,000m<sup>2</sup>.

Apart from regular subsidies and DBFM projects the option of **rent subsidies** also exists. In late 2017, a second round was organised for the allocation of rent subsidies to schools. For this purpose, €3 million is annually invested in schools of publicly funded education. These rent subsidies allow schools to increase their capacity or renovate their buildings. For the first call in 2017, 35 projects were approved which represent an annual rent subsidy of almost €3 million and benefit 9,775 pupils.

#### 2.4.6. Investment in welfare infrastructure

Following the 6<sup>th</sup> state reform, the subsidisation of hospital infrastructure is no longer a shared competence. In the course of 2017, Flanders has implemented a new financing system for hospital infrastructure. The introduction of a maintenance lump sum within this framework enables hospitals to maintain the quality of existing infrastructure through maintenance investments. This financing scheme provides a strategic lump sum for new constructions, the expansion of existing capacity and reconditioning investments.

Following on from the introduction of personal funding for people with disabilities, the **funding scheme for their joint infrastructure was adjusted** as well so that targeted investments for this target group remain possible. Next to these new financing methods, an **extra €100 million is invested in welfare infrastructure each year**.

## PART 3. IMPLEMENTATION OF FLANDERS' EUROPE 2020 TARGETS

### 3.0. INTRODUCTION

Below (3.1 through 3.5), a state of play is given of Flanders' progress in meeting its Europe 2020 targets and of the measures it is implementing. A lot of the measures that are taken in response to the Europe 2020 education targets (mainly relating to employment rate and education) were already discussed in Part 2. In paragraph 3.6 the state of play regarding the European Social Scoreboard has been included for the first time.

### 3.1. EMPLOYMENT RATE

#### 3.1.1. State of play

In the aftermath of the 2008 economic crisis, employment in Flanders grew at the same rate as the population, which caused the employment rate (20 to 64 age group) to stagnate at 72% for years on end. In 2017, employment picked up much faster again for the first time and the **employment rate (age group 20 to 64)** rose to 72.8% in the third quarter. The economic prospects for 2018 suggest that this trend will continue. Flanders' employment rate of 72% in 2016 thus remains higher than the European average of 71% in 2016, but is still several percentage points removed from the target of 76% by 2020. Even when expressing the employment rate in full-time equivalents, Flanders scores 68.8% in 2016, which still exceeds the European average of 67.2%.

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

Over the past years, especially the **employment rates of over-50s and over-55s** have grown significantly. As a result, Flanders will probably still meet its targets in this field before the 2020 deadline. Research carried out by the Centre of Expertise for Labour Market Monitoring (Steunpunt Werk) estimates that demographic effects and changing exit behaviour among over-55s account for one quarter of this progress and employment growth and end-of-career policies for three quarters. However, Flanders is still lagging behind the European average, which means the rising trend will have to be sustained post-2020 as well.

A higher **employment rate** was also achieved **among women**, with Flanders scoring well above the European average of 65.3% with 67.7% in 2016, as well as among persons of non-EU nationality. Still, among the latter group and among persons born outside the EU, Flanders clearly still remains behind the European average and the set targets.

In 2016, the employment rate among **people with a work-limiting disability** suddenly dropped after having gradually increased for several years. The cause is unclear and we await the results of LFS 2017 to see whether this represents a trend or a survey fluctuation.

Flanders also records a falling employment rate among **15 to 24-year-olds**, mainly because of the increasing level of education. When not including students, the employment rate among young people in Flanders turns out to amply surpass the EU average.



Sub-indicators Employment rate Disadvantaged groups	2008	2009	2010	2011	2012	2013	2014	2015	2016	2020 target	Distance (+ position EU-28)
Age group 15-24 (%) <sup>7</sup>	31.7	28.6	28.8	29.4	28.1	27.7	27.0	27.9	27.0	/	18 out of 28 (in 2016)
Age group 50-64 (%)	49.1	50.9	53.1	53.6	54.6	56.5	57.5	58.1	59.1	60	0.9 pp 19 out of 28 (in 2016)
Age group 55-64 (%)	34.3	35.8	38.2	38.9	40.5	42.9	44.3	45.6	46.7	50	3.3 pp 21 out of 28 (in 2016)
Women (20-64) (%)	66.1	65.7	66.7	66.4	66.2	66.9	67.6	68.2	67.7	75	7.3 pp 12 out of 28 (in 2016)
Men (20-64) <sup>8</sup>	78.3	77.2	77.4	77.0	76.7	76.8	76.2	75.6	76.3	/	14 out of 28 (in 2016)
Non-EU nationality (20-64) (%)	47.2	47.0	44.4	46.3	42.7	46.4	44.6	48.7	46.0	58	12 pp 21 out of 26 (in 2015)
Born outside the EU (20-64) (%)	56.3	53.4	53.4	53.0	51.8	54.9	53.3	53.7	53.0	64	11 pp 26 out of 28 (in 2016)
With work- limiting disability (20-64) (%)	-	37.5	33.5	38.6	38.7	40.4	42.7	43.1	41.0	43	2 pp (no comparative data available)

The Social and Economic Council of Flanders (Sociaal-Economische Raad van Vlaanderen/SERV) measures the **workability rate** in Flanders every three years. This workability rate is the result of the combination of four indicators: psychological fatigue (work stress), well-being at work (motivation), learning possibilities (opportunities to keep pace and develop competencies) and work-personal life balance (combination of work and family and social life). The results measured in 2016 show that the workability rate in Flanders has fallen. In concrete terms, the workability rate amounted to 51%, which means that approximately half of the Flemish employees and self-employed entrepreneurs have a workable job or did not experience any of the measured workability risks as problematic in their job. Reversely, this means that one in two workers is faced with one or more workability issues. 'Work stress' is in most urgent need of attention in this respect. A systematic improvement is only recorded for the indicator 'learning possibilities'. Given these workability results, the social partners in Flanders decided to jointly put their weight behind an **Action Plan for Workable Work** (Actieplan werkbaar werk), which encompasses 32 actions that intervene at organisational level or are intended to support and reinforce individuals.

In 2016, participation in **lifelong learning** in Flanders - as measured in the 4 weeks prior to the survey - was 7.1%. This is a slight increase compared to the year before, but just below the European average. Flanders' target of achieving 15% in 2020 seems out of reach. For this reason, the Government of Flanders concluded an agreement with the Flemish social partners on a reform of the Flemish training incentives (see also 2.2.9.), included lifelong learning as one of the seven crucial transitions to be realised by Flanders in its long-term strategy 'Vision 2050' (Visie 2050), and launched the **Skills Strategy project** (see also 2.3.1.) together with the OECD.

### 3.1.2. Measures

The measures taken to increase the employment rate were explained earlier under 2.2.1 through 2.2.5.

<sup>7</sup> When considering young people (aged 15 to 24), not including students, Flanders scores 76%, whereas the EU average is 63.5%.

<sup>8</sup> Is not a disadvantaged group. The employment rate among men was included in the table because it offers an additional understanding of the general employment rate (age group 20-64). In the period 2008-2016, the employment rate among women increased slightly, whereas the rate among men dropped.



## 3.2. EDUCATION

### 3.2.1. Background

The share of early school leavers in Flanders ended at 6.8% in 2016. Although this rate is further decreasing, Flanders' Europe 2020 target of 5.2% has not yet been reached. Still, Flanders is well below the EU target of 10%. As for the share of 30 to 34-year-olds having completed higher education, Flanders scored 47.3% in 2016. This means the EU target of 40% is met, whereas Flanders' target of 47.8% is within reach.

Key indicators	2008	2009	2010	2011	2012	2013	2014	2015	2016	2020 target	Distance (+ position EU-28)
Early school leavers (%)	8.6	8.6	9.6	9.6	8.7	7.5	7	7.2	6.8	5.2	1.6 pp <i>9 out of 28 (in 2016)</i>
30 to 34-year-olds having completed higher education (%)	43.6	43.1	45	42.3	45.3	44.1	44.8	43.2	47.3	47.8	0.5 pp <i>9 out of 28 (in 2016)</i>

### 3.2.2. Measures

#### Early school leaving

The **pupil guidance system** (see also 2.2.8.) system is being reformed with the purpose of tackling several phenomena underlying early school leaving, such as school failure, wrong choice of study, lack of motivation, educational delay and truancy. The reform will enable even more young people than today to leave secondary education with qualifications. The **Action Plan 'Together against Early School Leaving'** (Actieplan 'Samen tegen Schooluitval') is being further rolled out as well. The plan contains more than 50 actions regarding learning entitlement, truancy and early school leaving. Thirty actions were already completed, the rest is still ongoing.

The implementation of the **secondary education modernisation** in the school year 2019-2020 is being further prepared. Elements such as the introduction of basic literacy, differentiation and more transitional opportunities from the B flow to the A flow reinforce the orientation function of the first stage. The new, more transparent and simplified subdivision of the study programmes offered in the second and third stages and the possibility to establish subject-based and campus schools are beneficial for the process of study choice and study orientation.

The **dual learning system** (see also 2.2.7.) in Flanders is further developed as a fully-fledged pathway leading to qualifications next to full-time secondary education. The new system is to encourage pupils to make a positive and deliberate choice for technical and vocational secondary education. This will help curtail phenomena like truancy, lack of motivation and wrong study choice. Cooperation between the education and work sectors is extremely important here.

