

## ANNEX

# Follow-up to previous OECD policy recommendations

*This Annex reviews action taken on recommendations from previous Surveys. They cover macroeconomic and structural policy priorities. Each recommendation is followed by a note of actions taken since the February 2015 Survey. Recommendations that are new in this Survey are listed in the relevant chapter.*

## Macroeconomic and financial policies

Summary of recommendations	Summary of action taken since 2015 <i>Survey</i>
Make fiscal consolidation expenditure-based through savings in social transfers and public consumption	A framework was established since October 2014 at Federal level to reduce public expenditure over the period 2015-2019: the wage bill, operating costs and personnel costs were reduced. The growth of health care spending and other social transfers were also reduced in structural terms. A “redesign” of public administration aimed at increasing its efficiency was decided in October 2015. The fight against social fraud has been strengthened.
Introduce multi-year expenditure rules at all levels of government, with monitoring by the High Council of Finance	No domestic expenditure rules (other than expenditure benchmark, preventative arm of SGP). Lack of political agreement between Federal and Regional governments on budget targets implies the High Council of Finance cannot fully monitor compliance. Since the transposition of EU directive in 2014 all entities have the legal requirement to establish medium-term budgets. Since the 2015 budget, the Federal government integrates a multi-annual approach in its yearly budget.
Further improve budget reporting to ensure full coverage of the balance sheets and contingent liabilities of general government and other entities under public control, and publish these data.	Contingent liabilities are published. The Federal government has changed legislation such as to make a completely consolidated balance sheet and annual accounts available.

## Public investment

Summary of recommendations	Summary of action taken since 2015 <i>Survey</i>
Develop long-term infrastructure plan supported by regions and the federal government	Agreement for a national plan for strategic investments. The federal government granted loans to finance investment in railways The government of Wallonia has set up a 640 million euro investment plan for the period 2016-2019 to rehabilitate inland waterways and highways. The Flemish government has set up a 3.6 billion euro investment plan for the period 2017-2023 to complete the Oosterweel Junction in the economic heartland of the Antwerp region. The Brussels government has set up a 1.5 billion euro investment plan for mobility for the period 2018-2025.
Abolish the favourable taxation of company cars and the tax advantages of diesel cars and of diesel as a transport fuel	Tax deduction on company cars was reduced when fuel cards are granted and excises duties on diesel were increased. The federal government has decided to introduce a multimodal mobility budget for employees as an alternative to company cars.
Introduce a road pricing system and differentiated public transport fares to reduce congestion	New toll on heavy vehicles, but with no higher peak charge.

## Taxation

Summary of recommendations	Summary of action taken since 2015 <i>Survey</i>
Broaden tax bases and lower tax rates. Reduce labour tax wedge. Tilt housing taxation towards recurrent taxes and away from transaction taxes. Increase less growth-distorting taxes, including environmental and consumption taxes	Employer social security contributions reduced, social contributions for self-employed reduced and various personal income tax adjustments made to boost take-home pay. VAT revenue and excise duties increased. Price indexation of energy products and electricity and elimination of reduced VAT rate on electricity as September 2015 for residential consumers
Consider increasing taxation of capital income	Withholding tax on income from investment harmonised and increased. Increase of the tax on stock-exchange transactions and abolition as of 2017 of the speculation tax on listed shares and derivative instruments introduced in 2016. Introduction of anti-abuse measures (internal capital gains)
Gradually remove the tax deductibility of interest and capital repayments on mortgage loans. Tilt housing taxation towards recurrent taxes and away from transaction taxes.	The housing bonus has been made means-tested in the Walloon Region and its application has been narrowed in the Flemish Region Abolition of the housing bonus in the Brussels-Capital Region and replacement by a reduction of transaction taxes.

## Pension reform

Summary of recommendations	Summary of action taken since 2015 <i>Survey</i>
Raise the statutory and effective retirement age to enhance long-run debt sustainability.	Progressive increase in the retirement age and career length requirements. Changes in the calculation of the amount of pension to encourage a rise in the effective retirement age.
Create stronger links between working careers and pensions in the early retirement system and subject all older unemployed to standard search monitoring and activation conditions.	Progressive increase in the contribution period and minimum age for early retirement and older workers submitted to job search and activation programmes.

## Wage-setting and competition policy

Summary of recommendations	Summary of action taken since 2015 <i>Survey</i>
Reform the wage formation process, notably the system of wage indexation, to better reflect domestic productivity developments	Wage indexation temporarily suspended. Reform to the wage formation process.
Make regulation retail distribution and professional services less restrictive	On the federal level the professional qualifications directive has been transposed horizontally and vertical transposition is on-going. In the Flemish Region, the decision was approved to deregulate most of the regulated professions on 17 March 2017.
Reduce administrative burdens on start-ups	Federal and regional initiatives aimed at simplifying administrative procedures for SMEs, including for micro-firms (e.g. The Brussels-Capital Region's Small Business Act).

