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COMMISSION STAFF WORKING DOCUMENT

2026 Country Report - Belgium

Accompanying the document

Recommendation for a COUNCIL RECOMMENDATION

on the economic, social, employment, structural and budgetary policies of Belgium

{COM(2026) 201 final}

European Commission

Economic and Financial Affairs

Belgium

2026 Country Report

ECONOMIC DEVELOPMENTS AND KEY POLICY CHALLENGES

Moderate economic growth

Economic growth in Belgium slowed down in 2025 and is expected to further decelerate in 2026 ([1]). In 2025, economic activity slowed down, largely due to heightened global uncertainty and a fall in exports. In 2026, domestic demand is expected to decelerate driven by weaker private consumption. Imports and exports are expected to rebound in 2026, although they remain subject to external shocks. Overall, GDP growth is projected to stand at 0.7% in 2026.

Inflation is rising, following spiking energy prices. Recent events in the Middle East have led to increased energy prices. Depending on the length of recent energy markets' disruption, inflationary pressures are set to negatively impact private consumption and investments, bringing inflation up to 3.4% in 2026. Wage growth is set to moderate.

Strong regional disparities continue to mark the labour market. While major labour market reforms were adopted recently, the employment rate remains below the EU average, especially for low-skilled, people with a migrant background, persons with disabilities and older workers (see Section 4). Moreover, disparities in employment rates across regions are among the highest in the EU. Unemployment in Brussels (11.8%) and Wallonia (7.4%) is above the EU average (5.9%), while labour shortages are significant in Flanders. Low employment rates are a challenge to growth and increase poverty risks.

Public finances remain a challenge

Public debt keeps rising because of consistently high deficits. The general government's deficit jumped to 5.2% of GDP in 2025 and is projected to stabilise at 5.2% of GDP in 2026 before rising again in 2027. Public debt is forecast to continue to increase from 107.9% of GDP in 2025 to 112.8% in 2027.

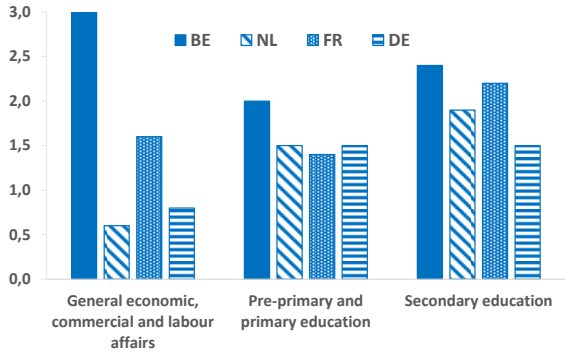
Additional consolidation efforts are needed to reduce the deficit and bring public debt on a downward path. In its medium-term fiscal structural plan for 2025-2029, Belgium commits to limiting net expenditure growth, aiming to reduce its deficit below 3% of GDP in line with its Excessive Deficit Procedure and place debt on a downward path (see Annex 2). According to the plan, this would imply an improvement of the structural primary balance of 2.4 pps of GDP between 2025 and 2029. Policy actions are projected to slowdown expenditure growth in 2026, especially ageing-related costs and subsidies. However, low revenue growth, rising interest payments and defence expenditure continue to weigh on the government balance. Further consolidation efforts are needed to reduce the

([1]) The cut-off date for the data used to prepare the EU-27 country reports was 30 April 2026.

structurally high deficit and bring the debt-to-GDP ratio on a downward path. The swift implementation of the reforms and investments in the medium-term fiscal structural plan could support this effort (see Annex 2).

Defence spending has risen sharply in recent years to reach the NATO 2% norm in 2025. The government has stepped up efforts to increase defence expenditure to meet the NATO commitment. Total defence expenditure rose from 0.9% in 2021 to 1.4% in 2025 and is projected to reach 1.8% in 2027 ([2]). To boost public defence spending, the Council has activated the national escape clause upon request of Belgium ([3]). As part of the ReArm Europe Plan, Belgium has requested EUR 8.3 bn in EU loans under Security Action for Europe (SAFE) for defence procurement.

Graph 1.1:**Expenditure items with the highest gap with main neighbouring countries, ppt of GDP, 2023**



Source: Eurostat

Belgium's fiscal strategy focuses on reducing expenditure, while safeguarding public investment. The country's share of public expenditure is among the highest in the EU, at 54.2% of GDP in 2025. To contain public spending, the federal government limited unemployment benefits, incentivises labour market participation and reforms the pension system. The government also plans revenue-increasing measures such as a new capital gains tax, VAT-reforms and increased excise duties on fossil fuels. Additional fiscal consolidation could be achieved by reducing fossil fuel subsidies and tax expenditure. Despite the challenging public finance situation, public investment has shown an upward trend in recent years. It is expected to rise from 2.6% in 2019 to 3.3% of GDP in 2027 (see Annex 2).

High public expenditure stands in stark contrast to the poor cost efficiency of public services. Public expenditure in Belgium was about 4.6 pps of GDP higher than the average of its main neighbouring countries. This was mainly due to higher expenditure on general affairs and education compared with other EU countries (see Graph 1.1) - without necessarily higher quality of public services provided. As part of the medium-term fiscal structural plan, all levels of government are anchoring spending reviews to their budgetary process to improve the composition and efficiency of their public expenditure. However, further efforts are needed to increase the cost efficiency of public administration at all government levels (municipalities, provinces, regions and communities, federal level). Seeking out and implementing possible economies of scale could be eased by streamlining government structures.

([2]) A difference in scope and time of reporting explains the difference between the NATO and the national account defence expenditure as percentage of GDP.

([3]) The activation of the national escape clause provides Member States with budgetary flexibility to increase defence expenditure, without an immediate need to finance such increase with spending cuts or revenue-raising measures.

Box 1:

UN Sustainable Development Goals (SDGs)

Belgium performs well and is improving on all SDGs on productivity (SDGs 4, 8, 9), while it is moving away from achieving SDG 16 on peace, justice and strong institutions and SDG 17 (Partnerships for the goals).

Belgium performs well or is improving on all SDGs related to fairness (SDGs 1, 3, 4, 5, 7, 8, 10) and to environmental sustainability. However, it is losing ground on SDG 14 (Life below water) and needs to catch up with the EU average on SDG 7 (Affordable and clean energy), 15 (Life on land), 13 (Climate action) and SDG 11 (Sustainable cities and communities).

Improving inter-federal budgetary coordination

The budgetary process suffers from structural weaknesses, but reforms are ongoing. Belgium was so far the only EU country without multiannual fiscal planning at national level and without budgetary targets for federated entities ([4]). Moreover, the budgetary calendar does not provide sufficient time for evidence-based policy evaluations and legal review. Starting the budgetary process earlier would make the budget less dependent on ad-hoc fiscal measures and avoid late submission of the budgetary plan.

In March 2026, federal and federated entities have reached an agreement on enhanced budgetary coordination, to which Belgium had committed in its medium-term fiscal structural plan. Belgium plans to do this by setting multiannual budgetary targets for all entities to comply with the requirements of the EU economic governance framework. To facilitate a swift and effective implementation of this agreement, its design should aim for transparency and simplicity. Belgium also made plans to redefine the tasks and enhance the financial and staff capacity of the High Council of Finance so that it can effectively perform its task as an independent fiscal institution. This reform aims to improve Belgium's budgetary planning and verification of compliance with the EU economic governance framework. Safeguarding the independence of the High Council of Finance and its secretariat should be assured when implementing the reform.

While public investment needs are high, the delivery of investment suffers from a lack of inter-federal coordination. Public investment will be crucial to finance the twin transition and achieve the UN Sustainable Development Goals (see Box 1). While public investment increased recently, it remains lower than in other EU countries. Public investment is largely delegated to regions and communities, and a lack of effective inter-federal coordination may lead to inefficiencies in public investment management. Introducing multi-year investment plans at all government levels could improve the cost efficiency of public investment. Effective coordination could also help offset the fragmentation of policy action across government levels. Streamlining government structures, clarifying competences between government levels and avoiding duplication could increase policy effectiveness and coherence.

([4]) Some fiscal rules exist at local authority level and to a certain extent for some regions and communities (e.g. Flanders).

EU funding instruments provide considerable resources to Belgium. They support investments and structural reforms to increase competitiveness, environmental sustainability, skills, social fairness and security, while helping to address challenges identified in the country-specific recommendations (CSRs). Key instruments include the Recovery and Resilience Facility (see Box 2) and Cohesion policy funds (see Box 3). In addition, the Common Agricultural Policy (CAP) provides Belgium with an EU contribution of EUR 3.3 billion under the CAP strategic plan for 2023-2027 ([5]). A further EUR 299.5 million are available under the Asylum, Migration and Integration Fund (AMIF), together with the Border Management and Visa Instrument (BMVI) and the Internal Security Fund (ISF). Other EU programmes also support competitiveness in Belgium, for instance through open calls under Horizon Europe and the Connecting Europe Facility.

Rising ageing costs put public finances under pressure

Ageing is expected to significantly increase public expenditure by 2070, but the new pension reform should ease the strain. According to the 2024 Ageing Report, pensions and long-term care expenditure are the main drivers of a projected increase in ageing-related expenditure of 4.7 pps of GDP by 2070, substantially higher than the EU average of 1.3 pps (see Annex 2). Pension expenditure is projected to increase by 3.1 pps of GDP by 2070, to reach 16.2% in 2070. In March 2026, a draft law to reform the pension system has been tabled to the parliament ([6]), which (i) introduces a 'bonus-malus' system to replace the bonus system introduced in 2024. (ii) increases the relevance of the period effectively worked compared with periods of assimilated work; (iii) further harmonises the civil servants' pension system with the general system; and (iv) gradually phases-out the favourable conditions under some special pension regimes in the public sector. The draft law is expected to reduce the projected increase in pension expenditure by 1.3 pps between 2024 and 2070 ([7]).

([5]) An overview of Belgium's formally approved strategy to implement the EU's common agricultural policy nationally can be found at: Flanders and Wallonia.

([6]) Pension reform draft law of 10 March 2026.

([7]) Federal Planning Bureau, 2026, Budgetary and social assessment of the federal government's pension reform, Rapport 13299.

Box 2:

Key achievements of the recovery and resilience plan

Belgium's recovery and resilience plan (RRP) represents a total budget of **EUR 5 264 million**, corresponding to **0.88% of GDP**. The aim of the RRP is to support reforms and investments contributing to the green and digital transitions, strengthen economic resilience, and address long-standing structural challenges identified in the European Semester.

As of 4 May 2026, EUR 3.07 billion (around 58.3 % of the total allocation) have been disbursed to Belgium following the satisfactory fulfilment of 100 milestones and targets, of which EUR 103.36 million in loans. Implementation has progressed steadily, with a growing number of reforms and investments already fulfilled and delivering real results on the ground.

Belgium also benefits significantly from the RRPs of other Member States (Italy, Spain, France and Poland) through spillover effects, which are estimated at EUR 4.6 billion. The full positive impact of the Recovery and Resilience Facility (RRF) on Belgium's GDP is estimated at EUR 10.3 billion between 2020 and 2030.

Highlights and impact of the plan

- **Fibre networks and 5G**. Reform of regulatory frameworks to accelerate the roll out of fibre networks and 5G at all government levels.
- **Greening of road transport**. Investments in the deployment of charging infrastructure for electric vehicles.
- **Modal shift**. Investments in railway upgrades and in cycling infrastructure.
- **Water management**. Investments in 'Blue Deal' projects to increase water availability and resilience to climate change.
- **Pension system**. Reform of the pension system, improving its social and fiscal sustainability.
- **Spending reviews**. Integration of spending reviews into the budgetary process by all levels of government.

The projected increase in long-term care costs puts pressure on the long-term financial sustainability of public finances. Belgium received a CSR in 2025 to make the long-term care system more cost-effective and has made some progress in addressing the challenge. In 2025, expenditure on long-term care stood at 2.3% of GDP (vs 1.7% in the EU), one of the highest in the EU. Until 2070, long-term care spending is projected to increase by 1.7 pps of GDP (EU average 0.8 pps), one of the highest in the EU, weighing on fiscal sustainability (as confirmed by S2 indicator ([8])). Belgium ranks high for residential care and rather low for home care ([9]), with risks to affordability due to high out-of-pocket costs of residential care. Data show that there is still excessive or early placement in residential care, with little improvement since 2021. This is most acute in Brussels and Wallonia, suggesting room to improve the cost efficiency of care, including by strengthening measures to discourage overuse of residential care and improving community-based services. Flanders is expanding the use of the BelRAI

([8]) The S2 indicator measures the adjustment needed to stabilise public debt over the long term. See European Commission Debt Sustainability Monitor 2025.

([9]) KCE, 2024, Performance of the Belgian health system – KCE report 376C, p. 112. Based on OECD data, providing that long-term care for older people differs across countries.

tool, which is a tool to help tailor care to the individual's level of dependency. Brussels has taken steps to promote home care and Wallonia has taken steps on prevention. Belgium spends less than many other EU countries on preventive care which could also help reduce long-term care costs (Annex 15).

Public pension could be further supplemented with occupational pension (see Annexes 2 and 6). While 60% of Belgian workers have employer pension schemes, participation and savings levels vary by sector and employer size. Expanding occupational pensions to all private and public sectors, increasing the level of the average contributions and offering occupational pensions as monthly payments instead of a lump sum would ensure a complementary source of regular income for people in their retirement. Easing regulations, including relaxing the mandatory return guarantee for occupational pensions could encourage employers to choose defined-contribution products, rather than low return group insurance contracts. The federal government has asked social partners to find ways for all employees to have an occupational pension with an employer contribution of at least 3% by 2035.

Reforming the tax system

High personal income taxes deter labour market participation. Labour taxation (social contributions and income taxes) is one of the highest in the EU at almost all income levels (see Annex 3). However, revenue from consumption taxes is below the EU average (9.5 vs 10.6% of GDP). Personal income tax brackets in Belgium are narrow and even average income earners are therefore liable to the highest income tax rates (45% and 50%). This results in significant low-wage traps where additional earnings are quickly taxed away through higher taxes and reduced benefits. This comes on top of non-cash benefits which are not means-tested and linked to the status of beneficiaries ([10]). To incentivise work, the federal government will phase out the marital quotient for second earners, increase the work bonus for low-wage earners, reduce the special social security contribution and gradually increase the tax-free allowance by 2030.

The high tax burden on labour is offset by many wage subsidies, leading to distortions. Company cars, meal vouchers and other alternative wage forms, tend to create economic inefficiencies and distortions. Wage subsidies and other tax expenditure also make the tax system complex, which weighs on the business environment. While wage subsidies are costly for the budget (2% of GDP) and generally not well-targeted, the federal government plans to extend 'flexi-jobs' and student jobs. While those measures are meant to increase flexibility and address labour shortages, they risk crowding-out jobs for low-skilled workers and exacerbating labour shortages in certain sectors ([11]). Moreover, wage subsidies for employing older people and for the first hire (while reformed) do not appear to be effective, as they come with limited or no net job creation ([12]).

Capital taxation is distortive across asset types and does not encourage equity investments. Most capital income is subject to a final withholding tax and is not included in the personal income tax base.

([10]) OECD, 2024, Economic Surveys: Belgium 2024.

([11]) National Bank of Belgium, Annual report 2025.

([12]) Godefroid, H. et al., 2025, Are government subsidies and investment grants to enterprises higher in Belgium? NBB Economic Review.

Box 3:

Contribution of cohesion policy funds

EU cohesion policy funding is supporting Belgium's efforts to boost competitiveness, environmental sustainability, skills and social fairness. In the 2021-2027 programming period, EU cohesion policy funds (ERDF, ESF+, CF and JTF) are providing EUR 2.5 billion (amounting to EUR 5.6 billion paired with national co-financing), to Belgium. The value of selected projects corresponded to 78.2% of the total allocation as of March 2026, with additional calls for projects in the pipeline.

- **Innovation, business environment and productivity.** More than EUR 1 billion are allocated for research and innovation, SMEs competitiveness and for the regions most affected by the transition away from carbon-intensive activities. Around 7 000 firms have already seen their projects approved.
- **Decarbonisation, energy affordability and sustainability.** EUR 886 million are earmarked for green infrastructure, energy efficiency and renewable interventions. These funds will contribute to additional waste recycling capacity of 53 699 tonnes per year. Another EUR 456 million supports the territories most affected by the transition towards climate neutrality.
- **Skills, quality jobs and social fairness.** EUR 302.6 million are earmarked for increasing employment, including youth employment, EUR 432.7 million for improving social inclusion, and EUR 490.1 million for strengthening lifelong learning as well as education and training systems. The ESF+ has earmarked EUR 50.6 million for addressing material deprivation, with over 460 000 people having received food support, including over 148 000 children.

The mid-term review (*) boosted the cohesion policy's contribution to emerging strategic priorities, reallocating nearly EUR 164 million. Approximately 75% of the allocation is expected to boost competitiveness, notably through support for critical technologies under the Strategic Technologies for Europe (STEP), while less than 20% will be directed towards research and innovation in the defence sector. The mid-term review will also contribute to water resilience and construction of high environmental performance public housing.

(*) The mid-term review is carried out halfway through the 2021-2027 programming period. It is a formal process required under Article 18 of the Common Provisions Regulation that aims to assess the implementation of programmes and, where necessary, propose adjustments to improve their performance, ensure their relevance in light of new and emerging needs and keep them aligned with other EU policies.

However, specific tax rules apply to several types of investment, distorting resource allocation and creating tax-induced overinvestment in certain types of assets (see Annex 6). For instance, immovable property investments are favoured because the cadastral income (used to calculate property tax) is often undervalued, and there is no tax on capital gains or rental income. Likewise, tax relief for some highly regulated pension products, such as group insurances and pension savings products, hinder investment diversification and cost efficiency. Moreover, favourable taxation of interest from regulated saving accounts, the tax on securities accounts and the recent capital gains tax further discourage equity investments.

INNOVATION, BUSINESS ENVIRONMENT AND PRODUCTIVITY

The CSRs in 2025 recommended that Belgium simplify regulation, improve the business environment and business dynamics, and boost innovation diffusion. Since then, Belgium has announced some measures to simplify regulation and reduce administrative burden. However, substantial measures are missing and further efforts are needed to address the recommendation in a meaningful way (see Annex 1).

Improving the business environment

Complexity of legislation persists despite measures having been taken. As highlighted in the 2025 CSRs, reducing regulatory burden and complexity remains a challenge. Businesses are mostly concerned about employment regulation, social security and operational costs ([13]). This can be linked to the fragmentation of services across regions and levels of government, making the business environment complex in Belgium. Simplification initiatives are being taken at federal and regional level ([14]), but implementation timelines are sometimes missing, and inter-federal coordination seems to be lacking. To avoid new regulatory requirements, mechanisms for cutting red tape and simplifying regulation could be strengthened at all levels of government, in particular by strengthening data governance and establishing single points of contact (see Annex 7).

Fragmented permitting processes make it difficult to obtain business permits and may lead to housing shortages. While Belgium is getting close to all public services for business being available online, there is no online one-stop shop for obtaining business permits ([15]). Permits are handled by federal, regional, and local authorities. This makes the process complex, fragmented, and time-consuming. Burdensome documentation requirements and overlapping rules mean that professional support is usually needed to navigate the system efficiently. Administrative complexity and long permitting periods lead to a decline in issued building permits since 2022. This indicates that low construction will persist and that - coupled with increasing rental prices - affordability issues for low and middle-income households will rise. Moreover, waiting lists for social housing (around 6% of the total housing stock) are long in all regions.

The inefficiency of the justice system continues to challenge the business sector. Although efforts are being made to address judicial backlogs, the length of proceedings remains problematic (see Annex 7) and shortcomings in structural

([13]) Flash Eurobarometer 567/568, 2026.

([14]) Administrative Simplification Plan 2025–2029 and SMEs Plan 2025-2026 at federal level. Vlaamse Regering, 2025, Regelrecht Rapport; Gouvernement Wallon, 2025, Simplification administrative : état d'avancement and Choc de simplification administrative.

([15]) Apply for permits | Business Belgium.

resources continue to cause delays for businesses.

Removing EU single market barriers

Restrictions in regulated professions remain high. Belgium is well integrated into the EU single market and its intra-EU imports and exports accounted for 52% of GDP in 2024. While some regulations for architects and accountants were adjusted in 2024, services trade restrictiveness indices remain high for air transport, architecture and accounting services ([16]), which could hinder cross-border business activity or create entry barriers for firms. Regulation helps uphold the safety and reliability of professional services, but transformative technologies create new challenges that may outdate existing practices and require a more dynamic regulatory approach. The federal government has planned measures to increase competition in business services, including liberalising tariffs for notaries, but progress is limited.

Strict regulation applies in the services sector, which may limit competition. Belgium received a CSR to remove barriers in the services sector but made limited progress in this area. While it took measures to relax regulation in the retail sector by reforming shop opening hours, the Belgian Price Observatory found that consumers pay more for branded daily consumer goods in Belgium than in neighbouring countries, which may point to territorial supply constraints reducing competition ([17]). Regarding telecoms, prices are among the highest in the EU, with three operators dominating the market ([18]). A fourth operator recently entered the market but its impact on prices remains constrained by limited network deployment and fibre rollout challenges. Moreover, the retail market for electricity is concentrated and shaped by a fragmented regulatory framework. Removing distortions and barriers to competition, such as complex licensing procedures in Wallonia, would ensure that new companies and innovative services can enter the market. Moreover, easing administrative requirements in the implementation of posting of workers rules could reduce regulatory fragmentation within the EU single market, facilitate cross-border mobility and boost competitiveness, without undermining workers' protections.

Improving business dynamics by encouraging scale-ups

Size-dependent tax relief prevents firms to scale-up and become major employers. While a dynamic economy needs fast-growing firms, labour and capital seem to be trapped in low-growth firms and do not reach the most productive companies. Micro-firms (0-9 people) make up 95.9% of businesses but they struggle to grow. This is reflected in the very low business dynamism (see Graph 2.1) for which Belgium received a CSR. The share of high-growth businesses is well below the EU average (0.25% vs 0.79%). A recent study identified several barriers that prevent Belgian start-ups from scaling up ([19]). These include high labour costs and tax incentives to stay small. Among those,

([16]) Intra-European Economic Area Services Trade Restrictiveness Index (Intra-EEA STRI).

([17]) FPS Economy (2023). Comparaison du niveau des prix à la consommation des produits en Belgique, en Allemagne, en France et aux Pays-Bas.

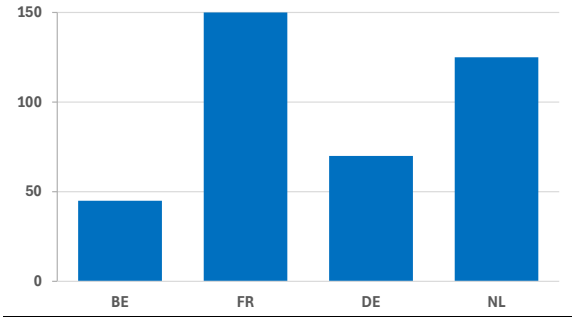
([18]) OECD 2023 PMR country note Belgium.

([19]) Bijnens, G. (2025) Reigniting growth: trends and challenges for business dynamism in Belgium. NBB Economic Review.

the first-hire subsidy – exempting employers from social security contributions for their first hire – was found not to be effective to boost sustainable job creation ([20]). Along with high personal income taxes (see Section 1), tax relief for SMEs (e.g. a reduced corporate income tax rate) also encourages entrepreneurs to incorporate and convert labour income into capital income, explaining the high number of 'management companies' (sole business owners without employment and the ambition to grow).

Difficult access to finance may also prevent businesses from scaling up. While early-stage funding is relatively easy to get, access to finance becomes difficult during the scale-up phase when larger funds are needed to grow. This is particularly the case as markets for venture and growth capital are not broadly developed (see Annex 6). Moreover, late payments by local governments to businesses can be significant leading to the disruption of businesses cash flows, in particular for SMEs (see Annex 5).

Graph 2.1:**Growth rate of companies created five years ago, 2023**



Source: NBB (2025)

Boosting innovation diffusion

Belgium's strong performance in research and innovation is not translated into sustained productivity gains because the spreading of innovation is low. Belgium remains among the strongest innovation leaders in the EU ([21]) and its research and development (R&D) intensity rose to 3.36% of GDP in 2024, among the highest in the EU. This is driven by robust R&D policies, world-class research institutions and the presence of multinational companies. However, business R&D remains concentrated in a few industries where Belgium has been historically strong, such as the pharmaceutical sector. Moreover, in Wallonia the impact of R&D investment on employment and the economy remains limited due to fragmented business support and insufficient economic diversification (see Annex 18), although some ongoing reforms may reverse the trend. Furthermore, low job mobility in Belgium, which may be due to high seniority pay and low pay transparency ([22]), further limits the expansion of innovation activities. Overall limited progress has been made to increase innovation diffusion.

Tax relief for business R&D is sizeable but benefits mostly large companies rather than companies with the highest growth potential. Public support for business R&D (0.36% of GDP) is among the highest in the EU, largely driven by tax incentives (0.23% of GDP covering corporate tax relief and labour withholding tax exemption). However, these strong tax incentives disproportionally benefit large

([20]) Cockx, B. et al (2025) La mesure «zéro coti» déçoit, Regards économiques.

([21]) 2025 European Innovation Scoreboard.

([22]) Low pay transparency because of the relatively large share of fringe benefits and alternative wage forms.

firms, since SMEs received only 8% of the total R&D support, although accounting for almost half of the number of beneficiaries ([23]). Corporate income tax incentives for R&D are not effective in stimulating additional R&D activities ([24]). To reach companies with high growth potential, the OECD ([25]) suggested basing support on the increase of R&D spending – rather than its level – to avoid the bulk of R&D support being allocated to a small number of large companies. Limited progress has been made in addressing this issue.

Monitoring competitiveness

Strict application of the wage-setting framework curbs automatic wage indexation but overlooks productivity differences among industries and firms. The wage norm defines a ceiling for wage growth (based on the expected wage evolution in the main neighbouring countries) to curb automatic wage indexation and avoid wage cost differentials with neighbouring countries (see Annex 5). This has resulted in real wage increases which were close to zero in 2025. However, the wage norm does not cater for differentiated productivity developments across sectors where wage increases in low productivity growth sectors risk being too high, while they risk being too low in sectors where productivity rises faster. The federal government decided to cap wage indexation and asked social partners to propose a modernised wage norm by the end of 2026, signalling its intention to reform the wage norm if no agreement is reached.

([23]) OECD (2021a) R&D Tax Incentives: Belgium, 2020.

([24]) Schoonackers, R. (2020) Tax incentives for R&D: Are they effective? NBB Economic Review.

([25]) OECD (2024), OECD Economic Surveys: Belgium 2024.

DECARBONISATION, ENERGY AFFORDABILITY AND SUSTAINABILITY

Belgium's 2025 country-specific recommendations (CSR) invited Belgium to reduce its overall reliance on fossil fuels, including in the buildings and transport sectors, to incentivise industry to decarbonise, accelerate the roll-out of renewable energies and upgrade grid infrastructure, phase-out fossil fuel subsidies and take further action on sustainable agriculture. While measures have been taken to boost low-carbon electricity supply and raise excise duties on fossil fuels, there is still room for improvement – both in these areas and across the remaining policy areas (see Annex 1).

Securing energy supply and decarbonising industry

While low-carbon electricity supply continues to increase, Belgium remains highly dependent on fossil fuel imports and received a CSR to reduce this dependence. To do so, Belgium has extended so far the operational life of two nuclear power plants, providing 33.4% of its electricity. Fossil fuels, however, continue to provide one third of Belgium's electricity and retain their role as marginal price-setting technologies, since thermal plants are used to cover supply-demand gaps. Moreover, fossil fuels still accounted for 67.1% of the country's energy mix, making Belgium highly reliant on imports.

The manufacturing sector is improving its energy efficiency, but high electricity costs hold back decarbonisation. Energy-intensive industries have a strong presence in Belgium and the manufacturing's energy-related emissions have declined since 2019 (see Annex 8). This decline is mainly due to energy efficiency gains rather than to a switch to electricity, given the high electricity-to-gas price ratio (3.9 in 2025), one of the highest in the EU. Decarbonising industry and shifting to low-carbon energy sources therefore need to be incentivised, as underlined in Belgium's 2025 CSR. To this end, the federal government plans to lower excise duties on electricity to the EU minimum for firms and the regional governments plan to apply CISAF ([26]) to address electricity costs of energy-intensive industries while decarbonising. In addition, Flanders plans to provide additional subsidies from 2028 to support greening and derisking electrification projects - using carbon contracts for difference. Such contracts are more cost-efficient in supporting the decarbonisation of industries than indirect cost compensation, for which Flanders largely overuses its EU ETS proceeds (see Annex 8). A recent study ([27]) also advocates the use of green public procurement to help de-risk decarbonisation investments. Moreover, promoting circular economy practices and sustainable supply chains could help reduce industrial energy demand and dependency on imports of

([26]) Framework for State Aid measures to support the Clean Industrial Deal.

critical raw materials (75.6% of material inputs in Belgium vs 22% in the EU).

Enable renewables by upgrading the electricity grid

The main challenge in Belgium's energy transition is upgrading the electricity grid. While several infrastructure projects are planned to boost the electricity grid and the country's interconnectivity, progress is slow. Belgium's artificial energy island, which is designed to host new offshore wind farms and to facilitate offshore interconnectors, is facing significant cost increases. Moreover, grid upgrade projects face permitting issues. While the permit for the Ventilus project was awarded, the Boucle du Hainaut project is pending approval from the Walloon government. Therefore, further streamlining of permitting procedures is needed to prevent additional delays.

Insufficient grid capacity holds back the roll-out of renewables, which Belgium was recommended to accelerate. With a share of renewable energy in final energy consumption of 14.3% in 2024, which is now the lowest in the EU. While Belgium has raised its target from 17.5% to 20.4% in its final updated national energy and climate plan, it remains below its expected national contribution to the EU 2030 target. To bridge the gap, Belgium has pledged to introduce legal frameworks to boost investment in renewable energy installations, particularly in electricity storage and flexible solutions to manage grid stability. Furthermore, facilitating energy sharing at the regional level remains underdeveloped. Smart meter deployment, which enables consumers to take advantage of dynamic pricing electricity contracts, is slow in Brussels and Wallonia, limiting the flexibility of electricity consumption and energy efficiency gains.

(27) Wyns, T. et al. (2025) DEEPIN — Deep Industrial greenhouse gas reductions in Belgium.

Energy efficiency and fossil fuel subsidies

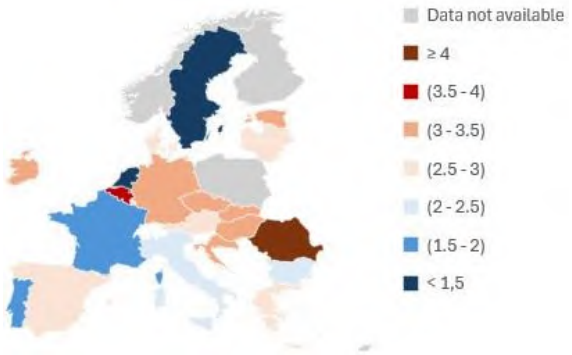
Belgium's final energy consumption rose in 2024, reversing the downward trend observed since 2019. While Belgium received a CSR to step up energy efficiency improvements, no progress was made in this area. In 2024, final energy consumption rose by 2.45% compared with 2023, setting Belgium's consumption trajectory off course from the linear path needed to meet its expected contribution by 2030. While industry and services maintain their longer-term downward trend, transport is on an upward trend, with a 2.76% rise relative to 2019.

Increasing energy consumption and emissions in transport are mainly driven by international aviation, maritime and freight sectors. Greenhouse gas emissions from the aviation and maritime sectors, including fuel consumption related to international transport activities, are particularly high compared with other EU countries ([28]), mainly explained by Antwerp's port activities. Investments in sustainable fuel production and distribution infrastructure for maritime and aviation transport are still lacking. Moreover, insufficient coordination of transport planning along key interregional axes weighs on mobility efficiency in Belgium

(28) 56.1% of the share of greenhouse gas emissions of the entire transport sector versus the EU average of 26% in 2022; EU transport in figures: Statistical pocketbook 2024.

(see Annex 18). Rail transport also remains insufficiently attractive for both passengers and freight, and the number of passenger cars has steadily increased over the last decade, contributing to congestion costs estimated at EUR 5.3 billion in 2024 ([29]). The share of electric cars of total car sales has recently plateaued, possibly due to the lack of charging infrastructure in Wallonia. While it was recommended to incentivise low-emission transport, Belgium only made limited progress. Policy options include additional road charging beyond the current one on heavy duty vehicles, and charging differentiation by time, CO_2 performance of the vehicle and distance.

Map 3.1: **Electricity-gas price ratio for households, 2025**



Source: Eurostat

Renovation made residential energy consumption fall, but not enough to meet long-term renovation targets. In 2025, Belgium received a CSR to reduce fossil fuel use in buildings, but only a few measures have been taken so far. While Flanders implemented a ban on new natural gas connections for residential buildings in 2025 and Brussels ended preferential rates for gas distribution network connections, more ambitious policy action is needed to decarbonise the building stock, which accounts for 33% of national energy consumption. After taxes and levies, the cost of electricity for households was 3.9 times higher than gas in 2025 (Map 3.1), hindering the switch to greener heating systems. To encourage the use of heat pumps, the electricity price should not be more than 2.1 and 2.5 times the price of gas and heating oil respectively ([30]). Therefore, the federal government plans to gradually increase excise duties on natural gas and heating oil. In addition, Flanders plans to gradually lower electricity costs while increasing levies on fossil fuels for heating. It is uncertain if these shifts will be sufficient to change the relative prices of electricity and gas. Further reforming the tax system by taxing rental income and making renovation costs tax deductible could encourage energy renovation and improve the energy efficiency of rental housing stock.

Fossil fuel subsidies hold back energy efficiency gains. Belgium records sizeable fossil fuel subsidies with no planned phase-out before 2030 (see Annex 9). A recent report by the Belgian authorities estimates that federal direct fossil fuel subsidies in Belgium amounted to 2.4% of GDP ([31]) in 2022. Phasing out these subsidies would contribute to Belgium's climate commitments and could reduce expenditure. Unless fossil fuel subsidies tackle energy poverty in a targeted way or are vital for industrial competitiveness, they could be prioritised for phase-out (e.g. reduced excise duties on professional diesel and on fuel oil, company fuel cards, reduced VAT on gas). While the federal government plans to increase excise duties on fossil fuels, more efforts will be needed to phase-out fossil fuel subsidies.

([29]) FEB and Febiac, Belgian Mobility Dashboard.

([30]) FPS Health and Finance (2024). The landscape of carbon and energy pricing and taxation in Belgium.

([31]) FPS Finance (2025), Inventory of federal fossil fuel subsidies.

Improve water quality by boosting sustainable agriculture

Water quality is a challenge, and the state of the natural environment is declining. Most water bodies in Belgium are polluted, as only 51% of groundwater and 27.4% of surface water had healthy ecosystems in 2021. None of the surface water bodies achieved good chemical status, due to harmful pollutants like persistent PFAS substances. Belgium, therefore, received a CSR in 2025 to improve water quality. Biodiversity is declining and less than 5% of habitats were reported as having a good conservation status, among the lowest in the EU. This creates significant economic risks, since some sectors are very dependent on ecosystem services. Nature-based solutions are key to building climate resilience and to shielding the economy from extreme weather events.

Reducing excessive nitrogen deposition from agriculture and industry would help improve water quality. Intensive animal farming (primarily located in Flanders) is among the highest in the EU and is the main contributor to air and water emissions, followed by electricity production, the metal sector and chemicals production. Pollution is directly caused by excess levels of nitrogen deposits, which mainly come from mineral fertilisers and manure. Moreover, pesticides were detected in 52% of surface water at levels exceeding the maximum thresholds. Belgium, therefore, received a CSR to take further action on sustainable agriculture by reducing nutrients losses, but progress is limited. The revised 7th Nitrates Action Programme adopted by the Flemish government in 2024 is a step in the right direction but will not ensure compliance with the EU Nitrates Directive. Making better use of the 'polluter pays' principle and increasing the periodical reviews of permits for water abstraction and discharges in Wallonia and Flanders could help prevent water scarcity and pollution.

SKILLS, QUALITY JOBS AND SOCIAL FAIRNESS

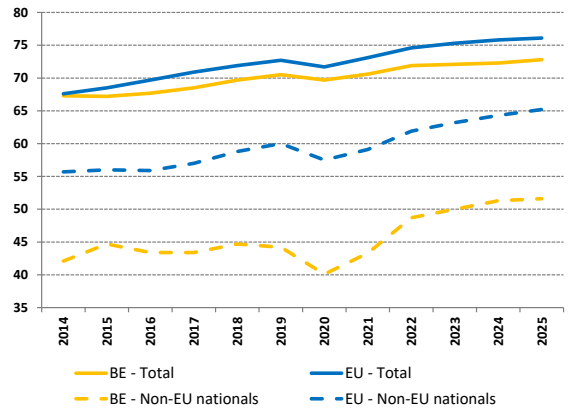
Belgium received a CSR in 2025 to further integrate disadvantaged groups into the labour market, to tackle labour shortages and skills mismatches, to improve education and training systems, and strengthen the teaching profession. Since then, Belgium has made some progress on activation, including through major labour market reforms. Yet, significant reforms are still needed in several areas (see Annex 1).

Addressing low employment, skills shortages and integration of disadvantaged groups

Belgium has a low employment rate which varies greatly between its regions. Although the employment rate (72.8%, 20-64) has risen slightly recently, it falls short of both the EU average (76.1%) and the national 2030 target of 80%. At the same time, labour shortages persist despite some easing. Youth unemployment (15-24) is above the EU average and early school leaving is on the rise. Strong regional labour market differences continue, with employment rates of 77.3% in Flanders, 67.9% in Wallonia and 63.9% in Brussels (see Annex 18). Regional labour market differences offer scope to further increase interregional labour mobility, building on recently improved cooperation between Flemish and Walloon public employment services.

Labour market participation of people with a migrant background is low. Belgium records the lowest employment rate in the EU for non-EU citizens (51.6%; EU: 65.2%) (see Graph 4.1), with lower rates for women. In addition, non-EU country nationals are more often employed in lower quality jobs, including in temporary employment, and with a higher risk of in-work-poverty. Since this group also faces a higher risk of underachievement in education, stronger policy actions covering education and training and labour market access, along with better support services such as childcare, could help to speed up their integration into the workforce.

Graph 4.1: **Employment rate (20-64) total and non-EU nationals**



Source: Eurostat [lfsi_emp_a, lfsa_ergan]

People with disabilities, a low education level and older people also face significant barriers to work. In 2025, Belgium received a CSR to further integrate disadvantaged groups into the labour market. The disability employment gap is high (34.7 pps; EU: 24.2 pps) and contributes to higher poverty rates among people with disabilities. Belgium also performs below EU average in employment of low-educated and older people. However, the employment rate of older workers (55-64) has improved considerably

in recent years. Belgium is also implementing a pension reform to incentivise longer working careers (see Section 1), with the gender pension gap to be monitored.

Belgium has adopted major labour market reforms, but their impact will depend on the effectiveness of accompanying measures. Belgium has made some progress in strengthening the effectiveness and targeting of active labour market policies in line with its 2025 CSR. In 2025, Belgium substantially reformed its unemployment benefits system, restricting benefit duration to two years and increasing degressivity. Belgium expects the reform will lead one third of the long-term unemployed to work and one third to social assistance. To reduce the number of people on long-term sick leave, Belgium has improved its Return-to-Work policy including by increasing the responsibility of actors involved. Improved reintegration, cross-institutional cooperation and enhanced prevention efforts that promote quality jobs will be essential. Belgium also reinforced activation incentives for social assistance agencies. However, the employment and budgetary impact of these reforms will depend on the adequacy and effectiveness of accompanying measures helping unemployed and long-term ill individuals back to work. Such measures could include (language) training, childcare, better job-matching as well as easing the transition back to work after long-term sick leave.

Labour and skills shortages remain high while adult learning is low and uneven across population groups. Although labour shortages have eased somewhat, job vacancy rates remain firmly above the EU average in all Belgian regions. Labour and skills shortages remain particularly high in the services sector, as well as in professional, scientific and technical sectors, including healthcare, construction and ICT, which are important for the green and digital transition. While the fiscally attractive 'flexi-jobs' aim to ease labour shortages, there are concerns they could actually worsen them in key sectors such as care and education. Upskilling and reskilling could reduce skills mismatches, but adult participation in education or training is low (34.9% in 2022; EU: 39.5%) and well below Belgium's 2030 target of 60.9%. Participation is noticeably lower for people with a lower skills level, people outside the labour force, and older people. More focused and targeted efforts to reach underrepresented groups would support progress towards the 2030 target and help alleviate skills mismatches.

Declining basic skills, persisting educational inequalities and limited STEM and ICT skills

Pupils are falling behind in their basic skills. The 2025 CSRs called on Belgium to improve the performance and equity of the education and training systems. Despite this, children's educational performance in basic skills (literacy, mathematics and science) in all three Communities has worsened. The 2023 Trends in Mathematics and Science Study (TIMSS) showed a substantial number of underachievers among fourth graders in maths (27% in BE-nl, 42% in BE-fr) and science (41% in BE-nl, 46% in BE-fr). In addition, the share of top performers in international student assessments (PISA, TIMSS, PIRLS) has sharply dropped.

Educational gaps related to socio-economic and migration status persist despite targeted interventions. Only 16.6% of students from a low socio-economic background performed well in

the 2022 OECD PISA study, compared with over 60% of advantaged students. While the Communities are implementing large-scale curricular reforms focusing on basic skills, education systems lead pupils from an early age into different educational tracks (early tracking) by ability, reinforcing inequalities. Improving the pathways between academic and vocational education, along with better personalised guidance and early intervention systems, could help tackle structural challenges. Increasing work-based learning could improve labour market relevance of medium-level vocational education and training (VET), and VET attractiveness could be further improved. Efforts are needed in Brussels and other large cities, where absenteeism and early school leaving are significantly above the regional average, and existing initiatives have proven lacking in countering the negative trend.

Increasing the attractiveness of teaching careers could help address teacher shortages. The Communities have extended temporary measures to address teacher shortages. However, further reforms are needed to make teaching careers attractive. Data from OECD TALIS show that teachers in Belgium face barriers to engage in impactful professional learning and feel undervalued by society, especially in the French Community. Progressing with the respective government proposals to review careers in teaching and training would help to attract and retain qualified young graduates.

Enrolment in STEM and ICT studies is too low to meet labour market demand. Belgium has one of the lowest rates of students enrolled in STEM fields at the tertiary level, despite a generally high tertiary attainment rate. The share of STEM enrolment in medium-level VET is also below EU average, and efforts to increase women and girls' participation in STEM could be expanded. Although women's participation in ICT fields is increasing, their relative share in the field remains low and the share of tertiary students in ICT is also below average. In the French Community, more coordinated efforts between Community and regional initiatives would increase the effectiveness of interventions. In Flanders, the STEM Agenda 2030 gives strategic focus, but a deeper understanding of the drivers of student motivations would help further progress.

Increasing spending efficiency could improve educational outcomes. Investment in education is one of the highest in the EU, representing 4.4% of the GDP for pre-primary, primary and secondary education. Even though the actual wages of teachers in Belgium are below the EU average, 81% of education spending is on wages, well above the EU average of 62% ([32]). This is due to lower student-to-teacher ratios and a relatively shorter statutory teaching time (704 hours in BE-nl and 708 hours in BE-fr vs 773 hours per year for primary education in EU-25). Moreover, various educational networks in each Community lead, in some locations, to the duplication of small-size schools ([33]). Reducing the fragmentation of the education system and increasing teaching time may increase spending efficiency.

Addressing varying social outcomes, including for very low work intensity households

While poverty and social exclusion have fallen overall, certain regions and groups

([32]) European Commission, Investing in education 2025.

([33]) Hallaert, J. (2025). Public Education in Belgium – Improving Outcome While Reducing Cost.

perform below EU average. The risk of poverty or social exclusion dropped to 16.5% in 2025 (EU: 20.9%), and Belgium has already met its overall 2030 poverty reduction targets ([34]). Belgium has also made good progress towards achieving the sub-target on child poverty. Despite overall improvements, regional gaps persist. Brussels, and to a lesser extent Wallonia, present significantly higher poverty risks and face long social housing waiting lists (see Section 2). Because of worse labour market outcomes, poverty risks are above EU average for people with a migrant background and people with disabilities. Nevertheless, social protection is effective in Belgium, reducing poverty by more than half.