The reform of the **adult education** sector provides for a financing scheme which, more than is the case today, focuses on vulnerable groups (see also 2.2.8.) and on obtaining a secondary education diploma or a certificate. In this respect the reform is an important compensation measure in the context of early school leaving.

In 2018, Flanders will earmark additional operating budget for pre-primary education. Combined with the action plan for participation in pre-primary education (see also 2.2.9.) this will **strengthen pre-primary education** in Flanders. Since insufficient participation in pre-primary education may result in early school leaving, these measures help reduce the share of pupils leaving secondary education without any qualifications.

One of the strategic goals of the new **Strategic Literacy Plan 2017-2024** (Strategisch Plan Geletterdheid 2017-2024) is to significantly boost the number of young people leaving secondary education with sufficient literacy competencies, so as to enable them to function and participate in society independently, develop on a personal level and continue to learn.

Tertiary education attainment

Both the access to and the quality of higher education remain priorities for the Government of Flanders.

Flanders also continues its efforts to establish **higher vocational education** (hoger beroepsonderwijs/HBO5) as a fully-fledged component of higher education. A more strongly developed HBO5 will attract pupils who currently do not yet find their way to tertiary education, and will contribute as such to the further democratisation of higher education in Flanders.

In 2017, the orientation test **Columbus** was made available to all schools in Flanders. Since April 2017, all pupils in the final year of secondary education receive general feedback on their study choice options in higher education following their participation in the test. Up to and including 2019 an annual subsidy of €200,000 is granted to a team of experts who will further develop the instrument and fine-tune the feedback module. Since the school year 2017-2018, the generic institution-neutral **entry tests** for integrated teacher training programmes are mandatory. These tests were introduced with the purpose of increasing the inflow in teacher training programmes and reducing the drop-out rates. From 2018-2019 onwards, non-binding entrance examinations will also be mandatory for the university programmes ‘civil engineer’ and ‘civil engineer/architect’.

In the 2018 financial year the **operating budget 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) is applied, which means that the budget will grow by almost €25 million. An additional increase by €14.5 million is provided for the implementation of the Integration Decree (2013). A larger operating budget for university colleges and universities may have a beneficial effect on the number of students attracted to higher education.

**3.3. RESEARCH AND DEVELOPMENT (R&D)**

3.3.1. Background

According to the latest figures (Eurostat), the **R&D intensity** of Flanders (Flemish Region) is 2.67% (2015), which is the highest rate ever. Upon the launch of the Europe 2020 Strategy in 2010 Flanders scored 2.20%. The gross domestic expenditure on R&D (the sum of R&D expenditure of companies + governments + higher education institutions + non-profitmaking organisations) in Flanders amounted to €6.472 billion in 2015.

Key indicator	2009	2010	2011	2012	2013	2014	2015	2020 target	Distance (+ position EU-28)
Gross domestic expenditure R&D (%)	2.06	2.20	2.31	2.48	2.54	2.58	2.67	3	0.33 pp <i>6 out of 28 (in 2015)</i>
(in million euros)	4,149	4,641	5,088	5,676	5,827	6,074	<b>6,472</b>		

3.3.2. Measures

The science and innovation budget for 2017 equals €2.435 billion, of which €1.565 billion is earmarked for R&D. In 2017, the Flemish authorities spent an **additional (recurring) budget** of €160.3 million on R&D&I and made another **(one-off) investment** of €39.1 million in R&D&I, of which €30.8 million for a new Tier 1 supercomputer (already the third one). The largest amounts of the (recurring) increase in 2017 were spent on the new cluster policy (€35 million), Imec (€29 million) and mandates/projects at the Research Foundation - Flanders (Fonds voor

Wetenschappelijk Onderzoek/FWO) (€27.5 million). In 2018, €115 million is appropriated for new policy in the EWI domain. In the 2018 budget preparation, the provision for investments in R&D and the business community of €100 million was increased by €15 million following an adjustment of the 2017 budget. One-off investment funds totalling €115 million were thus set aside for EWI. Part of this has already been invested in economic measures. The rest of this €115 million has been entered as a one-off investment provision of €89.820 million, part of which will be invested in R&D&I.

On 8 November 2017, the Flemish Parliament adopted the **amendment to the Decree on the organisation and financing of science and innovation policy in Flanders**. The Government of Flanders ratified the Decree and promulgated it on 17 November 2017. The amendments to the Decree further adjusted and fine-tuned a number of regulations for the organisation of the innovation policy and provided for the amalgamation of the 5 innovation centres in the Flemish provinces into one single structure, the **vzw Team Bedrijfstrajecten (Inpo Team 'Business Tracks')**. This will be a general access portal for questions from entrepreneurs to the Flemish authorities and for specific questions on the government instruments oriented to businesses.

Following the adaptations to the organisation of the support bodies in the EWI area in 2015-2016, a couple of support instruments were revised and adjusted as well in 2016-2017. As indicated earlier (see also 2.3.1.), the Government of Flanders adopted **4 relevant Orders on R&D&I support for businesses** in 2017. They contain updated and adjusted requirements for R&D&I support and align these requirements with EU rules, in particular with regard to state aid. Partly as a result of this, the R&D business support, the SME programme and the Sprint programme have been abolished since 2018 and AIO is launching **2 new support instruments**: research projects (long term) and development projects (short term). In early 2018, the Government of Flanders also adopted a **preliminary draft Order for support to projects of collective research and development and collective knowledge diffusion**.

On 9 February 2018, the Government of Flanders gave its final approval to the Order on the **subsidisation of incubators**, which amends the 2014 Order. This Order required a geographical or thematic link between the incubator and a knowledge institute, which was not always clear, however. For this reason and because similar initiatives are initiated on the private market, the subsidy Order has been modified in that the focus of financing is shifted to incubators which are in need of large infrastructural investments. The specific infrastructure is better specified and the requirements in terms of co-management of the knowledge institutes are tightened. The option of subsidising management costs is abolished.

In early 2018, the Government of Flanders also adopted a regulatory framework for the **financing of and/or participation in international research infrastructures** by institutions in Flanders. Until now, this had been divided among 3 types of projects: research infrastructures linked to international partnerships, including the European Strategy Forum on Research Infrastructures (ESFRI), participation in so-called Big Science projects, and other participations in international research infrastructures. The Order groups, streamlines, updates and lays the structural foundations for the three previous support instruments and outlines a work method by means of calls for the selection of researchers from Flemish institutes for participation in European and pan-European research infrastructures on the one hand, and the financing of one-off and structural costs on the other.

Other main points of focus include the reinforcement of **marine science research and the Blue Growth strategy**. The research centre at Plassendale (Ostend) will be equipped with a towing tank, a ship simulator and a wave basin (coastal and ocean basin), which amounts to a total

investment of €30.8 million. In late 2018, the wave tank (tests for waves, currents and wind) must be completed. In late 2017, the Government of Flanders decided to allocate €2 million for its exploitation in the period 2018-2022 through the Gen4Wave action plan. The towing tank of 174 metres will be completed after 2018. In addition, the Government of Flanders committed €3 million for the Marine Robotics Centre at the Flanders Marine Institute (Vlaams Instituut voor de Zee/VLIZ) for the purchase of 2 unique, autonomously moving robots (an autonomous underwater robot and an unmanned surface vehicle) which can perform detailed observations and take samples to a depth of 1,000 metres.

To promote **innovation for clean technology**, the organisation iCleantech Flanders was established in late 2012. As of 2018, this organisation will be integrated into the Flemish Institute for Technological Research (Vlaamse Instelling voor Technologisch Onderzoek/VITO), which is to produce more synergy for the development of clean technologies in Flanders and generate greater capacity. The Flanders Knowledge Centre Water (Vlaams Kenniscentrum Water/Vlakwa) also comes under VITO.

The Government of Flanders has **renewed or extended its support agreements with several research organisations**. The current agreement with the **Institute of Tropical Medicine Antwerp** (Instituut voor Tropische Geneeskunde/ITG) for the period 2013-2018, for instance, has been extended by one more year. In late 2017, a draft covenant with the **RVO** (Roger Van Overstraeten) **Society** was adopted for the period 2018-2022. This is a network organisation that builds bridges between innovation and education and training. It translates advancements in science and technology and the societal relevance thereof into educative projects for education and leisure time and into initiatives for the general public. Multi-annual support agreements have also been concluded with the public observatories (Volkssterrenwachten) for the period 2018-2022 within the framework of science outreach efforts. In February, new five-year management agreements were entered into with **Imec** (nanotechnology research centre) and the **Flanders Institute for Biotechnology** (Vlaamse Instelling voor Biotechnologie/VIB). In December it was decided to conclude a new management agreement for 2018-2022 with **Flanders Make**, which received €15 million for the establishment of an additional branch in West Flanders. This should help improve the diffusion of innovation.

In late 2017, a call was launched for project proposals for **Citizen Science**. This allows citizens to participate in scientific projects, irrespective of their backgrounds. Projects are submitted by researchers at universities, university colleges and research institutes, preferably in partnership with actors working in the STEM and science communication policy areas. The projects are expected to close the gap between researchers and citizens and society in general while devoting special attention to the challenges in the STEM choice of study and profession.