## Green growth

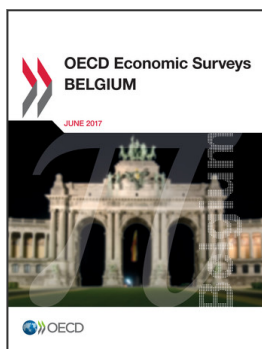
Summary of recommendations	Summary of action taken since 2015 <i>Survey</i>
Shift subsidies of energy-saving investments towards more cost-effective technologies.	Flemish Region subsidies of energy-saving investments in residential and non-residential buildings reformed: subsidies and property tax discount for new installations in solar and wind energy; subsidies and property tax discount for energy-related renovation of existing buildings.
Increase energy taxation for residential use.	Indexation of electricity and gas prices, on the basis of market-based parameters and elimination of reduced VAT rate on electricity as of September 2015 for residential consumers. Higher consumption tax on electricity in the Flemish Region.
Reduce subsidies to commuting by car and introduce congestion charges in the largest cities.	New toll for heavy trucks. Lower tax deduction on company cars. Introduction of a mobility budget for employees benefiting from a company car. Grants/tax subsidies for individuals/companies buying environmentally friendly cars in the Flemish Region.
Increase power generation from renewables in order to meet 2020 emissions targets.	Co-operation agreement on burden sharing between the regions and federal authority on climate-energy targets by 2020. Flemish Action Plans 2020 and targets for photovoltaic and wind energy were approved in 2016.

## Enhancing labour market integration of immigrants, mobility and skills

Summary of recommendations	Summary of action taken since 2015 <i>Survey</i>
<p>Monitor enrolment to reduce the concentration of disadvantaged students in particular schools. Improve teacher training and incentives to attract more qualified teachers to disadvantaged schools.</p>	<p>Adoption of a concept note by Flemish Government on March 25, 2016 containing proposed measures for raising the profile of new entrants to teacher education programmes and streamlining of programmes and quality enhancement of teacher training. Recent evidence suggests that a 2011 decree by the Flemish government to grant priority to certain places in oversubscribed schools in proportion to the socioeconomic composition of each school's neighbourhood, has led to a decrease in segregation.</p> <p>As part of the "Pact for Excellence in Education" (FWB) The French Community has implemented measures to foster inclusive education, reduce school dropouts and grade repetition.</p>
<p>Proceed with reforms to reduce grade repetition and delay tracking in secondary education. Expand workplace-based learning in vocational education.</p>	<p>Increased funding by Regions and Communities for a variety of initiatives to reduce early school leaving: a Youth Guarantee scheme in Brussels-Capital Region, a decree to closely monitor those at risk of leaving school early by Parliament of the French Community, an action plan 'together against early school leaving' and a pilot programme on dual learning in Flemish Community. The "Opleidingsplan 2020/Plan Formation 2020" adopted by the Brussels-Capital Region on December 6, 2016 plan to strengthen work-based learning.</p>
<p>Continue to co-operate with social partners to further expand diversity plans in firms. Expand training offers, including on languages, and skill validation for immigrants</p>	<p>In response to the refugee crisis, the Federal Individualised Project for Social Integration (IPSI) was expanded to provide immigrants with necessary skills to enter the labour market: a job-insertion plan including languages training, skills validation and proposition of a training offer in the future and in-demand technological jobs in the Walloon Region</p> <p>A social, professional and linguistic assessment of migrants as well as specific offer of training and/or validation for newly arrived migrants included in The "Plan Formation 2020" in Brussels-Capital Region.</p> <p>The Flemish Region also recruited additional language counsellors to its employment service and extra language support in pre-primary, primary and secondary education. In addition, the Flemish government approved a 'Horizontal Integration Policy Plan' in July 2016. The plan aims to reduce the ethnic gap: the social position of persons with a migrant background is in many areas worse than the position of persons of Belgian origin.</p>
<p>Improve vocational training to better reflect labour market demands</p>	<p>The Walloon Region and the Brussels-Capital Region has set up a single contract for young people attending dual vocational education to strengthen incentive from employers. Both regions have also appointed sectoral tutors, financed both by the regional authority and employers. The French Community reformed the apprenticeship training in September 2015. Increase in the number of trainee placements in the Brussels-Capital Region. In Flanders multi-annual planning, including through dual learning programmes, has contributed to a clear increase in the outflow from vocational training to work over the past two years In the French Community "Pact for Excellence in Education" (FWB) includes an upgrade of vocational education. An employment and training observatory was established in December 6, 2016 to improve the relevance of the training offer.</p>
<p>Enhance labour market flexibility in order to facilitate entry of excluded groups</p>	<p>Implementation of the <i>Werkbaar, Wendbaar Werk</i> reform will make working time more flexible</p>

## Other past OECD recommendations

Summary of recommendations	Summary of action taken since 2015 <i>Survey</i>
As one way to improve labour market outcomes, in particular for the low-skilled, consider reintroducing lower statutory minimum wages for younger workers.	Reintroduction of the exceptions to the minimum wage for younger workers (with compensation by an increase in the work bonus for the worker). Negotiations with the social partners on best way to implement the exception are on-going.
Expand regional rental allowance schemes for low-income tenants renting on the private market. In parallel, increase subsidies for social rental agencies and make publicly-owned plots available for construction of affordable housing, notably by the private sector.	In Flanders financing for the rental allowance scheme has been increased. Subsidies and a mandatory growth path for social rental agencies have contributed to an increase in the number of rented dwellings. The Flemish Decree on Land and Housing Policy requires municipalities to use part of undeveloped plots for the construction of social housing.
Increase urban building densities by re-designating land and converting non-residential buildings, further easing restrictions on the construction of denser buildings, and increasing the costs of keeping urban land and buildings unused.	The Flemish Government has adopted a White Paper on spatial development calling for a dampening of additional space requirements and an increase in residential density and business floor space around strategic public transport nodes
Health care: Once adequate incentives to control costs are in place, enable a more flexible health supply by phasing out the overly prescriptive regulation on hospital supply.	No significant action taken.
Infrastructure: Make the costs of public services obligations (PSO) explicit and compensate service providers for the provision of these PSOs	No significant action taken.



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