Belgium has one of the highest rates of people living in very low work intensity households in the EU (11.0% vs EU: 7.9%), with wide regional differences, reaching 22.1% in Brussels. More than half of this group reports a disability, and many are low-qualified and live in households with children. Notably, 68.3% of children in these households are at risk of poverty, raising concerns about the cycle of deprivation being passed down through generations. While social protection is effective, disadvantaged groups in these households need targeted support focused on employment, which offers the most sustainable way out of poverty. Reducing the number of low work intensity households would help promote social and regional convergence over the medium to long term.

([34]) The national 2030 poverty reduction target for Belgium was 279 000 persons at-risk-of-poverty-or-social-exclusion compared to 2019 levels, including 93 000 children. Belgium has achieved a reduction of 344 000 persons, including 86 000 children, since 2019.

KEY FINDINGS

In areas **covered by existing CSRs**, Belgium would benefit from:

- **making long-term care more cost-effective** by better matching the type of care to the level of dependency;
- **improving efficiency and quality of public spending**, including by streamlining government structures;
- **implementing the budgetary coordination agreement** and redefining the tasks of the independent fiscal institutions;
- **ensuring policy coordination across government levels** by strengthening inter-federal cooperation;
- **shifting the tax burden away from labour** and reviewing the design of social benefits;
- **making the tax system more neutral and less distortive** by reviewing tax expenditure and harmonising capital taxation across asset types;
- **simplifying the business environment** by streamlining permitting procedures, including for construction, and reducing the regulatory burden;
- **removing EU single market barriers** by easing restrictions in regulated professions and the services sector;
- **improving business dynamics** by removing size-dependent subsidies and easing financing for scale-ups;
- **increasing innovation diffusion** by reforming R&D tax incentives to target companies with high growth potential;
- **decarbonising industry** by derisking investment through carbon contracts for difference and green public procurement, by recycling critical raw materials and ensuring economic security;
- **stepping up decarbonisation and energy efficiency of the transport sector** by supporting electrification, sustainable fuels, modal shift, active mobility and public transport, and tackling road congestion by differentiated road charging for all types of vehicles;
- **accelerating the upgrade of the electricity grid and the roll out of renewable energy**, by promoting demand-side flexibility and storage, facilitating energy sharing and addressing regional disparities;
- **boosting energy efficiency of housing by phasing out fossil fuel subsidies,** further shifting charges to fossil fuels and stepping up housing renovation, including social housing;
- **reducing excessive nitrogen deposition and improving water quality** by further supporting

sustainable agriculture and making ecosystems more robust;

- **tackling labour shortages and skills mismatches**, by increasing targeting and effectiveness of activation policies, further integrating disadvantaged groups and very low work-intensive households into the labour market and addressing regional gaps;

- **developing human capital by improving the performance and equity of the education and training systems** by improving their labour market relevance, increasing enrolment in ICT and STEM fields including among women, and reforming teacher careers and training.

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Table A1.1: **2025 CSR implementation and Commission assessment**

Belgium faces challenges in a wide range of policy areas, as identified in the country-specific recommendations (CSRs). Belgium was recommended, among other things, to make the long-term care system more cost-effective, simplify regulation, improve the business environment and innovation diffusion, reduce the overall reliance on fossil fuels, incentivise industry to decarbonise, accelerate the roll-out of renewable energies and upgrade grid infrastructure, enhance labour market performance through integrating disadvantaged groups and tackling labour shortages and skills mismatches, improve education and training systems, and strengthen the teaching profession.

The Commission has assessed the degree of implementation of the 2025 CSRs considering the policy action taken by Belgium to date*. To do so, the Commission has taken into account the information provided by Belgium in its [Annual Progress Report – not received yet] as well as other information sources. This annex provides summary information on the policy actions taken or planned by Belgium for each CSR. More detailed information on these actions is included in the relevant chapters and other annexes of the report.

**CSR 2 is not assessed in CeSaR. RRP implementation is monitored through the assessment of RRP payment requests and analysis of the bi-annual reporting on the achievement of the milestones and targets, to be reflected in the country reports. Progress with the cohesion policy is monitored in the context of the Cohesion Policy of the European Union.*

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessment of progress**
1.1 Reinforce overall defence and security spending and readiness while ensuring debt sustainability in line with the European Council conclusions of 6 March 2025.	Total general government defence expenditure in 2026 is projected at 1.6% of GDP, corresponding to an increase of 0.4 ppt. compared to 2024.	Total general government defence expenditure in 2027 is projected at 1.8% of GDP, corresponding to an increase of 0.6 ppt. compared to 2024.	Substantial progress
1.2 Adhere to the maximum growth rates of net expenditure recommended by the Council on 20 June 2025, with a view to bringing an end to the situation of an excessive deficit while making use of the allowance under the national escape clause for higher defence expenditure.	- Cumulated deviation in 2025 amounted to 0.1% of GDP but is fully explained by the NEC flexibility (0.5 pps. of GDP). - Cumulated deviation in 2026 projected at –0.2% of GDP. - The EDP is held in abeyance		Full implementation
1.3 Implement the set of reforms and investments underpinning the extended adjustment period as recommended by the Council on 20 June 2025.	See table A2.4 in Annex 2 of the Country Report		Substantial progress
1.4 Make the long-term care system more cost-effective while keeping access to care and services affordable.	- Flanders promotes the use of BelRAI as tool to assess the level of dependency and to decide the optimal care setting; - Wallonia adopted a strategy, including a stronger role for preventive care; - Brussels introduced a close statistical monitoring of the number of people with long-term care needs.	Flanders is developing "CareForecast", a tool which should allow more accurate budgetary care need estimations and help draft indicative multi-year estimates for residential care.	Some progress

(Continued on the next page)

Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessment of progress**
3.1 Simplify regulation, improve regulatory tools, reduce administrative burden	- Federal level implements the 2025-2029 administrative simplification plan and 2025/2026 SMEs plan (89 measures) to reduce regulatory and administrative burdens; - Flanders implements the Regelrecht project for efficient business procedures, granting of permits, and strengthening the central digital access point to Flemish public services. - Wallonia and French Community: approved the Administrative Simplification Shock strategy.	In its MTFSP, Belgium committed -to simplify procedures to improve access by SME's to public procurement procedure; -to implement an SME plan with a focus on start-ups to reduce the cost of doing business.	Some progress
3.2 and remove barriers to trade and competition,	The government has allowed the entrance on the fixed and mobile telecom market of a 4th provider and the BIPT adopted further related decisions in 2025.	The federal government launched the strategic platform MAKE2025-2030, with the objective: to strengthen the competitiveness of the Belgian industry through closer cooperation between the federal government, the Regions, and economic partners.	Limited progress
3.3 in particular in the services sector	No specific measures identified.	Federal reform of shop opening hours.	Limited progress
3.4 and regulated professions,	No specific measures identified.	Federal level announced a reform of notary tariffs.	Limited progress
3.5 to improve the business environment and business dynamics.	No specific measures identified.	Federal level announced authorising of night work, easing part-time working restrictions, reintroducing the probationary period, extending the scope of flexi-jobs to all private and public sectors.	Limited progress
3.6 Increase innovation diffusion by targeting R&D public support to companies with the highest growth potential.	Federal measures to incentivize entrepreneurship and encourage new investments, with potential indirect impact on innovation diffusion, such as a reform of the investment deduction and of the special tax regime for inbound taxpayers and researchers, aimed to attract foreign talents to Belgium.	Federal level intends to: - Harmonize the tax reductions for start-ups and scale-ups. - Abolish restrictions for certain equity investments by pension funds and insurance companies; - Accelerate public access to unexploited patents; - Accelerate depreciation for investments in R&D, including re-introduction of degressive/ amortisation options for SMEs; - Abolish the requirement of a regional certificate for R&D investments.	Limited progress
3.7 Also in this context, foster the job mobility of workers.	Federal measure introducing a one-time entitlement to unemployment benefits after own-initiative resignations. The collaboration agreement between the VDAB and Actiris/Forem has been strengthened.	Federal level intends to reintroduce a probationary period for new contracts on both employer and employee side, but the impact on job mobility is unclear.	Limited progress
4.1 Reduce overall reliance on fossil fuels,	Extension of the operational life of nuclear power plants, but still high reliance on imported fossil fuels.	Agreement to increase excise duties on natural gas and reduce them on electricity	Limited progress

(Continued on the next page)

Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessment of progress**
4.2 including by stepping up energy efficiency improvements	Better targeting of renovation subsidies in Flanders Wallonia signed a new agreement with the European Investment Bank to support projects related to renewable energy and energy efficiency		Limited progress
4.3 and reducing fossil fuel use in buildings,	- VAT rate reduction from 21% to 6% for the purchase of heat pumps. - Flanders: 2025 ban on new natural gas connections for residential buildings; - Brussels: elimination of gas distribution preferential rates.		Limited progress
4.4 and by further incentivising industry to decarbonise.		Federal government announced support measure for energy-intensive industry ('energy norm').	Some progress
4.5 Provide incentives and remove barriers to increase the use and supply of public transport, low-emission transport and active mobility.	- Federal level strengthened the energy efficiency and climate resilience of few railway buildings. - Brussels accelerated the deployment of public accessible charging stations. - Flanders invested in the greening of the bus fleet and in expanding cycling infrastructure. It also stimulates a modal shift in passenger transport by deploying hubs where different modes of transport come together. - Wallonia accelerates the deployment of charging stations across the region: on municipal land, at carpooling areas, rest areas, on regional roads, etc.		Some progress
4.6 Accelerate the roll-out of renewable energies and upgrade grid infrastructure by further streamlining permitting procedures, by adopting legal frameworks to boost investment in renewable energy installations and by facilitating energy sharing.	- Federal level took measures to accelerate appeals, but federal aviation constraints continue to hinder onshore wind deployment. - Flanders allowed plug-in solar systems and introduced a PV-obligation for large consumers in Flanders. It also introduced a digital one-stop shop to make administrative procedures swifter, but new distance rules in Flanders continue to hinder onshore wind deployment. Flanders also optimises the permit-granting process for wind turbines and agreed on a tax shift for a favourable price ratio of electricity and gas in favour of heat pumps.		Limited progress
4.7 Take specific steps to phase out fossil fuel subsidies, in particular in the transport and heating sector,		At federal level, a spending review of fossil fuel subsidies is due to be completed by mid-2026 and its findings are said to provide a basis for policy action.	Limited progress
4.8 including by shifting excise duties from electricity to fossil fuels.		Federal government announced an excise duty reform gradually shifting the burden from electricity to natural gas and heating oil by 2029, but excise duties would remain	Some progress

(Continued on the next page)

Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessment of progress**
		considerably lower than in neighbouring countries.	
4.9 Take further action on sustainable agriculture by improving water quality and by reducing nutrient losses.	Rollout of specific actions under the 7th Manure Action Plan	Flanders plans to reduce the number of livestock (pigs) by 30% by 2030 compared to 2015.	Limited progress
5.1 Address labour shortages and skills mismatches, including for the green and digital transition.	- Federal: adoption of an unemployment benefit reform to increase labour market participation and of a pension reform to keep older workers on the labour market. - Flanders reformed the Individual vocational training (IBO) programme to improve its attractiveness and adopted a plan to address workforce shortages in the childcare sector. - French Community reformed the offer of adult learning and training to better tailor it to skills needs; - Wallonia introduced a labour needs survey to better tailor the shortage occupations list to business needs. Enhanced cooperation between Flemish and Walloon public employment services to improve interregional labour mobility.		Some progress
5.2 Strengthen the effectiveness and targeting of active labour market policies to further integrate disadvantaged groups into the labour market, in particular people with a low level of education, older workers, people with a migrant background and persons with disabilities.	- Federal level strengthened activation incentives for the OCPAS/OCMWs (into force from 2028) and expanded its 'Return-to-Work' policy for long-term ill. - Wallonia implemented a reform of its public employment service in October 2025. - Flanders: from 2026, local authorities receive funding for locally tailored social economy policy to benefit vulnerable groups.		Some progress
5.3 Improve the performance and equity of the education and training systems and enhance their labour market relevance, in particular in ICT and STEM fields.	- Flemish Community provided additional funding for language support and agreed on new minimum attainment targets in primary education; it also further supports teachers in evidence-based teaching - French Community progressively rolls out a curriculum reform between 2021-2029 and starts the implementation of the action plan against early school leaving and absenteeism in primary schools in 2026 and in secondary schools in	- Flemish Community launched in 2025 a new policy framework for inclusive education until 2040, aiming to better integrate students with special learning needs in mainstream education.	Limited progress

(Continued on the next page)

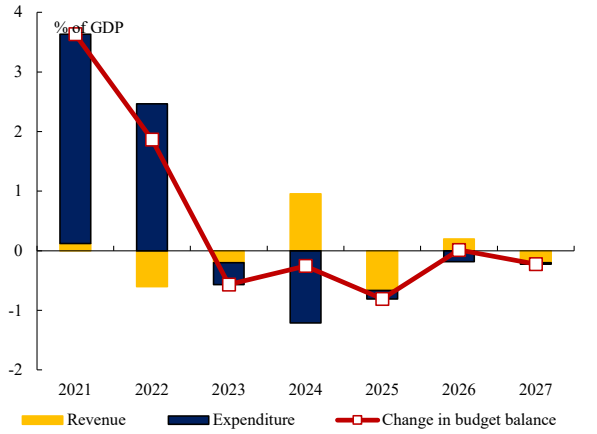
Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessment of progress**
	2027.		
5.4 Continue reforms to strengthen the teaching profession by developing more flexible and attractive career paths and training for teachers.	- Flemish Community extended temporary measures to combat teacher shortages and created special teaching positions to offer career diversification incentives, but take up by schools is low. - French Community extended temporary measures to combat teacher shortages and introduced a new framework for teacher evaluation.	- Flemish Community: in 2024, commitment to reform initial teacher education and to develop a new career framework for teachers, but concrete measures are still under development. - French Community: in 2024, commitment to reform the status of teachers, to improve career stability, but still under development (planned for 2027-2028).	Limited progress

Source: Belgium's reporting and Commission assessment.

This annex discusses selected topics in public finance and developments in fiscal-structural country-specific recommendations (CSRs) addressed to Belgium in July 2025. These include a call to strengthen defence spending and readiness while implementing a fiscal strategy in line with the Council Recommendation of 20 June 2025. On that date, the Council of the European Union adopted both the recommendation endorsing Belgium's medium-term fiscal-structural plan ([35]) and a revised recommendation under Article 126(7) TFEU with a view to bringing an end to Belgium's excessive deficit ([36]). On 8 July 2025, the Council also activated the national escape clause for Belgium to facilitate its transition to higher levels of defence spending ([37]) ([38]).

Graph A2.1: **Contributions to the change in general government balance (% of GDP)**



Source: European Commission Spring Forecast

Developments in government deficits, debt and public expenditure ([39])

Belgium's government deficit was 5.2% of GDP and the country's debt-to-GDP ratio amounted to 107.9% of GDP at the end of 2025. The Commission Spring 2026 Forecast projects that the deficit will stabilise at 5.2% of GDP in 2026 and reach 5.4% of GDP in 2027. Public debt is expected to increase to 110.5% at the end of 2026 and to 112.8% end 2027, mostly driven by the high general government deficits. The projected increase in the deficit in 2027 is driven by higher defence expenditure and interest payments, while lower RRF revenues are offset by lower RRF expenditure as well (see Graph A2.1).

Public investment is rising, but it remains lower than in other EU countries. Public investment is expected to reach 3.3% of GDP in 2026, up from 2.6% in 2019 (see Graph A2.2). It is set to increase further in 2027 despite the

([35]) OJ C, C/2025/3975.

([36]) Council Recommendation with a view to bringing an end to the situation of an excessive deficit in Belgium as adopted on 20 June 2025. The corrective net expenditure path recommended by the Council under the excessive deficit procedure is consistent with the maximum growth rates of net expenditure set out in the plan.

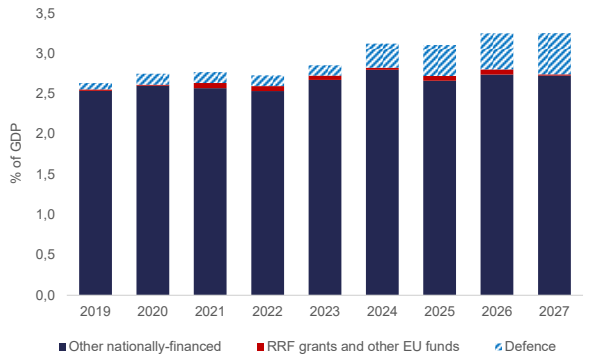
([37]) Council Recommendation of 8 July 2025 allowing Belgium to deviate from the maximum growth rates of net expenditure as set by the Council under Regulation (EU) 2024/1263 (Activation of the national escape clause) (OJ C, C/2025/3960).

([38]) Compliance by Belgium with the maximum growth rates of net expenditure recommended by the Council is assessed in COM(2026)200.

([39]) Figures underpinning fiscal surveillance (net expenditure growth) are provided in the Fiscal Statistical Tables (SWD(2026)200) providing background data relevant for the assessment of the budgetary policies of the Member States.

lower support from the Recovery and Resilience Facility (RRF) thanks to greater investment financed by the national budget, mainly on defence.

Graph A2.2: **Public investment evolution and composition (% of GDP)**



Source: Spring Forecast

Growth-friendly expenditure had remained broadly stable over three decades but has slightly increased since 2019. This may be related to the impact of the RRF, which possibly facilitated expenditure with a greater growth impact (including education, R&D, health, transport and communication). Zooming in on the composition of spending, social protection accounts for the largest share of total expenditure in 2024 (around 40%), followed by health, general public services, economic affairs ([40]) and education, each of which constitutes at least 10% of total expenditure. While Belgium is one of the EU countries spending most (as % of GDP) on education, it has experienced a deterioration in education outcomes, as reflected in CSRs calling for improved performance and equity in this area (see Annex 13), questioning the efficiency of education spending. Since 2019, public expenditure on social protection and defence has increased by more than expenditure on other functions, as a share of total expenditure (See Graph A2.3), with the rise in defence spending reflecting recent security developments. Among growth-friendly spending categories, health and R&D expenditure have increased since 2019, while communication and transport expenditure have declined.

Belgium has relatively high tax revenues as a share of GDP and relies heavily on labour taxes. In 2025, Belgium's total tax revenues as a percentage of GDP (including compulsory social contributions) amounted to 42.0%, compared with an EU average of 40.1%. Total tax revenues are projected to increase to 42.2% of GDP in 2026 and 2027 according to the Commission's Spring 2026 Forecast. The tax mix in Belgium relies heavily on labour taxation which is reflected in low labour market participation in Belgium (see Annex 3).

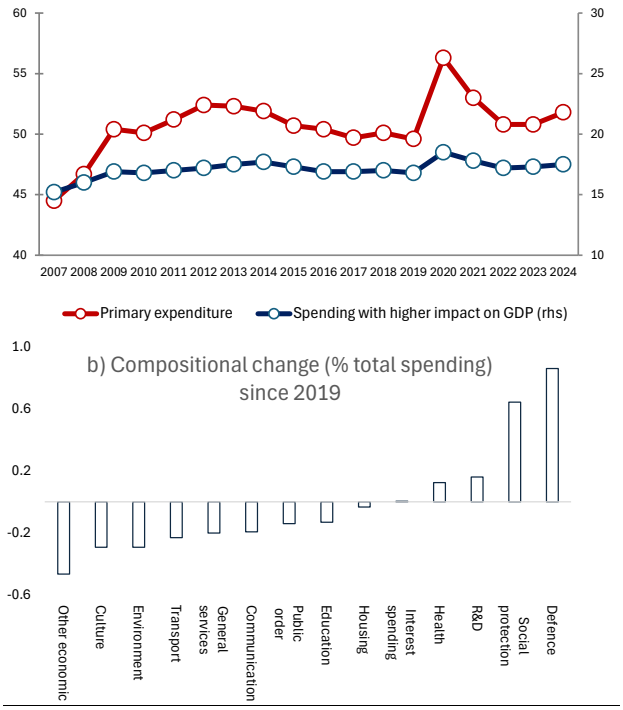
([40]) Economic affairs refers to the set of government activities, policies, and expenditures aimed at regulating, supporting, and developing economic activity across major sectors, including general economic and labour policies, agriculture and natural resources, energy, industry, construction, and other economic functions not elsewhere classified. Although transport and communication, as well as research and development activities, are normally considered part of this function, they are treated separately in the graph presented.

Table A2.1: **Supplementary pension scheme - scope for expansion**

	Assets in 2024 (% GDP)	Gross replacement rate at retirement: (pps change 2025-2040)	Participation in 2024 (% working-age population)	
BE	30,3	*1,9*	59,4	**BE**
EU	32,4	*-2,8*	55,9	EU

Source: European Commission

Graph A2.3: **Primary spending evolution and composition**



Source: Eurostat

Note: Based on economic literature, the categories considered to have a greater growth impact include education, R&D, health, transport and communication (See Barbiero and Cournede (2013), Gemmel et al. (2016), Lupu et al. (2018), Cepparulo and Mourre (2020) and OECD (2025)).

Rising ageing costs

Total ageing-related expenditure is projected to rise by about 1.6 pps of GDP between now and 2040, to around 29% of GDP, with a further 3 pps increase between 2040 and 2070 (see Table A2.2). The overall increase in this area is mainly the result of a projected rise in pension and long-term care expenditure, with a smaller contribution from healthcare spending. Public healthcare expenditure is projected to be 6.2% of GDP in 2025 (below the EU average of 6.6%) and is expected to increase by 0.6 pps of GDP between now and 2070. However, Belgium has one of the highest levels of ageing-related spending in the EU. This will remain the case in the future, according to the projections from the 2024 Ageing Report. However, these projections do not account for the ongoing reform of the pension system.

Pension expenditure is projected to increase by about 1.3 pps of GDP by 2040 and continue to rise, but the ongoing pension reform should ease the strain. Overall, between now and 2070, public pension expenditure is forecast to rise by around 3.1 pps of GDP, although these figures do not incorporate the federal government's planned pension reform. In March 2026, following its approval by the Council of Ministers, a draft law for a reform of the pension system was submitted to the Parliament ([41]). The draft law contains measures that: (i) introduce a bonus-malus system (to replace the bonus system introduced in 2024); (ii) increase the relevance of the period effectively worked compared to periods of assimilated work; (iii) further harmonise the pension system for civil servants with the general system; and (iv) gradually phase out the favourable conditions in some special pension systems in the public sector. The draft law is expected to reduce the projected increase in pension expenditure by 1.3 pps between 2024 and 2070 ([42]).

([41]) Pension reform draft law of 10 March 2026.

([42]) Federal Planning Bureau, 2026, Budgetary and social assessment of the federal government's pension reform, Rapport 13299.

Table A2.2: **Projected change in ageing-related expenditure in 2025-2040 and 2025-2070**

	ageing-related expenditure	change in 2025-2040 (pps GDP) due to:					ageing-related expenditure	
		pensions	*healthcare*	*long-term care*	*education*	*total*		
BE	27,1	*1,3*	*0,3*	*0,7*	*-0,6*	***1,6***	28,7	**BE**
EU	24,3	*0,5*	*0,3*	*0,4*	*-0,3*	***0,9***	25,2	EU

	ageing-related expenditure	change in 2025-2070 (pps GDP) due to:					ageing-related expenditure	
		pensions	*healthcare*	*long-term care*	*education*	*total*		
BE	27,1	*3,1*	*0,6*	*1,7*	*-0,7*	***4,7***	31,9	**BE**
EU	24,3	*0,2*	*0,6*	*0,8*	*-0,3*	***1,3***	25,6	EU

Source: 2024 Ageing Report (EC/EPC).

Supplementary pension schemes can make the pension system more resilient by diversifying retirement income sources. In Belgium, however, the uptake of these supplementary schemes remains modest. At the end of 2024, private pension assets amounted to around 30% of GDP while participation in supplementary schemes covered only around 60% of the working-age population ([43]). This coincides with both: (i) rising medium-term pressures on public pension spending; and (ii) a projected increase in the replacement rate by 1.9 pps between 2025 and 2040 (Table A2.1) ([44]).

Public expenditure on long-term care is projected to be 2.3% of GDP in 2025 (above the EU average of 1.7%) and is expected to increase by 0.7 pps of GDP between now and 2040 and by a further 1.0 pps of GDP between 2040 and 2070. This increase in long-term care expenditure contributes significantly to the fiscal risk. In 2025, the Commission recommended that Belgium makes its long-term care system more cost-effective. Data show that there is still excessive or early placement in residential care, with little improvement since 2021. This is most acute in Brussels and Wallonia, suggesting room to improve the cost efficiency of care, including by strengthening measures to discourage overuse of residential care and improving community-based services. Flanders is expanding the use of the BelRAI tool, which is a tool to help tailor care to the individual's level of dependency. Brussels has taken steps to promote home care and Wallonia has taken steps on preventive care.

National fiscal framework

Although spending reviews are used, there is room to further improve the efficiency of public spending. As part of Belgium's Recovery and Resilience Plan (RRP), all levels of government (federal, regions and communities) are anchoring spending reviews to their budgetary process. However, noteworthy results in this area can be seen only in Flanders which has run spending reviews since 2019 and integrates the results of the spending reviews into its annual budget. At federal level and in other regions and communities, spending reviews did not lead yet to notable spending adjustments.

([43]) OECD Pension Market in Focus 2025. The highest participation rate in at least one supplementary pension plan is reported.

([44]) The (gross) replacement rate refers, depending on data availability, to both public and private pensions. It is based on projections from the 2024 Ageing Report.

The lack of coordination across government levels is hampering the efficiency of public investment. In most areas, public investment is almost entirely delegated to Belgium's regions and communities. Multi-year investment plans are missing at both federal and federated-entity level, although Flanders and Wallonia have more recently begun to take action in this area. There is also room to better prepare public investment projects: Belgium has no standard procedures for appraising or selecting public investment projects at federal level, and the same is true in Wallonia, Flanders and the Brussels Region. Flanders has put in place a process to expedite the delivery of complex projects, but its use is not mandatory.

The budgetary process and coordination suffer from structural weaknesses, but reforms are ongoing. Belgium was so far the only EU country without multiannual fiscal planning at national level. The annual budgetary process starts after the summer, which leaves little time before the 15 October deadline for submission of the draft budgetary plan to the Commission. The federal government plans to start the annual budgetary process earlier in the year to have more time to prepare the draft budgetary plan and to submit it in line with the deadline. In March 2026, federal and federated entities have reached an agreement on enhanced budgetary coordination, to which Belgium had committed in its medium-term fiscal structural plan. Belgium plans to do this by setting multiannual budgetary targets for all entities to comply with the requirements of the EU economic governance framework. This reform will facilitate compliance with the net expenditure growth recommendation from the Council at the national level. To facilitate a swift and effective implementation of this agreement, its design should aim for transparency and simplicity. An overly complex inter-federal framework to distribute the net expenditure growth between entities may hamper its effective implementation and may jeopardise the verification of compliance at entity level.

The institutional set-up of Belgium's two independent fiscal institutions (IFIs) is being reformed. Belgium's Federal Planning Bureau (FPB) produces the macroeconomic forecast underlying the government's budgetary plans and conducts budget forecasting and long-term sustainability analysis. The High Council of Finance - Public Sector Borrowing requirements (HCF-PSBR), monitors inter alia Belgium's compliance with fiscal rules. The HCF-PSBR has been hampered in its work by (i) the lack of binding agreements on budgetary objectives between the different levels of government; and by (ii) a lack of financial and human

Table A2.3: **Fiscal governance database indicators and public accounting maturity**

2024	Belgium	EU Average
Country Fiscal Rule Strength Index (C-FRSI)	13,01	14,81
Medium-Term Budgetary Framework Index (MTBFI)	0,68	0,72
2025 Public accounting maturity of general government	74%	65%

The Country Fiscal Rule Strength Index (C-FRSI) shows the strength of national fiscal rules aggregated at the country level based on: i) the legal base; ii) how binding the rule is; iii) monitoring bodies; iv) correction mechanisms; and v) resilience to shocks. The Medium-Term Budgetary Framework Index (MTBFI) shows the strength of the national MTBF based on: i) coverage of the targets/ceilings included in the national medium-term fiscal plans; ii) connectedness between these targets/ceilings and the annual budgets; iii) involvement of the national parliament in the preparation of the plans; iv) involvement of independent fiscal institutions in their preparation; and v) their level of detail. A higher score is associated with higher rule and MTBF strength.
The score for public accounting reflects the degree of maturity in relation to the International Public Sector Accounting Standards (IPSAS). Countries with an accounting maturity of 70% or more in relation to IPSAS are deemed to apply accrual accounting. For more information, see the report on public accounting in the EU (COM(2025)746 and Staff Working Document SWD(2025)396).
Source: Fiscal Governance Database, European Commission.

resources. These difficulties faced by the HCF-PSBR also partly explain why it has not performed any *ex post* assessment of the authority's budgetary forecasts. The fact that the governor of Belgium's central bank chairs the HCF-PSBR could also negatively affect its independent functioning. Following an external review of the FPB by the OECD in 2023, the organisation of these two IFIs are being improved. The recent reform proposal ensures that the administrative and analytical support needs of the HCF-PSBR will be fulfilled by the FPB to address the HCF-PSBR's staffing issue. However, the independence of both IFI's needs to be safeguarded in this institutional set-up.

Implementing the set of reforms and investments underpinning the extension of the adjustment period

Belgium's CSRs call for implementing the set of reforms and investments underpinning the extension of the adjustment period. This set of reforms is composed of: (i) commitments from the RRP; (ii) commitments extending previously existing RRP measures; and (iii) additional commitments to reforms and investments. Based the information provided in the Annual Progress Report, Table A2.4 shows the implementation status of the set of reforms

Table A2.4: **Reforms and investments underpinning the extension of the adjustment period for Belgium**

Measures	Key steps	Recommended implementation date	COM assessment 2026
Pension reform	Delivery of milestones C44-R-407-M157 and C44-R-407-M158 of Belgium's RRP, notably by permanently reducing the projected increase in public pension spending by at least 0.3% of GDP by 2029 and by at least 1.0% of GDP by 2040, compared to the 2024 Ageing Report projections, while ensuring that the overall impact of the pension reform between 2029 and 2070 will not result in debt cumulation.	Q4 2025	Completion expected in 2026**
Spending reviews	Complete spending reviews in the areas of: a) fossil fuel subsidies; and b) the withholding tax exemption for R&D work, overtime and night/shift work.	Q4 2026	
	Delivery of an annual impact assessment report explaining the permanent overall reduction of annual expenditure of at least 0.1% of GDP in 2026, and as of Q4 2029 of at least 0.3% in 2029, compared with the expenditure projections at unchanged policies.	Q4 2026	
Labour market reform	Entry into force of legislation which permanently decreases general government expenditure on unemployment benefits and long-term sickness leave by at least 0.3% of GDP per year from 2027 by: (i) limiting unemployment benefits to a maximum of two years; and (ii) reducing long-term sickness by requiring employers to contribute to the payment of incapacity benefits and by increasing accountability for employees and doctors.	Q4 2025	Completed
Tax reform	Entry into force of legislation which reduces the tax burden for those active on the labour market, totalling a cumulative 0.5% of GDP in 2029, including by: (i) increasing the personal tax-free allowance for earned income; and (ii) reforming the special social security contribution.	Q1 2026	Completion expected in 2026
	Entry into force of legislation which finances the labour tax reduction of 0.5% of GDP in 2029 by: (i) removing tax expenditure (including abolishing the tax reduction for unemployment benefits and limiting the 'marital quotient'); (ii) increasing capital-related taxes, including (introducing a 10% capital gains tax on realised capital gains and abolishing the tax deductibility of mortgage interest for secondary residences); and (iii) limiting the welfare envelope.	Q1 2026	Completion expected in 2026. These measures have been adopted or are included in draft legislation submitted to the Parliament. The welfare envelope was set to zero until 2029.
Budgetary coordination	Entry into force of legislation to: (i) ensure effective budgetary coordination between the federal and federated entities; and (ii) redefine the tasks - and increase the financial and staff capacity - of the High Council of Finance (HCF).	Q4 2025	Budegtary coordination agreed, adoption by all Parliaments expected by Q4 2026. Royal Decree on HCF agreed, pending adoption in 2026.
	Entry into force of legislation to ensure effective budgetary coordination between the federal and federated entities by setting multiannual budgetary targets for all entities.	Q4 2026	
Business environment and regulation	Entry into force of legislation and adoption of measures to improve the business environment by: (i) reducing the administrative burden for companies; (ii) simplifying procedures to improve access by SMEs to public procurement; and (iii) drawing up an SME plan with a specific focus on start-ups to reduce the cost of doing business.	Q4 2025	Completed

Note: The progress of each backward-looking key step (i.e., those scheduled for completion by 30 April 2026) is classified as either 'completed' or factual information is provided. The status of forward-looking key steps in 2026 not yet completed remains blank and those due after December 2026 do not appear in the table, as these will be assessed by the Commission in future Country Reports.

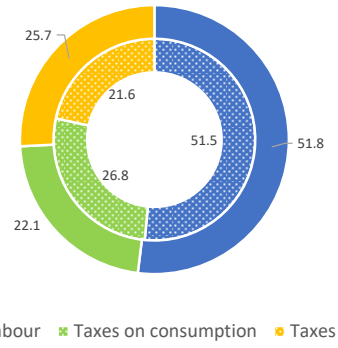
** These key steps correspond to milestones C44-R-407-M157 and C44-R-407-M158 of Belgium's RRP, whose assessment is still pending in the context of a payment request under the RRF and the table does not prejudge its assessment.

Source: Commission's assessment and Belgium's Annual Progress Report

and investments due in 2025 and the first half of 2026.

This annex provides an indicator-based overview of Belgium's tax system. It includes information on the tax mix, on competitiveness and fairness aspects of the tax system, and on tax collection and compliance. In the area of taxation, the 2025 CSRs for Belgium highlighted challenges in taking specific steps to phase out fossil fuel subsidies, including shifting excise duties from electricity to fossil fuels. In its medium-term fiscal and structural plan, Belgium committed to reduce the tax burden on labour, totalling a cumulative 0.5% of GDP in 2029. The reform also requires the labour tax reduction to be financed by removing tax expenditure, by increasing capital-related taxes, and by limiting the welfare envelope.

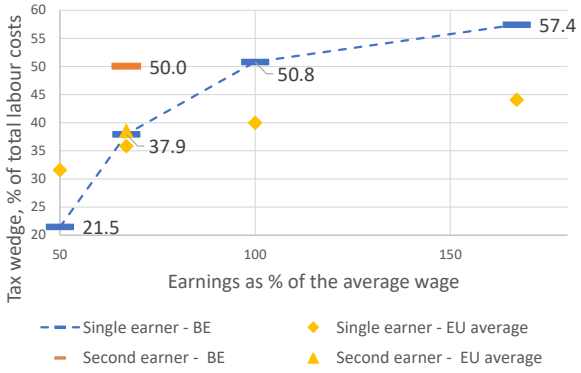
Graph A3.1: **Tax revenue by economic function in 2024, BE (outer ring) and EU-27 (inner ring)**



Source: Taxation Trends Data, DG TAXUD

The overall tax burden in Belgium is high and the tax structure relies heavily on labour taxes. Belgium's tax revenue as a percentage of GDP was above the EU average in 2024 (42.8% vs 39.4%) ([45]). The largest source of tax revenues were labour taxes (51.8% of tax revenues vs EU average of 51.5%), followed by capital taxes (25.7% of total revenues vs EU average of 21.6%) and consumption taxes (22.1% of tax revenues vs EU average of 26.8%). The high tax burden on labour risks reducing labour-market participation, which runs counter to the Belgian government's objective of increasing the employment rate to 80% by 2030 (in 2024: 72.3%). In contrast, revenues from consumption taxes, recurrent immovable property taxes and environmental taxes, which are among the taxes least detrimental to growth, are close to or below the EU average.

Graph A3.2: **Tax wedge for single and second earners as a % of total labour costs, 2025**



Note: The second earner tax wedge shows a household's tax wedge resulting from the wage that a second earner taking up a job at 67% of the average wage receives. It does not show the total tax wedge of the household. The household is assumed to have a first earner at 100% of the average wage and no children. For the methodology of the tax wedge for second earners, see OECD (2024), Taxing Wages 2024.
Source: European Commission

The tax wedge on labour is well above the EU average at almost all income levels, except for very-low-income earners. The tax wedge for a single worker with average earnings was 50.8 % in 2024, well above the EU average of 40% (see Graph A3.2) ([46]). High labour taxation can constrain work incentives and contribute to low employment rates, with financial incentives to work also depending on

([45]) Preliminary Eurostat data point to a tax-to-GDP ratio of 42.3% in 2025.

([46]) The tax wedge is an indicator of the tax burden on labour that can be assessed at various levels of earnings. It is defined as the sum of PIT, employee and employer social-security contributions and other mandatory contributions, expressed as a percentage of total labour costs (composed of the net wage, PIT, social contributions, and other mandatory contributions). Tax wedge data in the 2026 country reports are calculated by the Joint Research Centre of the European Commission and based on the EUROMOD model, while past country reports were based on the OECD tax and benefit model. While the underlying methodology is very similar, differences in the assumptions can lead to different results between both models.

Table A3.1: **Taxation Indicators**

		Belgium					EU-27				
		2019	2022	2023	2024	2025	2019	2022	2023	2024	2025
Tax structure	Total taxes (including compulsory actual social contributions) (% of GDP)	43.3	42.5	42.1	42.8	42.3	39.9	39.7	39.0	39.4	
By tax base	Taxes on labour (% of GDP)	22.0	22.0	21.9	22.1		20.6	20.1	19.9	20.3	
	of which, social security contributions (SSC, % of GDP)	13.3	12.7	12.8	13.1		13.0	12.7	12.7	13.0	
	Taxes on consumption (% of GDP)	10.6	9.9	9.6	9.5		11.2	10.9	10.5	10.6	
	of which, value added taxes (VAT, % of GDP)	6.7	6.5	6.3	6.2		7.1	7.4	7.1	7.1	
	Taxes on capital (% of GDP)	10.5	10.4	10.5	11.0		8.1	8.7	8.5	8.5	
Some tax types	Personal income taxes (PIT, % of GDP)	11.3	11.8	11.6	11.9		9.6	9.4	9.3	9.6	
	Corporate income taxes (CIT, % of GDP)	3.7	3.9	3.9	4.4		2.6	3.2	3.2	3.1	
	Total property taxes (% of GDP)	3.5	3.3	3.1	3.2		2.2	2.1	1.9	1.8	
	Recurrent taxes on immovable property (% of GDP)	1.3	1.2	1.3	1.2		1.2	1.0	0.9	0.9	
	Environmental taxes (% of GDP)	2.6	2.2	2.3	2.2		2.6	2.1	2.1	2.1	
	Effective carbon rate in EUR per tonne of CO_2 equivalents	na	na	74.0	na		na	na	84.8	na	
Progressivity & fairness	Tax wedge at 50% of average wage (single person) (*)	21.6	23.6	23.3	21.5	21.5	32.4	31.6	31.5	31.5	31.6
	Tax wedge at 100% of average wage (single person) (*)	50.2	51.0	50.8	50.7	50.8	40.1	39.7	39.9	39.9	40.0
	Corporate income tax - effective average tax rates (1) (*)	27.9	23.8	23.8	22.5		20.0	19.2	19.0	19.3	
	Difference in Gini coefficient before and after taxes and cash social transfers (pensions excluded from social transfers) (2) (*)	12.9	12.6	12.6	12.6		7.8	8.0	7.9	7.8	
Tax administration & compliance	Outstanding tax arrears: total year-end tax debt (including debt considered not collectable) / total revenue (in %) (*)	15.5	12.6	13.9	na		31.8	32.6	30.7	na	
	VAT gap (% of VAT total tax liability, VTTL) (**)	13.2	11.7	12.3	13.9		10.5	7.3	8.2	na	

(1) (1) Forward-looking effective tax rate (KPMG).
(2) A higher value indicates a stronger redistributive impact of taxation.
(*) EU-27 simple average.
(**) Forecast value for 2024. EU-27 refers to the median value. For more data on tax revenues as well as the methodology applied, see the Data on Taxation Trends webpage.
Source: European Commission, OECD, ISORA.

individual characteristics (see Annex 11). Personal income tax (PIT) in Belgium is progressive, but the tax brackets are narrow and even average income earners are therefore subject to the highest income tax rates (45% and 50%). High marginal tax rates for lower-middle to middle incomes result in significant low-wage traps where additional earnings are taxed away quickly through higher taxes and reduced benefits. This effect dampens the financial gains from increases in hours worked or wage progression at common earnings levels. At the same time, the increased ceiling of hours allowed under the fiscally attractive student status and the planned expansion of 'flexi-jobs' to all sectors could narrow the labour taxation base.

On the positive side, there is less income inequality in Belgium than in the EU on average due to the combined inequality-reducing effect of taxes and benefits. The tax-and-benefit system reduced income inequality in 2024 by 12.6 pps as measured by the Gini coefficient, compared with an EU-average reduction of about 7.8 pps ([47]).

In 2026, the government introduced some measures to make work more financially rewarding, making progress towards its commitment in the mid-term fiscal and structural plan to reduce the tax burden on labour. The tax-free allowance will increase gradually from EUR 10 910 to EUR 15 600 by 2030 (with a first step in 2026). The corresponding tax reduction for pensions and replacement incomes will be reduced to offset the fiscal cost associated with this increase. A cap on the social security contributions to be paid by the employer will also be introduced, effectively lowering the financial burden of high-earning contracts to the employer. To support low-wage workers, the work bonus will be increased from 2026 with a view to

([47]) The Gini coefficient measures the extent to which the distribution of income within a country deviates from a perfectly equal distribution. A coefficient of 0 expresses perfect equality where everyone has the same income, while a coefficient of 100 expresses full inequality where only one person has all the income.

equalising net to gross pay for minimum-wage earners by 2029. Furthermore, the progressive tax rates for working pensioners will be replaced by 33% flat rate on earned income.

Belgium has also taken several measures to reduce the tax advantages linked to replacement income or inactivity. The tax reduction for unemployment benefits will be reduced from 2026 and abolished by 2029. From 2026 onwards the minimum income will become taxable. The marital quotient will be phased down from 2026. It will be halved for active earners by 2029 and more gradually abolished for pensioners.

Belgium introduced a 10% capital gains tax on realised capital gains on shares and cryptocurrency effective from 1 January 2026. Capital gains realised in the context of a 'substantial interest' (i.e. when the transferor holds at least 20% of the rights in the capital of the company whose shares are being transferred) benefit from an exemption of EUR 10 000 and will be subject to a progressive rate from 1.25% to 10%. Internal capital gains on shares and profit certificates realised upon transfer to a company which is controlled directly or indirectly by the transferors themselves, or together with their family will be fully subject to tax at a rate of 33%. The law allows capital gains to be partially offset against capital losses, but the final result cannot be negative. Some investment funds will be exempted from the tax. To protect small and medium-size savers, an annual exemption of EUR 10 000 per individual is granted. This exempt amount will be indexed annually and can be increased to EUR 15 000 for individuals who have not withdrawn any capital gains in the five preceding years. The tax will not apply to pension savings and group insurances.

The federal government announced a progressive increase of excise duties on natural gas and heating oil to encourage transition from fossil fuel to electricity (see Annex 9). Excise duties on natural gas will be gradually increased as of 2026, generating an additional EUR 365 million by 2029. Excise duties on heating oil will also increase from EUR 17 to EUR 23 per 1 000 litres from 2026, then increased by EUR 1 every year until 2029. Excise duties on electricity will be reduced by EUR 170 million by 2029. Gaps with the main neighbouring countries, however, will remain substantial. At federal level, an ongoing spending review on fossil fuel subsidies is due to be completed by mid-2026, but no structural fossil fuel subsidy reform is currently planned.

The top statutory corporate income tax (CIT) rate in Belgium is 25% in 2025 and the model-based forward-looking effective average tax rate based on 2022 data is 22.5%. The application of the top-up tax will be assessed on case-by-case basis depending on the actual effective tax rate of the given group in Belgium, nevertheless it is likely that the top-up tax will not significantly affect Belgium's tax revenues.