On 22 December 2017, the Government of Flanders decided to invest €30 million in a new **TIER 1 supercomputer** and in the extension of existing computing infrastructure. These investments fit within the TIER 1 Programme 2018-2022 'Supercomputing as a service' of the Flemish Supercomputer Centre (Vlaams Supercomputer Centrum/VSC). The VSC is a virtual centre for both academics and industry which is managed by FWO, in cooperation with the five Flemish university associations. In the future, the VSC wants to offer more services via a TIER 1 supercomputing platform consisting of 3 components: high performance computing (HPC), storage and cloud. MUK and BrENIAC are used for the storage of large data sets and the cloud component, and the new TIER 1 supercomputer is used for high performance computing (HPC).

In late 2016, the **Innovative Procurement Programme** (Programma Innovatieve Overheidsopdrachten/PIO) was adopted by the Government of Flanders. After two calls for

project proposals some 30 projects have now been selected for support and co-financing, if necessary. A large number of projects centre around innovative digitisation projects in the Flemish public sector.

### 3.4. CLIMATE AND ENERGY

#### 3.4.1. Background

As far as the Europe 2020 targets for climate and energy are concerned, Flanders continues to be faced with great challenges. In the period 2005-2016, non-ETS greenhouse gas emissions in Flanders were found to have stabilised. A limited decrease was recorded from 46.3 Mton CO<sub>2</sub>-eq in 2005 to 46.1 Mton CO<sub>2</sub>-eq in 2016, which is a 0.4% decline in 2016 compared to 2005. Positive results can be presented in terms of energy efficiency. On the basis of the projected figures for 2016 (23,443 GWh) the target is amply reached. Although the target of 10.33% (25,074 GWh) of renewable energy is still far from achieved, it should be pointed out that the share of renewable energy is growing.

Key indicators	2005	2008	2009	2010	2011	2012	2013	2014	2015	2016	2020 target	Distance (+ position EU-28)
<b>Greenhouse gas emissions</b> Non-ETS greenhouse gas emissions scope 13-20 <sup>9</sup> (kton)	46,286	46,943					45,871	43,538	44,776	46,113	-15.7% greenhouse gas emissions compared to 2005	Met the annual reduction target from 2013 to 2015 (Specified in the burden-sharing). In 2016, the annual reduction target is exceeded by 1.3 Mton CO <sub>2</sub> -eq.
<b>Energy efficiency</b> Non-ETS final energy consumption savings (GWh, % compared to 2001-2005)				10,818 GWh (5.7%)		16,499 GWh (8.8%)			22,199 GWh (11.8%)	23,443 GWh (12.4%)	9% energy saving in 2016 compared to average 2001-2005	On the basis of the figures expected for 2016 (23,443 GWh) the target has been amply achieved.
<b>Primary energy consumption, excl. non-energetic (Mtoe)</b>	33.6	32.9	32.0	33.7	31.7	31.1	32.1	29.4	29.4			Decrease in 2008-2015, increase again in 2016 compared to 2015
<b>Renewable energy (RE)</b> - Quantity RE (Mtoe)	0.48	0.70	0.90	1.11	1.05	1.30	1.39	1.31	1.40	1.58	90.267 pJ (or 2.156 Mtoe)	25.8 pJ
- 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	6.4	10.33%	3.93%

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

Flanders has committed itself to realising an emission reduction in the so-called non-ETS sectors of 15.7% in 2020 compared to 2005. On 9 February 2018, the second **progress report of the Climate Policy Plan 2013-2020** (Klimaatbeleidsplan 2013-2020) was presented to the Government of Flanders. Apart from monitoring the implementation of the actions from this plan, the progress report also evaluates the commitments made by the Government of Flanders Ministers

<sup>9</sup>When determining the Belgian non-ETS objective, account was taken of the inclusion of additional emissions under ETS from the period 2013-2020 (scope 13-20). The non-ETS greenhouse gas emissions are therefore expressed taking into account this ETS scope extension.



at the Climate and Energy Summit of December 2016. The Flemish Climate and Energy Pact (Vlaams Klimaat- en Energiepact) concluded at this summit contains commitments by civil society and public stakeholders to implement short-term measures in the field of climate and energy.

The Flemish authorities have also pledged to address the long-term climate challenges. In the course of 2018, a **Climate Vision 2050** (Klimaatvisie 2050) will be drawn up, together with stakeholders at the sectoral level. Within the energy policy field, a similar process has taken place which resulted in the adoption of the **Flemish Energy Vision 2030-2050** (Vlaamse Energievisie 2030-2050) by the Government of Flanders on 19 May 2017. In a next step an integrated Flemish Climate and Energy Plan 2021-2030 (Vlaams Klimaat- en Energieplan 2021-2030) will be drawn up in mid-2018. These Flemish plans will also be used as input for the **draft national energy and climate plan** which will be developed in cooperation with the other Belgian (federal and regional) entities by the end of 2018. Next to this, an interfederal Energy Pact is currently being drawn up and negotiated for completion in the spring of 2018.

With the establishment of the **Climate Fund** (Klimaatfonds), the Government of Flanders has created the financial framework needed to pursue a long-term climate policy. Since its inception in 2012, the Flemish Climate Fund has received a total of €235 million and spent €192 million. These funds are mostly spent on mitigation measures in Flanders. Secondly, expenditure is incurred to compensate indirect emission costs of the energy intensive industry. Thirdly, Flanders contributes to international climate finance and, finally, international emission credits were purchased in 2014 within the framework of the Kyoto goals.

#### 3.4.3. Measures for improving energy efficiency

To further the national target of 43.7 Mtoe primary energy consumption in 2020, and in accordance with the targets for final energy consumption in the Directive on Energy Efficiency, Flanders prioritises several measures.

On the basis of the fourth evaluation report on EPB legislation the **E-level requirement for all non-residential buildings entered into effect** on 1 January 2017. The Government of Flanders also agreed to the introduction of an S-level, to replace the K-level and the net energy needs, for single family dwellings and flats from 2018 onwards.

To improve the **quality of energy performance certificates** (EPCs) for residential buildings a new inspection protocol has become operational on 1 July 2017. Since 1 January 2017, type A energy experts are also obliged to follow annual in-service training. The implementation of an EPC for non-residential buildings is under preparation.

Work is done on an EPC+ and comprehensive renovation advice, which offers a better understanding of the renovation potential of a residential building towards the long-term targets of the Renovation Pact. An initial concept of the 'dwelling passport' (woningpas) was presented as well. This offers residents a broader overview of all relevant aspects of their dwelling, including energy.

**New financial support instruments have been developed** to promote energy renovations. The new schemes will apply as of 2017 and include, among other things, a subsidy for total renovations called BENO-pass and support for collective renovation projects, i.e. the neighbours premium (burenpremie). In addition to several subsidies, the Flemish energy loan (energielening) is another important instrument used to promote energy renovations. On 19 May 2017, the Government of Flanders adopted a **reform of the Flemish energy loan**. The borrowed amount has been increased and the duration of the loan has been extended. From 1 January 2019 onwards, this Flemish energy loan will mainly be used to finance energy-saving investments for the vulnerable target group. The entities granting these loans, the so-called 'energiehuizen' (energy

centres), will be allocated a comprehensive one-stop shop package that focuses on providing assistance and information with regard to energy and the Flemish energy policy.

In early 2018, the **BE-REEL!** ('BElgium RENovates for Energy-Efficient Living') project was started which aims to continue to build and disseminate knowledge for thorough renovations of residential buildings. This is done in implementation of the Renovation Pact and in partnership between the Flemish and Walloon energy administrations, a number of Flemish and Walloon central cities and the Belgian Building Research Institute (Wetenschappelijk en Technisch Centrum voor het Bouwbedrijf/WTCB). Via this project, best practices and new business models will be looked for to substantially increase the renovation rate and the energy efficiency and comfort of the housing stock.

On 17 November 2017, the Government of Flanders decided to extend the duration of the existing **Energy Policy Agreements** (energiebeleidsovereenkomsten/EBO) by two years to 2022. Via the EBOs energy-intensive companies commit to implementing energy saving measures during the term of the agreement. The number of energy-intensive companies entering the new EBOs has increased to 334, which is about 80% of the industrial energy use in Flanders. The Flemish authorities have also set up pilots to look into the establishment of mini-EBOs for SMEs. These pilots will be evaluated in 2018.

#### 3.4.4. Measures for increasing the share of renewable energy

The production of renewable energy is stimulated through green energy certificates and investment support for projects relating to green heat, heat networks and residual heat utilisation. Additional initiatives taken in 2017 are discussed below.

The actions from the **concept memorandum 'Wind Power 2020'** (Windkracht 2020) to promote wind energy are being implemented. Strong focus is placed on supporting local authorities and wind energy project developers in realising the technical and socially acceptable potential for wind energy in Flanders by demarcating the actual potential per province, inter alia. In addition, investments were made to improve radar systems and aviation procedures in order to create additional potential for wind turbines without conflicting with aviation opportunities.

To stimulate solar energy, several measures were taken, as entered in the concept paper '**Solar Plan 2020'** (Zonneplan 2020). A solar map with opportunities for solar energy (photovoltaic and heat) at building level was published in March 2017. It attracted more than 500,000 visitors who explored the opportunities for their building. Energy network operators Eandis and Infrac initiated the pilot project 'shared solar roofs' (zonedelen) in 2018. The idea is that anyone who co-invests in the solar panel installation of a company, cooperation, city, municipality, association, etc. will immediately receive a discount on their own energy bill. In the spring of 2018, the action 'Stroomversnellers' was launched, which allows citizens to nominate roofs which are ideal for solar panel installations.

The **Flemish heat map** (Vlaamse warmtekaart) was published in 2016 already. A general cost-benefit analysis has been carried out in view of an efficient use of heat. For this purpose, areas have been identified throughout Flanders where it is economically feasible to install district heating. The Government of Flanders has adopted a regulatory framework for the implementation of heat and cooling networks to stimulate investments in this field. The terms and conditions will be further developed in the coming year. Flanders also invests in green heat projects, including projects for generating deep geothermal energy. The call 'Green Heat' (Groene Warmte) which was launched in the spring of 2017 resulted in 13 projects totalling €7.2 million. The support regulation is continued in 2018. For geothermal projects a guarantee scheme is being worked out to eliminate barriers relating to geological risks.



Funds were also released for investment support for small or medium-sized wind turbines and for the installation of battery technology.

As for 'clean power for transport' the relevant action plan is being implemented. In 2017, the first public contract for the installation of 1,500 charge points was awarded. Seven pilot projects were started and within the framework of a European project extra support is given to the development of charging infrastructure along the TEN-T network in Flanders. In early 2018, the zero emission bonus was adjusted. The premiums for electric vehicles will be increased to the level of 2017 and remain the same in 2019. The subsidy for hydrogen vehicles will also be raised to €4,000. Non-profitmaking organisations and providers of car sharing will from now on also be entitled to the premiums. Another 1,000 charge points will be installed in 2018.

To be able to integrate more and more renewable energy into the energy system, the necessary adaptations are also being made to the networks. In the concept memorandum 'Digital Meters' the Government of Flanders decided in favour of the transition to digital meters as of 2019. The regulatory framework is under development. In addition, the regulatory framework is being prepared which is to bring greater flexibility to the energy system (see also 2.4.2.).

### 3.5. POVERTY AND SOCIAL EXCLUSION

#### 3.5.1. Introduction

The Government of Flanders continues to make every effort to prevent and fight poverty in households with young children. We notice that the main poverty indicators have remained stable over the past years. Nevertheless, the Flemish Region performs very well in terms of poverty figures in EU context. According to the SILC survey of 2016, 10.5% of the population in the Flemish Region were at risk of poverty, which means they are below a predetermined income threshold. This is lower than the Belgian average of 15.5%. In the EU-28 (average 17.3%) only the Czech Republic scores even lower. Still, reducing poverty even further and achieving the Pact 2020 target still pose challenges.

The set of European Social Indicators includes a broader definition of poverty. It refers to the share of people in **poverty or social exclusion**<sup>10</sup>. The Flemish Region is performing relatively well for this broad indicator too. With a value of 14.5% according to the SILC survey of 2016 it is situated below the Belgian average of 20.7% and the EU-28 average of 23.5%. Among the EU Member States only the Czech Republic does better again than the Flemish Region.

Key indicator		2008	2009	2010	2011	2012	2013	2014	2015	2016	2020 target	Distance (+ position EU-28)
Combined indicator (people in poverty or social exclusion)	%	15.2	14.6	14.8	15	16	15.4	15.3	15	14.5	10.5%	4.0 pp 2 out of 28 (in
	Number x 1,000	930	900	910	940	1,000	970	970	960	940	650 by 2020 (= decrease by 30% or -280,000 persons compared to 2008)	290
Children with a standardised disposable household income below the at-risk-of-poverty threshold after social transfers %	%	9.9	9.8	11	10.4	11.3	12.1	13.6	11.7	11.7	5%	6.7 pp 3 out of 28 (in 2016)
	Number x 1,000	120	120	140	130	140	150	170	150	150	60 by 2020 (= decrease by 50% or 60,000 children compared to 2008)	90

<sup>10</sup> For this, one must meet at least one of the following criteria (one of which is the risk of poverty): (1) Experiencing serious material limitations (being unable to pay the bills on time, not being able to sufficiently heat one's house, having no car, washing machine or television, etc.); (2) living in a household without employment or with a low work intensity and (3) being at risk of poverty (below a specific at-risk-of-poverty threshold).

### 3.5.2. Measures

Two years after the entry into effect of the **Flemish Poverty Reduction Action Plan** (Vlaams Actieplan Armoedebestrijding/VAPA) the action plan was evaluated and adjusted. The VAPA is based on the following joint vision: *“We pursue a structural participatory poverty reduction policy and concentrate fully on the prevention of and fight against poverty in households with young children. In support of this we implement integrated governance.”* These continue to be the basic principles of the adjusted VAPA. The amended action plan resumes the existing actions, but places several emphases and outlines/highlights additional actions. Focus is placed on the main Flemish levers for poverty reduction: the right to social services, the right to a family, the right to education, the right to work and the right to housing.

With regard to the **right to social services**, extra project proposals were launched, inter alia, to stimulate social infrastructure in vulnerable neighbourhoods of the Flemish central cities, as well as a project call around outreach work for families with a very low work intensity. This group is indeed most at risk of poverty in Flanders. The aim is to break intergenerational poverty in households with children by making contact with this target group and taking measures to increase the work intensity of the parents and improve the development opportunities for the children through an integrated approach. The activities of the horizontal working groups regarding accessible services and social corrections also fall within the scope of this right, and so do the continuation of the Neighbourhood Stewards (Buurtstewards) and the development of the Service Provision Register (Dienstverleningsregister). The **Local Social Policy Decree** (Decreet lokaal sociaal beleid) aims, among other things, to implement accessible social help and services and tackle under-protection. For this purpose, the local government establishes Social Houses (Sociaal Huis) as recognisable points of contact for the provision of local social help and services. The Social Houses offer integrated extended reception services. The three key actors within the integrated reception services have a reception remit which is laid down by act or decree: OCMWs, general welfare work centres (Centra Algemeen Welzijnswerk/CAW) and the social welfare services of the health insurance funds. The partnership for integrated extended reception services adopts a proactive outreach approach so that citizens who are unable to find their way to these services without help can be reached as well.

As far as the **right to a family** is concerned, the further development of the Children’s Centres (Huizen van het Kind) as fully-fledged basic facilities where plenty of partners, like childcare, parenting support, education and leisure actors, are brought together, is important. In this way, it is tried to help each (future) parent and each child who has a question or is in need of support. Today, 153 Children’s Centres exist in Flanders and Brussels. 210 of the 308 municipalities in Flanders and the BCR have a Children’s Centre. Approximately 80% of the families with children already live in the operating area of a recognised or subsidised Children’s Centre. This is an amazing performance by all partners, local authorities, facilities and actors who jointly commit to turning the Children’s Centres into a success, so that we can support even more families together.

For 2018 and 2019, we pursue a two-fold purpose with the Children’s Centres. Together with the local partners we want to make sure that in each of the 308 municipalities in Flanders a Children’s Centre is in place. Moreover, we want to help them develop into easily accessible basic facilities where families with children can turn to for anything related to upbringing and growing up.

We are working to extend and support the perinatal coaching of vulnerable young families. In addition, the informal network of people in poverty is reinforced and living labs around minor newcomers and low-literate mothers with young children are structurally embedded. Childcare is

further expanded and we strengthen youth assistance. The Government of Flanders also continues to focus on making children, young people and parents stronger. The **preventive family support** projects are monitored and supported to map and increase their impact. Also in 2018 and 2019, we will work on more accessible youth assistance. To that end, we invest €25 million in 4 working areas. We invest €15 million in 15 networks, bringing youth assistance closer to our children and young people (working area 1). In the second working area we introduce a care guarantee for children aged between 0 and 3 who are temporarily unable to stay at home. For vulnerable young adults as well we launch innovative types of housing to offer them maximum support towards adulthood. Finally, in a fourth working area, we are designing our own Flemish approach to youth delinquency.

With regard to **education** (see also 2.2.9.) participation in pre-primary education and parent involvement are further aimed at, and additional funds were earmarked within the framework of the asylum crisis. Adult education was reformed, a new literacy plan was drawn up and a cost control policy in education is being closely monitored. Another important element is language reinforcement for non-Dutch speaking pre-primary children.

In terms of **work** (see also 2.2.2.) the new systems for Neighbourhood Work and Temporary Work Experience were introduced. A new decree on work and care programmes was adopted as well. A recruitment incentive for long-term unemployed was launched and the number of places in the social economy was substantially increased. Finally, the decree on temporary agency work was put into effect within the public administration.

With regard to **housing** (see also 3.4.3.) substantial efforts are being made. The investment volume in the social rental market is at an exceptionally high level, which results in new and renovated social housing. The binding social objective is monitored, social housing companies (sociale huisvestingsmaatschappij/SHM) are further supported and a test environment for new types of housing was launched.

Access to sufficient and healthy **food** is a basic need. Unfortunately, this is not self-evident for people in poverty. Various measures have therefore been entered for this purpose in the Flemish Poverty Reduction Action Plan. Taking a social approach to food surpluses is one of the aims, for instance. In addition, 22 projects around healthy and affordable meals are currently running. These projects are not only designed to offer healthy and affordable meals, but should also lower the threshold to integrated family support. Reports in any case show that the joint reach of the projects is increasing.

The 19 projects relating to **leisure participation** are further monitored and supported as well.