Belgium provides strong tax incentives to support R&D, but do not seem to reach companies with the highest growth potential (see Annex 4). Overall R&D intensity reached 3.36% of GDP in 2024 (vs 2.43% in 2015), thanks to a very substantial increase over the last decade in business R&D intensity (2.43% in 2024), now the second highest in the EU. Public support for business R&D (0.36% of GDP vs EU average of 0.2%) is amongst the highest in the EU, largely driven by tax incentives (0.23% of GDP of foregone revenues vs EU average of 0.1%). Studies show that corporate income tax incentives for R&D are not effective in stimulating additional R&D activities, since large firms tend to disproportionally benefit from them. Direct subsidies and labour tax incentives could boost R&D spending in small start-ups.

Tax expenditures are estimated to foregone revenues of EUR 31 billion, representing 6.06% of GDP or 18.4% of total tax revenues (2021) ([48]). Belgium publishes a

([48]) Federal Inventory of Tax Expenditures 2024.

comprehensive report on tax expenditures (TEs) in the 'Federal Inventory of Tax Expenditures' annexed to the budget every year. It has also recently implemented a spending review framework that covers TEs, primary expenditure and the social security sector. The largest part result from VAT with EUR 11.2 billion or 2.2% of GDP in foregone revenues (32.1% of VAT revenue); reduced VAT rates cause 97% of foregone VAT revenues, the remaining 3% stem from exemptions. Tax expenditures related to PIT represented EUR 10.7 billion or 2.06% of GDP (22% of PIT revenue). Tax expenditures related to CIT amounted to about EUR 2.2 billion or 0.43 % of GDP (12.3% of CIT revenue).

The VAT compliance gap has increased in 2023 to 12.3% up from 11.7% in 2022 and remains among the highest in the EU. This means Belgium has the 6th highest VAT compliance gap in the EU, which is expected to increase further in 2024. Belgium does not have a reliable method for calculating what proportion of the VAT compliance gap comes from undeclared turnover, reduced rates abuse, missing trader intra-community fraud and VAT carrousel fraud.

Nevertheless, recent reforms have supported the stabilisation of the VAT compliance gap. An update to the existing mandatory cash register system for the HORECA sector will transmit data to the cloud to facilitate control by the tax administration. The mandatory use of this system will be extended to other (as yet unspecified) sectors. E-invoicing has been mandatory for B2B since 1 January 2026. Real time reporting will be put in place from 1 January 2028. The Belgian administration is also invested in the Eurofisc network allowing swift, targeted information exchange and coordinated risk analysis to combat cross-border VAT fraud. It is also continuing to develop and refine existing national tools for data mining and risk analysis to counter national non-declaring of VAT. It is gradually reforming the VAT chain to modernise how VAT flows through the system and how the administration can react more efficiently and effectively to non-compliance. This reform is expected to have a positive but unquantifiable impact on VAT receipts.

Belgium is not among the EU Member States that officially estimates or publishes national tax gaps ([49]). It does not produce and report tax gap estimation figures, apart from its involvement in the EU VAT gap estimation exercise. Estimating CIT and PIT compliance gaps could help policy makers understand the nature and magnitude of the problems related to PIT tax collection. In addition, measuring and monitoring tax compliance gaps can support tax administration in assessing the effectiveness of their tax policy actions.

Belgium made significant strides in digitalisation, efficiency and risk management within VAT collection ([50]). One of the most notable improvements is the automation and simplification of VAT refund and registration processes. The communication of bank account details for refunds can now be done digitally through the *MyMinfin* platform, reducing administrative burden and accelerating refunds. Another major reform introduced in 2025 is the VAT provision account, which allows taxpayers to access validated but unpaid VAT credits digitally, reallocating them to debts or refund requests through *MyMinfin*. In addition, Belgium shortened the statutory settlement period for monthly filers as of January 2025, further speeding up refund turnaround times. These reforms represent a clear improvement, particularly considering that refund delays were previously identified as a systemic weakness across Member States.

Despite the clear progress, certain processes, such as debt management and arrears tracking, still rely on legacy

([49]) European Commission, Mind the gap - 2025 report.

([50]) Commission's Ninth Report on VAT Administration, EUR-Lex - 52022DC0137 - EN - EUR-Lex / 2025 VAT Collection Survey.

infrastructure, which may limit efficiency and interoperability. While Belgium's VAT processes are increasingly digitalised, the full integration of IT systems, notably the migration from the older Stiron application to the FIRST monitoring platform, is still underway and not expected to be complete until 2026.

The Belgian tax administration has adopted a tax recovery strategy to steer its recovery activities. Belgium does not regularly publish a dedicated tax recovery activity report. However, the general report from the Federal Public Service Finance includes some statistics about recovery activity and the tax administration publishes further statistics on tax recovery on its website.

The closing stock of arrears at year end as percentage of total revenue collected in Belgium is below the EU average and has decreased slightly in recent years. The level of outstanding tax arrears at year end for Belgium decreased from 15.5% of total revenue in 2021 to 12.6% in 2022 ([51]). These figures suggest that the tax administration is capable of collecting the taxes owed. In 2022, Belgium reported slightly over 10% of the closing stock of arrears as collectible, representing a decrease compared to 2021. The time limit for tax recovery in Belgium is five years ([52]), starting from the date of the executability of the tax receipt. The time limit can be suspended in some cases.

Currently, Belgium does not have specific legislation on cooperation between the administrator of insolvency proceedings and tax recovery authorities. Belgium does not allow the tax recovery authorities to exchange information with the administrator of the insolvency proceedings concerning the assets that could be used for the recovery of the unpaid claims in the insolvency proceedings. Professional secrecy does not prevent the communication of information regarding the tax situation of a bankrupt taxpayer to the insolvency administrator, since the latter holds a judicial mandate and represents both the bankrupt individual and the body of creditors. However, due to the rule of professional secrecy, the administration is not allowed to disclose information about third parties.

([51]) OECD Tax Administration 2024 Figure 7.2.

([52]) Art. 443bis, §1, al. 1 of Income Tax Code.

Belgium continues to be a strong performer in research and innovation but its capacity to translate this performance into productivity gains is weak. In the 2025 European Innovation Scoreboard, Belgium remains a strong innovator, with a performance much higher than the EU average, and also above the average of the other strong innovators (122.6% vs 114.1% of the EU average in 2025) ([53]). Its overall R&D intensity reached 3.36% of GDP in 2024 (vs 2.43% in 2015), thanks to a very substantial increase over the last decade in business R&D intensity (2.43% in 2024) ([54]), now the second highest in the EU. Factors such as the internationally oriented and highly attractive public research system and the high level of R&D investments in the business sector equips Belgium with a solid innovation ecosystem. Belgium also performs strongly in the digitalisation of businesses and plays an important role in the development of advanced digital technologies. However, business R&D investments are highly concentrated in sectors where Belgium has been historically strong, such as the pharmaceutical sector (see Annex 15). Difficulties experienced by new firms in scaling up and structural rigidities in the Belgian labour market hamper economic renewal, the diffusion of innovation, and the translation of R&I performance into productivity growth and competitiveness. Therefore, the 2025 country-specific recommendations (CSRs) stressed the need to spread innovation by focusing public R&D support on high-growth firms and by fostering workers' job mobility.

Excellent science

Belgium benefits from a highly attractive and internationally oriented research system, but its performance is eroding slightly. The public research sector is characterised by universities that are competitive on the global stage ([55]) and internationally engaged, with strong participation in cross-border collaborations ([56]), as well as by the high number of researchers employed ([57]). The proportion of publications among the top 10% most cited remains well above EU average (11.48 in 2022 vs EU: 9.44) but has been on a downward trend for a decade. Even if this trend, linked to the emergence of China as a major scientific powerhouse ([58]), is observed in several innovation leaders, Belgium is among the countries with the most pronounced decrease. Public R&D intensity (0.91% vs EU: 0.72% in 2024) has slightly increased over the last three years. It remains to be seen if this will allow Belgium to halt its decline in scientific performance.

Differences persist across regions in terms of innovation performance. The 2025 Regional Innovation Scoreboard ([59]) confirmed the ranking of Brussels and Flanders among 'innovation leader' regions, while Wallonia, with a much weaker public R&D intensity than the two other regions (0.52% vs 0.94% in Flanders

([53]) 2025 European Innovation Scoreboard.

([54]) Eurostat data on GERD by sector of performance (released in December 2025).

([55]) KU Leuven, Ghent University, UCLouvain, ULB, VUB and University of Antwerp, are all well positioned in global rankings (The top 10 best universities in Belgium: 2025 rankings | Study.eu).

([56]) 71.4% of the total number of publications are international.

([57]) 6.0 per thousand active population, compared to EU-27 average of 4.3.

([58]) 2025 European Innovation Scoreboard.

([59]) European Commission (2025), Regional Innovation Scoreboard 2025 – Country profile Belgium.

and 0.76% in Brussels), remains 'strong innovator'. However, Wallonia's performance significantly improved over the 2018-2025 period.

Business innovation

The Belgian innovation ecosystem benefits from a high level of business R&D investments. Business R&D intensity is one of the highest in the EU (2.46% in 2023 vs EU: 1.49%), with significant growth over the last 15 years. This excellent performance also extends to the expenditure (as % of GDP) of SMEs in R&D and the number of researchers employed by the business sector per thousand working population, both above the EU average ([60]).

Strong science-business linkages are a key asset for the Belgian innovation ecosystem. The proportion of public-private co-publications among the total publications of the country stood at 11.46% in 2024 (vs EU: 7.62%). The public expenditure in R&D financed by the business sector also firmly remains higher than the EU average ([61]). In addition, Belgian universities maintain well-functioning technology transfer offices and regularly generate spin-offs ([62]).

Belgium performs very well in high-tech manufacturing but its capacity to translate its R&I performance into productivity gains is weak. Thanks to a very strong pharmaceutical sector, the added value in high-tech manufacturing as a percentage of total value added is higher than the EU average ([63]). The R&D intensity of high-tech manufacturing is also very high ([64]). However, there has been a negative trend over the last decade in patent applications per billion GDP, which in 2022 stood below the EU average ([65]).

Productivity growth has slowed significantly since the 1990s, more than in other advanced economies. This tendence is shown by total factor productivity (TFP) growth, which is lower than in other advanced European economies and it might be related to a very high concentration of business R&D in a few manufacturing sectors ([66]), and to a lack of investments able to deliver productivity growth in sectors such as ICT and services ([67]). Furthermore, the proportion of ICT patent applications has seen a negative decline in the last decade ([68]). This also suggests stalling technological diffusion and room to improve the transmission of innovation to productivity gains ([69]).

The uptake of digital technologies by Belgian businesses continues to make robust progress. In 2025, 84.35% of SMEs reached at least a basic level of digital intensity, remaining well above the EU average (71.39%). Belgium also strengthened its leading position in the adoption of artificial intelligence, with 34.54% of businesses using AI (vs EU: 19.95%), reflecting a sharp increase over the previous year. The adoption of cloud computing and data analytics has also accelerated significantly. In 2025, 58.51% of businesses used cloud

([60]) SMEs spending on R&D as % of GDP is 0.89 (EU average at 0.43), while researchers employed by business per thousand population is 9.3 in 2024, vs the EU-27 average of 5.90.

([61]) Public expenditure on R&D financed by business (national) as % of GDP: 0.09 compared to EU-27 of 0.06 in 2023.

([62]) University spin-offs create economic value from cutting-edge research | The Bulletin.

([63]) 2.83% in 2023, against an EU average of 2.14%.

([64]) 31.2 in 2021, the highest in the EU, with an average of 17.9.

([65]) Patent applications filed under PCT per billion GDP (in PPS EUR): in 2022 Belgium's performance is 2.4 (with a compound growth between 2012 and 2022 of -2.4) and the EU average is 2.8.

([66]) OECD (2024), OECD Economic Surveys: Belgium 2024.

([67]) The ANBERD database clearly shows that BERD in Belgium is highly concentrated in manufacturing (EUR 5.6 billion) more than doubling the ICT sector (EUR 1.8 billion).

([68]) OECD data (2024): from 18.6% in 2013 to 8.8% in 2020.

([69]) International Monetary Fund (2025), country report: Belgium, IMF country report No. 25/69.

services and 52.09% relied on data analytics, both clearly above EU averages (46.69% and 39.85% respectively).

To support business digitalisation, Belgium continues to implement a range of policy measures at federal and regional levels. These include support schemes for SME digital transformation, innovation vouchers and targeted programmes fostering AI adoption and experimentation by businesses. Several measures are supported through the recovery and resilience plan, notably in areas such as digital innovation, AI experimentation environments and the strengthening of digital innovation ecosystems. Belgium also remains actively involved in EU-level initiatives to strengthen digital industrial capacity and participates in several Important Projects of Common European Interest (IPCEIs).

Public support to business R&D is significant but mostly benefits large firms. Public support for business R&D (0.356% of GDP vs EU: 0.2%) is among the highest in the EU, largely driven by tax incentives (0.232% of GDP foregone revenues vs EU: 0.1%). However, studies show that large firms tend to disproportionally benefit from it ([70]). In particular, the proportion of R&D tax support accounted for by SMEs is low by OECD standards and well below their contribution to business R&D spending (around 20%) ([71]). Therefore, the 2025 CSR called on targeting R&D public support at companies with the highest growth potential. The OECD suggested several reforms in this vein, such as making the R&D tax credit annually refundable or redeemable against payroll taxes, capping total public support or tying tax relief to the increase in R&D spending rather than its absolute level ([72]).

Entrepreneurial dynamism

Weak entrepreneurial dynamism is a key factor behind the slowdown in productivity growth. This is notably reflected in the fact that relatively few firms enter and exit the market, and low growth among entrants. As few high-growth businesses emerge from Belgium's SME sector, Belgian high-growth firms have a much smaller footprint in the economy than their European counterparts ([73]). This tendency to remain small poses challenges for growth, productivity and overall economic competitiveness ([74]).

Belgium's startup and tech ecosystems are still early in their maturation journey. The StartupBlink ecosystem report lists 934 'top startups' in Belgium ([75]) (i.e. firms that meet certain criteria such as investment, employee count, web traffic), with a growing deep-tech cohort and five widely recognised unicorns (Odoo, Collibra, Deliverect, team.blue and Lighthouse) ([76]). Looking at the tech sector the Belgian tech ecosystem has benefited from a healthy influx and financing of seed to early-stage startups: in the first half of 2025, there was a near 50% increase in recorded seed rounds compared to the same period in 2024. However, the lack of later stage funding rounds proves that the Belgian tech ecosystem is plainly still early in its maturation journey, remaining small compared to its EU peers ([77]). The National Bank of Belgium has recently advocated for fostering an environment where

([70]) Dumont, M. (2022): Public support to business research and development in Belgium: fourth evaluation.

([71]) OECD (2024), OECD Economic Surveys: Belgium 2024.

([72]) OECD (2024). OECD Economic Surveys: Belgium.

([73]) Employment share of high-growth businesses measured in employment (%) in Belgium was 0.27 in 2023, while the EU-27 average was 0.87.

([74]) Bijnens G. (2025) "Reigniting growth: trends and challenges for business dynamism in Belgium". NBB Economic Review.

([75]) Startup Ecosystem Index (2025), StartupBlink.

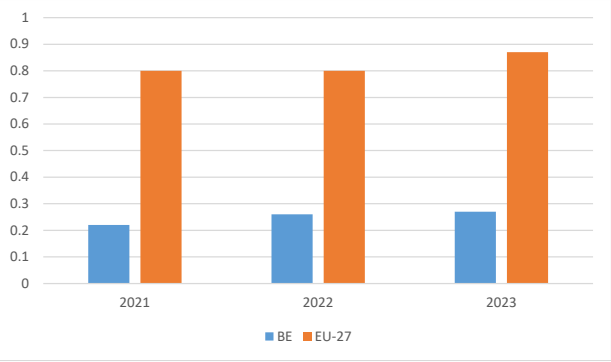
([76]) Belgium Startup Ecosystem - Rankings, Startups and Insights.

([77]) State of Belgian Tech Report (2025).

more new firms can sustain high growth beyond the startup phase ([78]).

The regional and federal governments have acknowledged the above challenges and are looking at ways to encourage investment in high-growth companies. The recent reform of the investment deduction system ([79]) as well as the upcoming measures accelerating depreciation for investments in R&D ([80]) might help to support investment, notably in SMEs and firms with high-growth potential.

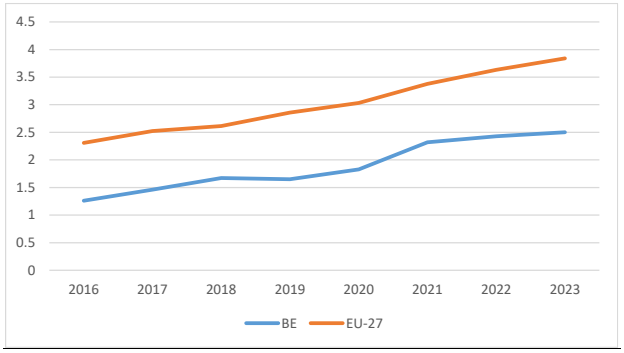
Graph A4.1: **Employment share of high-growth businesses measured in employment (%)**



Source: DG R&I, Eurostat, 2021-2023

There is still room to improve the regulatory and administrative frameworks. The complexity and fragmentation of the administrative frameworks (partly due to regulatory powers, procedures and support systems being split across federal, regional and local levels) raises compliance costs and hampers scaling and cross-border single market growth ([81]) (see Annex 19). A number of positive initiatives have been developed by various public authorities and have the potential to be replicated in other authorities, regions or sectors, such as NIDO ([82]) (the public sector innovation laboratory of the federal public service for policy and support), the Flanders' programme for innovation procurement ([83]), or regulatory sandboxes with legislative experimentation environments that allow emerging technologies and business models to be scaled up, leveraging on sectoral experiences such as the FinTech contact point ([84]).

Graph A4.2: **Graduates in ICT per thousand population aged 25-34**



Source: DG R&I, Eurostat, 2016-2023

Shortages of highly skilled workers hinder Belgium's economic competitiveness and business innovation. With labour shortages in Belgium among the highest in the EU (see Annex 11), Belgium's innovation ecosystem is also under strain. Although historically one of the highest performing across the continent, it is challenged by low participation in STEM (science, technology, engineering and maths) and ICT education (see Annex 13) and

([78]) Bijnens G. (2025) "Reigniting growth: trends and challenges for business dynamism in Belgium". NBB Economic Review.

([79]) The investment deduction system has been substantially reformed with new rules applying to qualifying investments made from 1 January 2025, including simplified categories, fixed rates and enhanced carry-forward of unused investment deduction.

([80]) The proposed measures (including re-introduction of degressive/ amortisation options for SMEs and accelerated write-offs for larger companies) are included in the 2025-2029 government coalition pact, but implementing legislation remain in preparation and are not yet fully enacted.

([81]) Business associations from Belgium, answering to the stakeholder consultation on the EU Startup and Scaleup Strategy, referred to the difficulty to access the EU Single Market and, thus, to the need to set up a dedicated 28th system and a one-stop shop for startups.

([82]) NIDO Lab (2023), Innovation Network at the NIDO Lab, https://www.nidolab.be/nido/fr/network.

([83]) VLAIO helps entrepreneurs grow | Flanders innovation & entrepreneurship.

([84]) FinTech Contact Point | FSMA.

difficulties in upskilling the labour force. As a consequence, Belgium continues to face difficulties in addressing labour shortages in key fields such as ICT and clean tech ([85]). In 2023, the number of new graduates in STEM subjects was lower than the EU average, and this is also the case for ICT, with one of the lowest averages in the EU (2.5 per thousand population vs EU: 3.84) (see Annex 13). Employers indicate engineering and IT/Data as the most difficult skills to find in Belgium ([86]). This is also confirmed by tech startup founders, who consider talent acquisition and retention as their biggest challenge ([87]), as well as by the ICT job vacancy rate, higher than the national average ([88]).

Low job-to-job mobility in science and technology further hinders innovation-driven activities. In the European Innovation Scoreboard 2025 ([89]), Belgium has experienced a marked deterioration in labour mobility among workers in science and technology in recent years. This negative trend reflects broader and long-standing structural rigidities in the Belgian labour market ([90]) (see Annex 11). According to the National Bank of Belgium, almost half of employees remain with the same employer for more than ten years, limiting reallocation to expanding and innovation-driven activities ([91]). The implementation of the 2025 recommendation on *fostering the mobility of workers* is supported for researchers by the recent reinforcement of the EURAXESS Belgium network ([92]).

Belgium promotes entrepreneurship through education. In the Flemish Community, entrepreneurship is a strategic priority in education. The STEM agenda 2030 ([93]) promotes developing entrepreneurship skills within STEM education. A dedicated platform for entrepreneurship education provides methodological support and stimulates exchange among teachers at primary and secondary level ([94]) ([95]) ([96]). In the German-speaking Community, the Wirtschaft macht Schule" programme offers pupils the opportunity to discover their entrepreneurial spirit and develop their interest in self-employment ([97]). At the same time, evidence on how these initiatives affect student skills and attitudes remains limited.

([85]) European Commission (2025). European Innovation Scoreboard, Country profile: Belgium.

([86]) 2025 Talent Shortage Report.

([87]) According to the 2025 State of Belgian Tech report, a survey of 135+ Belgian Tech founders indicated that the acquisition and retention of the right kind of talent remained the biggest pain point today (at 20%).

([88]) It was 4.4% in September of 2025, according to Statbel, while the national average is 3.84%.

([89]) European Commission (2025a), European Innovation Scoreboard 2025 – Country Profile: Belgium.

([90]) Bijnens G. (2025) "Reigniting growth: trends and challenges for business dynamism in Belgium". NBB Economic Review.

([91]) National Bank of Belgium (2024), Economic Report: Labour Market Developments, Towards a competitive economy to support well-being today and tomorrow.

([92]) EURAXESS is the largest pan-European initiative to foster researchers' mobility and career development. The national networks facilitate researcher relocation and career transitions both nationally and internationally.

([93]) STEM-agenda 2030. STEM-competenties voor een toekomst- en missiegericht beleid | Vlaanderen.be.

([94]) Entrepreneurial Education | VLAIO.

([95]) European Commission (EACEA), Baïdak, N., Kocanova, D., Pierantoni, L. and Riiheläinen, J. M., *Entrepreneurship education at school in Europe – 2025 – Eurydice report*, Publications Office of the European Union, 2025.

([96]) Formation 010402324/49339 | IFPC.

([97]) Ostbelgien Bildung - Wirtschaft macht Schule.

Table A4.1: **Key innovation indicators**

Belgium	2010	2015	2020	2022	2023	2024	2025	EU average (1)	US
Headline indicator									
R&D intensity (gross domestic expenditure on R&D as % of GDP)	2.06	2.43	3.37	3.21	3.24	3.36	:	2.24	3.44
Science and innovative ecosystems									
Public expenditure on R&D as % of GDP	0.65	0.71	0.86	0.86	0.89	0.91	:	0.72	0.64
Scientific publications of the country within the top 10% most-cited publications worldwide as % of total publications of the country	13.32	13.45	12.21	11.48	:	:	:	9.44	12.31
Researchers (FTEs) employed by public sector (Gov+HEI) per thousand active population	4.20	4.90	5.40	5.70	5.90	6.00	:	4.3	:
International co-publications as % of total number of publications	56.15	64.15	69.69	70.45	70.33	71.44	:	57.24	:
R&D investment & researchers employed in businesses									
Business enterprise expenditure on R&D (BERD) as % of GDP	1.38	1.7	2.49	2.32	2.34	2.43	:	1.49	2.69
Business enterprise expenditure on R&D (BERD) performed by SMEs as % of GDP	0.49	0.69	:	:	0.89	:	:	0.47	0.30
Researchers employed by business per thousand active population	4.10	5.80	6.90	8.70	9.10	9.30	:	5.9	:
Innovation outputs									
Patent applications filed under the Patent Cooperation Treaty per billion GDP (in PPS €)	3.57	2.95	3.03	2.41	:	:	:	2.81	2.20
Employment share of high-growth enterprises measured in employment (%)	:	:	:	0.26	0.27	:	:	0.87	:
Digitalisation of businesses									
SMEs with at least a basic level of digital intensity % SMEs (EU Digital Decade target by 2030: 90%)	:	:	:	:	74.46	:	84.35	71.39	:
Data analytics adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	44.47	:	52.09	39.85	:
Cloud adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	47.69	:	58.51	46.69	:
Artificial intelligence adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	13.81	24.71	34.54	19.95	:
Academia-business collaboration									
Public-private scientific co-publications as % of total number of publications	9.81	10.89	10.932	11.44	11.70	11.46	:	7.62	:
Public expenditure on R&D financed by business enterprises (national) as % of GDP	0.06	0.07	0.08	0.08	0.09	:	:	0.06	0.02
Public support for business innovation									
Total public-sector support for BERD as % of GDP	0.23	0.25	:	:	:	:	:	0.21	:
R&D tax incentives: foregone revenues as % of GDP	0.11	0.14	0.23	0.23	:	:	:	0.10	0.16
BERD financed by the public sector (national and abroad) as % of GDP	0.12	0.11	:	:	0.09	:	:	0.11	:
Financing innovation									
Venture capital (market statistics) as % of GDP (calculated as a 3-year moving average)	0.03	0.03	0.08	0.08	0.07	0.07	:	0.06	:
Seed stage funding share (% of GDP)	0.00	0.00	0.01	0.00	0.00	0.00	:	0.01	:
Start-up stage funding share (% of GDP)	0.02	0.01	0.05	0.04	0.03	0.03	:	0.03	:
Later stage funding share (as % of GDP)	0.01	0.01	0.03	0.03	0.03	0.03	:	0.03	:
Innovative talent									
New graduates in science & engineering per thousand population aged 25-34	10.51	12.14	13.07	12.91	13.55	:	:	16.82	:
Graduates in the field of computing per thousand population aged 25-34	1.33	0.85	1.83	2.43	2.50	:	:	3.84	:

(1) EU average for the last available year or the year with the largest number of country data.

* break in series

Source: Eurostat, OECD, DG JRC, Science Metrix (Scopus), Invest Europe, European Innovation Scoreboard

Belgium faces several challenges to its competitiveness, such as high labour and energy costs, declining industrial production over the past three years, and decreasing EU trade integration. In response, the country made a series of reforms and investments, including those outlined in the Recovery and Resilience Plan (RRP). Important reforms planned include for instance the reform of the unemployment benefits, a reform of the long-term sickness system, and measures to simplify and streamline the business environment. These initiatives are expected to significantly reshape the economic landscape. The reforms not only aim to address the 2025 country-specific recommendations (CSRs) but also align with the country's budgetary concerns.

Business dynamics

The investment climate in Belgium remains generally positive. Business investment in recent years has been consistently higher than the EU average. In 2024, it was 16% of GDP compared to 12.6% for the EU (A5.1). Overall, the share of firms reporting long-term barriers to investment is lower than average for EU firms ([98]).

Belgium is still among the top ten EU countries attracting foreign direct investment. In 2024, despite a decrease, Belgium remains 8th in the EU, with the United States, France and the Netherlands being the main investors ([99]). Regional differences are significant, with the province of Antwerp being in the top 10% EU NUTS-2 regions in greenfield FDI amounts, while Namur ranks among the bottom 10% ([100]).

Public investment in 2024 increased but remains below the EU average. At 3.1% of GDP in 2024, Belgium has increased its public investment compared to the last two years (2.7% in 2022 and 2.9% in 2023) but it remains low compared to the EU average of 3.7% (A5.1) The RRP partly explains this increase in recent years, as Belgium has historically had a low share of public investment.

Belgium's economic structure has evolved over the years towards a highly knowledge-based economy. In the last 20 years, Belgium has transformed into a high-knowledge intensive economy, marked by a significant increase in the share of firms within the "Professional, scientific and technical activities" sector and a decrease in the share of low-tech manufacturing industries, as well as mining and quarrying ([101]).

This transformation has been facilitated, in part, by a favourable R&D environment As a consequence, Belgium scores high on many indicators related to innovation and technology, such as firm investments, linkage between innovative SMEs, employment in innovative enterprises, although public funding for R&I by SMEs could be enhanced, as recommended in the 2025 CSR (see Annex 4).

Belgium's economic structure is dominated by SMEs and has a lower share of young, high-growth firms than the EU average. SMEs constitute 99.9% of the firms. In 2024, among SMEs, micro-firms (0-9 persons) remain largely predominant, comprising 95.9% of firms, above the EU average of 93.6%. The share of small firms is only 3% (EU average 5.4%). The share of high growth companies (gazelles) in Belgium in 2022 was 0.25%, much lower than EU average of 0.79%. Overall, it appears that Belgian firms face challenges in scaling up, including strict labour market

([98]) European Investment Bank, 2025, EIB Investment Survey.

([99]) Ernst & Young Belgium Attractiveness survey 2025.

([100]) OECD (2026), Connecting FDI and SMEs for Productivity and Innovation in Europe, OECD Publishing, Paris, https://doi.org/10.1787/9848e952-en., page18.

([101]) Gross value added and income by detailed industry (NACE Rev.2)[nama_10_a64__custom_13043442].

regulations, high labour costs and insufficient growth capital ([102]).

The government has announced measures to simplify access to financing and favouring scaling up. In its SME plan ([103]) the government aims to encourage more households to invest their savings in shares of Belgian small and mid-cap companies, in particular through increased communication on the offerings of the European Investment Fund. Moreover, the Federal Holding and Investment Company (SFPIM), will increase its indirect investment in scale-ups. Finally, a simplification of the Tax Shelter scheme has been announced in the SME action plan to promote this alternative form of financing to citizens and businesses, in order to better support growth.

Business environment

The Belgian business environment is regarded as flexible, but barriers remain, the recent government's reforms are moving towards more flexibility. The percentage of firms reporting business regulation as a major obstacle in Belgium is smaller (26%) than the EU average (34%) ([104]). The quality of infrastructure is considered one of the most important factors when choosing to invest in Belgium ([105]), including transport infrastructure ([106]) ([107]). The share of private investment is high.

Access to finance remains easier than in other EU countries. Belgium has an EIF access to finance index for loans among the best of the EU (rank 6). Investing firms use more external finances than EU average (42%) and Belgium firms using external finance show a significantly lower level of dissatisfaction with borrowing costs, with only 2% (vs 15% EU) dissatisfied ([108]). However, while early-stage funding is relatively accessible, access to finance becomes a major issue during the scale-up phase when larger funding rounds are required for further growth ([109]).

Late payments ([110]) however can be significant in certain areas, from public entities. (Table A5.1). Belgian public authorities are the third latest payers in Europe according to suppliers ([111]). Lack of available data slows progress. Efforts have been made at federal level to improve payment performance. A new IT system for the registration and payment of invoices has been introduced at federal level, the average payment periods are published online ([112]). New Belgian public procurement law has been modified to establish stricter payment terms (30 days) and has entered into force on 1 January 2025 ([113]). Nevertheless, data collection and monitoring of payment performance at local level (communes) remains unsatisfactory. Data on the payment performance of municipalities is collected by the regional governments through a survey. Such data is then sent to the Commission. The participation rate by the municipalities is not exhaustive. Belgian authorities do not have a

([102]) Gert Bijnens (2025) "Reigniting growth: trends and challenges for business dynamism in Belgium"; NBB Economic Review.

([103]) 2026-01-05-PLAN-PME.

([104]) 2025 EIBIS Belgium.

([105]) Ernst & Young European Investment Monitor 2025.

([106]) Logistics Performance Index by Country 2025.

([107]) even if interconnections between regions remain a weakness.

([108]) EIB IS.

([109]) Gert Bijnens "Reigniting growth: trends and challenges for business dynamism in Belgium"; NBB Economic Review 2025, Nr10.

([110]) Part of the barriers highlighted in the Single market strategy ("Terrible 10") and the 2026 Annual Single Market and Competitiveness Report.

([111]) 2025 late payments observatory report.

([112]) See for example BOSA: https://bosa.belgium.be/fr/news/delais-moyens-de-paiement-dans-ladministration-federale-trois-premiers-trimestres-2025.

([113]) Marchés publics: règles de paiement à partir de janvier 2025 | BOSA.

central system for the registration, monitoring and payment of invoices that are received by all municipal authorities. The absence of a standardised system for the registration of invoices increases the likelihood of flawed results.

Belgium is among the high performers in the EU in terms of very high-capacity network (VHCN) coverage and has made particularly rapid progress in 5G deployment. It is reaching over 93% of households in 2024, up from over 91% in 2023. This reflects sustained investment in gigabit-capable infrastructure and places Belgium on a favourable trajectory towards the 2030 connectivity targets. Overall 5G coverage increased sharply and is now close to full coverage. However, Belgium still lags behind the EU average in 5G coverage for households in sparsely populated areas and in the 3.4-3.8 GHz band ([114]). Progress has also been recorded in the assignment and use of harmonised spectrum, supporting the development of advanced digital services and industrial applications.

Fibre-to-the-premises (FTTP) coverage, while improving, remains well below the EU average. Deployment is accelerating, supported by both private investment and public initiatives, including regulatory measures and projects financed through the RRP and cohesion policy funding. These efforts aim to extend fibre networks, including in less densely populated areas, and are supported by regulatory action linked to fibre roll-out joint ventures. While fibre deployment continues to expand, Belgium remains the country with the lowest coverage in the EU.

Conducting business in Belgium can present certain challenges. These primarily concern the high labour costs, the tightness of the labour market in certain regions, the regulatory burden and the supply of energy and critical materials (for the latter see section on industry and security). A CSR was issued in 2025 simplify regulation, improve regulatory tools and reduce administrative burden.

Labour costs in Belgium are consistently among the highest in the EU driven by non-wage costs and automatic indexation. In 2024, the average hourly labour cost for LCI (compensation of employees plus taxes minus subsidies) in Belgium was approximately EUR 48.10, placing it third highest in the EU, behind Luxembourg and Denmark. A major component is non-wage costs such as employer social contributions, bonusses, sectoral contributions and insurances. Belgium is also one of the few euro area countries with an automatic wage indexation system.

High productivity, reductions in contributions and the wage cap law bring some nuances to these high costs but add to the rigidity of labour law. While the hourly cost is high, Belgian labour productivity is also higher than the euro area average (see Table A5.1), which helps mitigate the impact of the high cost. To remain competitive, the federal and regional authorities offer various reductions on social security contributions, particularly for first hires or specific sectors (R&D), making the "effective" labour cost lower than the nominal one. The “wage cap” law of 1996 introduced a legal framework to limit real wage increases on top of automatic inflation indexation, however it does not cater for differences in productivity level across industries. Overall, these various texts create a lot of rigidity in labour regulations.

The tightness of the labour market is mainly due to a low employment rate, poor mobility, and skills mismatches/shortages. Belgium exhibits one of the lowest employment rates in the EU, despite high vacancy rates, hinting at some disincentives to work. Poor mobility may also be influenced by the extent to which benefits are linked to

([114])Belgium Digital Decade 2025 country report.

geographical location ([115]), as individuals who relocate may lose their benefits. Skills shortages are evident across Belgium, across various sectors (see Annex 11).

Belgium has adopted significant labour market reforms. A reform of unemployment benefits that limits their duration to two years was included in the latest RRP revision. Belgium was one of the last EU countries to retain unemployment benefits of unlimited duration. In an effort to reduce the high and growing number of people on long-term sickness leave, the government is also expanding its 'Return-to-Work' measures. The share of persons in the working age population that are inactive due to health or disability reasons in Belgium is the highest of all EU Member States and is almost double that of Germany and France ([116]). The reform involves stricter controls, particularly after the one-year benchmark (see Annex 11). Several measures aimed at making the labour market more flexible have been tabled. Measures include annualisation of working time, voluntary overtime, authorising night work, easing part-time working restrictions, the reintroduction of the probationary period, the extension of flexi-jobs and student job, temporary-agency-work simplification and notice-period limitation.

Permitting requirements have been identified as significant hindrances. They pose obstacles not only for industry, economic activity, energy and climate infrastructure, logistics and circular economy projects, but also for real estate and housing. This issue arises from the strict interpretation of environmental, climate, and cultural heritage legal and regulatory frameworks. Since 1998, a strong decline in new housing permit applications can be observed in all regions of Belgium, despite an increase in population and a historic low in Flanders for permit applications for industrial and business activities since 2018 ([117]). At the level of the Council of State, between 60-70% of contested permit decisions are effectively annulled. The 2024 World Bank Enterprise survey for Belgium ([118]) shows that construction permits take 253 days in Belgium, (vs 90 days in the "Europe & Central Asia" region), operating licences 146 days (vs 41 days), electrical connections 60 days (vs 30.2 days) and water connections 50 days in contrast to 26.9 in these countries (see Annex 7).

The MTFSP contains several reforms directly aimed at enhancing the business environment. It includes a plan for SMEs, a commitment to reduce administrative burden for SMEs, a simplification of public procurement procedures and further digitalisation of public services. The federal government initiative 'MAKE 2030' has been announced aiming at restoring competitiveness in the Belgian industry.

The SME plan is ambitious with 89 measures announced; however, its budget remains quite constrained. As part of the MTFSP ([119]), the SME plan ([120]) endeavours to simplify the obligations related to the register of final business owners and digitise publications in the Belgian Official Journal. Additionally, it includes a series of planned automations concerning incapacity for work. A significant feature is the "radical" implementation of the "only once" principle, ensuring that a document already submitted to an administration does not need to be resubmitted. In the area of innovation, the government aims to speed up visa procedures for founders and experienced workers in innovative sectors—particularly AI—to facilitate

([115]) European Semester fact finding mission.

([116]) Incapacité de travail et réintégration des salariés sur le marché de l'emploi - Mars 2024 | Conseil supérieur de l'emploi – See graph 1.

([117]) Permis de bâtir par mois, région, province arrondissement et commune | Statbel.

([118]) World Bank Economy | Belgium | Enterprisesurveys.

([119]) Medium-Term Fiscal Structural Plan | BOSA.

([120]) 2026-01-05-PLAN-PME.

recruitment for start-ups and scale-ups. Moreover, it intends to hasten public access to unexploited patents. The age limit of 25 for student-entrepreneur status will be abolished. A new policy will ensure bankruptcy does not permanently block future loans, while a "right to be forgotten" will apply to non-fraudulent bankruptcies, applicable both in official registers and online search engines. Parental leave for the self-employed will phased in, accounting alone for 30% of the plan's budget. The overall budget for this plan is currently restricted to EUR 15 million per year until 2029.

Single Market

Regulatory and administrative barriers to the Single Market persist in Belgium, affecting services trade as well as the freedom of establishment of businesses. Business establishment is hindered by asymmetric establishment rules across regions. Firms face three sets of building norms, environmental permitting regimes, commercial establishment licenses, professional establishment and administrations. This increases time, cost and legal uncertainty and duplicates compliance work for multi-regional roll-outs. Heterogeneous commercial establishment permit thresholds and procedures, technical specifications tied to regional practices, can delay the expansion of EU retailers. In addition, restrictions on legal form and shareholding in professional companies may complicate the establishment of businesses.

Belgium is well integrated into the Single Market for goods trade. In 2025, intra-EU imports and exports accounted for 51.3% of Belgium's GDP. This is one of the highest shares in the EU and higher than the 2025 EU average of 40.7% (Table A5.1). In 2025, Belgium was among the top seven Member States for the share of GDP generated from intra-EU goods trade. It was also one of the top seven Member States for trade in services.

Belgium performs poorly in transposing Single Market law. Belgium's transposition deficit (which measures the percentage of all directives not transposed into national law) worsened in 2025, from 1% to 1.7% (the target set by the EU Council is 1%), ranking 23rd out of 27 Member States ([121]). This number is partly driven by the Belgian structural and institutional framework, which involves multiple levels of governance and necessitates extensive coordination. Regarding the conformity deficit, with 1.1% of directives being wrongly transposed, Belgium is at the EU average. The number of pending infringement proceedings remains significantly above the EU average (33 vs. 25) ([122]). The SOLVIT centre increased its resolution rate from 59% of cases in 2024 to 85.1% of cases, above the EU average of 84.6% in 2025.

The rapid changes undertaken by European and global markets, driven by the rise of new technologies such as AI or quantum, call for an increase of Belgium's National Standardisation Bodies (NSBs) capacity and resources. This investment is essential to attract and retain specialised experts, ensure a timely development of standards, and support Belgium's competitiveness. Without adequate support, the risk of falling behind in critical technological domains could undermine both the Single Market integrity and EU's strategic autonomy. Furthermore, the limited digitalisation of the standardisation process, still document-centric rather than machine-readable format, creates delays in developing and updating standards, and hampers the involvement of certain stakeholders, create barriers that slow down innovation, increase costs, and hinder cross-border trade, especially for SMEs and start-ups. To address these

([121])Part of the barriers highlighted in the 2025 Single Market Strategy ("Terrible 10"), Single Market strategy. See also the Annual Single Market and Competitiveness Report 2026 (forthcoming).

([122]) The 2026 Annual Single Market and Competitiveness Report - Internal Market, Industry, Entrepreneurship and SMEs.

challenges, Belgium must provide stronger support to its NSBs. This will enable faster, more inclusive, and market-responsive standardisation, ensuring that businesses can fully benefit from the opportunities of the Single Market.

Compliance of products circulating in the Single Market ([123]) is key to ensuring a level-playing field for law-abiding companies and the safety of consumers. In Belgium, the number of market surveillance investigations has increased compared with 2019. In 2025, national authorities reported in the EU system for market surveillance (ICSMS) a total of 62.1 investigations per one million inhabitants, which is lower than the EU median of 136.2. The number of notifications remains limited in absolute terms, which may also be the result of insufficient IT national interoperability to the ICSMS system. The upcoming revision of the Market Surveillance Regulation will upgrade ICSMS to a fully interoperable EU digital platform.

Belgium still shows restrictions in the services sector and regulated professions. Belgium still has one of the highest services trade restrictiveness indices (STRI) ([124]) within the European Economic Area (EEA) including for architects, accountants and air transport, despite some measures having been adopted for architects and real estate agents in 2024. Unjustified restrictions related to shareholding of veterinary companies remain, due to a lengthy process of amendment. The federal government agreement included several provisions aiming at increasing competition in business services, including notaries. Tariffs and advertising were expected to be liberalised ([125]). So far, however, progress in addressing barriers in the field of business services remains limited.

In answer to a survey carried out by the Commission between December 2025 and February 2026, Belgium reported it fully implemented 3 and partially implemented 1 of the 10 Commission 2021 recommendations ([126]). The Commission is currently assessing Belgium's answer. The rise of transformative technologies including artificial intelligence and blockchain and related innovations is calling into question the principles underpinning the regulation of many professions, such as the need to protect individuals from information asymmetry and the requirement for trusted third-party certification of authenticity.

In the telecommunications sector, competition is gradually improving; however, significant progress is still required, particularly in the fixed telecom network. The OECD Product Market Regulation (PMR) report for Belgium ([127]) indicates enhanced competition in the mobile telecom network yet reveals more restrictions than the OECD average within the fixed telecom network. Belgium continues to have one of the highest telecom prices in the EU ([128]), with three operators dominating the market alongside their second-tier brands. A fourth operator recently entered the market, still developing its own network ([129]).

In retail, Belgium is among the most restrictive EU Member States, but some reforms are underway. According to the 2023 OECD PMR, Belgium could improve in reducing price controls and regulations, online sales, and the administrative and regulatory burden on

([123]) Part of the barriers highlighted in the Single Market strategy ('Terrible Ten') and the 2026 Annual Single Market and Competitiveness Report.

([124]) Services Trade Restrictiveness Index Simulator.

([125]) Accord_gouvernemental-Bart_De_Wever_fr.pdf.

([126]) European Commission, 2021, *Communication on updating the reform recommendations for regulation in professional services, COM(2021)385. 9/7/2021*, Eur-lex.europa.eu.

([127]) Belgium_2023_PMR country note.pdf.

([128]) Mobile and fixed broadband price in Europe in 2024: Insights into the European Broadband Market | Shaping Europe's digital future.

([129]) Note de priorités2026.

retail establishment ([130])([131]). End of 2025 the Belgian government initiated a reform of shop opening hours, aiming at allowing shops to open from 5 a.m. to 9 p.m. every day of the week. This reform was approved by the Council of Ministers on 24 April 2026 (second reading) and will afterwards be submitted to the Parliament. Belgian consumers pay more for branded daily consumer goods than their neighbours in France, Germany and the Netherlands. This could be due to territorial supply constraints affecting Belgian retailers and preventing them from sourcing products from other Member States ([132]).