Within the framework of integrated governance the Government of Flanders also continues to devote attention to supporting **local authorities** which play an important role in drawing up an inclusive and integrated social policy. They also contribute largely to customising the provision to suit the local needs, directing the integrated extended reception services and supporting voluntary and informal care. In this context a close eye is kept on the implementation of scientific research into their director's role. The report will be completed in 2018. The learning networks around child poverty reduction are continued.

Closing the **digital gap** is crucial as well in fighting poverty in Flanders. Within this framework the Government of Flanders subsidises the project 'Who Online' (Wie Online), among other things. The idea is to encourage people in poverty to use computers in a meaningful and useful manner. 'Who Online' does this by supporting poor people's associations, in order to help their members find their way around the digital world. To that end, it trains interested members of

the poor people's associations to become coaches in this public computer space. This is one example of how the Government of Flanders focuses on and uses **expertise by experience** of people in poverty.

Finally, it is aimed to reduce the poverty risk among households with the **new Growth Package**<sup>11</sup> (Groeipakket).

### 3.6. FLEMISH SOCIAL SCOREBOARD

On 17 November 2017, the **European Pillar of Social Rights** was signed as an inter-institutional proclamation by the European Parliament, the Council and the COM. This Pillar is accompanied by a **new Social Scoreboard** to track trends and performances across the Member States. The new scoreboard provides for a number of key indicators for assessing Member States' progress in social and employment areas with regard to three dimensions: 1) Equal opportunities and access to the labour market, 2) Dynamic labour markets and fair working conditions, and 3) Public support / Social protection and inclusion. This analysis fits within the wider context of reforms. The Joint Employment Report 2018<sup>12</sup> of the COM monitors Member States' performance.

Given the importance which the Government of Flanders attaches to the social dimension of the European Semester and the fact that these indicators are used in COM<sup>13</sup> analyses (like for instance the Country Report Belgium 2018), the Government of Flanders considered it advisable to include a **social scoreboard for Flanders** in the present FRP. For 12 of the 14 indicators Flemish figures could be produced. For 2 indicators (indicated in italic in the table below)<sup>14</sup> a Flemish indicator was used which is closely in line with the European indicator, in order to make a comparative approach possible. The table below compares Flanders' score on these indicators in a Belgian and European perspective. The general conclusion is that Flanders is performing very well in the social dimension at EU level.

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<sup>11</sup> For new families, the poverty risk falls by 1.3 percentage points from 8.6% to 7.3%. For current families, the poverty risk is also dropping significantly, viz. by 0.5 percentage point from 8.6% to 8.1%. Despite the fact that the former child allowance scheme for existing families with children born before 2019 has largely remained the same, the poverty risk is still decreasing in these families. This can be explained by the extended use of the social allowances for all families living below the defined income threshold. Another explanation for the decreased poverty risk is the increased use of the selective participation allowances (the former school allowance).

<sup>12</sup> <http://data.consilium.europa.eu/doc/document/ST-14812-2017-INIT/en/pdf>

<sup>13</sup> To monitor the European social indicators, the European Commission has developed a performance benchmark. This is done by considering the performance for the last year for each indicator as well as the evolution from the penultimate year to the last available year. In concrete terms, standardised values or z-scores are calculated and the difference with the country average is calculated. On the basis of the scale of the deviation, the Member State is then assigned to one of the following categories: 'Best performers', 'Better than average', 'Good but to monitor', 'On average', 'Weak but improving', 'To watch' or 'Critical situations'.

<sup>14</sup> Remarks on the social scoreboard (Source: Flanders Statistics).

(1) Since no data are available with regard to the real-terms growth of the gross disposable income of households per capita at the regional level, Flanders used the indicator 'gross disposable income per inhabitant'.

(2) Instead of the indicator 'compensation of employees per hour worked', Flanders used the indicator 'compensation per employee'.

<b>FLEMISH SOCIAL SCOREBOARD (in Belgian and EU-28 perspective)</b>	<b>FLA</b>	<b>BE</b>	<b>EU-28</b>	<b>BE<sup>15</sup></b>	<b>FLA<sup>16</sup></b>
<b>Dimension: Equal opportunities and access to the labour market</b>					
Share of early school leavers in % population aged 18-24 (2016)	6.8	8.8	10.7	Average	Better than average
Gender employment gap (2016)	8.7	9.2	11.5	To watch	To watch
Income quintiles ratio (2016)	3.5	3.8	5.2	Better than average	Best performers
At-risk-of-poverty or social exclusion rate (2016)	14.5	20.7	23.5	Average	Best performers
Young people neither in employment nor in education and training (NEET) (2016)	7.5	9.9	11.6	Better than average	Better than average
<p>In the dimension 'Equal opportunities and access to the labour market' Flanders is consistently doing better than Belgium or the European average. Flanders performs well with regard to the two Europe 2020 targets 'Early school leaving' and 'People at risk of poverty or social exclusion', as discussed earlier. For the gender employment gap both Belgium and the Flemish Region are assigned the label 'To watch'. This is only because a clear widening of the gap was recorded between 2015 and 2016, which was not or not as much the case in many other Member States. For the ratio of the income quintiles the indicator in the Flemish Region - together with the Czech Republic and Slovakia - is the lowest among the EU countries (less social inequality). When looking at the NEET young people<sup>17</sup> (the share of young people neither in employment nor in education and training in the age category 15 to 24), Flanders is again placed among the better half of the EU peloton. Still, Germany (6.2%) and the Netherlands (4.7%) score even higher.</p>					
<b>Dimension: Dynamic labour markets and fair working conditions</b>					
Employment rate (aged 20-64) (2016)	72.0	67.7	71.0	To watch	To watch
Unemployment rate (aged 15-64) (2016)	4.8	7.8	8.6	Average	Better than average
Participation in activation measures on the labour market (2015)	30.8	49.1	-	-	-
Growth in gross disposable household income (index, 2008 = 100) (2015)	-	96.2	103.0	Average	-
<i>Alternative: Gross disposable income per inhabitant (euro) (2013)</i>	<i>21,671</i>	<i>20,299</i>	-	-	-
Compensation of employees per hour worked (euro) (2016)	-	37.8	22.8	-	-
<i>Alternative: Compensation per employee (euro PPP) (2015)</i>	<i>49,831</i>	<i>50,760</i>	<i>36,043</i>	-	-
<p>Flanders is also doing well in the dimension 'Dynamic labour markets and fair working conditions'. The employment rate is still above the EU average and largely exceeds the Belgian average. However, Germany, the Netherlands and the UK have higher scores. It should be noted that the evaluation of the evolution only pertains to the last year. As a result, the Flemish Region is only assigned the label 'To watch' for 'employment'. The level of the Flemish employment rate is relatively high, but hardly any improvement was recorded between 2015 (71.9%) and 2016 (72.0%), contrary to many EU Member States which made more progress, but where a lower level was often started from. In terms of the unemployment level, Flanders is among the front-runners. In Flanders 30.8% of the people willing to work participated in activation measures on the labour market. This is below the Belgian rate of 49.1%. However, this can be explained by the fact that the Flemish rate only considers the Flemish activation measures, whereas the Belgian rate includes both the Flemish and federal activation measures. No EU-28 average is available, but Belgium performs very well here and Flanders too is situated among the better performing EU Member States.</p>					
<b>Dimension: Social protection and inclusion</b>					
Impact of social transfers on poverty reduction (2016)	9.8	10.8	8.6	Better than average	-
Children aged less than 3 years in formal childcare (2015)	50.1	50.1	30.3	Best performers	Best performers
Self-reported unmet need for medical care (2015)	1.4	2.4	3.2	Average	Better than average
Share of individuals with basic digital skills (2016)	64	61	56	Average	Better than average
<p>Flanders is also performing well in the dimension 'Public support / Social protection and inclusion.' The impact of social transfers reduces the risk of poverty by 9.8%. This is just below the Belgian figure. Still, it should be noted here that the poverty risk is higher in Belgium than in Flanders. For children in formal childcare only Denmark and Sweden have a substantially higher score. Self-reported unmet need for medical care does not pose any real problems in the Flemish Region. The rate is much higher in Estonia (12.7%) and Greece (12.3%). Finally, with regard to digital skills, Flanders also performs better than the average in the EU-28. Still, the Netherlands, Germany and the UK have higher scores.</p>					

<sup>15</sup>Source: COM, Country Report BE 2018, page 30

<sup>16</sup>Source: Calculations of Flanders Statistics

<sup>17</sup> <https://www.werk.be/vlaanderen-binnen-europa>



## PART 4. USE OF STRUCTURAL FUNDS

The implementation of the **ERDF programme 2014-2020** is proceeding smoothly. Meanwhile, 72.73% (€127.7 million) of the available Flemish ERDF budget has been committed between 146 projects. Some examples of ERDF projects adopted in 2017 (Flemish co-financing between €500,000 and €750,000):

- **InQbet Accelerator** in Grimbergen: The aim is to increase the success of start-ups and companies in growth when marketing innovative products and business models.
- **BioBaseFlow** (Bio Base Europe Pilot Plant) in Ghent: This project in the bio-based economy aims to speed up the technology transfer, among other things.
- **LOGIVILLE** in Antwerp: Construction, organisation and operation of a landmark demonstration centre with focus on logistics and innovation.
- **VEG-i-TEC** in Kortrijk: A research facility of Ghent University for industrial applied R&D for treatment processes for vegetables and potatoes and energy and water management in the agri-food industry.

The **still remaining ERDF funds** (€47.8 million) will be put to the best possible use via calls. Calls will be launched, among other things, for care innovation projects in Limburg and projects to support Flanders' internationalisation and anchoring. These will be followed by calls in support of the manufacturing industry in Limburg and the creation of ecosystems for young entrepreneurs in student cities. In 2018, an external mid-term review of the programme is planned as well. In late 2014, Flanders adopted its **Smart Specialisation Strategy S3** (Slimme Specialisatiestrategie). Currently, the 4 strategic research centres and 5 spearhead clusters are promoting Flanders' strengths in the 7 selected domains, and the Flemish authorities are in the process of updating their S3. Flanders is strongly involved in several **interregional S3 partnerships** on EU thematic platforms for industrial modernisation, energy and agri-food. It is one of the leading regions for the Photonics and 3D Printing partnerships and the coordinating region for the Smart sensor systems 4 agri-food partnership. It has also joined various other partnerships. Flanders is co-founder and an active member of the **Vanguard Initiative** (VI) of European regions. In 2017, Flanders was active in 5 pilot projects. It is currently leading the 3D printing project. Following a call, the COM decided to support new **EU interregional partnerships** in the autumn of 2017. Participants from Flanders will lead the consortia for 3D printing and bioeconomy and participate in 2 other networks.

The operational **ESF programme 2014-2020** reinforces and innovates Flanders' labour policy (budget of approximately €1 billion, €398 million of which is funded by the EU). The ESF programme wants to help around 250,000 people find a job or acquire new competencies. In **2017**, ESF financed projects for the guidance and training of jobseekers, in cooperation with VDAB. The purpose of the programme is to have people with a **migrant background** represent a quarter of the participants. Together with the Education Department, ESF also committed to combating early school leaving. Moreover, ESF supported the introduction of the new dual learning scheme and financed calls for helping socially vulnerable groups reduce their distance to the labour market. Several calls were also aimed at improving the workability of jobs and the competencies of workers in companies. In **2018**, the different calls were repeated: the actions with VDAB and the Education Department, the calls for helping vulnerable groups, the work experience pathways for young people and the calls to companies for actions around workable jobs and training. In 2018, ESF will also launch new calls for helping refugees find a job or become an entrepreneur. In the autumn ESF will issue a call for employment projects for people with a migrant background, which is a concrete response to CSR 2.



In addition to its involvement in ERDF-Flanders and ESF, Flanders also continues to make strenuous efforts for **interregional cooperation**. It is very active in projects of the different programmes in which it participates in the cross-border EU Regional Policy, viz. **ERDF Interreg V (2014-2020)**. Flemish provinces and provincial development companies (provinciale ontwikkelingsmaatschappij/POM) are involved in this, next to various public and private/knowledge partners. Examples of ERDF-Interreg projects include:

- **Factory 4.0** (*Interreg France-Wallonia-Flanders*): Aims to contribute to the transformation of companies into Industry 4.0 factories of the future.
- **ISE (Innovative Sector Exchange)** (*Interreg 2 Seas*): Supports SMEs from West and East Flanders, Kent (UK), Hauts-de-France (France) and the South West of the Netherlands (West Brabant and Zeeland) which are active in sectors that focus on agri-food, digital & creative industry, new materials and mechatronics and are keen to innovate and increase their international activity.
- **GoToS3** (*Interreg France-Wallonia-Flanders*): Aims to develop interactions and synergies in various smart specialisations and more specifically in the priorities 'research and innovation' and 'competitiveness of SMEs'.
- **UV - ROBOT Innovative UV-robotics** (*Interreg North-West Europe*): Aims to develop, test and demonstrate cost-effective UV-C robots to control mildew in three types of crops: spherical (strawberry), vertical (tomato and cucumber), and horizontal (lettuce and basil).
- **BISEPS (Business Clusters Integrated Sustainable Energy PackageS)** (*Interreg 2 Seas*): Aims to increase the adoption of sustainable energy technologies in business clusters.
- **Inn2POWER** (*Interreg North Sea Region*): Aims to support SMEs in the Offshore Wind Industry (OWI) from the North Sea Region in engaging in innovative collaboration opportunities.

Below (see also 5.4.) other examples of ERDF-Interreg projects are listed in which Flemish partners are participating in varying themes and under different Interreg programmes.

The Flemish authorities developed a position on the **future EU Cohesion Policy post-2020** which has been delivered to the COM.

## PART 5. INSTITUTIONAL ISSUES AND STAKEHOLDER PARTICIPATION

### 5.1. ENHANCING THE SUPPORT BASE

Flanders attaches considerable importance to enhancing public support for the European Semester. Within the Flemish public administration the official working group 'European Semester' acts as the focal point for following progress in activities at Flemish, federal and European level and assumes an important role within the **Board of Chairmen** (Voorzitterscollege). This year, an exchange of views will again take place between the Board of Chairmen and the European Semester Officer.

### 5.2. INVOLVEMENT OF THE FLEMISH PARLIAMENT

To safeguard the structural involvement of the **Flemish Parliament** in the European Semester the draft FRP 2018 was discussed in the Flemish Parliament<sup>18</sup> General Policy, Finance and Budget Committee on 20 March 2018. Several points requiring attention (reducing administrative burdens, see also 2.4.1.) were entered in this final FRP. The great interest of the Flemish Parliament within the framework of the monitoring of the European Semester also resulted in a Resolution which was adopted on 3 May 2017<sup>19</sup>.

### 5.3. INVOLVEMENT OF THE SOCIAL PARTNERS

During an exchange of views which took place on 14 March 2018 within the framework of VESOC the **social partners** were involved in the compilation of the FRP 2018. As a result, the various points that require attention, such as workability, could be taken into account in the final FRP. The social partners, united in SERV, have carried out several **projects** and initiated **advisory pathways** in 2017 to help implement the three CSRs and address the investment challenges. Some examples:

#### CSR 1

- Over the past years, SERV has, in its advisory opinions and reports on **Flanders' budgetary policy**, always argued in favour of reinforcing public investment, without jeopardising the objectives of the structural budget policy. In SERV's vision it is guaranteed that Flanders can realise additional investments and a sound structural budgetary policy through the combination of four objectives. In its recent advisory opinions and reports on Flanders' budgetary policy SERV also emphasises that the definition of investment must be sufficiently broad.

#### CSR 2

- The social partners in Flanders decided to put their weight behind a **Workable Work Action Plan** (Actieplan werkbaar werk) (see also 3.3.1.).
- On 11 July 2017, the Government of Flanders and the Flemish social partners concluded an agreement on **the reform of the training incentives for workers** (see also 2.2.8.). This reform should enable workers to develop better and more and to prepare themselves for the future. The agreement also constitutes the basis for the new regulatory framework that will be developed in 2018. Together with the Government of Flanders the Flemish social partners commit to the further implementation of this agreement.

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<sup>18</sup>[https://www.vlaamsparlement.be/commissies/commissievergaderingen/1240375?utm\\_medium=email&utm\\_source=transactional&utm\\_campaign=bodh#volledige-agenda](https://www.vlaamsparlement.be/commissies/commissievergaderingen/1240375?utm_medium=email&utm_source=transactional&utm_campaign=bodh#volledige-agenda)

<sup>19</sup> <https://www.vlaamsparlement.be/parlementaire-documenten/parlementaire-initiatieven/1101845>

- The SERV issued **advisory opinions**<sup>20</sup> on various measures relating to CSR 2.

### CSR 3

- In the SERV work programme 2017, (i) **digitisation and robotisation** and (ii) **circular economy and new business models** were selected as broad societal themes to be further explored. In May 2017, SERV published two initiation memoranda and organised round tables with the sectors on the impact of digitisation and robotisation on 28 and 29 June 2017. SERV published the vision memorandum '*The transition to a digital society: initial step towards an integrated policy agenda*' (De transitie naar een digitale samenleving: aanzet voor een integrale beleidsagenda). It will be given further shape by the end of March 2018 through policy directions and actions for a selection of priority working areas.
- On 1 December 2017, the **ESF project 'Digital acceleration for the social partners'** (Sociale partners in digitale versnelling) started. This project ties in with the SERV project to achieve a vision and policy recommendations on the consequences of digitisation and robotisation for Flanders' economy and labour market and focuses specifically on experiences abroad.
- SERV is part of the steering group and project team for the **OECD Skills Strategy for Flanders** (see also 2.3.1.). In 2018, two workshops are scheduled to take place in which the social partners will actively participate and which are to deliver input for the OECD report.
- In 2016, SERV carried out thorough research into **e-commerce** as one of the rapidly expanding digitisation phenomena in society. This resulted in a SERV report. On the basis of this report the social partners issued an advisory opinion in 2017, containing several points to be focused on by the Flemish authorities.
- SERV issued **advisory opinions**<sup>21</sup> on various measures relating to CSR 3.