Belgium has taken steps to further modernise and simplify its public procurement system. Public procurement is estimated to account for about 15.2% of Belgian GDP, slightly above the OECD average of 14.8%, and around 27.3% of total government expenditure, slightly below the OECD average of 28.7% ([133]). Belgium performs well in public procurement as single bid contracts (24% in 2025, vs 27%), direct awards (3% in 2025, vs 6%) are below EU medians (Table A5.1). A measure to improve e-procurement at the federal level has been put in place with the RRP funds ([134]). The MTFSP includes measures to facilitate access for businesses and SMEs to public procurement

Firms have a favourable view of the public procurement review body; however, they have a less positive view of integrity in tenders. The share of firms perceiving the level of independence of the public procurement review body (Council of State) as 'very good' or 'fairly good' is of 67% ([135]). Additionally, in Belgium, 50% of companies (EU average: 53%) consider conflicts of interest in the evaluation of bids in public procurement procedures, and 49% (EU average: 58%) tailor-made specifications for particular companies, 'very' or 'fairly widespread' practice. Among companies that have experience in and participated in a public procurement procedure, 27% think that corruption has prevented them from winning a public tender or a public procurement contract in practice (EU average: 25%) ([136]). Stakeholders continue to signal low transparency in government contracts ([137]).

Belgium's eProcurement landscape and data quality issues highlight the need for interoperable systems, common standards, and stronger data governance. Belgium's centralised eProcurement service allows economic operators to use a single system to access all national public procurement procedures. However, concerning cross-border procurement issues remain, creating complexity and barriers to participation for firms of other Member States. The once-only principle is only partially implemented at national level (see Annex 7), and buyers across the EU still lack digital access to relevant evidence. Belgium does not have a dedicated entity in charge of monitoring and accessing the uptake of public procurement nationally. Therefore, the Belgian system would benefit from a dedicated public procurement data collection and analysis service within the government, to support data-driven oversight of the procurement lifecycle ([138]).

([130])IMF, Article IV report, 2023, Belgium.

([131])Belgium country report 2025.

([132])Comparaison du niveau des prix à la consommation des produits en Belgique, en Allemagne, en France et aux Pays-Bas | SPF Economie.

([133])Public procurement | OECD.

([134])E-Procurement | BOSA.

([135])Figure 59, 2025 EU Justice Scoreboard.

([136])Flash Eurobarometer 557 on Businesses' attitudes towards corruption in the EU (2025). This is 1 percentage points above the EU average.

([137])Stichting Overheidsopdrachten (2024).

([138])European Court of Auditors, Special Report 28/2023: *Public Procurement in the EU. Less competition for contracts awarded for works, goods and services in the 10 years up to 2021*, 2023, Special report 28/2023: Public procurement in the EU.

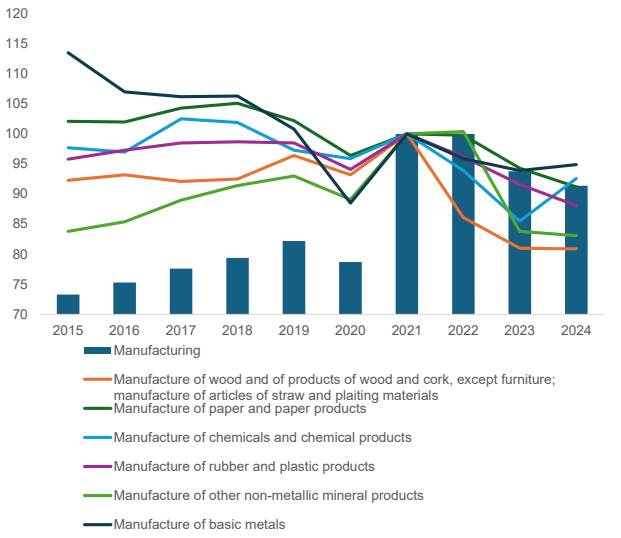
Industry and economic security

Belgium received a Country Specific Recommendation (CSR) in 2025 to further incentivise industry to decarbonise (see Annex 8). The federal coalition agreement included several reform proposals, such as a new eco-tax policy concerning energy taxes and fossil fuel subsidies. The resulting package of interventions from these negotiations presents some noteworthy measures.

Some measures proposed claim to target the decarbonisation of industry. The air passenger tax has been increased, representing progress, albeit modest compared to many neighbouring countries. The VAT for pesticides, previously set at 12%, has been increased to the standard rate of 21%. Excise duties on natural gas and heating oil are planned to be increased, while those on electricity will be decreased. This shift is expected to reduce the electricity price by approximately EUR 35 per year, while the cost of natural gas will rise by an average of EUR 75 per year. Excise duties on petrol and diesel are increasing ([139]).

However, the energy needs of SMEs seem to have been overlooked. The adjustments in excise duties for natural gas, heating oil, and electricity primarily affect households. The previously announced support for zero-emission delivery vans has been cancelled, and there is no update regarding the phasing out of commercial diesel subsidies. The energy needs of SMEs appear to have been overlooked, as neither the excise duty adjustments nor energy support measures for large consumers seem to benefit smaller businesses.

Graph A5.1: **Manufacturing industry production: total and selected sector, index (2021=100), 2015-2024**



Source: Eurostat

Faced with rising energy costs, Belgium supports its energy-intensive industries (see Annex 9). The energy costs for non-households in Belgium are not as high compared to other EU countries; however, they have more than doubled since 2020 and remain higher than those in various non-EU countries globally, resulting in a competitive disadvantage ([140]). Electricity costs in 2025 for businesses in Belgium were above EU average ([141]). The production volumes in energy intensive industries never reached 2015 volumes again (Graph A5.1). Stakeholders mention high energy costs as one of the main reasons for the decrease in activity. In 2023, energy-intensive industries in Belgium represented 30% of manufacturing, compared to 36% in 2000. The decrease in the share of added value in manufacturing since 2000 is particularly significant for paper (-60%), basic metals (-

([139]) https://www.linkedin.com/pulse/adieu-sisyphus-analyse-van-het-federale-yelter-bollen-ygwoe.

([140]) Example: Electricity prices for non-household consumers - bi-annual data (from 2007 onwards) [nrg_pc_205__custom_19841462].

([141]) 2026 Annual Single Market and Competitiveness Report SWD(2026)30 final.

57.2%), and chemicals (-42%) ([142]). Electricity subsidies have been implemented for large industries, alongside the existing budgetary commitment of EUR 100-150 million per year. Belgium also shows some sector-specific extra-EU dependencies in the mining and quarrying sector, coke and refined petroleum, basic metals, and textiles ([143]).

Belgium is an active player in clean technology. Belgium's strength lies in several clean technologies, including its production of electrolysers (3rd EU producer), solar photovoltaics (7th), heat pumps and the recycling economy (see Annex 8). Belgium hosts companies involved in manufacturing components and parts for wind turbines. Although battery production is modest, Belgium is well-known for supplying materials for the battery value chain from recycling or processing. The country participates in Important Projects of Common European Interest (IPCEIs) focusing on batteries and hydrogen (Hy2Tech and Hy2Use). Additionally, Belgium engages in EU programmes on carbon capture storage, holding a 3.9% share of total EU investment (ranked seventh). The clean technology sector constitutes a significant component of the Belgian labour market, employing around 65 000 workers in 2023, representing 0.28% of the total workforce.

Belgium is experiencing delays in implementing the Net-Zero Industry Act (NZIA). Belgium's energy and climate policies are predominantly managed at the regional level (Flanders, Wallonia, Brussels), which requires coordination and cooperation. For federal competencies, Belgium has designated the Federal Public Service of Economy, Directorate of Energy, to handle all non-nuclear energy-related permitting covered by the NZIA. Federal authorities are still coordinating to designate a single point of contact (SPOC) for nuclear-related permitting. Concerning the Belgian regional authorities, they have yet to designate the required SPOCs. As of now, Belgium has not confirmed any Net-Zero Strategic Projects but has established a national contact point to administer applications. Regarding "acceleration valleys," the regions have expressed support for various aspects of the green transition, such as Carbon Capture, Usage, and Storage (CCUS) in Flanders, but this does not constitute a formal declaration of an "acceleration valley." Meanwhile, Belgium is one of the main beneficiaries of the Innovation Fund with notable successes in carbon capture, industrial heat decarbonisation, circular economy and hydrogen projects ([144]).

([142]) Gross value added and income by detailed industry (NACE Rev.2)[nama_10_a64__custom_13043442].

([143]) Paolo Pasimeni, 2025 December 18, Who's is buying European?

([144]) Innovation Fund projects - Climate Action - European Commission.

Table A5.1: **Single Market and Industry**

Belgium								
POLICY AREA	**INDICATOR NAME**		**2021**	**2022**	**2023**	**2024**	**2025**	**EU-27 average**
Business environment and investment								
Productivity and investment	Labour productivity (GDP per hour worked in PPP terms), % of EU27[1]		132,2	132,1	133,8	133,9	131,5	100,0
	Business investment (share of GDP)[1]		15,2	15,5	15,8	16,0	-	12,6
	Public investment (share of GDP)[1]		2,8	2,7	2,9	3,1	-	3,9
Business environment and simplification	Impact of regulation on long-term investment, % of firms reporting business regulation as a major obstacle[2]		19,4	21,9	7,3	5,1	26,0	34,0
SME liquidity	EIF Access to Finance for SMEs index - loans[3]		0,67	0,59	0,44	0,60	-	0,43
	EIF Access to Finance for SMEs index - equity[3]		0,19	0,13	0,15	0,16	-	0,19
Late payments	Payment gap - corporates B2B, difference in days between offered and actual payment[4]		11,5	11,7	15,3	16,5	17,5	17,4
	Payment gap - public sector, difference in days between offered and actual payment[4]		12,2	16,0	17,7	16,9	13,8	13,6
	Share of SMEs experiencing late payments, %[5]	from private entities in the previous or current quarter	-	-	-	45,4	59,6	47,1
		from public entities in the previous or current quarter	-	-	-	13,9	15,3	15,9
Single Market								
Integration	EU trade integration, average(intra-EU imports + intra EU exports)/GDP, %[1]		58,5	60,5	53,6	52,4	51,3	40,7
	EEA Services Trade Restrictiveness index[6]		0,063	0,063	0,063	0,063	0,063	0,050
Public procurement	Single bids, % of total contractors[7*]		23	24	27	22	24	27
	Direct awards, % of negotiated procedures[7*]		2	2	2	3	3	6
Compliance	Transposition deficit, % of all directives not transposed[8]		2,8	2,3	1,6	1	1,7	1
	Conformity deficit, % of all directives transposed incorrectly[8]		1,2	1,1	1,2	1,3	1,1	1,1
	SOLVIT, resolution rate per country, %[8]		91,21	88,2	81	59	85,1	84,6
	Number of pending infringement proceedings[8]		32	33	31	34	33	25
Industry and economic security								
Energy-intensive industries	Electricity prices for non-household consumers[1]		0,0989	0,1659	0,1513	0,1127	0,1269	0,1462
	Electrification (electricity as a share of total energy consumption in industry)[1]		30,0	31,3	31,1	-	-	32,7
	Share of energy from renewable sources (renewable energy generation as a share of overall energy consumption)[1]		13,0	13,8	14,7	14,3	-	25,2
Critical raw materials	Material import dependency, %[1]		73,0	74,9	75,6	75,8	-	22,4
	Circular material use rate[1]		21,3	17,8	21,8	22,7	-	12,2
Operational cleantech manufacturing capacity in 2025[9]	- Solar PV (c: cell, w: wafer, M:module), GW		0.17 (m)		- Electrolyzer, GW		1,050	
	- Heat pump assembly		0,2		- Battery, GW		-	

Source: (1) Eurostat, (2) EIB Investment Survey, (3) EIF SME Access to Finance Index, (4) Intrum Payment Report, (5) SAFE survey, (6) OECD, (7) data up to 2024: Single Market and Competitiveness Scoreboard, 2025: Commission calculation based on TED data, accessible at the Public Procurement Data Space (PPDS) (*) the value represented here under EU average is the median, (8) Single Market and Competitiveness Scoreboard, (9) European Commission calculations.

Table A6.1: **Savings and Investments Union summary diagnostic**

Topic	*Main features*	*Relative EU positioning*
Asset-backed pension schemes	Assets at 30.3% of GDP (32.3% in the EU) 10-year real return of 0.8% (1.4% in the EU)	Belgium has moderate pension fund assets that yield a modest return. Belgium has no mandatory or auto-enrolment pension schemes, but the participation rate in voluntary occupational pension funds is rather high. Belgium has a low gross replacement rate.
Households' financial assets	EUR 138 200 per capita (EUR 85 100 in the EU) o/w 8.6% in listed shares and bonds (7.6% in the EU) o/w 18.9% in investment funds (11.1% in the EU) o/w 9.7% in life insurance (13.4% in the EU) o/w 7.6% in pension claims (13.6% in the EU)	A relatively high share of households' high financial assets is invested in investment funds, but a relatively small share is invested in life insurance and pension funds. Belgium has no savings and investment account.
Venture capital (VC) **Private equity (PE)**	VC at 0.068% of GDP (0.064% in the EU) PE at 0.414% of GDP (0.487% in the EU)	Belgium has modest levels of PE and VC but better than most Member States.
Capital taxation	Capital gains tax of 10%, tax on securities accounts of 0.3%, corporate income tax of 25% with interest deductibility, withholding tax of 30%, tax on stock exchange transactions.	Equity is more taxed than bonds, bank deposits and owner-occupied dwellings.
1-3 **4-10** **11-17** **18-24** **25-27**	Colours indicate the country's relative ranking based on five groups, ranging from the three best to the three worst performers. The relative ranking as regards an SIU diagnostic topic derives from a consistent cross-country comparison, the starting point of which is the average of the underlying main features.	

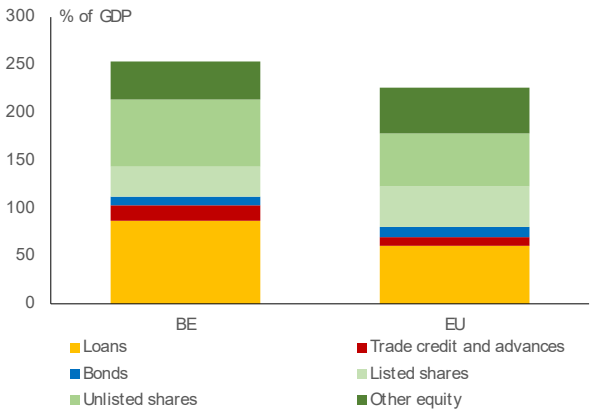
Source: OECD (pensions), Eurostat (households' financial wealth), FISMA CMU dashboard (VC and PE), national sources (capital taxation). End-2024.

Belgium is an average Member State on the key progress indicators for the Savings and Investment Union (see Table A6.1). The financial sector in Belgium continues to be dominated by banks, and the country's capital markets are comparatively small. As in most Member States, households in Belgium invest relatively little in financial assets, including equities. Belgium's tax system discourages equity investment, and the recently adopted capital gains tax on securities, together with the increase in the tax on securities accounts, will exacerbate this bias. Unlike many other Member States, Belgium does not have a savings and investment account (SIA) to encourage household equity investment. The banking sector appears sound and profitable, and is therefore not constrained in its role of financing the economy. The insurance sector also appears broadly sound, but the legal framework for insuring against natural hazards has some shortcomings and leaves the sector exposed to unexpected losses in the event of adverse events such as the 2021 floods. Asset-backed funded pensions are relatively small and generate only modest real returns. Encouraging the development of universal funded pension schemes alongside the prevailing pay-as-you-go system would help channel investment into equities and, in turn, support growth and innovation.

Business landscape and company funding

The Belgian economy, in terms of structure and size, relies less on large companies than the EU average. Micro, small and medium companies play a greater role in the structure of the Belgian economy than large companies (see Annex 5 for more details). This has implications for the corporate sector's demand for funding.

Graph A6.1: **Composition of NFCs' funding**



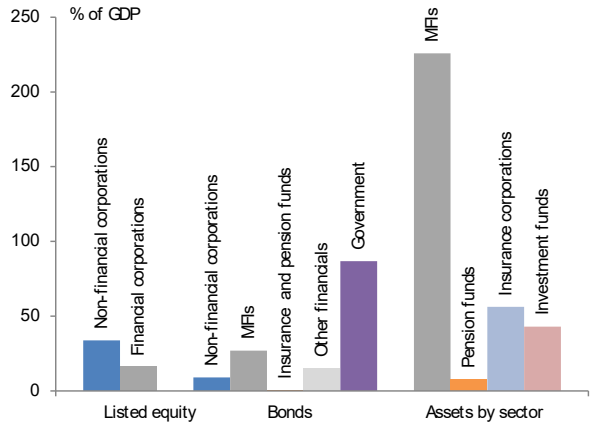
Source: Eurostat. End-2024.

Compared with the EU average, firms in Belgium rely more on funding from banks and less on both internal funding and funding from capital markets. Belgian

businesses depend less on internal financing than their European peers. According to the 2025 EIB Investment Survey, 56% of Belgian firms' investment needs are covered by internal funding, compared with an EU average of 66%. In terms of external funding, at the end of 2024 bank finance through loans constituted 35% (vs 27% in the EU) of all funding sources for Belgian non-financial corporations (NFCs), while listed shares and bonds accounted for only 17% (vs 24% in the EU) of all funding. When expressed in terms of GDP, the overall level of NFC funding was higher in Belgium (241% of GDP) than it was in the EU (226%) (see Graph A6.1).

Size and structure of the financial sector

Graph A6.2: **Capital markets and financial intermediaries**



Source: ECB, EIOPA, AMECO. End-2024.

Even though the financial sector in Belgium remains dominated by banks, insurers and investment funds are also sizeable. Bank assets in Belgium were equivalent to 228% of GDP in Q4-2024 (vs 251% in the EU). The banking industry in Belgium is quite concentrated, since the five leading banks accounted for 74% of the sector's total assets in 2024 (vs 51% in the EU on average). Domestic banks accounted for about 46% of the banking sector's assets in 2024 (down from 53% in 2023). Most Belgian banks are privately owned, with the notable exception of Belfius, which has been 100% state-owned since 2012. However, the current government plans to sell 20% of its stake in Belfius in the autumn of 2026. The Belgian insurance sector, with total assets equivalent to 55% of GDP in Q4-2024 (see Graph A6.2), dominates non-bank intermediation, and this is in line with the EU average (insurers' assets are also equivalent to 55% of GDP in the EU on average). Because insurers are the main provider of pension benefits, the assets of pension funds in Belgium are much smaller: these are only equivalent to 8% ([145]) of GDP in Belgium (vs 23% in the EU). Investment funds are more significant, with assets equivalent to 43% of GDP.

The Belgian capital markets are relatively small. The main stock exchange in Belgium is Euronext Brussels. The Belgian equity market is relatively modest in terms of capitalisation (equivalent to 51% of GDP vs an EU average of 67% as of end-2024). The market breadth ([146]) of Belgian bond markets has steadily decreased since 2018 and is now below the EU average (1.2 vs 1.5). The bid-ask spread ([147]) on Belgian equity markets is lower than the EU average (1.3% vs 1.6%). In 2025, three initial public offerings took place on Euronext Brussels, after none in 2024. Euroclear Bank, which operates in Belgium, is one of two international central securities depositories in the EU; the other is Clearstream Banking, based in Luxembourg. Hosting such a strategic, systemically important piece of financial-market infrastructure exposes Belgium to significant legal and political risks in times of crisis.

Belgium's capital markets are skewed towards the financial sector on the equity

([145]) The figure on pension fund assets (in % of GDP) provided in Graph A6.2 is based on ECB data on pension funds. It is therefore different from the figure provided in the first table on the assets of asset-backed pension schemes, which is based on OECD data and includes all pension providers (not only pension funds) and public pension reserve funds.

([146]) The ratio of the value of bonds outstanding to GDP.

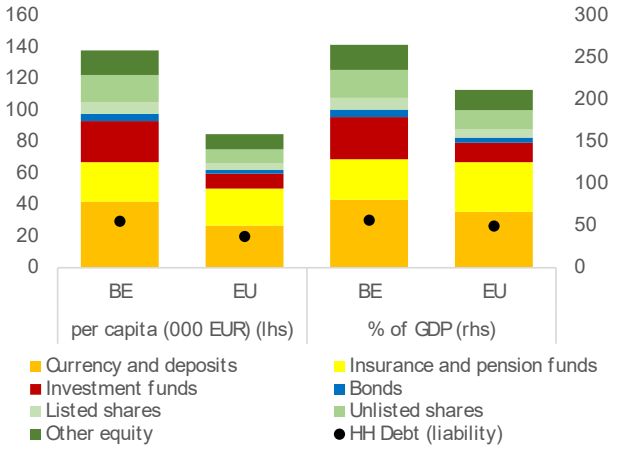
([147]) Median of bid-ask spread as a percentage of the mid-price.

side and dominated by public debt on the bond side. At end-2024, financial corporations accounted for 32% of the market capitalisation of Belgian listed equities, reflecting the extent to which Belgium's stock market is geared towards funding the financial segment of the real economy. The outstanding volume of listed debt securities of Belgian issuers stood at 139% of GDP at end-2024; government bonds made up 63% of the total, underlining the large weight of public debt in the bond market.

Households' participation in capital markets

Like in most Member States, households in Belgium invest relatively little in financial assets, including equities. Belgian households' financial assets were equivalent to 263% of GDP in 2024, more than the EU average (212%), but much less than the US (446%). Assets invested in equity (whether directly or indirectly through intermediaries like insurers and pension funds) were estimated to be equivalent to 148% of GDP, above the EU average (91%) but well below the US average (291%). Belgian households' financial asset allocation is broadly similar to that of the average EU household (see Graph A6.3), except that Belgian households invest less in insurance and pension funds, and more in investment funds.

Graph A6.3: **Composition of HHs' financial assets**



Source: Eurostat. End-2024.

Belgium's tax system discourages investment in equity. Some features of the tax system distort investment choices and lead to relative overinvestment or underinvestment in certain assets. Equity income is currently taxed at relatively high rates, which contrasts with the lower tax rate applicable to income from bonds and deposit-account interest. These distortions arise from various features of the tax system, such as: (i) the tax deductibility of interest for corporate income tax purposes (the 'debt–equity bias'); (ii) the higher exemption ceiling applicable to regulated savings accounts; (iii) the lower withholding tax (15%) applicable to interest from regulated savings accounts compared with dividends (30%); (iv) taxes on stock-exchange transactions; (v) levies on securities accounts; and (vi) capital gains tax. The overall tax burden on equity investments is also higher than that on owner-occupied dwellings. The recently adopted capital gains tax of 10% on securities will aggravate the distortions and may reduce retail participation in capital markets, in particular retail investment in equity. In the area of pensions, some tax incentives in Belgium favour specific products such as pillar 2 group insurance or pillar 3 pension savings products. This creates obstacles to investment diversification and cost efficiency. Currently, the pan-European personal pension product does not benefit from the most beneficial tax treatment available in Belgium. Finally, the increase in the rate of tax on securities accounts with assets

greater than EUR 1 million from 0.15% to 0.30% will aggravate the existing bias against investment in securities, which is already subject to various stock-exchange transaction taxes. There is therefore room to simplify the Belgian tax system and make it less distortive across asset classes.

Belgium has not established any savings and investment account (SIA). On 30 September 2025 the Commission published a Recommendation ([148]) on increasing the availability of SIAs with simplified and advantageous tax treatment. SIAs are provided by authorised financial service providers and enable individuals to invest in financial instruments such as shares, bonds, and units of collective investment undertakings. They often come with tax benefits. Certain countries, including some EU Member States like Sweden and France, have implemented SIAs to address low retail participation in capital markets. Evidence from successful SIA frameworks shows that, when designed properly, they can make capital markets more attractive and easier to access for retail investors and help them build their wealth more effectively. To date, Belgium has not established any savings and investment account and has not expressed any intention to do so.

The banking sector: resilience and financing of the economy

The Belgian banking sector appears relatively sound and profitable, and is therefore not constrained in its role of funding the economy. Bank solvency is satisfactory, with a stable average capital-adequacy ratio of 20.2% in Q3-2025 (vs an average of 20.2% in the EU). The average minimum requirement for own funds and eligible liabilities (MREL) level of Belgian banks stood at 33.0% of total risk exposure amount (TREA) in Q2-2025, up from 32.5% of TREA in December 2024 ([149]). Against an average MREL binding target at EU level (including combined buffer requirements) of 29.3% of TREA in Q2-2025, no bank reported a MREL shortfall. In July 2024, Belgium published information on its national bail-in mechanic in line with EBA guidelines ([150]). In addition to their capitalisation, the credit quality of banks is strong, especially in the household sector, even though the non-performing-loan ratio slightly increased from a record low of 1.4% in Q2-2022 to 1.7% in Q3-2025 (vs 1.9% in the EU). However, the banks' asset quality outlook is increasingly uncertain due to the current conflict in the Middle East and its impact on energy prices and economic growth. With return on equity of 9.0% in the first three quarters of 2025, Belgian banks were slightly less profitable than their EU peers (where average return on equity in the period was 9.6%). Funding from depositors remains comfortable, with a loan-to-deposit ratio of 91.6% in Q2-2025 (vs 93.5% in the EU). In its opinion ([151]) of 31 October 2023, the Belgian Competition Authority observed that a comparison of the remuneration systems for savings accounts put in place in other Member States reveals the uniqueness of the Belgian system, and said that this had a negative impact on competition among banks in Belgium. The Belgian Competition Authority said that this competition was especially affected by the dual-rate mechanism (a base rate and a loyalty bonus) and the complexity of the method used to calculate interest.

Credit growth in Belgium has picked up due to more attractive lending conditions and remains stronger than in the rest of the euro

([148]) See https://eur-lex.europa.eu/eli/reco/2025/2029/oj/eng.

([149]) See the MREL Dashboard published by the SRB.

([150]) EBA, Guidelines to resolution authorities on the publication of their approach to implementing the bail-in tool.

([151]) Avis de l'Autorité belge de la Concurrence relatif aux services bancaires de détail, 31 October 2023.

area. Due to the moderate decline in interest rates that took place until April 2025, year-on-year household credit growth in Belgium has increased from a low of 2.0% (vs 0.2% in the euro area) in March 2024 to 3.9% in September 2025 (vs 2.6% in the euro area). Lending to NFCs was stronger than lending to households, and its year-on-year growth reached 6.3% in September 2025 (vs 2.5% in the euro area), up from a low of 3.4% in November 2024.

Interest rates on new loans to the private sector have receded from the peak reached in late 2023. In September 2025, interest rates on new loans to Belgian households for house purchases at floating rates reached 3.36% (vs 3.32% in the euro area), down from a high of 3.81% in November 2023. Interest rates on new loans to NFCs followed a similar pattern, albeit with steeper falls in interest rates. These reached 3.47% (vs 3.38% in the euro area) in September 2025, down sharply from the peak of 5.27% observed in April 2024. Overall, even if they have somewhat declined from their peak, interest rates remain relatively high compared with those observed over the last decade.

Belgian banks reported no change in their credit standards for NFC loans, and a slight loosening in credit standards for housing loans in Q4-2025. In the January 2026 Bank Lending Survey ([152]), Belgian banks indicated that their credit standards for NFC loans had remained unchanged in Q4-2025 compared with Q3-2025, while the euro area reported a tightening on average. Belgian banks reported a slight loosening in credit standards for housing loans in Q4-2025 compared with the previous quarter period in the previous year, in line with the small easing reported in the euro area, but they expect some minor tightening in Q1-2026. Firms' net demand for corporate loans remained stable in Q4-2025 (vs a slight increase in the euro area). Demand for housing loans fell in Q4-2025 compared with Q3-2025 (vs a moderate increase in the euro area), mostly because of the general level of interest rates. Demands for both home loans and loans for NFCs are expected to slightly decline in Q1-2026 compared with Q4-2025.

([152])ECB Bank lending survey.

Role of non-bank financial intermediaries

The Belgian insurance sector currently appears sound overall. Insurers' solvency ratio decreased from 215% in Q4-2023 to 200% in Q4-2024. This ratio remains twice the regulatory requirement, but below the EEA average (244%). In 2024, non-life insurers' profitability slightly improved, as their combined ratio ([153]) decreased from 96% to 95% (vs 96% in the EEA). Insurers (and especially life companies) have benefited from rising risk-free rates, which have reduced the present value of their liabilities. By contrast, rising inflation has hurt insurers, especially non-life firms, by pushing up the cost of claims. Therefore, the fact that most of the surge in inflation seems to be over is a positive development for non-life insurers.

The investment portfolio of Belgian insurers is mostly composed of bond holdings. The Belgian insurance sector, which is moderately large by EU standards (with assets equivalent to 55% of GDP vs an EU average of 53% in Q2-2025) invested 49% of its assets in bonds in Q4-2024 (on average, insurers in the EEA invest 37% of their assets in bonds) ([154]). This relatively high bond exposure is mainly due to the significant share of guaranteed products offered by insurers. Government bonds (with domestic Belgian government bonds accounting for 39% of their government bond holdings) represented 33% of the total asset

([153])The combined ratio is equal to the sum of the incurred losses and expenses divided by the earned premiums. It is inversely related to profitability.

([154])Source: EIOPA Insurance Statistics.

portfolio of the Belgian insurance sector (vs 19% for insurers in the EEA on average). The rest of the asset portfolio comprised: (i) corporate bonds at 16% (vs 18.0% for insurers in the EEA); (ii) equity at 8% (half the 16% held by insurers in the EEA); (iii) investment funds at 25% (vs 36% for insurers in the EEA); (iv) cash and deposits at 2% (vs 4% for insurers in the EEA); and (v) mortgages and loans at 12% (vs 4% for insurers in the EEA).

The financial risks resulting from both physical climate change and the climate transition more broadly are considerable for Belgian insurers. The insurance sector had to cope with the impact of the floods that hit Belgium in July 2021. The damages from these floods of EUR 2.4 billion largely exceeded the EUR 0.4 billion contractual ceiling on insurance coverage. Following the floods, insurers exceptionally agreed to bear a greater share of the burden, and paid EUR 2 billion of claims, of which EUR 1.03 billion will be progressively reimbursed by the Walloon region to the insurers over time. This shows that the statutory insurance limit is not a firm, reliable limit and that insurers can be urged to intervene beyond it. On 20 July 2023, the Ministry of Economy announced that the statutory limit for such risks would be quadrupled from EUR 0.4 billion to EUR 1.6 billion. Insurers in Belgium will now have to cover 100% of claims up to that ceiling. The new framework does not provide for any public or private intervention if the damages exceed the ceiling, like they did in 2021. The federal level refused to intervene any further in this new framework, and the regions failed to reach an agreement to bear (in part or in full) the cost of future damages exceeding this EUR 1.6 billion ceiling. According to a study by the NBB([155]), this increase of the ceiling will cause premiums to rise by 1.3%, but insurers expect a larger increase.

The domestic pension fund industry is small compared with the rest of the EU, but it has a much more dynamic investment profile than Belgian insurers, with a much greater focus on investment funds. The assets of Belgian pension funds were equivalent to 8% of Belgian GDP in Q2-2025 (vs 23% in the euro area). At the end of 2024, investment funds accounted for 80% of the IORPs' assets ([156]) (vs 38% in the EEA), of which 27% were debt funds and 28% equity funds. In terms of direct exposure, government bonds accounted for 6% of the IORPs' assets (vs 23% in the EEA), corporate bonds 5% (vs 12% in the EEA), equity 6% (vs 20% in the EEA) and cash and deposits 2% (vs 3% in the EEA). In terms of both direct and indirect exposure, equity accounted for about 37% of the assets of Belgian IORPs (vs 33% in the EU) and bonds accounted for 49% of assets (vs 43% in the EU).

Asset-backed (funded) pensions are relatively small. Belgium's pension system relies mainly on pay-as-you-go arrangements, making it vulnerable to demographic shifts and poorly suited to equity investment and the development of capital markets. Pension assets ([157]) were equivalent to only 30.3% of GDP in 2024 (vs 32.3% in the EU and 162.0% in the US). Belgium has no public pension reserve fund: it established the Silver Fund in 2001 to front-load the future costs of its pay-as-you-go pension system. However, the Silver Fund – which had invested exclusively in domestic government bonds – was discontinued in 2016. Contributions to occupational pension schemes are not mandatory, and there is no auto-enrolment. Occupational pensions exclude large categories of workers in some sectors like the public sector, and the average contribution per member is relatively low. Belgium's pension-tracking system covers pension

([155]) Rapport de première lecture, 24 November 2023.

([156]) IORPs are Institutions for Occupational Retirement Provision.

([157]) Pension assets consist of pension providers' assets and public pension fund reserve assets. See OECD, *Pension Markets in Focus 2025* for details.

entitlements in pillars 1 and 2, but not yet pillar 3.

Certain regulatory constraints materially limit returns on pension assets. Over the past 10 years, the average real return generated by Belgian pension assets has been mediocre (0.8% vs 1.4% in the EU), partly because of their modest equity exposure (48% vs 36% in the EU) and substantial bond holdings (45% vs 36% in the EU). This outcome is partly driven by the statutory return guarantee (set at 2.5% from 1 January 2025) applied to pillar 2 occupational plans. This guarantee incentivises many employers to opt for group insurance contracts that provide a guaranteed rate rather than pure pension-fund defined-contribution vehicles, which typically do not offer an employer-backed nominal guarantee. Consequently, in 2025 about 70% of pillar 2 reserves ([158]) were invested in low-return, guaranteed-interest insurance products. Personal pension products (pillar 3) receive a substantial tax advantage, but the ceiling on the eligible annual amount is too low (EUR 1 050) to really make a difference. More importantly, those products are constrained by strict rules on asset allocation, limiting both the options available to customers and competitive pressure, with a potential detrimental impact on cost and performance. In general, encouraging the build-up of universal, funded pension schemes alongside the prevailing pay-as-you-go system would help: (i) channel investment into equities; (ii) support growth and innovation; and (iii) diversify retirement income.

Venture capital ecosystem

The domestic markets for venture and growth capital in Belgium are moderately developed. The value of private equity relative to nominal GDP hovered at around 0.47% of GDP between 2017 and 2023, and decreased to 0.35% in 2024 (vs 0.46% in the EU). And the value of venture capital relative to nominal GDP fluctuated at around 0.07% of GDP between 2017 and 2024, and reached 0.08% in 2024 (vs 0.06% in the EU).

The contribution of domestic institutional investors to the funding of Belgian start-ups and venture-capital investors is low. A recent Centre for European Policy Studies paper showed that pension funds in Belgium accounted on average for only 7% of private-equity and venture-capital funds raised annually by Belgian start-ups over 2007-2023, a figure that falls substantially short of the 19% in the Baltic states or +20% shares for Nordic Member States ([159]).

There are some policies in place in Belgium to promote start-up funding. Support programmes and policies are usually drawn up at regional level, and are therefore different in Flanders, Brussels and Wallonia. Start-up funding is typically provided by the Flemish Agency for Innovation and Entrepreneurship, Wallonia Innovation and Growth, and finance&invest.brussels. The Belgian start-up ecosystem is supported by Start it X, the country's largest accelerator helping start-ups to develop, accelerate and expand (see Annex 4 for more analysis on start-ups and entrepreneurial dynamism).

([158])https://www.fsma.be/sites/default/files/media/files/2025-12/apercusectoriel_2025.pdf.

([159])Source: Closing the gaping hole in the capital market for EU start-ups – the role of pension funds – CEPS.

Table A6.2: **Statistical Annex**

		2018	2019	2020	2021	2022	2023	2024	2025-Q3	EU
Banking sector	Total assets of MFIs, % of GDP	218,0	214,8	240,2	229,5	227,4	216,8	225,8	227,7	246,1
	Common equity Tier 1 ratio	15,6	15,5	17,1	17,6	17,3	16,8	15,9	16,0	16,8
	Total capital adequacy ratio	18,8	18,7	20,3	20,4	20,1	19,5	20,0	20,2	20,2
	Overall NPL ratio, % of all loans	2,3	2,1	2,1	1,6	1,5	1,6	1,8	1,7	1,9
	NPL ratio, loans to NFCs	3,7	3,6	4,0	3,2	2,8	2,9	3,3	3,3	3,5
	NPL ratio, loans to HHs	2,3	2,0	2,0	1,4	1,1	1,3	1,4	1,4	2,1
	Return on equity ratio[1]	8,2	8,6	5,9	9,9	9,9	11,4	10,4	9,0	9,6
	Loans to NFCs, % of GDP	30,5	30,5	32,4	31,5	30,1	29,0	29,3	29,3	29,3
	Loans to HHs, % of GDP	49,6	50,2	53,5	51,7	49,2	46,5	46,0	45,6	43,6
	NFC credit growth rate, %	6,9	4,1	1,8	3,8	6,3	4,0	4,5	6,3	2,5
	HH credit growth rate, %	5,7	6,8	4,5	6,4	6,4	2,3	2,3	3,9	2,6
Non-banking sector	Stock market capitalisation, % of GDP	63,8	75,8	69,3	70,8	56,0	53,0	49,9	55,8	69,9
	Initial public offerings, % of GDP	0,01	0,02	0,30	1,33	0,00	0,00	0,00	-	0,06
	Market funding ratio	63,7	62,6	62,3	61,0	58,9	57,8	58,2	-	49,7
	Private equity, % of GDP	0,405	0,428	0,382	0,522	0,560	0,592	0,414	-	0,487
	Venture capital, % of GDP	0,051	0,068	0,083	0,087	0,079	0,067	0,068	-	0,064
	Financial literacy, composite index	-	-	-	-	-	45,5	-	-	45,5
	Bonds, % of HHs' financial assets	3,2	2,8	2,3	1,8	1,9	3,9	3,3	-	2,8
	Listed shares, % of HHs' financial assets	4,5	5,0	5,1	5,9	5,3	5,4	5,3	-	4,8
	Investment funds, % of HHs' financial assets	15,1	15,6	16,0	18,0	16,9	17,5	18,9	-	11,0
	Insurance/pension funds, % of HHs' financial assets	22,8	23,0	22,7	21,4	18,3	18,3	18,2	-	27,8
	Total assets of insurers, % of GDP	70,2	75,2	81,3	74,8	58,0	56,5	56,2	55,6	53,9
	Pension assets, bn EUR	-	-	-	201,9	-	183,1	187,7	-	5813,8
	Pension assets, % of GDP	-	-	-	39,9	-	30,4	30,3	-	32,3
	10y real return average of pension assets, %	-	-	-	-	-	1,3	0,8	-	1,4
	Pension funds assets, ECB (% of GDP)	-	8,4	9,2	9,2	7,1	7,5	7,8	7,7	23,0
	1-3 / 4-10 / 11-17 / 18-24 / 25-27	Colours indicate performance ranking among the 27 EU Member States.								

(1) Annualised data.

For ECB data on credit growth and pension fund assets, EU data refer to the EA average.

Private equity and venture capital, % of GDP is calculated as a three-year moving average.

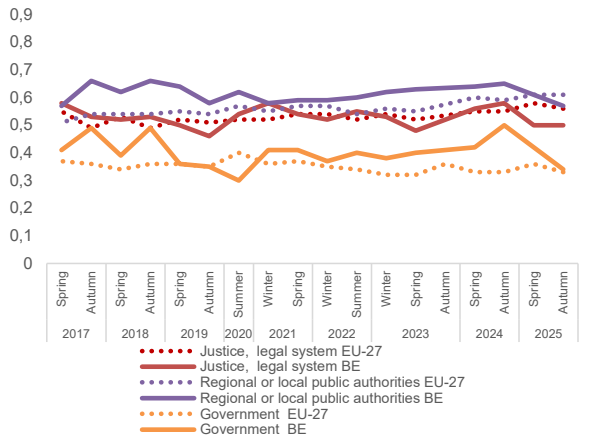
Source: ECB, ESTAT, OECD, CMU Dashboard, AMECO.

An effective institutional framework is essential for competitiveness. This requires public trust built on integrity, quality legislation, regulatory simplification and efficient services for people and businesses. For Belgium, the 2025 related country-specific recommendations (CSRs) highlighted challenges in simplifying regulation, improving regulatory tools and reducing administrative burden (see also Annex 5).

Public trust

Public trust in government in Belgium has fallen to the EU average. Trust in regional or local authorities have fallen below the EU average, while trust in the justice and legal system remained stable but below the EU average.

Graph A7.1: **Trust in justice, regional / local authorities and in government**



(1) EU-27 since 2019; EU-28 before
Source: Standard Eurobarometer surveys

Quality of lawmaking and implementation

Belgium's lawmaking rules are partially aligned to best practice for reducing regulatory burdens and ensuring effective implementation (Table A7.1)**.** Regulatory impact assessments are not systematically required, or publicly available, for all primary and secondary legislation, and monitoring and enforcement are not systematically embedded early in policymaking. *Ex post* evaluations also do not systematically assess administrative burdens or compliance costs ([160]). The oversight and quality control system for public consultations and evaluation of legislation is underdeveloped, and there is no external review body. Under the recovery and resilience plan, Belgium is improving policy evaluation through regular federal and regional spending reviews integrated into the budget process. Although Belgium scores above the EU average on consultations for adopting legislation, improving methodology, oversight, quality control and transparency is needed.

Evidence-informed policymaking at Belgian federal level displays both strengths and challenges. The strengths include solid analytical capacity; strong links between policymakers and academia; agile research funding and collaborative mechanisms. However, systematically generating and using evidence effectively remains challenging, due to uneven analytical skills across administrations; poor coordination; complex data access; low data literacy; limited political support; and weak regulatory management ([161]).

Belgium is taking steps to reduce administrative burdens, although procedural complexity remains high. At federal level, the 2025-2029 administrative simplification plan and 2025/2026 SMEs plan (89 measures) are reducing regulatory and administrative burdens (see Annex 5), but key gaps remain: there are no firm implementation timelines or monitoring framework and uncertain alignment with the 'Make 2025–2030' industrial strategy. At regional level, Flanders has 106 new simplification proposals and 72%

([160]) OECD, 2025, Better Regulation Practices across the EU 2025.

([161]) OECD, 2025, Building capacity for evidence-informed policymaking in Belgium.

Table A7.1: **Belgium. Selected indicators on better regulation practices for primary legislation**

Tools for smart legislation:	
Share of possible impacts assessed for all primary laws when developing legislation	●
Regulators are required to identify and quantify the benefits of a new primary law	●
Regulators are required to identify and assess the impacts of alternative non-regulatory options	●
Tools for effective implementation: when developing laws, regulators are required to:	
Assess the level of compliance	●
Identify and assess potential enforcement mechanisms	●
Specify the methodology of measuring progress in achieving the law's goals	●
Oversight of better regulation:	
There is an external body responsible for reviewing the quality of RIAs and of ex post evacuations	●
There are publicly available assessments of the effectiveness of RIA in modifying regulatory proposals	●
There are reports on the level of compliance by government department with the requirements of RIA	●
There are indicators on the percentage of ex post evaluations that comply with guidelines	●
The effectiveness of ex post evaluations in improving the regulatory stock has been assessed in the last five years	●

● High / yes / for all primary laws ● Medium / in part / for major primary laws ● Low / for some primary laws ● Very low / no / never

Source: OECD, 2025, Regulatory Policy Outlook 2025 and Better Regulation across the European Union 2025.

of the previous 47 measures have been completed or are underway ([162]). Wallonia has over 100 measures ([163]). Although the administrative burden was reduced between 2022 and 2024, saving people and businesses over EUR 116 million ([164]), rapidly changing legislation still presents a challenge for companies (65% vs EU: 64%) and a slight rise in perceived corruption (30% vs EU: 35%) ([165]).

Public service delivery and digitalisation

Although people's satisfaction with service delivery is high (64%), there is scope to simplify services. Identifying the correct service is a challenge for both people (38% vs EU: 29%) and companies (36% vs EU: 18%) ([166]). People pinpoint introducing a single point of contact (53% vs EU: 38%) as one clearly needed improvement. These responses can be linked to the fragmentation of services across regions and levels of government. Other challenges include processing time (43% vs EU: 39%) and simplifying the documentation needed to apply for services (Graph A7.2). 56% of businesses report facing challenges when interacting with public administration, leading to increased operational costs (40%), above the EU average (30%).

Belgium made mixed progress in offering public digital services to businesses (Table A7.2). Nearly all public services for businesses are available online. Enterprise one-stop shops streamline company, VAT and social security registration, and using a unique enterprise number via the Crossroads Bank for Enterprises enables coordinated data exchange. On the other hand, there is no online one-stop shop to obtain business permits ([167]), although some regions have their own digital platforms ([168]). As a result, the process is often complex, fragmented and time-consuming. Permits are handled by federal, regional and local authorities, covering industrial, commercial,

([162]) Vlaamse Regering, 2025, Regelrecht Rapport.