### Responding to investment challenges

- The social partners put in efforts on a daily basis to help reach the **climate and energy targets**. In 2017, they formulated eight joint advisory opinions on digital meters, climate policy, vision development and (the financing of) renewable energy. In their advisory opinions, the social partners at all times stress the importance of good governance and synergies with socio-economic opportunities. They also make sure that the bill for implementing the 2020 targets is sound, does not go off the rails, and is not passed on. In 2018, they will contribute further to giving concrete shape to the Flemish energy vision through the programme 'Stroomversnelling' (see also 2.4.2.).
- The social partners are exploring how they can help speed up the transition to a **circular economy** (see also 2.4.3.). Barriers to the circular economy are being mapped and in 2018 employers and employees in Flanders will formulate concrete proposals and commitments, focussing on socio-economic opportunities.

<sup>20</sup> Advisory opinions on the Order on **neighbourhood work** (see also 2.2.2), the Decree on **work and care programmes** (see also 2.2.2.), **dual learning** (see also 2.2.7.), **quality education with attention to equal opportunities** (see also 2.2.9.) and, inter alia, the **modernisation of secondary education** (see also 3.2.2.), family policy **Growth Package** (see also 3.5.2.), **local social policy** (see also 3.5.2.), the **phaseout** of the measure '**non-profit youth bonus**', the **Equal Opportunities and Diversity Plan** for personnel of the **Flemish public administration**, a ten-point plan for **economic migration**, etc.

<sup>21</sup> Advisory opinions on the 4 Orders relating to **R&D support to companies**, the Order on **projects of collective R&D and collective knowledge diffusion**, the Order on the **subsidisation of incubators** (see also 2.3.1.) and the Decree on the **abolishment of the business management basic knowledge** (see also 2.3.2.).

## 5.4. INVOLVEMENT OF (SUPRA) LOCAL AUTHORITIES AND STAKEHOLDERS

In June 2017, a workshop was organised again at the Liaison Agency Flanders-Europe (Vlaams-Europees verbindingsagentschap/**Vleva**) where the COM services, representatives of the Flemish authorities and Vleva members debated topics from the CSRs 2017. This year as well the **VLEVA members** presented several good practices which address the CSRs and Europe 2020 targets, for inclusion in the FRP 2018.

The project 'Rational Water Management in Cities and Municipalities' (Rationeel Waterbeheer bij steden en gemeenten) which is coordinated by the **Flanders Knowledge Centre Water** (Vlakwa) focuses on various pillars to effect significant water savings in the buildings portfolio. To that end, structural measures are taken, such as the adaptation of the competency profiles for 'Installation Fitter', 'Installation Technician' and 'Installation Coordinator'. These profiles are yet to be recognised by the Government of Flanders, following which they will be included in the qualifications database. The Vlakwa approach met with interest from the OECD which will enter the "story" 'Rational water use as stepping stone towards water wise cities' in the database of Water Governance Stories (World Water Forum Brazil, March 2018).

Actions and initiatives of **Flanders Make** which are currently running within the framework of the structural funds include INNO\_INFRA\_SHARE (Interreg Europe), Lightcar 2025 (Interreg Euregion Meuse-Rhine), FOKUS (Interreg Flanders – the Netherlands), GROWIN4.0 (Interreg North Sea Region), COTEMACO (Interreg North-West Europe). At Flanders Make in Lommel funds from the Strategic Action Plan for Limburg Squared (Strategisch Actieplan voor Limburg in het Kwadraat/SALK) are currently used to invest in additional laboratories where, together with Flanders' industry, research is done into flexible automation in production environments, multi-materials and joining techniques, and autonomous electric vehicles. Research and innovation projects are being implemented on this new infrastructure which are ERDF funded.

The Association of Flemish Provinces (Vereniging van Vlaamse Provincies/**VVP**) presented several projects for this FRP which clearly show that both the provinces and the local authorities are helping to realise CSRs 2 and 3.

### CSR 2

- **AB Réfugiés** (*Interreg France-Wallonia-Flanders*): This is a cross-border project in which labour market actors from the three sub-areas organise actions for the target group of recognised refugees. It aims to help these refugees to move on fast(er) to employment by means of intensive pathway counselling, workplace learning, etc.
- **SIREE** (*Interreg 2 Seas*): More than 1.2 million refugees entered Europe within the 2 Seas region. The project focuses on new methodologies to promote the integration in education of refugee children and parents and to encourage refugees to start up their own business. Vives is committed to establishing a learning community in 3 pre-primary schools, 3 primary schools and 3 secondary schools.
- **T2-Campus** (ERDF, ESF): In partnership with VDAB, Syntra and education in Limburg (via the City of Genk) and with EU regional support from ERDF and ESF, customised training is provided by technology poles and industry which caters for the needs of the business community: quality educational provision, with specific focus on disadvantaged groups and diversity. This meets the actual need for technical profiles on the labour market and allows future labour market challenges to be anticipated. The T2 campus will cover all the training programmes.

- *Digital acceleration and exploration of startup communities in Limburg (Digitale versnelling en ontginning van Limburgse startup communities) (ERDF):* New innovative entrepreneurship is promoted at the intersection of sectors, while pooling the thematic expertise available in the province. Innovative and scalable business models are developed for which a market is to be created. The target group are starters who work with established business models to market existing products or services. Limburg Startup will be closely working together with the Limburg Reconversion Company (Limburgse Reconversie maatschappij/LRM), Imec and Hasselt University (UHasselt) during the next three years, with support from ERDF and the province of Limburg within the framework of SALK.

### **CSR 3**

- *Krak West (ERDF Flanders):* If the policy remains unchanged, it is expected that strip shops and large shopping areas will grow even more important, with a further increase in commercial unoccupancy in the centres. This demand-led project aims to create a number of tools and actions for and by local policy which will promote a favourable business climate for entrepreneurship in retail trade. These actions include stimulating dialogue, defining a USP per municipality, introducing new technologies and apps to improve the shopping experience, etc.
- *Biomat on microfluidic chip (Interreg Flanders-the Netherlands):* In the future, patient treatment will focus more and more on 'personal regenerative medicine'. Biomat creates a brand-new microfluidic chip, viz. the organ-on-chip 2.0. The innovative element of this chip is the three-dimensional (3D) environment that is given shape, in contrast to traditional cell culture trays where cells or tissues grow on a flat surface.
- *More intelligent fruit cultivation (Intelligenter Fruit Telen): (Interreg Flanders-the Netherlands):* It aims to fine-tune precision fruit cultivation, demonstrate it to fruit growers and promote it. Three elements are studied: soil, crop development and harvest. Moreover, the project wants to apply the benefits to pilot plots and pilot companies in Flanders and the Netherlands, using the generated data and in combination with an analysis of the added value and/or cost recovery period for the fruit growers.
- *Customised Solar Panels (PV OpMaat) (Interreg Flanders-the Netherlands):* Aims at a more efficient and customised integration of solar panels in buildings and dwellings, and examines and demonstrates 'promising applications of thin-film solar panels in construction elements'. Meanwhile, PV OpMaat has put two demonstration sites into operation, one at KU Leuven and one on the roof of the Eindhoven University of Technology (TU Eindhoven).
- *Hydrogen Region 2.0 (Waterstofregio 2.0) (Interreg Flanders-the Netherlands):* Focuses on improving and demonstrating several applications and developing a number of filling stations with innovative concepts. 'Waterstofregio 2.0', which is coordinated by WaterstofNet, strengthens cooperation between Flanders and the Netherlands.
- *Project 'e-commerce in ornamental horticulture' (project e-commerce in de sierteelt):* On an online supply platform ornamentals growers can enter their offer where several buyers can consult it. The five pilot projects in East Flanders which were researched by the POM East Flanders focused on B2B (Business-to-Business) relations. The main conclusion was that the sector needs (further) digitisation which not only concentrates on the use of online platforms, but also on the optimisation of the administration as a whole.
- *Skills Navigator (Interreg Flanders-the Netherlands):* Owing to the digitisation, computerisation and robotisation of the port sector, there is a fast growing demand for higher-skilled technical profiles. With the input from 14 partners Skills Navigator ensures an optimal match between labour demand and supply. The focus is on imparting the necessary

digital skills to school-age young people as well as (re)entrants in the labour market aged between 16 and 26.

## 5.5. FRP IN A FEDERAL AND EUROPEAN PERSPECTIVE

Within the framework of the European Semester 2018, Flanders again provided substantial input for the **fact finding mission** which took place between the COM services and Belgium on 10 November 2017 about the compilation of the draft Country Report Belgium 2018. In addition, Flanders took active part in the European Semester 2018 during the **bilateral meetings with the COM services** (11 December 2017 and 19 March 2018) at political level which are dedicated to the implementation of the CSRs, among other things. Moreover, plenty of bilateral contacts take place between the COM services and the policy areas of the Flemish authorities during the European Semester.

With its own FRP, Flanders assumes ownership within the European Semester. The FRP 2018 will again be appended to the **NRP** and the link with the **European institutions** is guaranteed as well: The Government of Flanders will deliver 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).

The FRP will also be published on the European Semester website<sup>22</sup> of the General Representation of the Government of Flanders to the EU (Algemene Afvaardiging van de Vlaamse Regering bij de EU/AAVR EU). Through its initiatives within the framework of the European Semester, Flanders also makes an important contribution to the operation of the **Europe 2020 Monitoring Platform of the Committee of the Regions**. The Department of Public Governance and the Chancellery (Departement Kanselarij en Bestuur), for instance, illustrated Flanders' semester governance at an event<sup>23</sup> which took place on 11 October 2017 during the European Week of Cities and Regions. On 11 May 2017, a joint Flemish-Catalan seminar on the European Semester was organised in Barcelona.