([163]) Gouvernement Wallon, 2025, Simplification administrative : état d'avancement and Choc de simplification administrative : des premières avancées concrètes.

([164]) BOSA, 2025, Report administrative simplification.

([165]) European Commission, 2025, Flash Eurobarometer 557 on Businesses attitudes towards corruption in the EU.

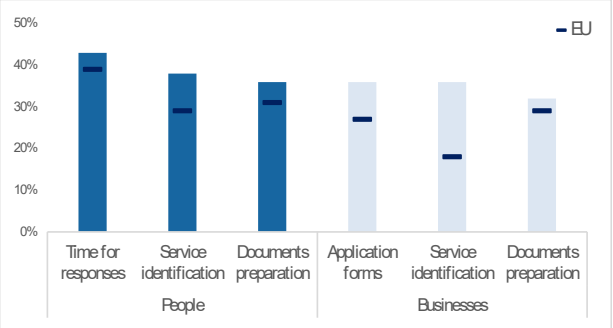
([166]) European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

([167]) Apply for permits | Business Belgium.

([168]) Digitisation of permits takes a big step forward with MyPermit | Brussels-Capital Region.

environmental and construction activities. Although online tools are available in some regions, onerous documentation requirements and overlapping rules mean professional support is usually needed to navigate the system efficiently.

Graph A7.2: **Most time-consuming aspects of service delivery**



Source: European Commission. Flash Eurobarometer 567 / 568 on satisfaction with administrative services (2026)

Progress in offering online public services to people is also mixed. Belgium has enabled full access to electronic health records, and 100% of Belgians currently have access to a form of eID, which was issued based on extensive once-only data reuse (99% pre-filled fields) and integration between municipal systems, the Population Register and Belgian eID card ([169]). At the same time, Belgium is lagging behind in providing digital public services to people. Both people (60 vs EU 67) and businesses (66 vs EU 73) are less positive about the extent to which digital public services save time. Aspects that could make digital services more attractive to people are notification about the progress of requested services (72%) and user-friendly design (71%).

Belgium is technically ready to enable the cross-border exchange of data and documents between authorities through the EU once-only technical system ([170])**.** When services become accessible ([171]), people and businesses will no longer have to search for their data, download and upload documents manually across e-government portals in different Member States. Belgium still needs to identify the types of document and data it needs to exchange through the system and explore ways to shift from the exchange of unstructured to structured data formats.

Belgium has a whole-of-government approach to the standard of services and is planning to implement a life events approach to service design and delivery ([172]). However, interoperability is still evolving and remains unaligned across regions and levels. Documentation exists but is not consolidated and responsibilities for maintaining and updating standards are not always clearly defined. Belgium has begun establishing a distributed yet functional governance model that brings together the four national competent authorities ([173]). Belgium's largest digital investment under its recovery and resilience plan (EUR 391.2 million out of EUR 970 million for digital public services) is dedicated to developing secure online platforms, digital administrative procedures and interoperable government systems to increase the use of e-government services, with different projects expected to become fully operational by Q2 2026.

([169]) European Commission, forthcoming, Simplification of key life events.

([170]) European Commission, *Once-Only Technical System Acceleratormeter*, Ec.europa.eu.

([171]) Procedure types under Annex II of the SDGR (2018/1724/EU) and directives 2005/36/EC, 2006/123/EC, 2014/24/EU and 2014/25/EU.

([172]) OECD, 2025, Government at a Glance 2025.

([173]) Interoperability assessment success story | Belgium | Interoperable Europe Portal.

Table A7.2: **Digital Decade key performance indicators: availability of digital public services**

	Belgium			EU-27
	2023	2024	2025	2025
Digital public services for citizens (0 to 100)	81	82	81	82
Digital public services for businesses (0 to 100)	88	92	95	86
Access to electronic health records (0 to 100)	85	100	100	83

Digital Decade target by 2030: 100. (2) Publishing year, data were collected in the previous year
Source: European Commission. State of the Digital Decade report 2025

Civil service

The Belgian public administration is relatively well educated and younger than the EU average. The ratio of young (aged 25-49) vs old (aged 50-64) civil servants is improving and remains above the EU average (1.77 vs 1.45). The proportion of civil servants with post-secondary education is in line with the EU average ([174]). Civil servants' participation rate in adult learning is below the EU average (17.9% vs 19.2%) but increasing ([175]). Gender parity in senior civil servant positions is increasing year-on-year, but remains considerably below the EU average, with only 41% of women in senior positions (vs EU 48%).

The federal government is implementing the 2024 competency framework to help the administration attract and retain talent ([176]). Since 2025, all federal selection procedures use the new competency profiles. The framework is also connected to learning and development through the Federal Public Service on Strategy and Support (FPS BOSA) learning catalogue, allowing employees to find training courses linked to competencies. A new digital tool (*Crescendo 2*) was launched in November 2024 to manage evaluations, job descriptions and competency profiles more effectively. The administration has also invested in mobility and talent development programmes (such as the *Talent Exchange* internal mobility programme, career guidance, and expanding linguistic tests), which are designed to retain and develop internal talent. In 2024, the number of candidates per vacancy increased (median: from 10 to 13), indicating growing interest in public sector jobs ([177]).

Integrity

Perceptions of corruption when doing business in Belgium are slightly below the EU average. 54% of companies consider corruption widespread (EU: 63%), 65% cite overly close links between business and politics as a driver (EU: 76%), and 30% see corruption as a problem when doing business (EU: 35%) ([178]). Public procurement remains an area of risk for high corruption, marked by low contract transparency. In addition, there is still limited local awareness of conflicts of interest (Annex 5). However, no companies report being asked or expected to offer a gift, favour or extra money for permits, services or procurement (EU: 10%) and 40% believe bribery of senior officials is appropriately punished (EU: 33%).

([174]) European Union Labour Force Survey, Employees by educational attainment level and NACE Rev. 2 activity (2008-2026).

([175]) European Union Labour Force Survey, Participation rate of employees in education and training (last 4 weeks) by NACE Rev. 2 activity (2008-2026).

([176]) Competencies | BOSA.

([177]) Travailler dans la fonction publique 2024 | BOSA.

([178]) European Commission, 2025, Flash Eurobarometer survey 557 on Businesses' attitudes towards corruption in the EU.

Shortcomings persist in the monitoring and enforcement of existing integrity policies, and in the verification and transparency of asset and interest declarations. Reform of lobbying legislation has not been completed, as the federal government has not yet taken a decision on the draft lobbying rules for government members presented by the previous government.

Good cooperation between the Central Office for the Repression of Corruption and the prosecution service continues, although concerns remain on handling prominent high-level corruption cases. The federal government intends to create a new financial investigation service and a new specialised prosecution service focused on financial crime and corruption, to be established within current prosecutorial structures. Investigation and prosecution of foreign bribery cases continue to be limited. An OECD report criticises the low number of investigations and prosecution of foreign bribery cases, limited awareness within companies on the risks of foreign bribery, and the absence of investigations and low sanctions targeting legal persons.

Justice

The justice system continues to face challenges as regards its efficiency. An overview of the efficiency of justice is unavailable due to a lack of data on court proceedings, while efforts are ongoing to map judicial backlogs. The time taken to reach a decision in civil and commercial cases at first instance courts remained stable at 246 days in 2024 (the same as in 2023). The estimated time to resolve administrative cases at first instance courts rose (from 360 days in 2023 to 370 in 2024).

The quality of the justice system faces several challenges. Some further progress has been made on providing adequate resources for the justice system, while a workload measurement has confirmed structural resource deficiencies ([179]). Belgium is making progress in digitalising its justice system. Improvements could be made to extend secure electronic communication to all courts and prosecution services in all cases. Belgium significantly lags behind in digital solutions to initiate and follow proceedings in civil/commercial and administrative cases, and lags behind in the general public's online access to published judgments. This could be improved by ensuring that all judgments are published in machine-readable format with associated metadata, to allow for greater reuse by private companies.

([179]) For a more detailed analysis of the performance of the justice system in Belgium, see the upcoming 2026 EU Justice Scoreboard and the 2025 Rule of Law Report.

ANNEX 8: INDUSTRY DECARBONISATION, CIRCULARITY AND CLIMATE MITIGATION

Belgium faces challenges in decarbonising industry and road transport, on waste generation and management, and on air and water pollution. Decarbonising Belgium's industrial sector will require investment in critical enablers such as CO_2 transport infrastructure, greater clean power capacity, carbon contracts-for-difference, and better coordination between federal and regional governments. The electricity-gas price gap remains a major barrier to industrial electrification, though tax reforms initiated in 2025-2026 aim to progressively address this imbalance. In transport, road emissions remain stubbornly high, despite notable progress in EV adoption (with significant regional disparities), while public transport is under strain from budget cuts and fare increases at a time when a modal shift away from cars is urgently needed to meet climate targets. Despite performing well on the circular economy and on recycling rates, waste generation in Belgium continues to rise, regional disparities in waste management persist, and the market for recycled products remains limited. Air quality breaches in certain areas have triggered EU infringement procedures, while industrial water pollution, particularly from PFAS, imposes direct and indirect costs of EUR 30 million a year.

Industry decarbonisation

Greenhouse gas emissions from industry

Belgium's manufacturing industry is becoming more energy efficient, but the high costs of electricity ([180]) and the need for more CO_2-free power remain significant barriers to the shift to cleaner energy ([181]). The 2025 country-specific recommendations for Belgium emphasised the need for "reducing overall reliance on fossil fuels (…), including by further incentivising industry to decarbonise". Between 2019 and 2024, the energy-related greenhouse gas (GHG) emissions intensity of Belgium's manufacturing industry declined by 11%. Over the same period, the share of electricity and renewables in final energy consumption in manufacturing was broadly unchanged at around 38%. Data from last year's 2025 Country Report for Belgium suggest that the reduction in the energy-related emission intensity of manufacturing observed between 2017 and 2023 was mainly due to energy-efficiency improvements, or product improvements reflected in the value added, rather than a shift to green energy.

A new study funded by the Federal Belgian Science Policy ([182]) assessed different pathways to decarbonise Belgian industry. The study concludes that it is possible to reduce industrial emissions by 90% from 2005 levels by 2040–2050 under critical enabling conditions. The main contributions are expected from infrastructure, where it will be

([180]) Belgium maintains a competitive edge over its neighbouring countries with its relatively low natural gas prices. The situation is more mixed regarding electricity prices that depend on the different profiles and electro-intensity. See FORBEG (2025): *"A European comparison of electricity and natural gas prices for residential, small professional and large industrial consumers"*, F20250514EN.pdf.

([181]) This Annex discusses the transition of Belgium's manufacturing industry, specifically its energy-intensive industries, to low-carbon and net-zero modes of production, which is key to preserving competitiveness on the path towards climate neutrality as mandated by the European Climate Law. A broader perspective on the current competitiveness challenges facing Belgium's manufacturing industry is provided in Annex 5. For a more detailed description of greenhouse gas emissions from industry, see European Commission (2025), 2025 Country Report - Belgium, Commission staff working document, SWD (2025) 205 final, Brussels, 4.6.2025, Annex A7. Clean industry and climate mitigation.

([182]) Brussels School of Governance (VUB 2025): "DEEPIN: Deep Industrial greenhouse gas reductions in Belgium".

essential to put in place a CO_2 transport and storage backbone (by around 2035) and a step-change in clean power capacity and grid reinforcements. Government action to derisk investments is also required by making greater use of carbon contracts for difference, green public procurements and reforming energy taxation to narrow the electricity-gas price difference. To stimulate innovation, the focus would have to be on pulling products from late-stage innovation to market readiness and pushing game-changing early-stage innovation. In addition, Belgium's federal system of shared competences would require more coordinated planning across federal and regional levels, including coordination on energy taxation, infrastructure investments and planning and regulatory streamlining. Cooperation with neighbouring countries on infrastructure (including North Sea projects) would be critical to reduce overall costs.

Energy-intensive industries have a strong presence in Belgium, but they have faced challenges lately. Manufacturing in Belgium is fairly emission intensive. Industry generates 25% of the country's GHG emissions ([183]). The steel, refining and (petro)chemical sectors account for a significant share of industrial production and investments but face higher pressure than competitors in the United States and China. Energy-intensive industries produce 24.8% of Belgium's total manufacturing gross value added (GVA) (2023), the second highest value in the EU. These industries include manufacturing of non-metallic mineral products and manufacturing of basic metals, which produced 4% to 4.5% of Belgium's manufacturing GVA each. They emitted 2.5 kg and 2.4 kg CO_2eq per euro of GVA respectively, against the EU average of 2.4 kg and 3.1 kg in 2023 ([184]). Current infrastructure is not yet ready to handle the expected increase in demand for (green) electricity and other clean energy carriers such as green hydrogen (via imports), as well as infrastructure for liquefaction and transport of CO_2 ([185]). Energy-intensive industries account for a moderate share of total employment at 3.5% (see Annex 11).

Policies to promote industry decarbonisation

Since manufacturing produces a high share of total GHG emissions, there is a strong link between Belgium's climate goals and its industrial policy. The approach taken is based on targeted strategies, support measures and close cooperation with industry and innovation ecosystems, all framed within EU climate and competitiveness objectives. Measures put forward include promoting the electrification of processes, energy efficiency, deployment of low-carbon heat solutions (green hydrogen, biomass), support for the development of CO_2 infrastructure, energy policy agreements with industry, requirements for solar installations for large electricity consumers (though these were weakened in 2025), and support for innovation and circularity.

Belgium is tackling the structural problems that have prevented more industrial decarbonisation but their combined impact remains uncertain. A persistent problem has been that electricity for industrial use is priced substantially higher in Belgium than gas. In the first semester of 2025, electricity for large non-household consumers was 3.9 times more expensive than gas, in part due to differences in taxes and levies (see also Annex 9). This difference undermines the business case for electrification and clean technology adoption in energy-intensive sectors.

In 2025, in line with the country-specific recommendations to Belgium, the federal

([183])Without NACE division C19 – manufacture of coke and refined petroleum products. That sector adds a further 6 per cent; data from 2024.

([184]) See table A8.1 at the end of this annex, also for other indicators regarding industry decarbonisation.

([185])VLAIO (2025): 'Programmanota Klimaatsprong voor de industrie: transitieprogramma voor een koolstofarme en competitieve energie-intensieve industrie tegen 2050'.

government agreed to progressively shift (as of March 2026) part of the tax base away from electricity towards fossil fuels. For firms, excise duties on electricity will be lowered to the EU minimum, and transmission network tariffs will be reduced for energy-intensive industries to the same level as neighbouring countries. Flanders is also preparing a gradual tax shift to lower electricity costs while at the same time increasing levies on fossil fuels for heating. Concretely, this means shifting the costs of the combined heat and power certificates, the public service obligations regarding rational energy use and the Energy Fund contribution from the electricity bill towards gas and heating oil consumers. Whether these shifts will result in a sufficient relative change in prices of electricity and gas depends on several factors, including whether the industry qualifies for electro-intensity reductions and in which Belgian region they're located, as prices vary. In addition, in January 2025, a reform of the tax deduction on investments entered into force, providing a 30% tax deduction for large companies and up to 40% for SMEs for environmental investments and investments in energy efficiency, renewable energy and zero-emission transport and related digital investments ([186]).

Although hands-on industrial and energy policy sits at regional level, Belgium's 2021 federal hydrogen strategy remains a central pillar for industrial decarbonisation. This strategy aims to use hydrogen and renewable molecules to make industrial applications climate-neutral where electrification is not economically viable or technically feasible. It positions Belgium as an import and transit hub for renewable molecules, creates a hydrogen market (with up to EUR 395 million in public funding), aims to strengthen technology leadership and promotes investment in cross-border cooperation. The Energy Transition Fund also remains a key federal instrument to support R&D in areas such as hydrogen production, nuclear energy and storage.

In Flanders, decarbonisation is one of the industrial policy priorities, along with innovation and productivity, access to affordable and reliable energy, and strengthening the strategic value chains. The 2025 Industry Plan provides the overarching strategic policy direction, and a major operational instrument is the 'Klimaatsprong' (Climate Leap). The 2025 update provides long-term financial support to large industrial emitters (i.e. basic industries under the EU emissions trading system such as steel, chemical and refinery sectors) for high-impact decarbonisation investments, including using carbon contracts for difference. The programme recognises the need for significant investments by 2030 in carbon capture, utilisation and storage (CCUS), in the electrification of heat and in the development of a circular value chain for plastics. Also in 2025, the government funded multiple industrial transition projects focused on electrification, heat pumps, waste heat recovery and process optimisation. In parallel, the 'Moonshot Flanders' programme supports breakthrough industrial innovation, including advanced manufacturing, low-carbon process technologies, hydrogen applications and CCUS. Sectoral clusters translate these ambitions into specific technology roadmaps aligned with public funding priorities.

Several industrial decarbonisation projects in the pipeline in Flanders remain uncertain. Flanders decided in early February 2026 to provide as of 2028 and for the next 10 years EUR 200 million in additional annual subsidies for industrial greening and electrification projects. These will be financed with revenue from EU ETS auctions and the Carbon Border Adjustment Mechanism. Disbursement will happen through competitive bidding using contracts for difference. The aim of this additional support is to safeguard

([186]) Ministry of Health, Safety and Environment (December 2025), 'The landscape of carbon and energy pricing and taxation In Belgium', see: *2025-landscape-of-carbon-and-energy-taxation.pdf.

decarbonisation investments in the pipeline – notably in the chemical, steel and refineries sectors – but that await a final investment decision (e.g. Kairos@C, ZESTA, H2backbone, etc.) meaning that the projects are uncertain.

Flanders continues to use a high proportion of EU ETS revenues for indirect cost compensation of energy-intensive industries, though this is conditional on climate commitments. The amounts transferred this way exceed the 25% auction revenues indicatively set in the EU ETS. Flanders committed to an evaluation of the main expenditure of the Flemish Climate Fund ([187]) with a view to more effective spending, but the results remain unknown.

In Wallonia, industry generates nearly 30% of the Region's GHG emissions and is a focus for achieving the region's climate objectives. Wallonia has developed a structured strategy on industrial decarbonisation, based on regional roadmaps such as the study 'Facilitating the Low-Carbon Transition of Walloon Industry'([188]). These documents identify challenges, key technologies, policy levers and specific measures to reduce industrial emissions. Central to the Walloon approach is the integration of decarbonisation objectives into sectoral policies and business support mechanisms, in close coordination with industrial clusters and public stakeholders such as SPW, AWAC and Wallonia-Entreprendre.

Wallonia's industrial decarbonisation policy places strong emphasis on energy efficiency and electrification, and on the use of low-carbon energy carriers. Wallonia aims to position itself as a hub for the production and distribution of low-carbon hydrogen, building on its industrial ecosystem and logistical infrastructure (e.g. John Cockerill, TWEED cluster). Together with the rise in renewable electricity generation, biomass, biogas and other renewable energy sources, this should replace fossil fuels in industrial processes. Wallonia is also currently structuring the development of a CO_2 transport network, supported by regulatory frameworks designed to organise the value chain (transport, storage and utilisation) ([189]). In parallel, industrial consortia are developing innovative pilot projects – including on-site and mobile CO_2 capture (CO_2 Disrupt and Columbus projects) – with regional support. In November 2025 Flanders and Wallonia signed a joint declaration that they pledge to enable the necessary investments in CO_2 infrastructure, with the aim of positioning Belgium as a key hub for decarbonisation in north-west Europe.

Wallonia combines several financial and policy tools to facilitate the industrial transition, but major challenges remain to decarbonise industry. Through the "Easy'Green" loans, it issues calls for projects and subsidies to support low-carbon and energy-saving investments in industry. Wallonia also mobilises European funding instruments such as the ERDF and the Just Transition Fund. Regarding the latter, +Public-private partnerships, including cooperation with the European Investment Bank and Wallonia-Entreprendre help deploy dedicated financing for green technologies and energy infrastructure. The 'Wallonie-Entreprendre Investment Strategy' sets out a roadmap with EUR 2.5 billion in investment (2025-2029) including funding streams for the energy transition and decarbonisation projects in a range of industrial companies. The main residual challenges include upgrading the

([187]) The Flemish Climate Fund, financed by revenue from EU ETS auctions, mainly serves to implement Flemish climate policy, pay compensations for indirect emission costs, and contribute to international climate financing.

([188]) ICEDD (2024) : 'Faciliter la transition Industrie Bas Carbone sur le territoire de la Wallonie'.

([189]) Moniteur belge (Janvier 2024/ 83867): «Décret modifiant le Livre II du Code de l'Environnement constituant le Code de l'Eau en ce qui concerne la réalisation de certains travaux en lien avec les cours d'eau en vue d'atténuer les conséquences des cas de force majeure. – Erratum».

electricity grids, attracting sufficiently large-scale investments, rolling out hydrogen and CO_2 infrastructure and further adapting regulatory frameworks to ensure that the transition remains competitive and socially fair.

The Brussels Region focuses its action on industrial decarbonisation on cleantech innovation, the circular economy and urban-scale energy efficiency rather than heavy industry schemes due to its comparatively smaller industrial base. Nonetheless, Brussels has an industrial decarbonisation strategy embedded in its broader climate and economic transition framework, notably the 'Go4Brussels 2030' strategy, the 'Shifting Economy' strategy and the 'Air-Climate-Energy Plan'. Together they form the basis for the Brussels Region's contribution to Belgium's energy and climate plan. This plan focuses in particular on replacing fossil fuels for industrial heat through renewable-energy-based electrification of industrial processes.

The 'Shifting Economy' is the strategy for economic transition of the Brussels-Capital Region. It adjusts a series of existing plans to make them more coherent, such as the Regional Programme for Circular Economy (GPCE), the Productive Brussels plan, the Next Tech plan and the Small Business Act. Policies aim to align economic development with decarbonisation by steering public support and regional incentives toward firms that reduce emissions, innovate and adopt clean technologies, while also phasing out support for high-carbon activities. Regional aid reforms in Brussels prioritise environmental and social engagement by companies by providing higher subsidies for action to advance decarbonisation supported by innovation and research policies. This is managed by Innoviris, the regional innovation body. This body bolsters low-carbon industrial innovation, circular economy approaches and cross-sector collaboration via innovation clusters and strategic planning.

Reduction of effort sharing emissions

Compliance with effort sharing limits with domestic measures

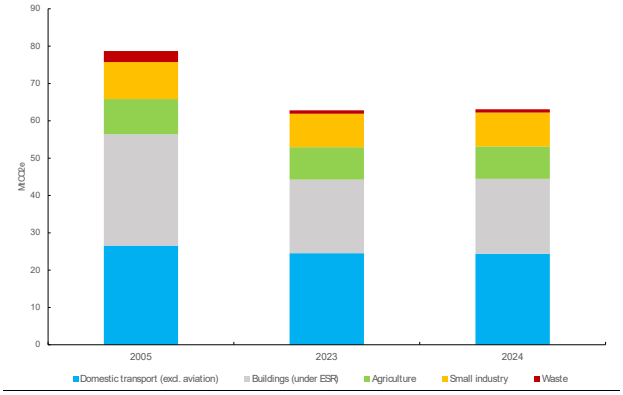
Belgium's effort sharing emissions are projected to exceed its target in 2030, but it could close the gap with unused emission allocations from earlier years ([190]). In 2024, greenhouse gas emissions from Belgium's effort sharing sectors are expected to be 22.7% below its 2005 emissions. By 2030, current and planned policies and measures are expected to lead to a 42.6% reduction, leaving a gap of 4.4 percentage points to the 2030 target to reduce by 47%. Belgium could bridge this gap with unused annual emission allocations from earlier years. Nevertheless, swift and steady implementation of the additional measures will be crucial to progress towards climate neutrality. An opinion issued by the Federal Sustainable Development Council noted that numerous federal measures have been delayed or not implemented as originally planned, which could jeopardise the achievement of the set objectives. This would apply in particular to mobility and transport, but also to buildings([191]).

Sustainable transport

([190]) The national GHG emission reduction target is set out in Regulation (EU) 2018/842 (the Effort Sharing Regulation). It applies jointly to buildings (heating and cooling), road transport, agriculture, waste and small industry (known as the effort sharing sectors). The emissions from effort sharing sectors for 2024 are based on approximated inventory data. The final data will be established in 2027 after a comprehensive review. Projections about the impact of current policies ('with existing measures', WEM) and additional policies ('with additional measures', WAM) as per Belgium's 2025 reporting under Article 17 of Regulation (EU) 2018/1999 (the Governance Regulation). Also see European Commission (2025), Climate Action Progress Report 2025 – Technical Information, Commission staff working document, Brussels, Chapter 9 (pp. 111ff.), and in particular Tables 25 and 26.

([191]) FRDO/CFDD "02 | Rapport de suivi concernant la mise en œuvre de la politique climatique fédérale 2025».

Graph A8.1: **Greenhouse gas emissions in the effort sharing sectors, 2005, 2023, and 2024**



Source: European Environment Agency.

GHG emissions from road transport remain slow to abate. In 2024, road transport generated 39% of Belgium's effort sharing emissions, down by only 8% from 2005 levels (Graph A8.1 and Table A8.1). The 2025 CSR therefore requested Belgium to 'provide incentives and remove barriers to increase the use and supply of public transport, low-emission transport and active mobility' (see also Annex 19). Belgium's final updated NECP of 2025 includes measures to decarbonise transport, promote public transport and shift to low-emission transport with the aim to reduce GHG emissions from the sector by an additional 6.6 $MtCO_2eq$ by 2030. Belgium's RRP includes EUR 1.2bn in investments in sustainable transport, notably to improve railway infrastructure, finance green public buses, roll out electric charging stations, develop urban public transport and create or refurbish cycle paths.

Belgium has indeed made noteworthy strides in developing cycling infrastructure, though regional disparities remain. In Flanders, cycling accounts for 16% of trips, and it is increasing in Brussels to reach 10%. By contrast, cycling only accounts for 1.5% of trips in Wallonia([192]). As part of the investments under the RRF, Flanders is implementing an extensive network of cycle highways with the long-term objective to provide 2 400 kilometres of high-quality routes for commuters.

Belgium is emerging as a European leader in electric vehicle adoption and charging infrastructure deployment, despite regional disparities. Charging infrastructure expanded at an unprecedented pace, partly thanks to support from the RRF. Flanders provides approximately 77 000 charging points, Wallonia over 13 000, and Brussels just under 10 000. In Wallonia, a report by the Belgian Court of Auditors published in August 2025 signalled shortcomings in the policy to support the rollout of charging infrastructure([193]). It signalled the lack of capacity to analyse needs to guide policy, including how the power grid will be able to support the shift to electric transport, and a lack of clarity in the distribution of responsibilities among the various public bodies involved. Wallonia has since taken measures to accelerate the instalment of EV charging stations, including the creation of an 'Electromobility Project Committee' ([194]) under the 'SPW Mobilité et Infrastructures', which brings together the main public and private-sector bodies. A first report is due to be presented to the government in spring 2026. In May 2025, the Walloon government approved the update of the framework agreement with the territorial development agencies ([195]) to relaunch the process of rolling out electric vehicle charging stations on communal public property. The objective is to have 3 400 charging points by 2027. It has also further regulated the instalment of fast charging points on motorways and smaller road rest areas. In Flanders, further legislative initiatives were taken in 2025, including the compulsory

([192]) Federal Mobility Survey 2025: FEM2025.pdf.

([193]) Cour des comptes (2025) Infrastructure de recharge pour véhicules électriques en Wallonie_Rapport.

([194]) Électromobilité: la Wallonie structure son plan de déploiement des bornes de recharge - Cécile NEVEN.

([195]) Bornes de recharge : un nouveau cadre pour accélérer le déploiement 1.724 bornes seront installées sur le domaine public communal d'ici 2026 - François DESQUESNES.

installation of charging points in non-residential buildings with more than 20 parking spaces. In Brussels, the "ChargyClick" programme was set up to ensure that every resident has a charging station within 150 metres of their home.

Meanwhile, EV adoption has accelerated across passenger cars, vans and trucks. The federal government is taking further steps to reduce car dependency and incentivise sustainable modes of transport by altering corporate travel perks ([196]). Despite removing the tax benefits for EVs, 2025 saw a record 145 170 electric vehicle sales, up from 127 759 in 2024. This translated into a 35% market share of EVs in newly registered cars. The reform of the traditional company car system, a measure under the Belgian RRP, is underway. In addition to the shift to electric vehicles, from 2027 it will be mandatory for employers that offer company cars to also offer an alternative 'mobility budget' that employees can choose to spend on public transport, cycling, shared transport, environmentally friendly vehicles or even housing. Employers have raised concerns that the mechanism and calculations involved are too complex, which may explain why only 3% of employers have voluntarily offered mobility budgets. Although under the new system companies can only get 100% deductions if they are fully electric, self-employed workers without a company can still claim partial deductions for hybrid cars at 100% in 2026 and 95% in 2027 while fuel costs are no longer deductible (from 50% to 0%). It is unclear what will happen after the RRF ends, and whether Belgium will partially revert the RRF reform. The corporate focus of the reform also means that over 86% of new EV registrations in 2024 came from corporate leasing, highlighting the need to close the gap in household consumer purchases. The share of electric cars of total car sales has recently plateaued, with longer leasing contracts. Possible explanations are the legal uncertainty about a possible return of hybrid company cars and the lack of sufficient charging infrastructure in Wallonia.

Toll incentives have been brought in for electric heavy-duty vehicles, but not in all regions. The Region of Flanders exempts zero-emission trucks from the infrastructure charge, although the future of this measure remains uncertain as the exemption has not been extended until 30 June 2031, as allowed under EU law. The Region of Wallonia does not yet promote the uptake of zero-emission trucks with toll incentives and does not exonerate them from the infrastructure charge component of the toll nor by levying an external-cost charge on conventional vehicles to internalise the cost of carbon.

In 2025, the federal and regional ministers of mobility stepped up cooperation on mobility planning. Cooperation focuses on improving intermodality and public transport integration e.g. coordinating the NMBS rail plan with regional operators De Lijn, TEC and STIB/MIVB. Regarding the TEC, in 2025 the Walloon government's policies combined modest additional investment with cost-efficiency demands and fare increases. This caused environmental groups to raise concerns that the reform may reduce access for lower-income users and risks prioritising financial sustainability over a genuine modal shift.

In Wallonia, the FAST 2030 mobility vision guides a long-term shift in mobility, including the modal shift to public transport, cycling and walking. However, in 2024, EVs accounted for only 1.6% of Wallonia's car fleet, far from the 2030 target of 25%. Almost all goods are transported by road (93.7% of t/km in 2024 vs 75% expected in 2030). The Walloon government adapted a series of mobility regulations to accelerate this transition and modernise public transport services, including support for zero-emissions freight transport. The measures adopted will produce progress in the take-up of EVs but are likely to fall well short of the 2030 target of 25%. The modal

([196]) European Alternative Fuels Observatory.

shift in freight is likely to remain marginal unless there is more aggressive investment in rail capacity and waterway logistics, together with higher pricing signals from the Viapass system.

Brussels is making progress on the modal shift to soft mobility and low-emission transport but the aim in the regional mobility plan to reduce greenhouse gas emissions from transport by 75% by 2030 remains out of reach. In 2025, Brussels received EUR 475 million in financing from the European Investment Bank for electric buses, new metro/tram sets and track upgrades to improve service quality and capacity. However, the decision taken by the new Brussels government to shelve the plans for Metro 3 are a setback in ambition. In the third quarter of 2024, 8% of cars driving in the Region were 100% electric. Since 2018, the number of car trips has fallen by 11%, while the car trips to and from Brussels has fallen by 3%. Public transport use has also fallen by 13% since pre-pandemic levels in 2018, with the increase in teleworking and soft mobility possibly providing some explanation. Car ownership has fallen from 48.3% of households owning at least one car in 2017 to 43.6% in 2024.

There have been significant budget cuts and ticket price increases in Belgian public transport in 2025-2026. For example, there was a budget cut of EUR 50 million in 2025 and EUR 100 million in 2026 alongside rail and ticket price rises of almost 3% and similar price rises in 2025 at STIB in Brussels (5%) and TEC in Wallonia (3.74%). The combination of reduced budgets and price increases comes at a time when Belgium needs to encourage a modal shift away from cars to meet its climate goals, creating a policy contradiction. While price increases make public transport less attractive, potentially slowing or reversing the modal shift, the challenge will be for public transport providers to find efficiencies without affecting reliability, frequency or cleanliness. Pending the formal submission of the Belgian Social Climate Plan and positive assessment by the Commission, the Social Climate Fund will support Belgium's ongoing initiative to tackle transport and energy poverty among the most vulnerable households and transport users (see Annex 12).

Sustainable industry

Circular economy industry

Belgium is one of the EU's best performers on the circular economy in terms of resource productivity, use of secondary materials and waste management. Belgium is one of the countries not considered at risk of missing the municipal and packaging waste targets. However, the market for recycled products is still limited and needs to grow in order to open up economic opportunities for products that are collected separately and recycled. Further progress could be made by bringing in new economic measures to prevent waste by avoiding the incineration of reusable or recyclable waste – especially in the Brussels Region – and by making the reuse and recycling of waste more economically attractive.

Belgium's federal circular economy action plan for 2021-2024 ([197]) aims to stimulate opportunities in Belgium related to the circular economy in terms of innovation, job creation and competitiveness. The plan also aims to combat climate change, biodiversity loss and environmental degradation. Regional plans (for the Brussels-Capital Region, Wallonia and Flanders) are the driving force behind the policy changes needed for Belgium's transition. The rate of circular use of materials was 22.7% in 2024 (above the EU average of 12.2%), the third best performer in the EU. With EUR 4.4 generated per kg of material consumed in 2024 (an 8.5% increase in one year), resource

([197]) Plan d'action fédéral pour une économie circulaire (2021-2024).

productivity in Belgium is well above the EU average of EUR 3 per kg and one of the highest in the EU having increased by 39% since 2019. Raw material consumption, at 8.6 tonnes per capita in 2024, has fallen by 34% over the past five years, the second lowest material footprint in the EU (13.7 tonnes per capita). However, a report on the circular economy in Belgium published by the European Environment Agency (EEA)([198]) shows that in 2023, import material dependency in Belgium was 75.6%, well above the EU average (22%). This has increased continually since 2011, underlining the need for continued action to implement circular solutions. Belgium's three regions have all taken steps to launch circular economy plans and targets, aligned with regional smart specialisation (innovation) strategies.

Waste generation in Belgium has been on an upward trend since 2012. In 2024, at 699 kg per capita, it was the highest in the EU, well above the EU average of 517 kg per capita. However, Belgium is one of the EU's top performers on recycling rates, with 56.2% of municipal waste recycled (EU average: 48.1%) and 99% of construction and demolition waste recovered ([199]) (EU average: 89%). Belgium is the EU's top performer in the recycling of plastic packaging (59.5% in 2023; EU average: 42%). Belgium also stands out as a good performer on patents related to recycling and secondary raw materials. In 2019, it filed 20.3 patents (1.77 per million inhabitants); this dropped to 11.96 in 2021 (or 1.03 per million inhabitants), but still far above the EU average (0.73 per million inhabitants). In 2024, eco-innovation related patents accounted for 74.4% of EU patents, down by 7.1% points since 2014.

While Belgium is improving on most indicators of sustainability, action is still warranted on biodiversity, water, affordable and clean energy and sustainable cities and communities where more investment in eco-innovation could help provide solutions ([200]). Over the past 10 years, the circular economy sector has consistently accounted for only 1.2% (around 61 000 full-time positions) of total employment in 2023 (vs 1.3% in 2014), trailing the EU average of 2% ([201]). Although per capita material consumption has fallen by 40% over the past 10 years and resource productivity has increased by 39% ([202]), waste generation is still high ([203]). The use of secondary materials has also grown only marginally, from 18% to 22.7%, over the past 10 years, underscoring a persistent reliance on primary resources.

Extended producer responsibility schemes are well developed in Belgium. There are three schemes in place for critical raw materials (waste electrical and electronic equipment (WEEE), batteries and end-of-life vehicles), for packaging and for used mattresses ([204]). In terms of WEEE separate collection, Belgium is above the EU 2019 target of 65% with 82.8% in 2023, up from 73.2% in 2022. Circular Wallonia ([205]) aims to reduce electrical and electronic equipment waste by 2 kg per person by 2025, i.e. from 22.5 kg to 20.5 kg per person,

([198]) ETC-CE Report 2024, Belgium 2024 CE Country profile_Final.pdf – Eionet Portal and European Innovation Scoreboard 2025, Belgium, page 7.

([199]) Joint Research Centre (2024) Techno-economic and environmental assessment of CDW management.

([200]) European Innovation Scoreboard 2025, Belgium, pp. 7-8.

([201]) Eurostat, Persons employed in circular economy sectors. https://ec.europa.eu/eurostat/databrowser/view/cei_cie011/default/table?lang=en, update 21.03.2025, access on 16.01.2026.

([202]) Belgium ranks third in terms of municipal waste generation per capita (Eurostat). and second in terms of construction and demolition waste per capita (Joint Research Centre (2024) Report on sustainable management of construction and demolition waste).

([203]) Of this, municipal waste incineration remains unchanged at 3.5 million annually, reflecting a reliance on consumption-driven materials.

([204]) Valumat is the management organisation for extended producer responsibility for used mattresses. Created and financed by the sector, its mission is to collect all used mattresses efficiently (and profitably) and process them sustainably.

([205]) Stratégie Circular Wallonia.pdf (wallonie.be) (in French).

thanks to repair services and the economy of functionality. Circular Flanders is developing strategic agendas on circular manufacturing (for example covering electronic waste, textiles and batteries) ([206]).

Belgium shows mixed performance on waste, with very high waste generation levels but strong results in recycling and recovery, ranking among the EU's top performers in waste management and circular economy innovation. The landfill rate fell from 2% in 2010 to 0.1% in 2024. The incineration rate has gradually increased from 42.8% in 2017 to 43.7% in 2024, which is the third highest in EU. Belgium will need to take further action to meet the more ambitious recycling targets for 2035 ([207]), in particular the related target to reduce the incineration of municipal waste. All three Belgian regions already have a system that taxes incinerated waste, and they all encourage heat recovery from waste incineration. The 2025 EIR listed four priority actions to shift reusable and recyclable waste away from incineration, including through economic measures. In all three regions, an incineration tax has been levied for several years on all waste entering incineration plants and on waste exported for incineration outside the region. The Brussels-Capital Region (BCR) decided to increase the incineration tax to EUR 15/t from 2022. Both Flanders and Wallonia also have plans to increase their incineration tax but are currently studying the most effective way to do this in combination with other policy measures to help shift waste from incineration to separate collection (and recycling).

There are still wide regional differences in waste management performance. The rate of separate waste collection differs between the regions (from 40% in the Brussels Region in 2021 to 70% in Flanders and 75% in Wallonia in 2022). Flanders has developed good practice examples on single-use material for events catering, prohibiting the insertion of reusable material into the residual waste bins to have little loss ([208]). Support for the prevention, reuse and recycling of waste is included in the Walloon Recovery Plan (Circular Wallonia), e.g. to promote reuse and repair, and to extend sorting and selective collection to new waste fractions ([209]). The total volume of products reused by households – not recycling them but reusing them in their entirety through formal and informal channels – increased to 35.5 kg per inhabitant in 2022 ([210]). In 2023, biowaste collection became mandatory in the Brussels Region with the aim of improving the recycling rate. Since 2024, biowaste collection is required for all households and companies in Flanders and Wallonia, unless composted at source.

The market for recycled products remains limited and would need to grow to unlock business opportunities for separately collected and recycled products. In addition, recycled products and secondary recycled materials must compete with non-recycled and primary raw materials. A recent trend has been that more complex products are being placed on the market, making it more challenging to repair, dismantle or recycle them. There is also a lack of transparency about the contents of products, which also makes recycling more difficult.

Bioeconomy industry

In Belgium, the bioeconomy value added has grown faster than domestic GDP in recent years, driven notably by the food and beverages sector, which are increasingly

([206]) https://www.eionet.europa.eu/etcs/etc-ce/belgium_2024-ce-country-profile_final.pdf.

([207]) Directive (EU) 2018/851, Directive (EU) 2018/852, Directive (EU) 2018/850 and Directive (EU) 2018/849.

([208]) https://ovam.vlaanderen.be/praktijkvoorbeelden-wetgeving-cateringmateriaal (in Dutch).

([209]) Belgium_2024 CE Country profile_Final.pdf – Eionet Portal, page 33.

([210]) Circular Economy Monitor: Total Reuse Indicator (kg/inhab) and breakdowns; ideal for the per-capita pathway.

generating value from agricultural side streams to produce high-value ingredients (and generating on average 6.9% in value added between 2018 and 2023 ([211]). The bio-based textiles sectors are also growing, where Belgium leverages its historical expertise to develop sustainable bio-fibers. The wood and furniture sector in Belgium focuses on long-term carbon storage through engineered wood and biocomposites ([212]) ([213]). This integrated approach is supported by the Bio Base Europe Pilot Plant and the Circular Bio-based Europe Joint Undertaking (CBE JU), facilitating the scale-up of these sustainable materials. Labour productivity in the bioeconomy – measured as value added per person employed – was 128% of the national average, up from 116.8% in 2018 ([214]).

Zero-pollution industry

Air quality in Belgium is generally good, with some exceptions. The latest annual estimates for 2023 attribute 2 940 deaths (or 30 396 years of life lost (YLL)) to fine particulate matter (PM2.5), 614 deaths (or 6 355 YLL) for NO_2, and 1 173 deaths (or 12 166 YLL) to ozone. All indicators show a reduction since 2022 for each parameter ([215]). In 2023, two air quality zones in Belgium registered exceedances of NO_2 above the limits set by the Ambient Air Quality Directive (AAQD) ([216]) ([217]). The target value for arsenic concentration was not met in one air quality zone ([218]). The European Commission is following up persistent breaches of air quality requirements, which have severe negative effects on health and the environment, through infringement procedures covering all Member States in breach of the requirements, including Belgium for excess NO_2 values (INFR(2016)2005). The aim is to ensure that appropriate measures are put in place to bring all air quality zones into compliance with the target values. In terms of the impact of improved air quality, labour productivity is estimated to have increased by 2.32% between 2000-2022 due to the 4.26% reduction in PM2.5 ([219]).

In 2022, Belgium recorded damages from air pollution estimated at EUR 13.5 million per year ([220]). This underscores the potential benefit of further action, particularly in industrial regions and urban transport corridors. To improve air pollution, a combination of sustainable transport, energy and agricultural policies can be adopted to reduce emissions of air pollutants, pursue targeted urban and land-use planning policies and take specific fiscal measures (for example to remove environmentally harmful subsidies and increase targeted environmental taxation).

Water pollution from industry also remains a critical challenge. In 2022, Belgium had a high level of pollutant releases into water with 0.95 kg/EUR 1 billion GVA, weighed by human toxicity factors (EU average: 0.86 in 2022). Nevertheless, between 2010 and 2023, it has achieved a 62% reduction in industrial heavy metal releases (Cd, Hg, Ni, Pb), a 16% reduction

([211]) Joint Research Centre, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU.

([212]) Bioeconomy subsectors: food and beverages; bio-based textiles; wood products and furniture; bio-based chemicals and plastics.

([213]) Belgium: Flanders Materials Programme | Ellen MacArthur Foundation.

([214]) Joint Research Centre, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU.

([215]) EEA (2025) Harm to human health from air pollution in Europe: burden of disease status.

([216]) Directive 2008/50/EU of the European Parliament and of the Council of 21 May 2008 on ambient air quality and cleaner air for Europe (OJ L 152, 11.6.2008, p. 1).

([217]) Antwerp and Ghent.

([218]) EEA, Eionet Central Data Repository.

([219]) Dechezleprêtre A. & Vienne V (2025) The impact of air pollution on labour productivity: Large-scale micro evidence from Europe, p.36, Table 13, OECD Science, Technology and Industry Working Papers 2025/14.

([220]) EEA (2024) The cost of health and the environment from industrial air pollution in Europe - 2024 update. The costs reported are computed as value of statistical life (VSL).

in total organic carbon emissions, and a 11% reduction in total phosphorus, as reported under the Industrial Emissions Directive (IED) ([221]). However, 100% of Belgium's surface water bodies still fail to achieve good chemical status due to the presence of ubiquitous, persistent, bioaccumulative and toxic substances (uPBTs) ([222]) that result from industrial activities. Belgium has the 9th highest volume of emissions of heavy metals to water and ranks 11th on emission intensity (above the EU average intensity of 0.864 kg/EUR 1 billion GVA). Belgium is the most studied EU Member State in terms of PFAS pollution ([223]). Studies find that: Belgian companies use 8 330 tonnes/y of PFAS and that depollution costs are EUR 2.5-40 million (over a 20-year period). According to the Public Service Scientific Institute (ISSeP), 94% of the population of Wallonia have a high level of PFAS in their blood ([224]). As at 1 March 2024, there were 22 934 known contamination sites across 32 European countries, including 11 969 with contamination levels above 100 ng/L ([225]). Almost half of all sites were located in Belgium and the Netherlands (6 791 and 4 989, respectively). Contamination levels near the 3M facility in Zwijndrecht are the highest ever measured globally. Water pollution by Belgian industry imposes direct and indirect costs of EUR 30 million a year, not yet sufficiently borne by polluters ([226]).

The total economic cost of industrial pollution in Belgium was just over EUR 13 billion in 2021. This includes healthcare expenses, lost productivity and environmental degradation ([227]) ([228]). Despite these findings, the current level of investment still falls short. Meeting national and EU targets for pollution prevention and control would require spending an additional EUR 1.5 billion every year (about 0.28% of GDP), largely on improving air quality, particularly in industrial regions and urban transport corridors ([229]).

([221]) EEA (2024) Water pollutant releases changes from 2010 to 2022 for the EU Member States, 2024.

([222]) European Commission (2025) Third River Basin Management Plans, Second Flood Hazard and Risk Maps and Second Flood Risk Management Plans, Member State: Belgium.

([223]) pfas-belgian-industry-market-study-final-public-report.pdf.

([224]) Wallonia residents exposed to over 50 pollutants, study shows (Financilal Times, 19 February 2025).

([225]) Peer-reviewed scientific article PFAS Contamination in Europe: Generating Knowledge and Mapping Known and Likely Contamination with "Expert-Reviewed" Journalism |. Environmental Science & Technology ((Figure 1 and Table 1).

([226]) European Commission (2021) IEEP, Green taxation and other economic instruments – Internalising environmental costs to make the polluter pay (p. 35, Table 5).

([227])European Commission and RPA Europe (2025) In-depth assessments on environmental priorities to support the greening of the European Semester.

([228]) EEA (2024) The cost of health and the environment from industrial air pollution in Europe - 2024 update. The costs reported are calculated as value of a statistical life (VSL).

([229]) European Commission (2025) Environmental Implementation Review (2025), Belgium country report.

Table A8.1: **Key clean industry and climate mitigation indicators: Belgium**

Climate mitigation	Belgium							Trend	EU	
Industry decarbonisation	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2023**
GHG emissions intensity of manufacturing production, g/€ (1)	563	522	507	557	456	436	462	↘	330	-
Share of energy-related emissions in industrial GHG emissions (2)	40.1	41.2	42.0	43.6	43.1	44.4	-	↗	55.5	57.9
Energy-related GHG emissions intensity of manufacturing and construction, g/€ (3)	251.3	240.9	241.9	270.7	217.8	213.4	-	↘	203.9	163.0
Share of electricity and renewables in final energy consumption in manufacturing, % (4)	38.0	37.0	35.7	35.7	37.9	37.6	37.5	↗	42.8	43.9
Energy intensity of manufacturing, GWh/€ (4)	2.09	2.01	2.14	2.35	1.82	1.76	1.87	↘	1.27	1.05
Share of energy-intensive industries in manufacturing production, % in GVA (5)	29.74	27.04	25.81	26.92	28.68	24.77	-	↘	-	-
GHG emissions intensity of production in sector [...], g/€ (6)										
- paper and paper products (NACE C17)	384	397	414	433	458	471	-	↗	722	619
- chemicals and chemical products (NACE C20)	1 413	1 366	1 345	1 644	1 436	1 324	1 275	↘	-	-
- other non-metallic mineral products (NACE C23)	2 704	2 768	2 759	2 607	2 529	2 516	-	↘	2 495	2 352
- basic metals (NACE C24)	2 377	2 226	2 216	2 604	1 967	2 399	-	↗	2 842	3 099
Reduction of effort sharing emissions	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2023**
GHG emission reductions relative to base year, %				-16.3	-22.5	-23.0	-22.7			
- domestic road transport	-1.6	-2.5	-18.5	-10.1	-9.1	-7.7	-8.3	↗	-1.4	-5.6
- buildings	-17.8	-19.8	-21.9	-18.8	-32.8	-33.9	-32.7	↘	-20.3	-33.5
	2005			**2021**	**2022**	**2023**	**2024**	**Target**	**WEM**	**WAM**
Effort sharing: GHG emissions, Mt; target, gap, %	81.6			68.3	63.2	62.9	63.1	-47.0%	-21.7%	-42.6%
Sustainable road transport	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2018**	**2021**
New zero-emission vehicles, electricity motor, % (7)	0.67	1.59	3.43	5.80	10.08	19.29	28.03	↗	1.03	8.96
Number of publicly accessible AC/DC charging points (8)	-	-	8003	12259	23830	44362	76819	98707 ↗	446956	n/a
Share of electrified railways, % of total (9)	85.82	85.78	85.74	86.56	88.01	88.04	87.99	↗	55.47	56.49

Sustainable industry	Belgium							Trend	EU-27	
Circular economy transition	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**latest data**
Material footprint, tonnes per person	14.9	12.8	13.0	13.5	11.7	10.0	8.5	↘	14.8	13.7
Circular material use rate, %	20.6	20.5	22.9	21.3	17.8	21.8	22.7	↗	11.6	12.2
Resource productivity, €/kg	3.2	3.2	3.4	3.8	3.7	4.1	4.5	↗	2.1	3.0
Employees in circular economy	1.3	1.3	1.3	1.4	1.2	1.2	-		2.1	2.0
Patents in circular economy	16.59	20.3	11.8	12.0					12.3	12.0
Recycling rate	54.4	54.7	51.4	55.5	54.7	55.8	56.2		46.40	48.1
Plastic recycling	42%	47%	45%	49%	54%	60%	-		41%	42%
Construction and demolition waste (CDW) recovery	97	-	99						88	89
Bioeconomy industry	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**CAGR 2018-2023**	**2018**	**2023**
Value added, million EUR	21 352	23 789	24 058	24 859	27 105	31 103	-	6.5%	642 438	863 436
Employment, total number of people employed	214 003	221 470	220 072	218 900	224 407	229 495	-	1.2%	17 649 040	17 085 642
Productivity										
Valued added per worker, thousand EUR	99.8	107.4	109.3	113.6	120.8	135.5	-	5.2%	36.4	50.5
Valued added per worker, % of national average	116.8	122.2	127.5	124.4	120.1	128.0	-	1.5%	62.2	70.7
R&D business expenditure										
Total bioeconomy (biomass producing and converting sectors)	2 054	2 066	2 302	2 612	2 780	3 023		6.7%	15 672	23 335
Total R&D business expenditure	9 433	11 143	11 538	12 873	13 047	14 085	-	6.9%	196 587	259 525
Zero pollution industry	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2021**
Damage cost for industrial pollution	14.8	14.1	13.2	13.5	-	-	-		414.9	352.7
Water industrial pollutants releases	Cd, Hg, Ni, Pb		nitrogen		TOC		Phosporus			
	2021	change (2010)	2021	change (2010)	2021	change (2010)	2021	change (2010)		
	3 754	-60%	3 760 900	-18%	2 069 094	-18%	595 610	1%		
Water chemical status		Good	-	Good (%)	-		Poor	560.0	Poor (%)	100%

Sources and notes: **Industry decarbonisation**: All data are from Eurostat; data following the UNFCCC Common Reporting Format (CRF) are from the European Environment Agency (EEA), republished by Eurostat. (1) Sectors covered: all divisions of section C - Manufacturing - of the NACE Rev. 2 statistical classification of economic activities, except C19 (manufacture of coke and refined petroleum products). (2) GHG emissions as per UNFCCC Common Reporting Framework (CRF) categories 1.A.2 - fuel combustion in manufacturing in industries and construction (that broadly correspond to the broadly correspond to the NACE sections C - Manufacturing and E - Construction, excluding C-19), and CRF2 - industrial processes and product use. The figures shows the emissions in the 1.A.2 category as a share of the sum of CRF1.A.2. and CRF2 emissions. (3) Sectors covered: CRF 1.A.2 as described above. Gross value added (GVA) data in the denominator aligned in sectoral coverage, in 2020 prices. (4) Sectors covered: NACE section C excluding C19. (5) Nominator: NACE divisions C17, 20, 23, 24; denominator: NACE section C excluding C19 (see above). (6) GVA (denominator) in 2020 prices. **Reduction of effort sharing emissions**: Data source: European Environment Agency, greenhouse gas data viewer; European Commission, Climate Action Progress Report, 2025. For details, see the footnote in the "Reduction of effort sharing emissions" section. **Sustainable road transport**: (7) Source: Eurostat; (8) Source: European Alternative Fuels Observatory; (9) Source: Eurostat. For all climate mitigation indicators, the trend arrows compare the latest available data (year t) with the data four years earlier (t-4). **Sustainable industry**: Bioeconomy value added, employment and productivity: JRC, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU. Bioeconomy R&D business expenditure: JRC, Business expenditure in Research and Development (R&D) in the EU bioeconomy. Damage cost for industrial pollution: EEA, The costs to health and the environment from industrial air pollution in Europe, 2024. Water industrial pollutants releases: EEA, Industrial releases of pollutants to water and economic activity in the EU-27, 2024. Water chemical status: WISE, Surface water bodies: Chemical status, 2024 and WISE Groundwater bodies: chemical status, 2024. Other indicators: Eurostat. For circular economy indicators, the trend arrows compare the latest available data (year t) with the data two years earlier (t-2).

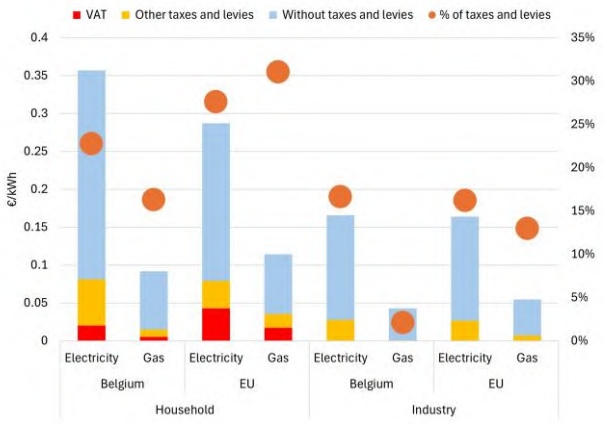
This annex outlines the progress made and the ongoing challenges faced in increasing energy affordability, while advancing the transition to net zero. It reflects the implementation of past energy-related country-specific recommendations (CSRs). Belgium's 2025 CSRs highlighted challenges in shifting the tax burden away from electricity to fossil fuels, improving grid capacity and flexibility, and accelerating the deployment of renewable energy and energy efficiency (see Annex 8). Overall, Belgium has made progress in aligning its fiscal framework with decarbonisation goals through an excise duty reform and, for the first time, is now generating as much renewable energy as nuclear energy. However, regional disparities in smart meter deployment and budgetary constraints for renovation schemes persist, while the national renewable target remains below the national contribution calculated by the EU.

Energy prices and costs

The Belgian electricity market in 2025 was characterised by two opposing forces: while a high share of clean energy generation successfully brought average wholesale prices below the EU benchmark, retail prices were still high and structurally imbalanced. To address the 2025 CSR on shifting excise duties from electricity to fossil fuels, Belgium initiated a fiscal reform in March 2026 aimed at aligning retail price signals with the country's decarbonisation goals ([230]).

The share of low-carbon energy in Belgium's energy mix continues to keep its wholesale electricity prices (EUR 84/MWh) competitive compared to the EU average (EUR 85/MWh). In 2025, the share of renewable energy increased to 34.7% of the electricity mix, effectively matching the contribution of nuclear energy. Together, these sources provided over 68% of Belgium's power, ensuring a stable and relatively clean energy supple. However, Belgium's average day-ahead electricity price was nearly EUR 103/MWh in 2025, while fossil fuels continued to account for over 26.8% of electricity generation, retaining their role as marginal price-setting technologies (55% of price setting hours for 26.8% electricity generation).

Graph A9.1: **Electricity and gas prices for household and non-household consumers, first half of 2025**



(i) For household consumers, the consumption band is DC for electricity and D2 for gas.
(ii) For non-household consumers, the consumption band is ID for electricity and I4 for gas. VAT and recoverable charges are not displayed for non-household consumers as these are typically recovered by businesses. This also applies to the '% of taxes and levies', which is shown excluding VAT and recoverable charges for non-household consumers.
(iii) 'Without taxes and levies' indicates the retail price excluding all taxes and levies. It always includes the energy/supply and network cost components, which are not disaggregated in Eurostat's six-monthly price dataset.
Source: Eurostat

The expansion of solar power generation has increased the variability of intraday electricity prices, with lower prices during periods of high solar output and higher prices during evening and early morning hours when solar generation declines. Limited non-fossil flexibility in the system requires thermal plants to ramp up generation

([230]) The fiscal reform was intended to begin on 1 April 2026. However, in late March 2026, the federal government faced significant pressure as global oil and gas prices surged due to the conflict in the Middle East. Therefore, the planned increase in excise duties on natural gas and heating oil was officially postponed until 1 August 2026.

during these periods to balance supply and demand. As a result, electricity price spreads in Belgium averaged EUR 107/MWh in 2025, a 15% increase compared to 2024. This trend highlights the growing importance of flexibility solutions, including energy storage, demand-side response and grid reinforcement, to facilitate the integration of increasing shares of renewable electricity.

However, final energy prices for both household and industrial consumers increased slightly during the first half of 2025. Household gas prices in Belgium were below the EU average at EUR 0.0919/kWh, while electricity prices far exceeded the EU average at EUR 0.3571/kWh, due to network charges, taxes and levies. Retail energy prices for industrial consumers (EUR 166/MWh) also increased slightly, remaining close to the EU average (EUR 164/MWh) for electricity and below the EU average for gas. While 62% of the electricity price for industry is accounted for by the wholesale cost, the network cost, carbon cost and taxes represent respectively 13%, 9% and 17% of electricity bills. Pending formal submission of Belgium's Social Climate Plan and its validation by the Commission, the Social Climate Fund will support ongoing efforts in Belgium to address energy and transport poverty for the most vulnerable households and transport users (see Annex 12).

The 2025 CSRs called on Belgium to incentivise industry to decarbonise. In December 2025, the federal government approved in first reading a draft law introducing an 'energy norm' which comprises two aspects: 1) alignment with the CISAF (Clean Industrial Deal State Aid Framework) for industries facing serious global competitiveness issues due to high electricity prices, and/or 2) reduction of transmission charges, in line with EU regulations and while respecting the independence of the regulatory authority. The regional government plans to reduce electricity costs for energy-intensive companies, as authorised by the CISAF. In return, these companies will have to dedicate at least 50% of the aid they receive to decarbonisation. The 'energy norm' measure will also serve as an incentive to electrify industrial processes.

The electricity-to-gas price ratio remains a major barrier to delivering cost-effective electrification of the economy. During the first half of 2025, electricity for large non-household consumers was 3.9 times more expensive than gas. Taxes and levies (excluding VAT) accounted on average for 17% of electricity bills, compared to only 2% for gas. In this regard, network tariffs constitute a separate component of final energy prices. Excluding taxes and levies, the electricity-to-gas price ratio would have fallen to 3.3, which would, however, still be too high to incentivise electrification. A similar, though less pronounced, effect can be seen for households, where the ratio would have decreased from 3.9 to 3.6 if taxes were excluded.

To address the 2025 CSR on shifting excise duties from electricity to fossil fuels, Belgium is reforming excise duties on energy products. The federal government has started to progressively shift excise duties from electricity to fossil fuels, including natural gas and heating oil. While this measure is intended to make electricity more competitive and provide an economic incentive for adopting heat pumps and other clean technologies, excise duties on fossil fuels are due to remain low in Belgium compared with neighbouring countries. The full impact of the reform on the electricity-to-gas price ratio will only be measurable in the data cycle for the first half of 2026.

Graph A9.2: **Low-carbon electricity generation vs. electricity wholesale prices, 2025**

Unavailable data for Cyprus and Malta. Wholesale price is given as average of day-ahead electricity prices over 2025. EU-27 average is calculated as consumption-weighted. EU low-carbon share is calculated out of total EU electricity generation. Low-carbon share by country is calculated out of total public electricity generation. Low-carbon includes renewables and nuclear.
Source: Eurostat

Flexibility and electricity grids

Belgium is upgrading its grid infrastructure to accommodate more renewables and comply with European cross-zonal capacity requirements. This progress supports the implementation of the 2025 CSR on upgrading grid infrastructure. Belgium's interconnection level (12.77%) is unlikely to meet the 15% 2030 target. Key projects include the Princess Elisabeth Island (3.5 GW offshore integration), with foundation caissons due by June 2026. However, rising costs have forced design modifications to the Nautilus (UK) and TritonLink (DK) interconnectors. Onshore, the Ventilus and Hainaut 380 kV reinforcements face local opposition and permitting hurdles, risking green energy curtailment if not completed by 2030. To support these projects, Belgium has implemented the permitting provisions. However, further streamlining of administrative procedures between Flanders and Wallonia grid reinforcement.

Regional disparities in the deployment of smart meters are affecting the availability of dynamic retail contracts and demand response. Belgium is making progress in empowering consumers through dynamic pricing and energy sharing. However, while Flanders leads in smart meter deployment (46% national average) and photovoltaic obligations, Brussels excels in energy sharing and is providing additional efforts to speed up smart meter deployment as well. In addition, the Decree of 19 December 2025 strengthens the obligation to install communicating meters. Administrative and fee-based barriers in Wallonia and Flanders continue to hamper wider uptake.

The number of prosumers and energy communities is stable, with a gradual increase in consumers engaged in energy sharing. There were 22% of household prosumers and 74 active energy communities in 2024. Regional disparities are still large. In 2025, 307 active projects were reported in Brussels, which has regional frameworks allowing energy to be shared between final customers, independent from their supplier. By contrast, in Flanders and Wallonia, energy sharing is reportedly subject to supplier fees, hampering its uptake.

Electricity accounted for 21.5% of Belgium's final energy consumption (FEC) in 2024 (below the EU average of 23.4%), a share which has remained largely unchanged over the last decade ([231]), partly due to an adverse electricity-to-gas price ratio that disincentivises electrification and cost-effective decarbonisation. Electricity accounts for 19.8% and 30.5% of household and industrial FEC respectively (see also Annex 8). In the transport sector, the share of electricity remains negligible at 3.1%. Further progress in electrification across all sectors would help to cost-effectively decarbonise the economy and bring the benefits of affordable renewable generation to consumers.

([231])The CAGR (compound annual growth rate) was 0.25% between 2015 and 2024. The minimum/maximum shares were 20.6% and 21.6% respectively. Source: Eurostat.

Renewables and long-term contracts

Renewable energy generation has broken records, although there are still gaps to close to achieve the 2030 targets. In 2025, for the first time, wind and solar energy provided more electricity than fossil fuels in Belgium. Low carbon electricity covered more than half of national electricity consumption (68%). Installed capacity for renewables represented 17 085 MW. The installed capacity for wind energy reached 5.9 GW (compared to 5.6 GW in 2024) whilst installed capacity for solar grew (+7.8% compared to 2024) reaching 10.4 GW ([232]) in 2025. Onshore wind capacity increased by 13% to 3.6 GW, surpassing Belgium's commitments under the European wind power action plan**.** Hydropower capacity remained unchanged at 1.4 GW.

Belgium is taking steps to address the 2025 CSR on accelerating the deployment of renewable energy. The 2025 CSRs called on Belgium to improve grid infrastructure by further streamlining permitting procedures, by adopting legal frameworks to boost investment in renewable energy installations and by facilitating energy sharing. Belgium has worked on speeding up permitting procedures for renewable energy sources, although public acceptance of onshore projects remains a challenge. Significant steps were taken in 2025, including the legalisation of plug-in solar systems and the introduction of a photovoltaic obligation for large consumers in Flanders. While administrative procedures are becoming faster thanks to Flanders' digital one-stop-shop and new federal measures to accelerate appeals, new distance rules in Flanders and federal aviation constraints continue to hinder onshore wind deployment.

Belgium has increased its national renewable ambitions, yet its targets remain below the national contribution calculated by the EU. In its updated national energy and climate plan, Belgium raised its 2030 renewable energy target from 17.5% to 20.4%, which remains below the expected national contribution to the EU's 2030 target of 33%**.** By 2030, the country aims to have 8.5 GW of wind capacity and 15 GW of solar capacity. However, Belgium has reduced its offshore wind targets for 2035, committing to a total of 4.3 GW, as compared with 6 GW previously, due to cost increases and delays in onshore grid buildout and the offshore energy island**.** Consequently, some offshore auctions have faced delays, such as the parcel 1 auction in the Princess Elisabeth Zone, which was cancelled in June 2025 and is now due to be relaunched in 2026.

The Belgian renewable market is maturing, particularly regarding long-term contracts. While the [two-way] Contracts for Difference scheme supports offshore wind, and green certificate schemes are still in place for onshore renewables, the solar market is already transitioning away from government support. Belgium is among the top 12 EU countries for power purchase agreements, with a contracted volume of 1 GW, although the market is dominated by short-duration deals (66% lasting less than 3 years). However, there has been an increase in onshore wind power purchase agreements, while public schemes are under examination to further stimulate the market.

Energy efficiency

Belgium's final energy consumption (FEC) increased in 2024, reversing the downward trend observed since 2019. In 2024, FEC rose by 2.5% compared with 2023, reaching 32 286 Mtoe. This increase sets Belgium's consumption trajectory off course from the linear path needed to meet its expected contribution by 2030. Several key sectors saw a rise in energy consumption, namely industry (3.9%), services (1.85%), and transport (1.8%). While industry and services maintain their

([232]) International Renewable Energy Agency (IRENA) - Renewable Capacity Statistics 2026.

longer-term downward trend (of 7.9% and 12.9% respectively, relative to 2019), transport is on an upward trend, with a 2.7% increase relative to 2019, primarily driven by international aviation and freight.

Residential energy consumption has continued to fall, but at an insufficient pace to meet long-term renovation targets. Between 2019 and 2024, residential FEC decreased by 8.18%, largely driven by smaller housing units and technical renovations. However, this decrease remains insufficient to meet the objectives set in the 2020 long-term renovation strategy. Currently, only Wallonia has submitted its draft national building renovation plan under the recast Energy Performance of Buildings Directive. Given that buildings account for 33% of national energy consumption, it is essential that draft building renovation plans for Flanders and Brussels are submitted on time to ensure a predictable pathway for decarbonising the building stock.

High electricity prices relative to gas continue to act as a structural barrier to decarbonising residential heating. Heating and cooling account for 86% of residential FEC, yet renewables supply only 11% of the total energy used for these purposes. In the first half of 2025, electricity was 3.89 times more expensive than gas, often resulting in higher operating costs for end-users who have made the switch to heat pumps. To address the 2025 CSR on reducing fossil fuel use in buildings, the federal government announced a progressive increase in excise duties on natural gas and heating oil. Moreover, it decided to reduce VAT on the purchase of heat pumps from 21% to 6%. Additionally, regional measures have been implemented, such as a ban on new natural gas connections for residential new built in Flanders in 2025. Brussels has phased out most fossil fuel subsidies, as premiums for natural gas heaters and boilers have been abolished from 2023 onwards. Since 2025, Brussels has abolished both CHP Green Certificates and preferential rates for gas distribution network connections.

Budgetary constraints in some regions have slowed the momentum of flagship energy efficiency renovation schemes. In Brussels, the regional government announced that the current 'Renolution' grant scheme would be replaced by a series of loan-based instruments. While this change is intended to reduce public spending, it may lead to lower uptake, especially from low-income households, and could slow down building renovation and decarbonisation efforts. In contrast, Flanders has chosen to focus support on low- and middle-income households by scrapping renovation subsidies for high earners as of 2026.

Regarding market surveillance, only five ecodesign and energy labelling checks were reported by Belgium in 2025. This is considered insufficient relative to the size of the market and overall levels of non-compliance in the EU.

Security of supply and diversification

The 2025 CSRs called on Belgium to reduce overall reliance on fossil fuels. Renewables (including biofuels) only accounted for a small share of Belgium's energy mix in 2025 ([233]), specifically 11% (similar to previous years). Nuclear energy accounted for 15% of the total primary energy mix while representing 34% of national electricity generation. Natural gas accounted for 24.3% of the energy mix, a slight decrease on the previous year, while oil and petroleum products (excluding biofuels) accounted for more than 42.8%.

To ensure a stable medium-term non-fossil energy supply, Belgium has extended the operating life of two nuclear power plants providing 33.4% of its electricity. Following the final shutdown of three reactors in 2025, two nuclear reactors (Doel 4 and Tihange 3) are now in operation in Belgium with a total installed capacity of 2 GWe. In 2024, the five reactors then in operation produced 31 928

([233])Gross inland consumption (Eurostat).

GWh, or 42.2% of total electricity production. In February 2025, following a formal investigation, the European Commission approved a 10-year extension to the operating life of the two newest reactors until 2035. Belgium has implemented a highly diversified supply strategy for nuclear materials and is actively conducting research into small modular reactors to support its long-term decarbonisation pathways.

Belgium is advancing R&D for Generation IV reactors and SMR deployment, which requires identifying suitable sites and fostering collaboration across the industrial value chain. However, regulatory uncertainty regarding the national phase-out policy necessitates a more predictable licensing framework. To support this transition, targeted re-skilling initiatives under the EU Skills Agenda are essential. Furthermore, developing de-risking tools and financing mechanisms, potentially integrated with European demonstration projects—will be key to leveraging shared knowledge and securing early investment.

In response to the regional crisis in the Middle East, Belgium has introduced an €80 million support package (May-July 2026) to mitigate commuting costs and protect vulnerable households. Measures include a 20% tax credit on employer-paid mileage allowances, deferred social security contributions for the self-employed, and EUR 15 million for low-income households heating with gas or oil. Belgium maintains a system of maximum fuel prices adjusted during sharp price spikes and has delayed planned excise duty increases until 1 August 2026.

Fossil fuel subsidies

Belgium has taken limited measures to address the 2025 CSR which called for specific steps to be taken to phase out fossil fuel subsidies in particular in the transport and heating sector. In 2024, environmentally harmful fossil fuel subsidies without a planned phase-out before 2030 represented around 0.47% of Belgium's GDP ([234]). Fossil fuel subsidies such as reduced excise duties on heavy and light fuel oil, company fuel cards with tax benefits for employees, as well as professional diesel refund schemes, mainly for road freight transport, remained in place in 2025 and are not due to be phased out before 2030. No comprehensive federal phase-out framework for these measures has been adopted. In 2025, the federal government updated their inventory of fossil fuel subsidies to inform future reform plan. Additionally, while company fuel cards remain in use, the tax advantage for all new fossil-fuel cars ordered from 2026 will end as a result of the 2021 reform, with the tax deduction rate on these expenses drop to 0% maintains a competitive advantage over neighbouring countries. Increased excise duties on certain fossil fuels, namely natural gas, heating oil, diesel and gasoline, will only moderately reduce fossil fuel subsidies overall. Belgium's 2023 Effective carbon rate averaged EUR 74 per tonne of CO_2, below the EU weighted average of EUR 84.80 ([235]).

([234]) European Commission calculation based on Study on energy subsidies and other government interventions in the EU – 2025 edition, Enerdata.

([235]) The Effective Carbon Rate is the sum of carbon taxes, ETS permit prices and fuel excise taxes, representing the aggregate effective carbon rate paid on emissions.

Belgium has made progress in developing resilience and adaptation policies in the last year (notably through its recovery and resilience plan (RRP)), but several challenges remain. Belgium faces significant climate risks (including floods, heatwaves and droughts). It is estimated that nearly EUR 1.634 billion will be required each year until 2050 for climate adaptation (primarily for infrastructure retrofitting, agriculture and ecosystem restoration). Belgium has a policy framework, but a 2025 report that identified 28 climate risks also highlighted persistent governance fragmentation, incomplete mainstreaming of adaptation and insufficient long-term funding as key obstacles. Climate-proofing efforts are underway across the energy, transport and other sectors, and Belgium is actively deploying nature-based solutions at the federal and regional levels (notably through Flanders's Blue Deal programme and various wetland restoration projects in Wallonia and Brussels).

Belgium continues to face significant water quality challenges, mainly due to diffuse pollution. from agriculture, including nutrient losses (nitrates and phosphates) and pesticide use. Water management is increasingly recognised as a key vulnerable sector, as floods (fluvial and pluvial) and droughts affect all sectors of the economy. Most surface and groundwater bodies remain under pressure, and effective measures are needed to reduce agricultural pollution and improve water quality. In 2025, Belgium received a country-specific recommendation (CSR) to strengthen action on sustainable agriculture, in particular by reducing nutrient losses and improving water quality. However, only limited progress was made, and concerns persist. Pesticide contamination remains widespread, and the share of organic farming (7.43% of utilised agricultural area in 2024) remains below the EU average. Many Flemish water bodies still suffer from excessively high nutrient concentrations. In 2024, the percentage of water bodies meeting the standard was: nitrate: 67%; total nitrogen: 35%; phosphate: 31%; total phosphorus: 7%.

Climate adaptation and preparedness

The increasing frequency and duration of extreme weather events will, along with gradual climate shifts, require substantial cross-sector investment to address their impact. Belgium is in one of three regions (low-lying coastal regions) that have been identified as hotspots of risk that are highly affected by climate change ([236]). Extreme weather events have occurred in the last 10 years (e.g. major floods in 2018 and particularly in 2021, with significant loss of life and economic damage estimated at EUR 2.8 billion in Wallonia alone). The annual heatwaves in 2015-2019 were unprecedented for Belgium, causing heat-related mortality at an average of 32 deaths per 100 000 inhabitants between 2022 and 2024 ([237]). Belgium has identified heatwaves as one of the many climate hazards that will increase significantly in the future. Increasingly frequent and intense prolonged droughts occurred in 2017-2022 as well as slow-onset changes (such as a general temperature rise and sea level rise). If current levels of coastal protection are not raised, the direct economic damage and social impact of coastal flooding in Belgium is projected to rise sharply this century. That said, the benefits of avoiding flooding are estimated to significantly outweigh the costs of coastal protection ([238]).

A recent study commissioned by DG CLIMA estimates ([239]) that Belgium will need to

([236]) EEA, 2024, European Climate Risk Assessment.

([237]) Janoš, et al., 2025, Heat-related mortality in Europe during 2024 and health emergency forecasting to reduce preventable deaths, p. 4069, https://www.nature.com/articles/s41591-025-03954-7.

([238]) Nature in 2020: Economic motivation for raising coastal flood defences in Europe.

([239]) European Commission, 2026, Assessment of adaptation investment needs, Table 25, https://op.europa.eu/en/publication-detail/-/publication/d2039eac-f742-11f0-b9bc-01aa75ed71a1/language-en%20(Table%208). The study provides detailed estimates of adaptation investment needs at the level of the EU and individual Member States per type of measure. It relies on a common methodology that makes estimates comparable across the EU. Four

invest almost EUR 1.634 billion per year until 2050 in climate adaptation. This would be 0.2% of annual GDP, so lower than the EU average of 0.5% ([240]). The investment would mainly be in infrastructure retrofitting and reinforcement (more than 58% of the total), followed by agriculture (around 19%) ecosystem restorations (around 13%) and health (around 7%) ([241]).

A comprehensive but not legally binding policy framework is in place, but more action is needed, and this will require sustained political attention, strategic foresight and cross-sectoral mobilisation. Belgium has in recent years (notably through its RRP) strengthened its adaptation and disaster risk management policy framework at different levels by adopting strategies and plans ([242]), and by mainstreaming adaptation into sectoral policy documents. Progress is monitored and evaluated but only on an ad hoc basis. At the federal level, the end of the 2024 interim evaluation report of the federal adaptation action plan 2023-2026 (based on a predetermined set of indicators) ([243]) reinforces confidence that progress continues to be made in achieving the intended outcomes. Work has started on a new interfederal action plan against extreme weather events, but no completion date has yet been specified. Belgium has also updated its national vulnerability and risk assessments to make them more comprehensive. The newly established Coordination Centre for Climate Risk (CERAC) issued its first report in November 2025. This report identified 28 climate risks (classified into five main categories: the economy; health and well-being; food; ecosystems; and infrastructure and buildings) and several critical threats ([244]). For each of these, it assessed the level of policy readiness and ownership to tackle them ([245]), followed by

accompanying methodological reports provide a detailed description of how the results were estimated to ensure full transparency.

([240]) This represents the cost of implementing adaptation measures that are required to adapt to climate risks in the EU.

([241]) Typical areas of investment in ecosystems include soil restoration, wildfire prevention, biodiversity protection and coastal ecosystems restoration. Typical areas of investment in health include occupational health and safety, upgrading wastewater treatment facilities and wildfire disaster response.

([242]) In Belgium, adaptation policy is shared between multiple levels of government. The 2010 national adaptation strategy was followed by a national adaptation plan (2017-2020), which set out measures that complemented those in the regional and federal plans. The 2023-2026 federal action plan includes 28 federal adaptation measures across 8 policy areas. Flanders adopted a climate adaptation plan in 2022, complemented by sectoral measures such as the Blue Deal (2025) and the Climate Health Plan (2023). Wallonia has integrated adaptation into its air-climate-energy plan (PACE 2030), but concrete adaptation measures remain limited. A Walloon Adaptation Strategy (SWA) and regional action plan are under development, based on a vulnerability assessment. Brussels has also integrated the enhancement of resilience to climate impacts into its Air-Climate-Energy Plan. Brussels's Water Management Plan (2022-2027) includes an integrated rainwater management strategy to make the city more resilient to both floods and droughts. 89% of Belgium's population is covered by the Covenant of Mayors, which requires signatory cities to assess their climate vulnerabilities and develop adaptation strategies as well as mitigation measures.

([243]) *Tussentijdse evaluatie van de implementatie van de coherente set federale adaptatie-maatregelen*, Link: Tussentijdse evaluatie van de implementatie van de coherente set federale adaptatie maatregelen 2023-2026.

([244]) CERAC I BCRA report 2025. These critical threats relate to: human health (it is projected that there will be over 1 000 additional heat-related deaths annually by 2050, increased pollen allergies, mental health problems, air pollution and a spread of pandemic risks); extreme weather events (in October 2025, Storm Benjamin struck Belgium, bringing strong winds and rain that damaged homes and brought down trees); high flood risks with infrastructure damage and food supply disruptions); economic threats (losses due to extreme heat, drought and flooding are projected to reach EUR 9.5 billion annually by 2050, representing around 2% of Belgian GDP).

([245]) The CERAC assessment identifies: areas for urgent action needs (risks to crops from extreme weather and soil ecosystem degradation, risks to buildings from flooding, risks to human health from heat stress, and risks to property insurance from flooding); areas where more action is needed (preserving freshwater system from drought; soil ecosystems from drought and erosion; livestock from diseases; infrastructure and buildings from invasive alien plant species; energy and transport infrastructure from extreme weather; water infrastructure against drought; and precautionary action against

key policy recommendations. The report ([246]) also assessed the capacity of the existing governance system 'to implement policies that match the scale and urgency of the risks identified' ([247]). It highlights continuing fragmentation in governance and institutional rigidity that is limiting the capacity to coordinate adaptation across levels and sectors. The report also concludes that mainstreaming of climate and environment adaptation remains only partial – despite growing recognition of their cross-cutting nature. The temporal misalignments between climate and ecosystem degradation risks and political cycles are hindering investment in long-term resilience. Financial constraints are preventing the scaling-up of adaptation measures in the absence of sustained and consistent funding. The report concludes that there is a need to better embed climate projections in planning instruments; align investment horizons with ecological timescales; and establish long-term monitoring and evaluation mechanisms.

Climate risks have a direct and significant effect on Belgium's economy, but insurance coverage is significantly higher than the EU average. Between 1980 and 2024, Belgium recorded EUR 18.4 billion in economic damage caused by weather and climate-related extreme events. Belgium belongs to a group of countries with the second highest ratio of natural catastrophe damage to GDP in the EU ([248]). Belgium does have significantly higher insurance coverage than the EU-27 average (41% vs 19%) ([249]). This is true for most risks but there is notably less coverage for flood risk ([250]) and less coverage in specific sectors, such as agriculture ([251]).

Calculations by the National Bank of Belgium ([252]) **have revealed the significant macroeconomic and financial impact of the July 2021 floods, distinguishing between their direct impact on firms located in the flooded area and their indirect impact throughout the supply chain.** The turnover of firms directly impacted by the floods fell by an average of 15%. In addition, customers were affected throughout the value chain, because sales by these firms in regions unaffected by the floods also fell (by 0.3% for each 1% of input from an affected supplier). The fact that these effects persisted for at least four quarters after the shock demonstrates that trade and supply chain linkages lead to impacts beyond the immediate vicinity of the disaster area.

Climate-proofing has increasingly been applied in Belgium across sectors and key infrastructure, but more is needed. The energy system is subject to several climate-related risks that require adaptation investment. The July 2021 floods demonstrated the vulnerability of energy infrastructure. Reconstruction of some facilities took months,

pollinator decline and wildfires). In only one area does the report conclude that operationalising existing policies would suffice (risk to terrestrial coastal ecosystems due to sea level rise, coastal flooding and changes in soil salinity).

([246]) CERAC I BCRA report 2025, pp. 154-159.

([247])The assessment included the capacity to integrate resilience across sectors and enable consistent policy alignment; institutional coordination; and the capacity to anticipate and manage future risks.

([248])ECB and EIOPA, 2024, Towards a European system for natural catastrophe risk management, Chart 2, https://www.eiopa.europa.eu/document/download/d8c8707o-f602-4bf7-b8d8-726ecob5c173_en?filename=eiopa-ecb-climate-insurance-protection-gap.pdf. This figure includes earthquakes which happened in the period 2020-2023.

([249])EEA, 2024, Economic losses from weather- and climate-related extremes in Europe, https://www.eea.europa.eu/en/analysis/indicators/economic-losses-from-climate-related.

([250])The overall insurance protection gap score estimated by EIOPA is 1.00 (on a scale of 1 (good) to 4 (bad)) and 1.5 for flood protection. See: https://www.eiopa.europa.eu/tools-and-data/dashboard-insurance-protection-gap-natural-catastrophes_en.

([251])EIB, 2025, *Insurance and Risk Management Tools for Agriculture in the EU*, via Insurance and Risk Management Tools for Agriculture in the EU, p. 47.

([252])Bijnens, G., Montoya, M. and Vanormelingen, S., 2024, A bridge over troubled water: flooding shocks and supply chains, Working Paper Research 466, National Bank of Belgium, https://www.nbb.be/en/publications-research/publications/all-publications/bridge-over-troubled-water-flooding-shocks-and.

and the restoration of roads and electricity networks took almost a year. Under a mid-range warming scenario (2-3°C), the number of heatwave days experienced by Belgian cities could rise from 5.1 to 16.8 per year by 2050, with substations and transmission lines near urban centres facing higher electricity loads to meet increased cooling demands ([253]). The focus of investment in the energy system in Belgium is currently on facilitating the energy transition. Specific adaptation to climate change (resilience to heat, drought and floods) is still insufficiently detailed in Belgium's plans. Zeebrugge and other Belgian ports require climate-proofing investment to mitigate extreme weather risks. Belgium submitted the first version of the risk preparedness plan for the electricity sector to the European Commission in January 2022. This contains a risk analysis for the electricity sector and identifies existing and to-be-developed preventive and corrective measures. The 2023-2026 federal adaptation action plan foresees that the National Crisis Centre (NCCN) will follow up on this work, focusing on the impact of climate change on energy supply security and on the relevant infrastructure ([254]). Based on the identified risk scenarios, some adaptive measures have been identified that should strengthen the system's resilience.

Belgium's transport sector is moderately vulnerable to climate change ([255])**.** By 2050, Belgium is expected to have to invest EUR 500 million a year in adaptation to address the impacts from the hazards. The greatest adaptation investment will be required for port infrastructure, followed by road and rail ([256]). The rail network provider Infrabel already has summer, autumn and winter plans that include an overview of the measures that will be taken to limit and prevent the impacts of extreme weather events. The federal adaptation plan for 2023-2026 includes plans for further analysis of the sensitivity of various (strategic) rail assets to the impact of extreme weather events, based on climate projections up to 2100 ([257]).

Belgium is extensively applying nature-based solutions (NbS) in its climate adaptation strategies at both federal and regional levels. Belgium's comprehensive approach to NbS demonstrates significant political commitment, substantial financial investment and tangible results. Belgium's updated national energy and climate plan identifies NbS and nature restoration projects in Flanders, and reforestation and forest management in Wallonia as measures to reach LULUCF targets. Flanders has implemented a comprehensive NbS programme through its Blue Deal ([258]), which was significantly expanded under the RRP in 2025. The 2025 Blue Deal 2.0 second strategic lever emphasises maximum nature restoration and NbS, with a commitment that funded measures will feature NbS as much as possible (e.g. creating green buffers and blue-green infrastructure in rural and urban areas). Similarly, the Wetlands4Cities ([259]) project focuses on peri

([253])High Council of Finance, 2025, Additional investments in existing net zero-emission scenarios for Belgium; a comparative analysis, Klimaat.

([254])Tussentijdse evaluatie van de implementatie van de coherente set federale adaptatie maatregelen 2023-2026, p. 56.

([255])European Commission, 2024, Support study on the climate adaptation and cross-border investment needs to realise the TEN-T network, Table 4.6, Publications Office of the European Union, 2024, https://data.europa.eu/doi/10.2832/7839720.

([256])European Commission, 2024, *Support study on the climate* adaptation and cross-border investment needs to realise the TEN-T network, Table 4.28, Publications Office of the European Union, https://data.europa.eu/doi/10.2832/7839720.

([257])Tussentijdse evaluatie van de implementatie van de coherente set federale adaptatie maatregelen 2023-2026, p. 30.

([258]) The Blue Deal invests in restoration of wetlands and NbS to manage droughts and water scarcity simultaneously while boosting biodiversity. This includes wetland creation, river re-meandering, desealing and greening urban areas, and establishing green-blue networks.

([259]) This is a LIFE project (Belgium and Netherlands) that aims to minimise flooding and drought consequences by creating natural wetlands as buffers, increasing water

urban nature in cities like Antwerp, Mechelen, Bruges, Dendermonde, Hasselt and Aalst, with project areas covering over 200 hectares. In Brussels, the Blue Network Programme aims at integrated, durable and ecologically justified management of open waterways (including small rivers, ponds and marshes). Wallonia manages multiple LIFE projects for wetland restoration and humid grasslands. It also implements NbS through measures in Belgium's RRP (e.g. measure I-1.22 on nature protection projects and national parks; and measure I-1.23 on ecological defragmentation).

Water resilience

Large areas of Belgium are subject to water stress due to demand for water from energy, manufacturing and the public water supply ([260]**).** These sectors are heavily dependent on the water supply. Belgium is exposed to high water stress. It uses over 80% of its renewable water supply for energy, industry, irrigation, livestock and domestic needs. The baseline water stress of the Brussels-Capital Region is very high (5.00) due to water use in the domestic and industrial sectors. Flanders scores 4.58 for use in the industrial, domestic and agricultural sectors. Wallonia scores 4.13 for use in the agricultural, domestic and industrial sectors. The drought risk in agricultural, domestic and industrial sectors is medium in both Flanders (score 2.6) and Wallonia (2.48). This measures where droughts are likely to occur; the population and assets exposed; and the vulnerability of the population and assets to suffering adverse effects. Riverine flood risk, which measures the percentage of population expected to be affected by riverine flooding in an average year, is low-medium in Flanders (1.81), low in Wallonia (0.84) and even lower in Brussels (0.76) ([261]).

The national Water Exploitation Index+ decreased to 3.42% in 2023 from 6.87% in 2022 (latest EU data: 4.53%) ([262]). This measures how much water is being used compared with the total renewable freshwater resources available for a given territory and period. Belgium's result indicates low overall pressure due to abundant renewable freshwater resources. During the summer months of 2022, the seasonal WEI+ was even higher (reaching 10.3%). It is noted that the average WEI+ result conceals regional variations in water resource distribution and consumption, with manufacturing being the largest water consumer. Between 2018 and 2023, water abstraction in the energy sector increased by 34% and and public water supply increased by 7% and 6% respectively, while agriculture remained pretty stable (with low consumption, especially in 2023). The energy sector accounts for the highest share of water consumption at 3 004 million m^3 (i.e. 60% of all abstraction in 2023), significantly straining Belgium's water resources. The manufacturing and energy sectors together 88% of total water abstraction ([263])). The challenges remain significant, particularly in regions with high levels of water stress.