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<sup>22</sup> <http://www.vlaanderen.be/int/europese-unie/vlaanderen-en-het-europees-semester>

<sup>23</sup> <https://portal.cor.europa.eu/europe2020/news/Pages/Event-Administrative-Capacity.aspx>



## GLOSSARY

3D	Three-dimensional	FWO	Fonds voor Wetenschappelijk Onderzoek (Research Foundation - Flanders) Public utility foundation which was given legal personality by Royal Decree of 20 January 2006. The Decree of 30 April 3009 on the organisation and financing of science policy (Belgian Official Gazette of 6 July 2009) recognises the FWO as an externally autonomous agency under public law
AAVR EU	Algemene Vertegenwoordiging van Vlaanderen bij de EU (General Representation of Flanders to the EU)	GDP	Gross Domestic Product
Actiris	Brussels Regional Employment Service	GWh	Gigawatt hour (unit of energy)
AIO	Agentschap Innoveren en Ondernemen (Flanders Innovation & Entrepreneurship)	Ha	Hectare
AMECO	Annual macro-economic database of the European Commission's Directorate General for Economic and Financial Affairs	HBO	Hoger Beroepsonderwijs (higher vocational education)
BCR	Brussels-Capital Region	HE	Higher education
BE	Belgium	HERMREG	Belgian econometric model for drawing up regional medium-term forecasts
BENO-pass	An electronic file which automatically records which energy-saving investments - for which you have already received a subsidy - have been carried out in a dwelling or housing unit	HPC	High Performance Computing
BE-REEL	BElgium RENovates for Energy-Efficient Living	IBN	Innovative Business Network
BISEPS	Business Clusters Integrated Sustainable Energy PackageS	ICON	Interdisciplinair Coöperatief Onderzoek (interdisciplinary cooperative research)
BRIC	Brazil, Russia, India and China	ICT	Information and communications technology
B2B	Business-to-Business	ILVO	Instituut voor Landbouw-, Visserij- en Voedingsonderzoek (Institute for Agricultural, Fisheries and Food Research)
Catalisti	Spearhead cluster 'sustainable chemistry'	Imec	Interuniversity Micro-Electronics Centre
CAW	Centrum Algemeen Welzijnswerk (general welfare work centre)	iMinds	Interdisciplinary Institute for Broadband Technology
CLB	Centrum voor Leerlingenbegeleiding (pupil guidance centre)	INR	Instituut voor de Nationale Rekeningen (Institute of National Accounts)
CO <sub>2</sub>	Carbon dioxide	Interreg	Interreg Community Initiative
CO <sub>2</sub> -eq	CO <sub>2</sub> equivalent	ITG	Instituut voor Tropische Geneeskunde (Institute of Tropical Medicine Antwerp)
COM	European Commission	K-level	Ratio showing the degree of thermal loss through the building shell
CoR	Committee of the Regions	Kton	Kiloton
CSR	Country-specific recommendation	KU Leuven	Katholieke Universiteit Leuven (Catholic University of Leuven)
DBFM	Design, Build, Finance, Maintain	Le Forem	Service Public Wallon de l'Emploi et de la Formation (Walloon Service for Employment and Vocational Training)
EBO	Energiebeleidsovereenkomsten (energy policy agreements)	LFS	Labour Force Survey
EESC	European Economic and Social Committee	LGBT	Lesbian, gay, bisexual, and transgender
E-level	Energy performance level	LRM	Limburgse Reconvertiemaatschappij (Limburg Reconversion Company)
EPB	Energieprestatie en binnenklimaat (energy performance and indoor climate)	M-Decree	Decree containing measures for pupils with special educational needs
EPC	Energy performance certificate	Mtoe	Million tonnes of oil equivalent
Eq.	Equivalent	Mton	Megaton
ERDF	European Regional Development Fund	N11	Next Eleven: Bangladesh, Egypt, the Philippines, Indonesia, Iran, Mexico, Nigeria, Pakistan, Turkey, Vietnam and South Korea
ESA	European system of national and regional accounts	NATO	North Atlantic Treaty Organisation
ESF	European Social Fund	NBB	National Bank of Belgium
ESFRI	European Strategy Forum on Research Infrastructures	NEET	Not in education, employment or training
ETS	EU Emissions Trading System	NL	The Netherlands
EU	European Union	NRP	National Reform Programme
EU-15	the 15 EU Member States as at 1 January 1995	OASC	Open & Agile Smart Cities
EU-28	the 28 EU Member States since 2014	OCMW	Openbaar Centrum voor Maatschappelijk Welzijn (public social welfare centre)
EUR-Lex	EU law	OECD	Organisation for Economic Cooperation and Development
Eurostat	Directorate-General of the European Commission, in charge of providing statistics for Europe		
EWI	Economie, Wetenschap en Innovatie (Economy, Science and Innovation)		
Fedasil	Federaal Agentschap voor de Opvang van Asielzoekers (Federal Agency for the Reception of Asylum Seekers)		
FFM	Fact finding mission		
FIT	Flanders Investment and Trade		
FLA	Flanders		
Flux50	Flemish smart energy networks		
FPB	Federaal Planbureau (Federal Planning Bureau)		

OKAN	Onthaalonderwijs voor anderstalige nieuwkomers (reception classes for non-Dutch speaking newcomers)	T.OP	Territoriaal OntwikkelingsProgramma (territorial development programme)
OKOT	Onderwijskwalificerende Opleidingstrajecten (training pathways for educational qualifications)	TU	University of Technology
OWI	Offshore Wind Industry	UGent	Ghent University
PIO	Programma Innovatieve Overheidsopdrachten (Innovative Procurement Programme)	UHasselt	Hasselt University
pJ	Picojoule	UNIA	Interfederal independent public institution that combats discrimination and promotes equal opportunities
PMV	ParticipatieMaatschappij Vlaanderen (Flanders Holding Company)	UK	United Kingdom
PMV/Z	ParticipatieMaatschappij Vlaanderen voor zelfstandige ondernemers (Flanders Holding Company for the Self-employed)	UV-C	Ultraviolet light in the C spectrum
POM	Provinciale Ontwikkelingsmaatschappij (Provincial Development Company)	VAPA	Vlaams Actieplan Armoedebestrijding (Flemish Poverty Reduction Action Plan)
Pp	Percentage point	VDAB	Vlaamse Dienst voor Arbeidsbemiddeling en Beroepsopleiding (Flemish Employment and Vocational Training Service)
PPP	Purchasing power parity	VEA	Vlaams Energieagentschap (Flemish Energy Agency)
PPP	Public-private partnership	VESOC	Vlaams economisch en sociaal overlegcomité (Flemish Economic and Social Consultative Committee)
P&R	Park-and-ride	VGC	Vlaamse Gemeenschapscommissie (Flemish Community Commission)
PWA	Plaatselijk werkgelegenheidsagentschap (local employment agency)	VHP	Vlaams Hervormingsprogramma (Flemish Reform Programme/FRP)
R&D	Research and development	VI	Vanguard Initiative
R&D&I	Research, development and innovation	VIB	Vlaamse Instelling voor Biotechnologie (Flanders Institute for Biotechnology)
RE	Renewable energy	VIL	Vlaams Instituut voor de Logistiek (Flanders Institute for Logistics)
RO	Brussels ring road	VIS	Vlaams innovatiesamenwerkingsverband (Flemish Cooperative Innovation Network)
RVO	Roger Van Overstraeten	VITO	Vlaamse Instelling voor Technologisch Onderzoek (Flemish Institute for Technological Research)
S3	Smart Specialisation Strategy	Vlakwa	Vlaams Kenniscentrum Water (Flanders Knowledge Centre Water)
SALK	Strategisch Actieplan voor Limburg in het Kwadraat (Strategic Action Plan for Limburg Squared)	VLEVA	Vlaams-Europees Verbindingsagentschap (Liaison Agency Flanders-Europe)
SERV	Sociaal-Economische Raad van Vlaanderen (Social and Economic Council of Flanders)	VLIZ	Vlaams Instituut voor de Zee (Flanders Marine Institute)
SES	Socio-economic status	VRT	Vlaamse Radio- en Televisieomroeporganisatie (Flemish public radio and television broadcaster)
SHM	Sociale huisvestingsmaatschappij (social housing company)	VSC	Vlaams Supercomputer Centrum (Flemish Supercomputer Centre)
SILC	Statistics on income and living conditions	VVP	Vereniging Vlaamse Provincies (Association of Flemish Provinces)
SIM	Strategic Initiative Materials in Flanders	WIJ	Werkinleving voor jongeren (work experience for young people)
S-level	Indicator which equally evaluates all energetic qualities of the building shell compared to the design efficiency	WTCB	Wetenschappelijk en Technisch Centrum voor het Bouwbedrijf (Belgian Building Research Institute)
SME	Small and medium-sized enterprise		
SONO	Steunpunt voor Onderwijsonderzoek (Education Research Centre)		
Sprint	A Sprint project is targeted on large companies (not SMEs) that have innovation potential, but not the possibilities to carry out large-scale R&D projects		
STATBEL	Belgian Statistical Office		
STEM	Science, Technology, Engineering and Mathematics		
TEN-T	Trans-European Transport Networks		
TIER 1	A high performance computing (HPC) system which is regarded as exceptionally powerful at a given point in time		