Belgium's GDP is influenced by its water resources, which are essential for various economic activities. These water resources include several major rivers and extensive canal systems linking industrial hubs. The use of water is critical in agriculture, industry and daily life. The Commission's European Drought Risk Atlas shows the major impact of drought on

infiltration in urban environments and improving blue infrastructure that connects cities with their surroundings.

([260])EEA, 2025, *Water abstraction by economic sector*, https://www.eea.europa.eu/en/analysis/indicators/water-abstraction-by-source-and/water-abstraction-by-economic-sector.

([261])Aqueduct Country Ranking, Belgium, 2026.

([262])Eurostat, Water Exploitation Index, plus, https://ec.europa.eu/eurostat/databrowser/view/sdg_06_60/default/table?lang=en.

([263])EEA (2025) Water abstraction by source and economic sector in Europe.

river transportation and terrestrial and freshwater ecosystems in Belgium ([264]).

Water productivity in Belgium ([265]) is considerably lower than in other EU Member States (17th in the EU), at EUR 75 per m³ of abstracted water in 2022. It has been declining over the past five years – reflecting inefficiencies in abstraction-heavy sectors (e.g. energy and manufacturing). In 2023, electricity accounted for 60% of freshwater abstraction, manufacturing for 22% and public water supply for 16% ([266]). Between 2022 and 2023, total water abstraction dropped by around 14%.

Water quality in Belgium remains a major cause of concern for surface and groundwater bodies. The assessment of the third river basin management plans (RBMPs) indicates that there has only been a minor improvement in the ecological status/potential of surface waterbodies; and no improvement in their chemical status compared with the status reported in the second RBMPs (covering 2015-2021).

The third RBMPs shows that effective action is needed to improve water quality (both in surface and groundwater bodies) because most water bodies in Belgium are affected by pressure caused by diffuse pollution sources. Only 27.4% of surface waterbodies have a good or high ecological status/potential ([267]). Most of these are in the Wallonia (43%), whereas the Flanders only has 0.5%. All three surface waterbodies in the Brussels-Capital Region have 'below good' potential. The percentage is 51% for groundwater bodies. The North Sea coastal waterbody has a moderate status. The main challenges come from agriculture (nitrates and pesticides pollution), population density (land use and wastewater discharges) and hydromorphological pressures. Legacy pollution and transboundary pollution are also problems.

The Commission's assessment indicates that it would be beneficial for Belgium to tackle challenges related to hydromorphology (i.e. altering river flows and riverbanks) and to the levels of nutrients and chemicals in surface waters. It would also be useful to make better use of cost-recovery and the polluter-pays principle in groundwater bodies during water shortages in dry periods. In addition, it would be beneficial to subject permits for abstraction, impoundment and discharges to mandatory periodic reviews. In Flanders in particular, nitrate pollution remains very high and water quality continues to deteriorate. In the two Flemish river basin districts, none of the surface water bodies achieves good chemical status under the latest (third) River Basin Management Plans (RBMPs). , The share of the surface water bodies in good chemical status was already very low in the previous (second) RBMP cycle 2015-2021) reflecting persistent and widespread chemical pollution and only a very small share of water bodies achieve good ecological status, indicating broader structural pressures on water quality. This pollution is directly caused by excess levels of nitrogen deposits, which threaten biodiversity and impair surface water quantity and quality. The revised seventh manure action programme (MAP7) was adopted in December 2024 but will not ensure compliance with the EU Nitrates Directive ([268]). Several scenarios for more stringent protection against pollution seem to be under discussion at the ministry.

([264])European Commission (2023) European Drought Risk Atlas.

([265])Water productivity is a metric that is calculated by dividing GDP (in chain-linked volume) by total water abstraction. It indicates the average economic value (GDP) a Member State creates for each unit of water it takes from nature.

([266])EEA (2025) Water abstraction by source and economic sector in Europe.

([267])Surface water bodies: Ecological status or potential (group) [table] | Water Framework Directive experts dashboards | WISE Freshwater.

([268])Vlaamse Land Maatschappij (2024) Nieuwe mestmaatregelen vanaf 2025.

Chemical status remains a critical challenge. All surface waterbodies fail to achieve good chemical status, thus limiting access to high-quality water for industrial and agricultural use. This failure is mostly due to ubiquitous persistent bioaccumulative and toxic substances (PFAS) along with the presence of industrial chemicals. However, there has been an increase of Ground Water Bodies GWBs in good chemical status, although they still remain at only 53.1%. For Flanders, the top five pollutants causing failure to achieve good chemical status in groundwater bodies are nitrates, potassium, pesticides, nitrogen, N,N--dimethylsulfamide and bentazone. For Wallonia, failure is mainly due to nitrates, phosphates and pesticides, which are all associated with agriculture ([269]).

Belgium is addressing these issues by implementing a large-scale modernisation programme as part of its RRP. In Flanders, the 'Blue Deal' (EUR 191.75 million) ([270]) sets out an ambitious plan to combat water scarcity and manage drought risks. The 'great river acceleration' special action plan includes over 1 000 actions to reduce, inter alia, the impacts of nitrates and phosphates from agriculture. It aims to enhance preparedness for longer periods of drought and more frequent heat waves by addressing drought problems structurally. The measure consists of supporting various water management actions. Under this investment (under the Belgian RRP), a total of 57 projects will be delivered by August 2026 in the following categories: drought mitigation measures; contribution to the construction or reconstruction of water way pumps or water way locks; installation of automatic water monitoring systems or digital data platforms; ecohydrological studies; water courses; wetland restoration; and nature-based solutions.

The quality of drinking water is currently satisfactory, but substantial investment is needed to maintain the high standards of water treatment ([271]). Belgium (Flanders) addresses challenges regarding the equitable access to drinking water of vulnerable and marginalised groups (through working groups, surveys and tools); reducing geographical disparities; affordability of drinking water and sanitation (through the mechanism of reduced tariffs); public drinking fountains (as described in the EU Drinking Water Directive DWD); and safety of drinking water (information campaigns) ([272]). The reasons for the observed inequities include a lack of financial capacity and investment in infrastructure, and differences in the quality of source water. Most people have access to safe drinking water services, but the research shows that there is still room for improvement even in high-income EU Member States.

Compared with 2020, Belgium has slightly decreased its compliance rate with the Urban Waste Treatment Directive (Directive 91/271/EEC), achieving 99.4% in 2022 (down from 99.8% in 2020) ([273]). Only five agglomerations (generating 456 000 population equivalent of urban wastewater) did not comply with the Directive's requirements. This is above the EU average of 76%. Belgium's annual water investment needs amount to an estimated EUR 2.26 billion in 2021-2027. This covers investment needs for the water industry and for water protection and management. EUR 1.8 billion (the largest part of the total

([269]) European Commission, Environmental Implementation Review (2025), Belgium country report, https://op.europa.eu/webpub/env/eir-country-reports-summaries/en/belgium.html, p. 32.

([270]) Blue Deal - Flemish Region - Reforms and Investments - European Commission.

([271]) European Semester 2025 country report for Belgium, p.86.

([272]) Research paper, Equitable access to drinking-water; focus on EU Member States, Journal of Water, Sanitation and Hygiene for Development, vol. 14, No 11, 1178, IWA 2024, https://iwaponline.com/washdev/article/14/11/1169/105673/Equitable-access-to-drinking-water-focus-on.

([273]) 12th technical assessment of UWWTD implementation – Publications Office of the EU.

annual need) is needed for wastewater management (including additional costs to implement the revised directive). A further EUR 59 million is needed for investments related to drinking water. Around EUR 363 million is needed for water protection and management. Water investments in Belgium are estimated to be around EUR 868 million per year in 2021-2027. To meet the environmental objectives of the Water Framework Directive and the Floods Directive, Belgium's annual water investment gap is EUR 1.4 billion (0.25% of GDP). Most of this is related to wastewater (EUR 1.2 billion per year). Additional provisions under the Water Framework Directive require around EUR 217 million per year over and above existing levels of financing ([274]).

Nature restoration

Nature degradation poses significant risks to the economy and to competitiveness. 20% of the gross value of Belgium's supply chain is highly dependent on ecosystem services. This is close to the EU-27 average of 22% ([275]). Overall, 38% of Belgium's economy is highly dependent on ecosystem services to create gross value added. Several sectors (e.g. agriculture, forestry and fisheries, mining and metals, construction, water utilities and healthcare) are particularly dependent ([276]). 100% of the gross value added by these sectors is directly dependent on ecosystem services. Failure to maintain the capacity of ecosystems to deliver services could therefore entail significant costs or even stop production in these sectors. Protecting and restoring key ecosystems would help maintain the long-term competitiveness of these sectors([277]).

Belgium in 2023 legally protected 15.5% of its land area (EU-27 average: 26.4%) and 38.1% of its marine area (EU average: 13.7%) ([278]). Belgium therefore exceeded the 30% EU target for protected marine areas. The completeness of the Belgian Natura 2000 network is considered to be high overall, but some insufficiencies remain in relation to Habitats Directive Annex II species that have recently recolonised Belgium ([279]). Furthermore, Belgium's common farmland bird index score of 56.6 in 2020 was below the EU average of 68.7 in 2023 and showed a steady decline since 78.4 in 2011.

The low coverage of Natura 2000 and nationally protected land areas is due to the above-average level of urbanisation and the very high population density. However, there is still room to further consolidate the protected area coverage (as illustrated by the designation of two national parks in Wallonia under the RRF). Belgium still needs to restore up to 2 925 km^2 of the land habitats listed in Annex I to the Habitats Directive, corresponding to up to 9.5% of its land ([280]) between 2013 and 2018. Just under 5% of habitats and 25% of species have a good conservation status. The mean forest condition

([274])European Commission, 2025, Environmental Implementation Review, Belgium country report, https://op.europa.eu/webpub/env/eir-country-reports-summaries/en/belgium.html.

([275])Hirschbuehl et al. (JRC), 2025, The EU economy's dependency on nature.

([276])Dataset from the Commission/JRC, based on Hirschbuehl et al. (2025) The EU economy's dependency on nature.

([277])In the short term, the nature restoration actions themselves, although necessary, can also have a significant impact on these sectors. For instance. the dedication of Marine Protected Areas limits the available fishing grounds, and also the areas used for offshore wind energy and other activities, there is a significant spatial squeeze in the North Sea.

([278])Eurostat, Protected Areas Indicator, https://ec.europa.eu/eurostat/databrowser/view/env_bio4/default/table?lang=en&category=env.env_biodiv (taking into consideration both the Natura 2000 network and other nationally designated protected sites).

([279])European Commission (2025) Environmental Implementation Review, Belgium country report.

([280]) European Commission (2022) Impact assessment accompanying the proposal for a regulation on nature restoration, p. 23 (Table II).

index was 0.58 in 2018 (EU-27: 0.62)([281]) .

Nature degradation is further amplified by invasive alien species. 61 were recorded in Belgium in 2024 ([282]), inflicting estimated damage of EUR 0.08 billion. This damage increased between 1960 and 2020, primarily affecting agriculture ([283]). Rising North Sea temperatures are also altering marine ecosystems: (i) cold-water fish stocks, such as North Sea cod, are shifting northwards, forcing local fleets to move away from traditional fishing grounds ([284])([285])([286]); and (ii) while invasive species such as the Pacific oyster and the comb jelly alter marine ecosystems by competing with or preying on planktonic organisms, including fish larvae, thereby threatening native species (e.g. mussel beds) and commercial fisheries ([287])([288]). In this context, it is essential to improve data collection and ensure an effective fisheries control enforcement.

Belgium needs to align with the EU's biodiversity strategy in order to contribute to the EU target of making at least 25 000 km of rivers free-flowing by 2030. These efforts support the aims of the Water Framework Directive of restoring freshwater ecosystems and the natural function of rivers, and mitigating the impact of floods. Free-flowing rivers also generate broader socio-economic benefits (including enhanced rural landscape quality, new recreation and tourism opportunities, strengthened local job creation, improved water quality and better sediment transport that protects deltas and coastal areas against erosion and rising sea levels).

The situation regarding eutrophication (a threat to biodiversity and ecosystem integrity) has partially improved. The areas at risk have fallen from 86% to 52.2% since 2005 ([289]). Nitrogen deposition from agriculture and industrial combustion remains a critical driver of this degradation. The 2024 nitrogen decree states that appropriate management should be in place for all site-specific conservation objectives by 2030. The decree aims to progressively reduce nitrogen deposition in Natura 2000 sites, with the goal of reaching levels that do not degrade protected habitats by 2045. The decree includes mandatory and unpopular measures, such as significantly reducing pig numbers in Flanders by 2030. Several appeals have been made against the decree. By contrast, Wallonia's scheme to prevent site-level deterioration applies to all individual land sections within the Natura 2000 network – irrespective of ownership status.

Belgium's investment needs for biodiversity and ecosystems are estimated at EUR 0.5 billion per year (in 2022 prices) in 2021–2027. This includes the following financing needs: (i) Belgium's prioritised action frameworks ([290]) for the Natura 2000 areas: EUR 343 million per year – mostly

([281]) Maes et al. (2023) Accounting for forest condition in Europe based on an international statistical standard, Nature Communications.

([282]) European Commission (2025) Environmental Implementation Review, Belgium country report, p.23.

([283]) NeoBiota (2021) Economic Cost of invasive alien species across Europe. European Commission: EMRC, Logika Group and RPA Europe (2025) Update of the costs of not implementing EU environmental law, p. 62.

([284]) Engelhard et al. (2014) Climate change and fishing: a century of shifting distribution in North Sea cod. Global Change Biology.

([285]) Camapana et al. (2020) Shifting fish distributions in warming sub-Arctic oceans. Nature Research: Scientific reports.

([286]) DeFilippo et al. (2023) Characterizing dominant patterns of spatiotemporal variation for a transboundary groundfish assemblage. Fisheries Oceanography.

([287])Javidpour et al. (2020) Cannibalism makes invasive comb jelly, Mnemiopsis leidyi, resilient to unfavourable conditions. Communications Biology.

([288])Joyce et al. Relative impacts of the invasive Pacific oyster, Crassostrea gigas, over the native blue mussel, Mytilus edulis, are mediated by flow velocity and food.

([289])EEA, Ecosystem area at risk of eutrofication and the magnitude of exceedance.

([290])European Commission, Financing Natura 2000 – Prioritised action frameworks.

running costs; (ii) additional Biodiversity Strategy (BDS) costs ([291]): EUR 22 million per year on top of the frameworks; and (iii) sustainable soil management costs ([292]): EUR 126 million. 0.3% of the total financing is estimated to come from the EU's cohesion policy, 20% from the CAP, 3.3% from Horizon Europe and around 1% from both the EMFAF and the LIFE programme. The EU's multiannual financial framework altogether accounts for 21.2% of the financing and the RRF for 3.5% – adding up to a total of 25% from the EU budget. The remaining 75% comes from national sources ([293])). Belgium's 2.9% share of RRF funding dedicated to supporting measures for biodiversity is relatively high compared with other Member States (EU-27:1.8% with a note that 8 MS did not allocate anything in their RRPs to biodiversity)([294]). Flanders and Wallonia have also together allocated 21% of their combined CAP budget for 2021–2027 for biodiversity – 3.9% of the EU's contribution to Belgium's cohesion policy is estimated to contribute to biodiversity (disregarding ESF+) (EU-27: 6.1%)([295]).

Belgium's financing resources are estimated to be sufficient to meet the environmental objectives concerning the protection and restoration of biodiversity and ecosystems and other relevant cross-cutting measures. The currently available data do not point to a major financing gap.

Sustainable agriculture and land use

Belgium's carbon removals are in line with its 2030 target for land use, land-use change and forestry (LULUCF). In Belgium, forests cover around 11% of the land area, with relatively small annual forest losses. Belgium's LULUCF sector has been a net carbon sink since 1990, but removals have been decreasing. No additional carbon removals are required to meet Belgium's 2030 LULUCF target ([296]), but the latest available projections do show that there is no longer any surplus over the target of CO_2-eq for 2030 ([297]). Belgium cannot therefore deviate from its current track to meet this target. In addition to increasing LULUCF net removals, further investments in healthy forests and soils are key to building resilient biobased product value-chains and enabling a growing, competitive EU bioeconomy. Continued improvements in the monitoring system of net removal data and projections will play a crucial role in supporting timely and effective action in the sector.

Belgium is taking further steps to improve its nature-based carbon sequestration capacities. Belgium's national energy and

([291])European Commission (2022) Biodiversity Financing and Tracking, 2022 Final report.

([292])Proposal for a directive of the European Parliament and of the Council on soil monitoring and resilience (Soil Monitoring Law), COM(2023) 416 final of 5 July 2023.

([293])This figure is based on biodiversity tracking in the EU budget (https://circabc.europa.eu/ui/group/3f466d71-92a7-49eb-9c63-6cb0fadf29dc/library/8e44293a-d97f-496d-8769-50365780acde) and national expenditure on biodiversity from the Classification of the Functions of Government Accounts.

([294])European Commission, Draft Budget 2026: Statement of Estimates (SEC(2025) 250), June 2025, https://commission.europa.eu/document/download/525beef4-12c6-4bac-9dc0-e48282def1db_en?filename=DB2026-Statement-of-Estimates_new%20SP.pdf, page 96.

([295])According to the Statement of Estimates 2026 the average EU-27 % of biodiversity expenditure in the Regional Policy (European Regional and Development Fund and Cohesion Fund) in 2021-2027 was 6.1%, https://commission.europa.eu/document/download/525beef4-12c6-4bac-9dc0-e48282def1db_en?filename=DB2026-Statement-of-Estimates_new%20SP.pdf, page 96, or https://commission.europa.eu/document/download/83ae884a-db42-4423-aca0-3cf8dfb0e02d_en?filename=Budget%20contribution%20-%20biodiversity.pdf.

([296])National LULUCF targets of the Member States in line with Regulation (EU) 2023/839, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02018R0841-20230511.

([297])Climate Action Progress Report 2025, Figure 20, https://climate.ec.europa.eu/eu-action/climate-strategies-targets/progress-climate-action/eu-climate-action-progress-report-2025_en.

climate plan (NECP) identifies several measures (e.g. strengthening the carbon monitoring system, developing a system for monitoring wood production, managing soil carbon storage, reducing artificial land, clearing land of rubble, ensuring reforestation and adapting forests to climate change). Belgium has a national forest accounting plan for 2021-2026, which projects annual harvest rates and carbon accounting for forests ([298]). However, forest management is a regional competence, so there is no unified national forest management plan. In 2025 the Flemish government established the Flemish Action Platform for Carbon Removals and Carbon Farming. This builds on the LIFE-funded CarbonCounts, which includes mapping carbon storage in soils through geodata platforms. The Platform will initially focus on carbon farming and carbon storage in biomaterials ([299]). Flanders's common agricultural policy supports soil-related measures. Flanders has also been implementing an afforestation programme since 2019, with the aim of realising 4 000 hectares of new forests by 2024. Wallonia has (via LIFE projects, its common agricultural policy's strategic plan and regional measures) set up several programmes to increase soil organic carbon sequestration (as laid out in its PACE 2030 plan ([300])), thus protecting peatlands, as well as a scheme to remunerate soil organic carbon increases in agricultural soils. Wallonia also encourages forest owners to diversify tree species and build climate resilience, focusing on replanting forests affected by pests and promoting sustainable forest management. The Brussels region has limited LULUCF initiatives compared with Belgium's other regions. Brussels's PACE 2030 plan includes brief mentions of carbon removal, primarily focusing on planting trees in neighbourhoods with limited tree cover and promoting soil health.

Belgium's agricultural sector continues to have a significant impact on air, water and soils. Belgium's utilised agricultural area (UAA) has been relatively stable but on a slight downward trend in recent years, amounting to 1.35 million hectares in 2023. However, its soils have been significantly impacted by nutrient loss, mainly from mineral fertilisers and manure. This is a significant environmental concern and a threat to human health. It is reflected in Belgium's nitrogen balance of 132 kg of nitrogen per hectare of UAA (last available estimate from 2015) – the fourth highest in the EU behind Cyprus, Netherlands and Malta (EU-27: 40.2 kg per hectare of UAA in 2014). According to data collected under the Nitrates Directive, nitrates in groundwater account 29.96 milligrams per litre([301]) and 16% of groundwater monitoring stations in Belgium recorded average nitrate concentrations above 50 mg/l between 2016 and 2019 ([302]), thus exceeding the healthy threshold for human consumption. This trend underscores systemic agricultural pressures, given the Belgium's relatively high livestock density (2.51 livestock units per hectare in 2023 ([303])), the third highest score in the EU and well above the EU average of 0.75.

Belgium faces environmental and public health risks due to persistent agricultural pollution pressures and rapid transfer of contaminants in groundwater systems. Belgium's functional urban area has considerably expanded in recent years. Net land taken between 2018 and 2021 accounted for 708 parts per million (ppm)/year of Belgium's total urban surface. Most land has been taken from arable land. This ongoing

([298])National_forest_accounting_plan_-_belgium.pdf.

([299])Carbon removals and carbon farming (Koolstofverwijderingen and koolstoflandbouw) | Landbouw en Zeevisserij.

([300])Plan Air Climat Énergie à l'horizon 2030,. PACE 2030.

([301])Eurostat, [sdg_06_40] Nitrate in groundwater (last update 20.02.2026)

([302])Nitrate in groundwater, EEA.

([303])Eurostat, Livestock density index, https://ec.europa.eu/eurostat/databrowser/view/taio9/default/table?lang=en.

'land take' and the associated soil-sealing make ecosystems less resilient, decrease carbon sequestration and impair flood protection ([304]). In Flanders the speed of net land take has slowed down in recent years in line with the strategic spatial policy objective aiming at achieving zero. On 29 October 2025, the Court of First Instance in Brussels ordered a moratorium on the urbanisation of the city's natural sites until the Brussels-Capital Region revises its regional land-use plan ([305]). A 9% reduction in agricultural ammonia emissions between 2018 and 2023 ([306]) underscores improvement in emission control and Belgium is projected ([307]) to meet its 2030 reduction commitments. During the same period, total ammonia emissions of Belgium decreased at the same rate (from 68 kT to 62 kT). The ratio of agriculture emissions to total national emissions remained stable (94.54% vs 94.64%), while other sectors (accounting for the other 5% of total emissions) slightly increased (transport rose by 2.3% to 1.2 kT in 2023; residential commercial and institutional by 3% to 0.2 kT) or significantly decreased (manufacturing and extractive industry fell by 60% from 2.2 kT to 1.5 kT ([308]). In addition, persistent nitrate pollution indicates gaps in nutrient management strategies.

Pesticide contamination remains a critical issue. 52% of rivers water bodies exceed regulatory thresholds for pesticide residues ([309]). Pesticides not only threaten aquatic ecosystems but also pose long-term risks to human health through contaminated drinking water and food chains. In 2017-2022, pesticides were detected in 52% of surface water bodies at levels exceeding the thresholds ([310]) and in 55% of groundwater. Belgium has the fourth highest pesticide use per hectare in the EU (after the Netherlands, Malta and Cyprus): 7 kg per hectare of arable land. Many recent studies have shown that this has a severe impact on Flemish nature and public health in Flanders ([311]). On 15 December 2025, the Court of First Instance Construction in Brussels ruled that Flemish legislation did not adequately transpose Article 12 of the Pesticides Directive as regards Natura 2000 sites and that Article 6 of the Habitats Directive had not been transposed correctly as regards the management of a site in a special area of conservation. An action plan has been adopted and extra measures are under discussion in the government.

Belgium has the highest level of soil contamination by pesticides in the EU with concentration over 0.5 mg/kg in 89% of its soil (EU-27: 57%). More than 10 substances were detected in 45% of the soil samples examined (EU-27: 11.09%) ([312]).

([304])EEA (2022) Land take and land degradation in functional urban areas.

([305])Court of First Instance in Brussels (2025) 24/885/A.

([306])EEA, Air pollutant emissions data viewer (Gothenburg Protocol, (Air Convention) 1990-2023.

([307])EEA (2025) Magnitude of emission reductions required by EU Member States to meet their emission reduction commitments for 2030 onwards, based on 2023 data.

([308])Eurostat (2025) Air Pollutants by source sector.

([309])EEA (2024) Pesticides in rivers, lakes, and groundwater in Europe.

([310])The Water Framework Directive (WFD) and its daughter directives on environmental quality standards in water policy, as amended in 2013, and quality standards for groundwater set quality objectives and targets for pesticides in surface waters and groundwater and should protect water quality from pesticide pollution.

([311])Court of First Instance Construction Brussels, Third Civil Chamber, role number 2023/339/A, date of final judgment 15.12.2025.

([312])Vieira et al. (JRC) (2023) Pesticides residues in European agricultural soils - Results from LUCAS 2018 soil module.

Table A10.1: **Key Adaptation Indicators**

Climate adaptation and preparedness:							EU-27
	2019	2020	2021	2022	2023	2024	latest data
Drought impact on ecosystems *[area impacted by drought as % of total]*	4,69	38,56	0,01	56,99	0	-	2,76
Forest fires burned area (1) *[burned area in ha. per year]*	287	-	659	382	240	-	354.510
Economic losses from extreme events *[EUR million at constant 2022 prices]*	296	617	11.653	946	121	202	40.452
Insurance protection gap (2) *[composite score between 0 and 4]*	-	-	-	1	1	1	-
Sub-national climate adaptation action *[% of population covered by the EU Covenant of Mayors for Climate & Energy]*	57	79	87	89	89	89	34

Water resilience:							EU-27
	2019	2020	2021	2022	2023	2024	latest data
Water Exploitation Index Plus, WEI+ (3) *[total water consumption as % of renewable freshwater resources]*	4,21	3,69	3,13	6,87	3,42	-	4,53
Water productivity *[EUR per m³]*	91	97	86	75	-	-	151
Water abstraction							
Water abstraction by source (% from surface water)	86,51%	84,41%	87,28%	-	-		-
Water abstraction by sector	Agriculture	Electricity cooling	Manufacturing	Public water supply	Mining and Quarrying	Construction	
	0,87%	60,41%	22,03%	15,88%	0,81%	0,00%	
Status of water bodies (4) *[% of water bodies in a good status]*							
Surface water bodies (ecological)	-	-	-	-	-	27%	38%
Groundwater bodies (quantitative)	-	-	-	-	-	88%	93%

Nature restoration:							EU-27
	2019	2020	2021	2022	2023	2024	latest data
Ecosystem dependency *[% of direct dependency]*	-	-	-	38%	-	-	44%
Protected area *[% of terrestrial protected areas]*	14,6	14,6	14,7	14,7	15,5		26,4
Invasive alien species (IAS) *[number of IAS of Union concern]*	-	-	-	-		61	29,2
Damage cost of IAS *[EUR billion]*	-	-	-	-	0,08		1,69
Eutrophication *[AAE of area at risk of euthrophication]*				439	439		295

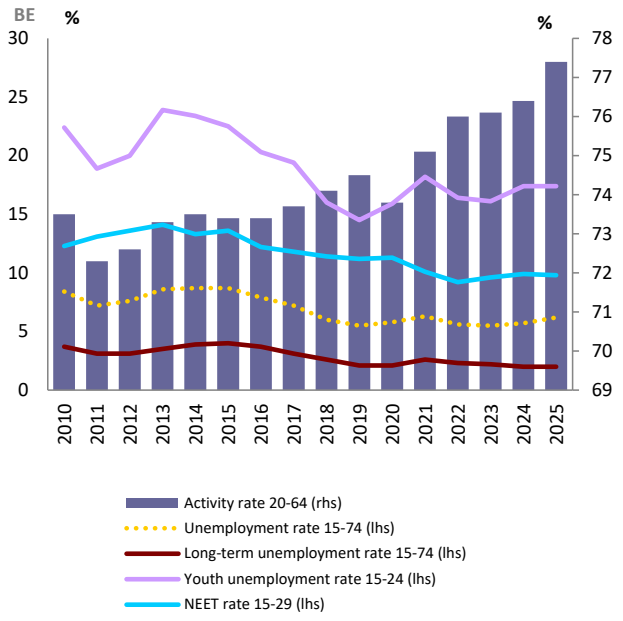
Sustainable agriculture and land use:							EU-27
			2012-2018		2018-2021		latest data
Yearly net land taken by Member State *[ppm of total urban surface per Member State]*			763		708		670
Land conversion in functional urban area *[% of total land taken from 2018-2021]*							
Arable land					44%		
Complex and mixed cultivation					0%		
Forests					8%		
Herbaceous vegetation associations					6%		
Open spaces with little or no vegetation					0%		
Pastures					40%		
Permanent crops					0%		
Water					2%		
Wetlands					0%		
	2019	2020	2021	2022	2023	2024	latest data
Nitrates in groundwater (5) *[mgNO_3/l]*	30,5	30,5	30,3	30,2	30,0		
Livestock density *(number of livestock units per hectare of utilised agricultural area)*		2,68			2,51		0,75
Ammonia emissions *[% of total utilised agricultural area]*	95%	95%	95%	95%	95%	-	94%
Pesticide contamination on rivers and lakes water bodies *[% of monitoring sites with pesticides exceeding thresholds, 2018-2023]*				rivers	52%		27%
				lakes	n.d.		18%
Pesticide contamination in soil *[% of samples with a concentration over 0.5 mg/Kg⁻¹]*					89%		57%
Net greenhouse gas removals from LULUCF (6) *[ktCO_2-eq]*	-387,0	-398,6	-330,4	-516,4	-306,1	-	-198.421

(1) EFFIS (European Forest Fire Information System), https://forest-fire.emergency.copernicus.eu/apps/effis.statistics/estimates.
(2) The climate protection gap refers to the share of non-insured economic losses caused by climate-related disasters, based on modelling of the risk from floods, wildfires and windstorms, and on the insurance penetration rate. Scale: 0 (no protection gap) – 4 (very high gap). EIOPA, 2025, Dashboard on insurance protection gap for natural catastrophes.
(3) This measures total water consumption as a percentage of the renewable freshwater resources available for a given territory and period. Values above 20% are generally considered to be a sign of water scarcity, while values equal to or greater than 40% indicate severe water scarcity.
(4) European Commission, 2024, *Seventh Implementation Report from the Commission to the Council and the European Parliament on the implementation of the Water Framework Directive (2000/60/EC) and the Floods Directive (2007/60/EC) (Third River Basin Management Plans and Second Flood Risk Management Plans)*.
(5) Indicator refers to concentrations of nitrate (NO_3) in groundwater, measured as milligrams per litre (mgNO_3/L). Nitrate can persist in groundwater for a long time and accumulate at a high level through inputs from anthropogenic sources (mainly agriculture). The EU drinking water standard is limited to 50 mgNO_3/L to avoid threats to human health.
(6) Net removals are expressed in negative figures and net emissions are expressed in positive figures. Reported data are from the 2025 greenhouse gas inventory submission. The 2030 value of net greenhouse gas removals is taken from Regulation (EU) 2023/839 – Annex IIa.

Sources: Eurostat, EEA and JRC.

Belgium's labour market remains resilient, but employment growth is slowing amid structural challenges related to labour shortages and labour market inclusion. Despite recent gains, the employment rate is still low and labour shortages are still high in relative terms, with large regional differences. Addressing skills mismatches and boosting labour market integration of disadvantaged groups across all regions will be essential to ensure an inclusive, competitive and robust labour market. The 2025 country-specific recommendations (CSR) for Belgium highlighted the need to: (i) foster workers' job mobility, including in research and innovation; (ii) tackle labour shortages and skills mismatches, including for the green and digital transitions; and (iii) make active labour market policies more effective and targeted to further integrate disadvantaged groups, in particular people with a low level of education, older people, people with a migrant background and persons with disabilities.

Graph A11.1:**Key labour market indicators (BE)**



Source: Eurostat, LFS [lfsi_emp_a, une_rt_a, lfsi_neet_a, une_ltu_a]

The employment rate reached a new high in 2025 but is still below the EU average, and regional disparities persist. The employment rate (20-64) reached a record high of 72.8% in 2025. Nevertheless, the rate is well below the national 2030 target of 80% and lags behind the EU average both in level (EU: 76.1%) and in cumulative growth since 2016 (+5.1 pps vs EU: +6.4 pps). The underperformance mainly reflects the low activity rate (77.4% vs EU: 80.8%). Regional differences are among the largest in the EU: employment is high in Flanders (77.3%) but substantially lower in Wallonia (67.9%) and Brussels (63.9%) (see Annex 18). The gender employment gap stands at 7.1 pps, below the EU average (9.6 pps). Narrowing the gap further could help expand the workforce while fully closing it by 2060 could increase Belgium's annual GDP growth per capita by up to 0.2 pps ([313]).

The labour market is showing signs of easing, with slower employment growth and a slight rise in labour market slack. Employment growth eased to 0.3% in 2024 and it stayed roughly stable in 2025 (0.4%). In 2026-2027, employment growth is forecast to rise gradually, supported by reforms aimed at longer careers and better reintegration of long-term sick workers ([314]). Between 2023 and 2024, hours worked in in flexi-jobs increased by 25%, representing roughly 0.9% of salaried labour volume (FTE) in Q4-2024. Belgium plans to expand this fiscally attractive contract type to all sectors in 2026. This may exacerbate labour shortages in sectors like education and healthcare ([315]) and poses a potential risk to the tax base. Overall, the share of high-wage, high-productivity jobs has declined since 2022, and low-productivity jobs with low and medium wages have expanded. If this trend continues, it may have implications for job quality and

([313])Fluchtmann, J., Adema, W., & Keese, M. (eds.) (2024): Gender equality and economic growth: Past progress and future potential. *OECD Social, Employment and Migration Working Papers*, OECD Publishing, Paris.

([314])European Commission, Spring 2026 Economic Forecast.

([315])National Bank of Belgium (2026). Yearly Report 2025.

competitiveness ([316]). Labour market slack has slightly increased, reaching 12.3% in Q4-2025, above the EU average (11.0%), and up from 10.7% in Q4-2024, reflecting a higher share of unemployed and underemployed people working part-time. The unemployment rate increased to 6.2% in 2025, up 0.5 pps from 2024 and now exceeding the EU average (6.0%). In Brussels, the unemployment rate (12.6%) is more than double the national rate (6.2%), with lower unemployment in surrounding Flanders (4.3%). Youth unemployment (15-24) is above the EU average (17.4% vs 15.2%), with marked regional differences (see Annex 18). The share of young people neither in employment nor in education and training (NEETs; 15-29) stood at 9.8% in 2025. Although the rate is below EU average (11.0%), the associated economic costs are high, estimated at about EUR 28 800 per NEET per year ([317]). The European Social Fund Plus (ESF+) supports youth employment and implementation of the Youth Guarantee in Brussels (EUR 17.1 million) and Wallonia (EUR 56.8 million). Long-term unemployment stood at 2.0% in 2025 (EU: 1.9%). A major reform that caps unemployment benefit to maximum two years entered into force in January 2026 and is expected to cause about one-third of the people affected to transition to social assistance (see Annex 12).

Labour shortages are easing but remain high. Labour shortages remain among the most acute in the EU, with a job vacancy rate of 3.8% in 2025 (EU: 2.1%). While job vacancy rates have declined in line with the EU trend, they remain above the EU average in all regions ([318]). Labour shortages are still widespread across several sectors and are especially high in administrative and support service activities (7.5%), professional, scientific and technical activities (5.8%), construction (5.5%) and ICT (4.6%). Demographic change is causing labour supply growth to slow, which may affect sectors such as public administration, transport, education, healthcare and manufacturing. Considering labour shortages, Belgium has taken several flexibility measures (Annex 5).

Skills mismatches also persist, suggesting scope for improved interregional mobility. The macroeconomic skills mismatch ([319]) has declined in recent years, reaching 25.4% in 2025, still one of the highest in the EU (EU: 19.2%). Overqualification rates have slightly declined to 19.7% in 2025 (EU: 21.4%), the lowest level since 2016. Although 61.2% of individuals aged 16–74 had at least basic digital skills in 2025 (EU: 60.4%), there are still significant gaps across population groups. On advanced digital skills, ICT specialists accounted for 5.9% of the number of people in total employment in 2025 (EU: 5.0%), yet demand continues to outpace supply across many activities. In science and technology, low job mobility is hampering innovation (see Annex 4). In line with the 2025 CSR to foster workers' job mobility, Belgium has introduced a one-time entitlement to unemployment benefits for people who leave their job voluntarily in an effort to improve job-to-job mobility. Regional labour market differences suggest scope to further improve interregional labour mobility, for instance in Brussels where the ratio of vacancies to low-skilled jobseekers is low ([320]).

Belgium underperforms in integrating non-EU nationals into the labour market. The employment rate of non-EU citizens is the

([316]) European Commission, Labour Market and Wage Developments in Europe – Annual Review 2025.

([317]) European Commission, Employment and Social Developments in Europe ('ESDE') 2025.

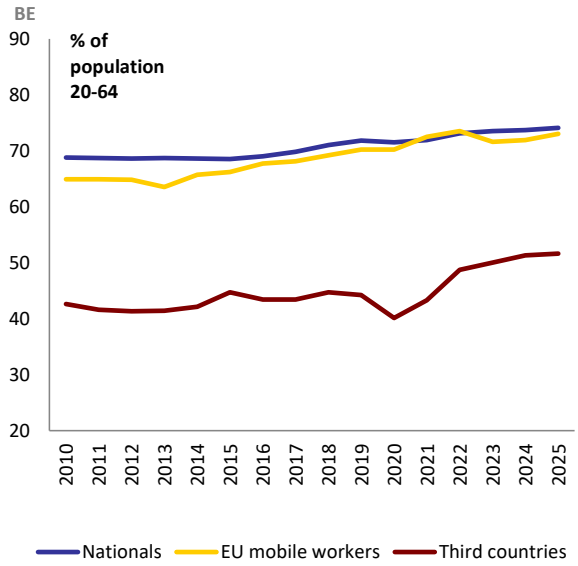
([318]) Flanders: 4.0%; Brussels: 3.0%; Wallonia: 2.8% in Q4-2025 (EU: 2.1% in Q4-2025).

([319]) This indicator shows the relatively higher difficulty of low- and medium-qualified people in entering the labour market, as compared with high-qualified people. DG EMPL calculations based on Eurostat data.

([320]) See 2025 Country Report for Belgium; OECD (2023): Unleashing Talent in Brussels, Belgium, OECD Reviews on Local Job Creation, OECD Publishing, Paris.

lowest in the EU (51.6% vs EU: 65.2% in 2025), and the relative employment gap (21.2 pps) is among the largest in the EU. The weak labour market integration is associated with markedly higher poverty risks (Annex 12). The employment rate for women with non-EU citizenship is even lower, standing at 39.5% (EU: 54.0%). This can partly be attributed to care responsibilities and more limited access to early childhood education and care ([321]). However, differences in household composition and education level only partly explain this employment gap ([322]). Moreover, labour market participation rates are lower for native-born individuals with two foreign-born parents than for foreign-born individuals. Lastly, non-EU nationals are more likely to work in poor-quality jobs, with significantly higher risks of in-work-poverty and a higher prevalence of temporary contracts. Posted non-EU nationals face additional vulnerabilities in their working conditions, as shown by higher infraction rates uncovered by Belgian social inspections in transnational investigations ([323]). Belgium is taking several measures against social fraud. Strengthened policy actions comprising the talent pipeline from education and training to the labour market, focusing on enabling services, could help improve labour market integration of people with a migrant background, in line with the 2025 CSR.

Graph A11.2:**Employment rate by citizenship**



Source: Eurostat, LFS [lfsa_ergan]

Sizeable labour market disparities remain for persons with disabilities, people with lower levels of education and older workers. The disability employment gap in Belgium remains high (34.7 pps vs EU: 24.2 pps in 2025). The rate has slightly increased relative to 2024 (33.1pps) and remains well above the national target of reducing the gap to below 24.5 pps by 2030. The activity rate of persons with disabilities at 50.9% is low (EU: 64.4%; 2023), pointing to limited incentives to work ([324]), and Belgium is strengthening its 'Return-to-Work' policy to tackle this. People with lower levels of education have an employment rate of 46.7% (EU: 58.2%) and their participation in lifelong learning is lower (see Annex 13). The ESF+ is investing around EUR 134 million in improving access to the labour market, including for disadvantaged groups. The employment rate of older people (55-64) has improved markedly, from 35.3% in 2009 to 61.5% in 2025, narrowing the gap with the overall employment rate by 20.5 pps. Still, the employment rate of older people remains below the EU average (66.4%). Recently agreed pension reforms aim to incentivise longer

([321])OECD/European Commission (2023), Indicators of Immigrant Integration 2023: Settling In, OECD Publishing, Paris.

([322]) Gap compared with Belgian women. Instituut voor de Gelijkheid van Vrouwen en Mannen (2025). De positie van vrouwen van niet-EU-herkomst op de Belgische arbeidsmarkt. The study uses a broader concept of 'migrant origin' encompassing both first and second generations.

([323])Higher than the share of 'positive' investigations among non-transnational investigations. De Wispelaere, F. (2025). Inspectiestatistieken over de strijd tegen sociale fraude en sociale dumping: meten is weten. Belgisch Tijdschrift voor Sociale Zekerheid (Vol. 66, Issue 4, pp. 567–598).

([324]) European Semester 2025-2026, Country fiche on disability equality, Belgium.

working careers (see Annex 12), although age discrimination in hiring may also affect employment prospects.

The share of people in low-work intensity households is high. At 11.0% in 2025, Belgium has one the highest shares in the EU of people (0-64) living in households with very low-work intensity. Regional disparities are wide, with high rates in Brussels (22.1%) and Wallonia (14.6%). The relatively high rate of clustered low-work intensity, alongside higher associated poverty risks and the potential for intergenerational transmission of poverty, remains a concern ([325]). Very low-work intensity households require improved access to the labour market through enhanced and targeted support, including employment-oriented measures, like training and enabling services (see Annex 12).

The number of people on long-term sick leave is high and growing, weighing on Belgium's productivity. The share of people receiving disability benefits is higher than in neighbouring Member States like Germany and the Netherlands. This cannot be explained by a deterioration in the health of the overall population, but the improved labour market participation of women and older workers plays a role as they are more likely to experience health issues ([326]). Improved prevention and reintegration, including timely action and better cross-institutional cooperation, could help curb this rise. To deal with this challenge, Belgium is further expanding its 'Return-to-Work' measures ([327]). Robust monitoring and evaluation of these measures, which takes into account other ongoing reforms and the existing institutional set-up, will be essential to assess their effectiveness.

Financial incentives to work or to increase the number of hours worked remain constrained. According to the OECD, Belgium has the highest tax wedge in the EU (52.6%; EU: 40.3%) ([328]), and there are significant low-wage traps. A recent study ([329]) nuances the prevalence of low financial incentives to work, finding that they vary considerably depending on individual characteristics. However, it identifies weak work incentives for single mothers, even without considering the cost of early childhood education and care. Some measures were introduced in 2026 by the federal government to make work more financially rewarding, including increasing the tax-free allowance and the work bonus (see Annex 3).

Belgium is focusing on active labour market policies, but challenges remain. Belgium is implementing a reform of unemployment benefits and youth integration allowances, under which people under 55 who have been unemployed for more than two years will generally lose access to unemployment benefits. Given the strong impact of unemployment duration on the likelihood to find work, targeted and effective active labour market policies (ALMP) are crucial to mitigate the reform's social impact and to better reach disadvantaged groups and the inactive population. Belgium has above-average investment in ALMPs and ALMP participants have a relatively high willingness to work, but the evidence on the cost-effectiveness of demand-side ALMPs is mixed ([330]). There is also

([325]) See Annex 12 on child poverty risks and Annex 13 on socio-economic gaps in educational outcomes.

([326]) OECD (2024): Economic Survey Belgium 2024.

([327]) Since 2021, the federal government has taken several measures to improve the reintegration of people with a long-term illness and strengthen the 'Return-to-Work' policy.

([328]) The figures reflect the situation of a worker earning 67% of the average wage and living alone. See (OECD, 2025b).

([329]) Aerts, Marx, and Verbist (2025). Revisiting the 'make work pay' debate: how pervasive are dependency and poverty traps really? Centre for Social Policy Herman Deleeck Working Papers, University of Antwerp.

([330]) Cockx, B., Deng, H., Desiere, S., Toniolo, T., & Van der Linden, B. (2025). De loonlastenverlaging voor de eerste werknemer – enkele inzichten. Gent: Universiteit Gent.

scope to streamline jobseeker processes in Brussels ([331]). In line with the 2025 CSR, Wallonia has strengthened its follow-up of jobseekers with a reform of the public employment service, and Flanders is rolling out an action plan to absorb the impact of the unemployment benefits reform.

Nominal wages rose in 2025, and real wages stayed broadly flat. Wages grew by 3.3% in nominal terms (EU: 4.3%) and by 0.2% in real terms (EU: 1.7%) in 2025. In 2026, nominal and real wages are projected to increase by 2.4%, while real wages are expected to fall by 0.7%. This evolution follows a real wage decrease in 2024 (-1.3%), after sizable real wage growth in 2023 (+5.1%). Overall, compared with 2019, real wages were 2.0% higher in 2025 and are expected to be 2.5% higher in 2026, contributing to some recovery of purchasing power in the post-pandemic period. From a cost-competitiveness perspective, unit labour costs rose by 2.5% in 2024, against 4.9% in the EU, and a similar growth rate is expected for 2025 (2.6%). The statutory minimum wage increased by 10.5% in real terms between January 2022 and July 2026. A balanced reform of the wage-setting mechanism, comprising wage indexation and the wage norm law, could help enhance labour market efficiency ([332]). The federal government has asked social partners to propose a modernised wage norm by end of 2026 and plans a two-time cap on indexation of wages above EUR 4,000 gross ([333]).

Belgium appears relatively well positioned in the transition to climate neutrality. Employment in energy-intensive industries represents a moderate share of total employment, slightly below the EU average (2.7%; EU: 3.5% in 2025). This points to more limited transition-related risks for workers compared with Member States with larger energy-intensive industries. Of particular significance is the chemical industry, which employs an above-average proportion of workers (1.0% vs EU: 0.7% in 2025), with a strong regional concentration in Flanders. This industry is expected to be further affected by international competition and higher energy prices.

Social dialogue remains well-established. The collective bargaining coverage rate, at 96%, is the fourth highest in the EU, and trade union density stood at 47.5% in 2023. Belgium operates a multilevel system of social dialogue, with social partners active at federal and regional levels, as well as in interprofessional and sectoral contexts. Around 4 in 10 workers are trade union members, one of the highest rates in the EU. Belgian social partners have underlined the continued need for sufficient time and space for social dialogue ([334]).

([331]) OECD (2023), Unleashing Talent in Brussels, Belgium.

([332]) International Monetary Fund. European Dept. "Belgium: 2025 Article IV Consultation-Press Release; and Staff Report", IMF Staff Country Reports 2025, 069, accessed 26/3/2026

([333]) Draft Programme Law of 23/02/2026, ref. *56K1378*.

([334]) ESDE 2025; National Labour Council (2025): Opinion 2471 on the European Recommendation on strengthening Social Dialogue in the EU.

Belgium's strong welfare system tackles poverty and social exclusion, but some groups face persistent challenges. Belgium reached its overall 2030 poverty reduction target in 2025. Social benefits play an important role in reducing poverty and inequalities. However, vulnerable groups continue to face significant disparities, especially people with a migrant background, persons with disabilities and single-parent households, partly associated with weaker labour market outcomes. In 2025, the country-specific recommendations for Belgium called for making the long-term care system more cost-effective while keeping access to care and services affordable. Further efforts to tackle these challenges will help contribute to Belgium's competitiveness, inclusive growth and prosperity.

Poverty and social exclusion risks are relatively low and decreasing. The at-risk-of-poverty or social exclusion (AROPE) rate decreased by 1.8 percentage points (pps) to reach 16.5% in 2025 (EU average: 20.9%). With these latest efforts, Belgium has reached its 2030 target for reducing the number of people at risk of poverty or social exclusion, with a decrease of 344 000 people compared to 2019 levels (2030 target: -279 000). For 2025, the at-risk-of-poverty (AROP) rate in Belgium is the second lowest in the EU (10.9% vs EU 16.3%), while the rate of severe material and social deprivation is also below EU average and decreasing (4.9% vs EU 6.3%). The poverty gap ([335]) was the lowest in the EU in 2025 at 14.6% (EU: 22.5%).

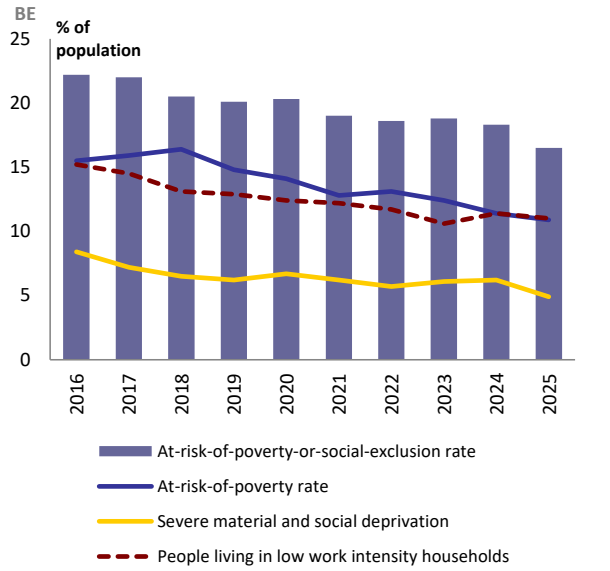
The proportion of children at risk of poverty or social exclusion also decreased by 1.3 pps to reach 18.9% in 2025 (EU 24.3%). With this evolution Belgium has achieved a decrease of 86 000 children at risk of poverty or social exclusion compared to 2019 levels, bringing Belgium closer to reaching its 2030 sub-target on reducing child poverty (target 93 000). Ensuring adequate human and financial resources and strengthening cooperation between national, regional and local bodies, including in the area of data collection, could be considered in order to bolster the implementation of the European Child Guarantee recommendation.

There are significant regional disparities in the risk of poverty or social exclusion. The AROPE rate was higher in Brussels (33.6%) than in Wallonia (20%) and Flanders (11.4%) in 2025. Brussels, and to a lesser extent Wallonia, also has a significantly higher risk of monetary poverty than Flanders (Brussels: 23.3%; Wallonia: 13.4%; Flanders: 7.2%). Brussels is characterised by marked social inequalities and more polarised wages (with the lowest 10% of earners being paid EUR 985 per month compared with EUR 1250 per month for Belgium overall), while poverty risks are compounded by high housing costs, particularly for tenants (see Annex 16) ([336]). While Belgium achieved its poverty reduction targets in 2025, sustained and comprehensive anti-poverty policies in line with the EU Anti-Poverty Strategy remain essential to ensure continued progress.

([335])The poverty gap measures the depth of poverty, i.e. the difference between the median equivalised disposable income of people below the at-risk-of-poverty threshold and the poverty threshold.

([336])Observatoire de la Santé et du Social de Bruxelles-Capitale, Baromètre Social : Rapport Bruxellois sur l'état de la Pauvreté et des inégalités sociales et de santé 2023 et 2025.

Graph A12.1:**At-risk-of-poverty or social exclusion rate and its components (AROP, SMSD, LWI)**



Source: Eurostat, EU-SILC [ilc_peps01n, ilc_li02, ilc_mdsd11, ilc_lvhl11n]

The high percentage of people living in low work intensity households poses a structural challenge. In 2025, Belgium had one of the highest proportions of people (under 65 years old) living in households with very low work intensity or quasi-jobless households, in the EU (11.0% vs EU 7.9%). At the same time, the poverty risk for people living in quasi-jobless households has been decreasing, from 58.9% in 2020 to 50% in 2025 (EU: 64.5% vs 66.3%), suggesting an improvement in the effectiveness of social protection. Despite this, poverty risks for children living in households with very low work intensity remain very high at 68.3% ([337]). Measures to address the structural challenge of very low work intensity households could focus on improved access to the labour market through increased targeted support, alongside boosting employment-oriented measures and strengthening enabling services such as early childhood education and care (see Annex 11).

The risk of living in a household with very low work intensity is significantly higher in certain groups and regions. In 2025, certain groups presented an increased risk of living in a household with very low work intensity. Belgium has the highest percentage of non-EU-born adults living in very low work intensity households (20.6% vs EU 13.2%). Additionally, adults with a lower educational attainment level had a significantly higher risk of living in a household with very low work intensity (34.1% vs EU 17.3%) compared to those with a medium (11.6% vs EU 7.3%) or higher level (5.3% vs EU 4.1%). Moreover, regional disparities are significant, with higher and increasing rates in Brussels (22.1%, up 1.9 pps since 2024) compared to Wallonia (14.6%) and Flanders (6.7%).

Poverty risks remain persistently high among certain groups and are closely linked to weaker labour market outcomes. At 35.7%, people born in a non-EU country face an AROPE rate 22.9 pps higher than people born in Belgium (while people born in another EU country face an AROPE rate 7.4 pps higher than those born in Belgium). This is tied to lower employment rates and an increased likelihood for non-EU nationals to experience poor job quality (see Annex 11), with a significant gap between the rate of in-work poverty for workers born in non-EU countries compared to those born in Belgium (12.3% vs 2.8%). Additionally, persons with disabilities were twice as likely to face poverty or social exclusion risks (27.2%) than persons without disabilities (12.2%). This is linked to worse labour market outcomes for persons with disabilities and a high disability employment gap (see Annex 11). The AROPE rate was also high for households with one adult living alone (26.1% vs EU 31.7%) and for single parents (33% vs EU 44.3%). Beyond employment status, disparities in job quality among vulnerable groups play a key role in determining poverty and social inclusion outcomes ([338]). The

([337])SPPM 2024.

([338])SPF Social Security, Evolution of the social situation and social protection in Belgium in a comparative perspective 2025.

European Social Fund Plus (ESF+) helps support poverty reduction through around EUR 418 million in investments in social inclusion and integration, while EUR 50.6 million is allocated for material aid to the most deprived. Greater efforts to improve labour market outcomes, both in quality and intensity of work, including through the social economy, could help create economic opportunities and promote social inclusion. Since 2025, Belgium (Wallonia) has been benefiting from technical support through the Technical Support Instrument (TSI) to design its new social economy strategy that will integrate wider policy objectives and a monitoring and evaluation framework. The project will also help develop a communication plan that promotes social economy initiatives and fosters public and private sector support, thereby bolstering the social economy ecosystem.

Social benefits are very effective at mitigating the risks of poverty, but coverage gaps and regional differences persist. Social protection expenditure in Belgium is among the highest in the EU (28.7% of GDP in 2024 vs 27.3% in the EU). The effectiveness of social protection in reducing poverty risks through social benefits has improved from 41.7% in 2019 to 52.6% in 2025, making Belgium one of the best performers in the EU. This means the poverty risk is reduced by over half through social benefits, while in the EU this risk is reduced by a third (33.2%). For Brussels, the poverty-reducing effect of social benefits is lower (45.9%) than in Flanders (55.8%) and Wallonia (53.2%). Moreover, in-work benefits provided to low-income individuals who are working contributed to reducing the risk of poverty by 2.3 pps ([339]). Coverage of in-cash benefits remains high overall, with 87.0% of eligible individuals receiving benefits in 2024 (EU 83.1%). Nevertheless, coverage gaps persist and certain groups, such as unemployed people and temporary or part-time workers, have persistently higher AROP rates after social benefits (see 2025 country report).

An ongoing reform of the unemployment benefits system aims to boost labour market participation. In 2025, in line with commitments in the Belgian recovery and resilience plan (RRP) and medium-term fiscal-structural plan, the Belgian Federal Government adopted an unemployment benefits reform which, among other changes, limits the duration of unemployment benefits to a maximum of two years. The reform aims to facilitate the reintegration of the long-term unemployed into the labour market and prevent long-term dependency on unemployment benefits. Initial government calculations estimated that around a third of the long-term unemployed would find employment, while a third would transition to social assistance. However, recent analyses by Belgium's Court of Audit ([340]) and the National Bank of Belgium ([341]) concluded that the outflow to employment may have been underestimated, with between 10% and 20% expected to find employment. To prevent the unemployment reform from negatively impacting the most vulnerable groups, it is necessary to continue focusing on skills development, to ensure targeted support for jobseekers, to strengthen the capacity of social assistance providers (CPAS/OCMW) and to ensure that those providers cooperate with regional employment services. In this regard, Belgium is benefitting from support through the TSI to develop digital solutions to support job matching and career progression for vulnerable groups. This may facilitate job searching and support for vulnerable groups, helping to shorten the duration of unemployment and leading to more sustainable, higher-quality career paths and improved social inclusion.

([339])Employment and Social Developments in Europe 2025 Annual Review.

([340]) Cour des comptes, Commentaires et observations sur les projets de budget de l'État pour l'année budgétaire 2026.

([341])National Bank of Belgium, Economic projections for Belgium – December 2025.

An adequate and sustainable pension system remains crucial to mitigate poverty risks in old age. The risk of poverty for people over 65 years old has decreased from 17.9% in 2022 to 9.3% in 2025 (16.3% in the EU). Still, the gross aggregate pension replacement ratio (excluding other social benefits) was 0.48 in 2025, indicating that pensioners experience a more considerable drop in income compared with their gross pre-retirement income than the EU average (0.60). The gender pension gap in Belgium is also higher than the EU average, at 26.2% (66-79; EU: 23.9%), which can be attributed to past gender inequalities on the labour market or less accrual of pension rights due to care responsibilities ([342]).

The new pension reform aims to improve social and fiscal sustainability. In March 2026, the federal government presented a draft law to reform the pension system to the parliament ([343]). The government has focused its efforts on improving the adequacy and sustainability of the pension system, in line with the reforms undertaken as part of the Belgian RRP and the medium-term fiscal-structural plan. The draft law aims to further harmonise the three statutory pension schemes (employee, self-employed, civil servant), introduces a 'bonus-malus' system to encourage longer working careers and reviews how working years are counted. Retaining older people in the labour market is central to ensuring that both the labour market and the social system remain sustainable in the long term.

Demographic ageing is expected to place increased strain on the long-term care system. The long-term care (LTC) system generally performs well in Belgium, but demographic trends are expected to exacerbate existing vulnerabilities and place increased financial pressure on the system. In 2022, spending on LTC in Belgium was among the highest in the EU (2.3% of GDP vs 1.7% in the EU) ([344]), reflected in the high proportion of people aged 65 and over who receive public home care or residential care (15.2% and 5.2% respectively vs 5.5% and 3.3% in the EU). The Federal Planning Bureau calculated that the expenditure for LTC would increase to 2.9% of GDP by 2050 ([345]). The Belgian LTC system is also characterised by a high reliance on residential care (61.3% of total LTC expenditure in 2022 vs 46.2% EU average), although Belgium has recently increased the provision and awareness of home care. The Belgian LTC system presents certain vulnerabilities in affordability, especially given the high out-of-pocket cost for residential care as a proportion of old-age income after public support ([346]). Additionally, with labour shortages recorded in the LTC sector in all three regions and, with 21% of LTC workers aged over 55 (EU 27%), demographic ageing may accentuate challenges with the workforce supply.

Belgium has taken some measures to keep access to care and services affordable. Belgium has focused on digitalisation in the care sector under the RRP. In Flanders, a four-year project 'ToekomstZorg' (FutureCare) aims to develop intersectoral LTC. In parallel, the extension of the use of the BelRAI tool to LTC facilities in Flanders in 2023, with further plans to also apply it to home care, makes it easier to assess the care and support needs of older people and develop individual care plans in residential and community-based settings. In Wallonia, primary care is being reformed to strengthen prevention and improve the efficiency of community-based care and services. Brussels is continuing its work to ensure older people and people with reduced autonomy receive adequate care and services, through a large-scale reform of the LTC sector

([342]) Federal Planning Bureau, Karel van den Bosch, The Gender Pension Gap, past gender labour market inequalities and pension systems in the EU, April 2024.

([343]) Pension reform draft law of 10 March 2026.

([344]) Ageing Report 2024.

([345]) Federal Planning Bureau, Annual Report 2025 of the Study Committee on Ageing.

([346]) OECD.

that includes measures to improve the financing of Iriscare (a social protection organisation), to facilitate transparency of costs and to strengthen the alternatives to residential care. The ESF+ also supports the diversification of care settings and the provision of independent living services with a budget of EUR 15 million in Wallonia and Brussels. It will be essential to continue improving data collection, forecasting and planning mechanisms, as well as to engage in collaboration between different levels of government, to ensure an adequate, affordable and sustainable LTC system that takes demographic ageing into consideration.

Energy and transport poverty in Belgium remain relatively low, but some groups are disproportionately affected, and significant regional disparities persist. In 2025, 4.2% of the population was unable to keep their house adequately warm, while 4% of the population faced arrears on utility bills, both well below the EU average (8.8% and 7%, respectively). Nevertheless, the percentage of people unable to keep their house adequately warm was significantly higher among people at risk of poverty (13.2% vs EU average 19.6%), due to both high energy prices and the increased likelihood for this group to live in homes with low energy efficiency ([347]). Regional disparities were also significant, with much higher rates in Brussels (9.6%) and Wallonia (7.6%) compared to Flanders (1.4%). Belgium addresses energy poverty mainly through social support measures and financial assistance for low-income households targeted towards improving energy efficiency of buildings and helping with the payment of energy bills. Concerning transport poverty, 5.7% of the population was unable to afford a car (around the 5.5% EU average). However, the risk is higher and above the EU average for people living below the poverty threshold (22.7% vs EU 16.5%). In Wallonia's rural areas, public transport faces bottlenecks (see Annex 18).

Belgium is implementing a series of investments and measures to tackle energy inefficiency and transport challenges. The Belgian RRP supports investments aimed at renovating private and social housing (see Annex 16), providing energy grants for low-income households and improving public transport in all three regions. The Belgian national energy and climate plan also aims, among other things, to address energy and transport poverty through a coordinated approach involving all levels of government ([348]). Upon adoption by the Commission, the Belgian social climate plan will support ongoing efforts to address energy and transport poverty among the most vulnerable households and transport users, in particular to cushion the upcoming impacts of the new emissions trading system (ETS2).

([347])Fondation Roi Baudoin, Baromètre de la précarité énergétique 2024.

([348]) Belgian National Energy and Climate Plan 2021-2030.

Deteriorating basic skills and inequalities in the education systems, combined with limited adult learning, call for further policy action. Significant socio-economic disparities in basic skills persist, exacerbated by academic tracking. The declining rate of top performers in mathematics and science could adversely affect early orientation towards science, technology, engineering and mathematics (STEM) careers. Although measures to address teacher shortages are being taken, a long-term vision for professional development and diversified career opportunities could help make the profession more attractive. Adult participation in lifelong learning is low and groups with weaker labour market attachment participate substantially less. Boosting STEM and information and communications technology (ICT) enrolment at all levels, including among girls and women, would support competitiveness, while better aligning education and training offers with needs could help overcome labour shortages and skills mismatches. While several reforms are under way, there is further scope for policy action to address the 2025 country-specific recommendations ([349]).

Socio-economic gaps and the decline of top performance in basic skills undermine young people's future prospects. The deterioration of mathematics and science skills over time can be observed among both younger (fourth graders, TIMSS) and older cohorts of pupils (15-year-olds, PISA 2022). Inequalities in basic skills are correlated with pupils' socio-economic and migration background ([350]). While two thirds of advantaged students (66.3%) perform well in at least one OECD Programme for International Student Assessment (PISA) domain (reading, mathematics, science), this ratio is only 16.6% among disadvantaged students, a gap above the EU average (49.6 percentage points (pps) vs 42.7 pps). The early tracking of students by academic ability and high levels of grade repetition exacerbate these inequalities as students progress further through the education systems ([351]). Top performance has also declined ([352]), which could negatively impact the pool of students potentially pursuing higher education in STEM fields, among others. The gender gap in science and mathematics is significant and has increased among fourth graders, suggesting that early interventions to attract girls to STEM are crucial to address the gap ([353]). In 2025, the Flemish Community allocated additional resources for language support and introduced new minimum goals in primary education, with a focus on teaching mathematics and Dutch. The French Community continues to implement the curricular reform under its Pact for an Excellent Education and will introduce standardised tests in 2026 to assess basic skills in the beginning of fourth grade. These reforms are important for supporting and monitoring basic skills, but it is too early to assess their impact.

([349])'Address labour shortages and skills mismatches [...]. Improve the performance and equity of the education and training systems and enhance their labour market relevance, in particular in ICT and STEM fields. Continue reforms to strengthen the teaching profession by developing more flexible and attractive career paths and training for teachers.'

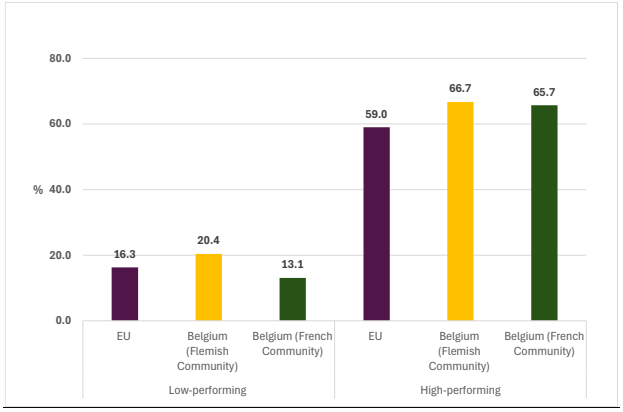
([350])European Commission (2024). Education and Training Monitor 2024 - Belgium.

([351])See European Semester Country Report 2025.

([352])In PISA 2022, from 15.7% to 11.5% between 2018 and 2022 (BE-nl: 15%, BE-fr: 6.8%, BE-de: 6.3%).

([353])European Commission (2025). Education and Training Monitor 2025 – Belgium.

Graph A13.1:**Share of advantaged vs disadvantaged students that perform well in at least one PISA domain. EU vs Be(Fl) vs Be(Fr)**



(1) Share of 15-year-olds performing well in at least one domain by socio-economic status.
Source: PISA 2022 Equity Indicator (DG EAC calculations).

Belgium has a high level of participation in early childhood education and care (ECEC), although the sector faces challenges related to shortages and affordability. In 2025, 48.0% of children under three participated in formal childcare or education, above the EU average (40.5%), but below the national Barcelona target (53.9%). A sizeable gap exists between children that are at risk of poverty and social exclusion (AROPE) and those who are not. In the AROPE group, 1.9% of children under three attended 25 hours of ECEC per week or more, vs 35.4% for children in the non-AROPE group. Demand for early-age ECEC (under three) is larger than supply, and shortages of childcare workers and staff absence complicate quality provision ([354]). To address these challenges, Flanders has launched a 'Masterplan Childcare 2025-2029' to expand childcare places, and with Recovery and Resilience Facility support, Wallonia is investing in ECEC infrastructure to create 1 700 new childcare places. However, planned budget cuts in the French Community and priority rules for income-based subsidised childcare in Flanders have raised concerns among stakeholders ([355]). For children over three years old, participation in ECEC remains high at 98.1% in 2024, above the EU target of 96%. However, staff shortages are rampant in both Communities ([356]).

Early school leaving is increasing. While the share of early leavers from education and training remains below the EU-level target of 9% (BE: 7.3%; EU: 9.1% in 2025), it has increased by 0.6 percentage points compared to 2021. Rates are higher than the national average in the Brussels Region (8.8%) and Wallonia (9.8%), especially in Hainaut and Liège, which warrants the need for targeted action and further monitoring. Administrative data in Flanders show that early school leaving and absenteeism are above the Community average in cities such as Antwerp, Brussels and Gent([357]). Since 2016, the Flemish Community has been financially supporting the 'Together Against School Dropout' project network, which provides coordination and targeted guidance at the regional and local levels. The French Community adopted a decree on combating dropout and absenteeism in 2024. Implementation begins in 2026 in pre-primary and primary education and only in 2027 in secondary education, where the highest absenteeism rates are observed ([358]).

Amid shortages, teachers need further professionalisation and diversified career opportunities. Although teachers in Belgium are generally satisfied with their job, they feel underappreciated. According to OECD TALIS 2024 ([359]), only 15.4% think that they are valued by society (EU average: 15.4%); in the French Community, this figure is only 5.8%. Teachers'

([354]) European Commission, EACEA (2025). *Key data on early childhood education and care in Europe*; OECD (2025). *TALIS Starting Strong 2024* (data for Flemish Community only).

([355]) Education and Training Monitor 2025 – Belgium.

([356]) Idem.

([357]) Dataloep (2026). Absenteeism rates in primary and secondary education. Department of Education and Training, 2026. Early school leavers based on administrative data.

([358]) In 2023/2024, the ratio of students with at least 9.5 days of unexcused absences in the last two years of secondary education was 22.25% (Administration Générale de l'Enseignement, 2026).

([359]) OECD, TALIS 2024.

participation in impactful professional learning lags the EU average (46.9% ([360]) vs 56%), indicating unmet needs. In the French Community, teachers lack clear incentives to pursue training ([361]) and in Flemish schools, in-school professional development opportunities often remain underused ([362]). While the Communities continue to implement measures to combat shortages, a large share of new teachers leave the profession within the first five years ([363]). Flanders has increased the number of lateral entrants, but the uptake of newly created specialised teacher positions remains limited, also due to the absence of a coherent school staffing policy ([364]). The French Community reformed initial teacher education in 2023, but new enrolments have dropped by close to 39% since 2016 ([365]), which is likely to exacerbate shortages in the short term. The government has also announced plans to reform the employment status of teachers ([366]), which is expected to increase job security, particularly for novice teachers.

Adult participation in education and training is low with significant participation gaps, although adults' basic skills remain robust. In 2022, 34.9% of adults took part in education or training ([367]), far below the national 2030 target (60.9%) and the EU average of 39.5%. Contrary to the EU trend, there has been a decline relative to 2016. However, recent Labour Force Survey (LFS) results suggest a positive development since 2022 ([368]). Adults that are low-qualified (12.5%) or outside the labour market (15.2%) participate substantially less in learning. More recent data also show lower participation among non-EU nationals. Bridging these participation gaps is essential for a resilient and inclusive workforce, also considering the widening inequality in adults' basic literacy skills ([369]). Still, Belgium (Flanders) performs strongly on adult basic skills overall, despite declining basic skills among younger cohorts. Only 13.3% of adults underperform across all three domains: literacy, numeracy, and adaptive problem-solving (EU: 19.9%). Demand-side challenges play a role in low lifelong learning rates: over half of adults (25-64) do not participate in learning and do not perceive to have a learning need (AES). To boost lifelong learning, the French Community has launched 'Contrat 2035' for adult education, and Wallonia is undertaking a reform of its lifelong learning schemes. In Flanders, the online 'Training Credit' is being rolled out, while the European Social Fund Plus (ESF+) is investing over EUR 152 million in strengthening lifelong learning. Belgium plans an interfederal cooperation agreement to build an individual learning account following the abolition of the federal learning account. Progress towards the 2030 national target will require enhanced and effectively targeted efforts to reach under-represented groups.

([360])BE-fr: 30.5%, BE-nl: 57%, OECD TALIS 2024.

([361])Ibid.

([362])Flemish Education Inspectorate (2025). Onderwijsspiegel 2025

([363])De Witte, K. & Iterbeke, K. (2022). Het lerarentekort als katalysator voor onderwijshervormingen. KU Leuven. Lafontaine, D., Dupont, V., & Quittre, V. (2024). La pénurie d'enseignants : mise en perspective. Université de Liège.

([364])Commissie van Wijzen (2023). Priority for professionalism: Contemporary personnel policy with competent teachers, powerful schools and strong school boards.

([365])ARES (2022). La formation initiale des enseignants (Teachers' initial training). StatSup'Info, n° 4. Data for 2025/2026 provided by: ARES/MFWB – Statistiques.

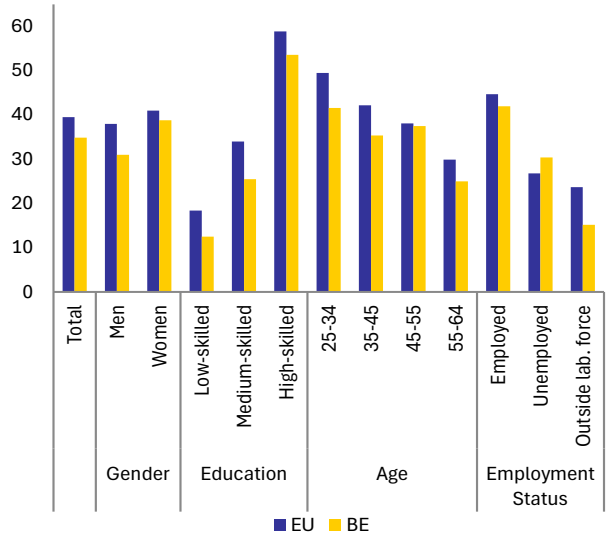
([366]) Fédération Wallonie-Bruxelles. (2024). Déclaration de Politique Communautaire.

([367])Adult Education Survey (AES).

([368])This positive evolution is partly due to a time series break.

([369]) OECD (2023). Survey of Adult Skills (PIAAC).

Graph A13.2:**Adult participation in learning**



(1) Participation in learning in the last 12 months (excluding guided on-the-job training)
Source: Eurostat – Adult Education Survey (AES 2022)

Skills shortages continue to impact the Belgian labour market, hindering the digital and green transition. With one of the highest job vacancy rates in the EU in 2025 (3.8%; EU average: 2.1%), labour and skills shortages remain elevated across the country (see Annexes 11 and 19). The macroeconomic skills mismatch ([370]) has declined in recent years, reaching 25.4% in 2025 (EU average: 19.2%), but is still among the highest in the EU. While overqualification rates ([371]) in Belgium are slightly below the EU average 19.7% vs 21.4%), overqualification is significantly higher among non-EU citizens (37.0%). Except for federally regulated professions, equivalence recognitions of diplomas awarded by one Community are not automatically recognised by the other Communities, hindering skills recognition. The German-speaking Community lacks a qualifications database under the European Qualifications Framework Recommendation. In Belgium, the proportion of people aged 16-74 with at least basic digital skills is slightly above the EU average (61.2% vs 60.4%). Nevertheless, Belgium has a high job vacancy rate in ICT (4.6%), which points to unmet needs for advanced digital skills. Indeed, Belgium performs below average for the share of tertiary students in ICT (4.4%; EU average: 5.5% in 2023), and the number of ICT graduates is among the lowest in the EU (2.4 per 1 000 aged 25-34). Belgium ranks last in the share of women among all ICT students at tertiary level (14.9%; EU average: 24.3% in 2023), although more women have been enrolling in recent years ([372]). Continued action to boost enrolment in ICT programmes, with special attention for girls and women, will be important for competitiveness and the digital transition. Belgium also faces workforce challenges for key sectors in the green transition. In particular, the job vacancy rate is relatively high in manufacturing (2.9%; EU: 1.5%); energy (4.3%; EU: 1.4%) and construction (5.5%; EU: 2.8%). In 2025, 14 occupations relevant to the green transition or climate adaptation recorded shortages of workers, from civil engineers to roofers. The high job vacancy rate and the number of shortage occupations ([373]) suggest scope to further increase the labour-market relevance of the education and training offer, in line with the 2025 country-specific recommendation. Wallonia surveyed businesses' recruitment intentions to support decisions on its public employment services' training offer. Flanders is developing skills forecasting at macro level and has reduced fees for adult education related to shortage occupations.

The demand for STEM specialists is expected to grow, but Belgium encounters challenges in boosting their supply. Demand for STEM jobs is forecast to increase in Belgium by 2035

([370]) The macroeconomic skills mismatch indicator measures the dispersion of employment rates across skill groups (proxied by qualification levels). Source: DG EMPL's own calculations.

([371]) Definition: the share of workers with higher education qualifications who were employed in occupations that did not require that level of qualification. Source: Eurostat.

([372]) See Education and Training Monitor 2025 for detailed data.

([373]) EURES – Shortages and Surpluses Report 2024.

([374]). However, STEM graduates remain scarce: the number of new STEM graduates is limited (12.9 per 1 000; EU average: 17.5), and tertiary-level STEM enrolment is also low (18.7%; EU average: 26.9%) and below the proposed EU target of 32%. In medium-level vocational education and training (VET), only 27.2% of students are enrolled in STEM subjects in Belgium (2024), below the EU average of 36.6% and below the proposed 2030 target of 45%. Under 'OTLAV', Wallonia and the French Community wish to strengthen the appeal of STEAM careers, particularly in sectors with skills shortages, but no targets have been set so far. In Flanders, the STEM Agenda monitors set objectives. Despite efforts, progress on enrolment has been slow so far. Moreover, the share of STEM students in medium-level VET has slightly declined, despite high demand and persistent shortages ([375]). Girls make up 21.0% of students in medium-level VET programmes in STEM, above the EU average (15.9%), although this number has recently declined in Belgium, down from 33.6% in 2020. Efforts to attract students, including girls and women, to STEM fields – and retain them – could be enhanced, particularly in tertiary education, where only 26.8% of STEM students are women (EU average: 32.2%), although their number is increasing ([376]).

Despite performing relatively well on the enrolment of medium-level students in VET, there is scope to expand work-based learning. The share of medium-level pupils attending a VET programme (57.9% in 2024) is above the EU average (52.9%). In 2024, in Belgium, just over half of those who had completed VET had experienced work-based learning during their programme (51.6%), short of the EU target of 60% by 2025, and below the EU average (66.0%). At the same time, the employment rate of those who had recently completed VET stood at 75.4% (EU average: 80.2%). To increase the labour-market relevance of VET, Belgian Communities are strengthening work-based learning by making conditions more flexible in Flanders and better integrating relevant stakeholders into VET decision-making in the French Community. However, uptake remains modest and changes to the 'seventh year' in the French Community provoked reactions among stakeholders ([377]). Making VET more attractive is essential, as this is linked with risks of early school dropout ([378]) and considering the socio-economic segregation within VET systems ([379]).

Accessibility and inclusivity of the education systems can help build a solid foundation for lifelong inclusion. In Belgium, where the disability employment gap is large, young adults with disabilities (18-29 years old) are more likely to leave school early (23.8%) compared to the EU peers (20.0%) and their Belgian counterparts without disabilities (7.7%). Belgian data suggest that enrolment in special education is increasing, notably due to the rise in Flanders ([380]). In the Flemish Community, 5.8% of primary school children are educated outside of mainstream education, and in the German-speaking Community, this figure is 4.5%, compared to an average of 1.4% across 35 European systems ([381]). In 2025, the Flemish

([374]) CEDEFOP Skills Forecast 2035.

([375]) [educ_uoe_enrs10__custom_19279805]; for Flanders see also the STEM monitor for a widening gap with the Flemish targets set in secondary education.

([376]) Education and Training Monitor 2025.

([377]) For details on the measures taken: ibid. The 'seventh year' pertains to one-year post-secondary professional training programmes for adults and secondary education certificate holders, which was discontinued in favour of adult education.

([378]) Education and Training Monitor 2025.

([379]) See 2025 Country Report Belgium.

([380]) Statistics Flanders (2025). Social position and participation of persons with disabilities; French Community (2024), Education indicators 2024; Ostbelgien Statistik - Schülerzahlen 2024-2025.

([381]) European Agency for Special Needs and Inclusive Education, (2025). European Agency Statistics on Inclusive Education: 2022/2023 School Year Dataset Cross-Country Report). For the French Community, community data indicate 5.2% in specialised primary education for the same reference year (Les Indicateurs de l'Enseignement 2024).

government launched a new policy framework for inclusive education until 2040, aiming to better integrate students with special learning needs into mainstream education. Pioneer schools will pilot the model in 2026. More students with disabilities are enrolling in Flemish higher education, as a result of tailored arrangements and support from the Support Centre for Inclusive Higher Education. However, they also drop out faster than other students ([382]). In the French Community, territorial clusters were created in 2021 to support full mainstream integration, but the results of the evaluation of these clusters are not yet available.

Participation in higher education is high, but budget cuts and fee increases may hinder access for under-represented and foreign students. In 2025, over half (52.7%) of young people aged 25-34 held a tertiary education degree (EU average: 44.8%) and the number of new enrolments is growing ([383]). However, students in Belgium take much longer to complete their studies than in other countries: only 33% (BE-nl) and 23% (BE-fr) of bachelor students finish within the theoretical time frame of their programme (EU-25: 43%) and 26% (BE-nl) to 43% (BE-fr) do not graduate and are no longer enrolled three years later ([384]).In both Communities, the results of the evaluation of measures to improve study efficiency are yet to be released. The Flemish government has launched a revision of needs-based scholarships and has decided to limit funding for foreign (non-EU) students to 2% at institutional level. Universities ([385]) and student organisations have voiced concerns over these measures, estimating that up to 20 000 students (6%) could lose their entitlement to financial support ([386]). While universities and basic research face funding cuts, more will be invested in applied higher education institutions, with an aim of rationalising their short-cycle graduate programmes and improving their labour-market relevance. However, institutions do not find the funding sufficient for a growing number of students ([387]). The French Community is examining a structural reform of its higher education funding. The model under consideration (individual right to higher education – DIES) would combine a revision of enrolment fees with the granting, for resident students, of a portable entitlement in the form of maintenance grants, usable both in case of enrolment in an institution of the French Community and abroad ([388]).

([382])Commissie voor Onderwijs (2025). Vraag om uitleg over de beperkte doorstroom van studenten met een handicap in het hoger onderwijs.

([383])6.9% between 2018 and 2023, Eurostat: educ_uoe_ent01.

([384])OECD (2025). Education at a Glance 2025: OECD Indicators, OECD Publishing, Paris.

([385])VLIR (2025). Press release, https://vlir.be/nieuws/besparing-op-universiteiten-en-studenten/.

([386])Open letter of the Vlaamse Vereniging van Studenten 2025.

([387])SERV (2025). Gezamenlijk advies van de Sociaal-Economische Raad van Vlaanderen en de Vlaamse Hogescholenraad.

([388])Vandenberghe, V. & Yzerbyt, V. (2025). Etudiants mobiles et financement de l'enseignement supérieur en Europe.

Table A14.1: **Social Scoreboard for Belgium**

Equal opportunities and access to the labour market	Adult participation in learning (during the last 12 months, excl. guided on the job training, % of the population aged 25-64, 2022)	34.9
	Early leavers from education and training (% of the population aged 18-24, 2025)	7.3
	Share of individuals who have basic or above basic overall digital skills (% of the population aged 16-74, 2025)	61.2
	Young people not in employment, education or training (% of the population aged 15-29, 2025)	9.8
	Gender employment gap (percentage points, population aged 20-64, 2025)	7.1
	Income quintile ratio (S80/S20, 2025)	3.25
Dynamic labour markets and fair working conditions	Employment rate (% of the population aged 20-64, 2025)	72.8
	Unemployment rate (% of the active population aged 15-74, 2025)	6.2
	Long term unemployment (% of the active population aged 15-74, 2025)	2.0
	Gross disposable household income (GDHI) per capita growth (index, 2008=100, 2024)	107.1
Social protection and inclusion	At risk of poverty or social exclusion (AROPE) rate (% of the total population, 2025)	16.5
	At risk of poverty or social exclusion (AROPE) rate for children (% of the population aged 0-17, 2025)	18.9
	Impact of social transfers (other than pensions) on poverty reduction (% reduction of AROP, 2025)	52.6
	Disability employment gap (percentage points, population aged 20-64, 2025)	34.7
	Housing cost overburden (% of the total population, 2025)	6.7
	Children aged less than 3 years in formal childcare (% of the under 3-years-old population, 2025)	48.0
	Self-reported unmet need for medical care (% of the population aged 16+, 2025)	0.9

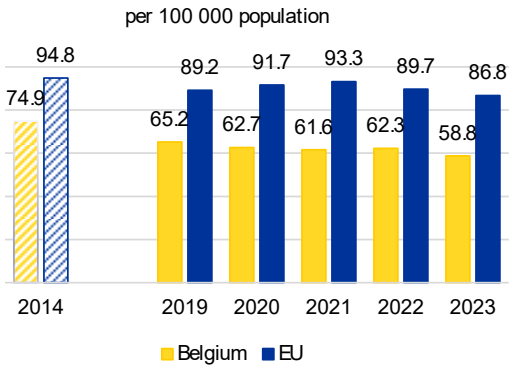
Critical situation	To watch	Weak but improving	Good but to monitor	On average	Better than average	Best performers

Update of 4 May 2026. Members States are categorised based on the Social Scoreboard according to a methodology agreed with the EMCO and SPC Committees. Please consult the Annex of the Joint Employment Report 2026 for details on the methodology (https://employment-social-affairs.ec.europa.eu/joint-employment-report-2026_en).
Source: Eurostat

Belgium's health system faces challenges that negatively affect the health of its population, social fairness and productivity. There are significant disparities in healthcare access between income groups and the share of out-of-pocket spending for healthcare has increased. Persistent shortages of health professionals raise concerns about access to services amid rising demand.

Life expectancy at birth in Belgium was higher than the EU average in 2024, and Belgium fares comparatively well in avoiding deaths from treatable causes. As in other EU countries, women can expect to live longer than men (4.1 years longer). However, they can expect to live around 0.9 years less than men in good health. At age 65, Belgians can expect to live both longer and with more healthy life years than the EU average. In 2023, the mortality rate from treatable causes was one of the lowest in the EU, suggesting that the health system is effective. Diseases of the circulatory system ('cardiovascular diseases') and cancer were the leading causes of death in 2023, but with mortality rates lower than the EU average. Despite falling since 2014, the suicide rate was still above the EU average in 2023. Suicide is now reported to be the leading cause of death in Belgium in the age group 15-54 ([389]).

Graph A15.1:**Treatable mortality**



Age-standardised death rate - mortality that could be avoided through optimal quality healthcare.
Source: Eurostat (hlth_cd_apr)

Investment in disease prevention in Belgium is comparatively low and there is scope to increase efforts. In 2023, spending on disease prevention in Belgium accounted for 1.8% of total spending on health ([390]), much lower than the EU average of 3.7%. While the rate of preventable mortality in Belgium was around 9% lower than the EU average in 2023, it lagged behind the corresponding rate in several western EU countries. There is therefore room for preventing more deaths by reducing exposure to risk factors. Although, fruit and vegetable consumption is comparatively high in Belgium, the lack of physical activity among adults is a public health concern. A significant share of Belgian adults (35.5%) reported never exercising outside working time in 2022 (higher than the 31.6% of the population across the EU). In recent years, the obesity rate among adults has risen slightly to exceed the EU average in 2022, raising concerns about the future prevalence of diabetes and cardiovascular diseases. Heavy alcohol consumption among adolescents has also risen between 2018 and 2022. In 2025, Belgium reinforced activities to improve young people's health literacy, particularly in the areas of mental health and alcohol consumption. There are plans to introduce additional measures in

([389]) The Brussels Times, 'Demand is growing': Brussels suicide prevention centre helps 300 people in one year, accessed online on 22/01/2026.

([390]) Ambiguities in the boundary of prevention spending have been reported by Belgium, which may underestimate the level of spending on disease prevention.

2026-2028 to curb harmful drinking, including more robust regulations and, possibly, minimum alcohol pricing. Together with alcohol-related disorders, lung cancer and chronic obstructive pulmonary disease (COPD) were the leading causes of preventable mortality in 2022. This highlights the need to increase efforts in preventing non-communicable diseases. Belgium participates in several joint actions funded by EU4Health aimed at reducing the burden of cardiovascular diseases, cancer, diabetes and respiratory diseases, such as the joint actions PreventNCD([391]), JACARDI([392]) and EUCanScreen([393]).

Health spending in Belgium is higher than the EU average but the share covered by public funds is lower. In 2023, health spending per capita in Belgium (adjusted for differences in purchasing power) was almost 20% above the EU average. However, public spending as a proportion of total health spending (73.6%) was lower than the average across the EU (80.6%). This translated into a comparatively high proportion of households' out-of-pocket payments for healthcare in Belgium (21.5% in 2023, compared to an EU average of 15%), which has effectively increased since 2014. These out-of-pocket payments relate mainly to costs for outpatient care, long-term care, dental care, retail pharmaceuticals and the widespread charging of fee supplements by 'non-conventioned' practitioners (those who charge additional fees on top of the official tariffs agreed between health insurance funds and the representatives of practitioners). A royal decree from 2024 aims to address the issue of fee supplements. Since the beginning of 2025, 'non-conventioned' doctors and dentists are prohibited from charging extra fees for outpatient care to patients who are entitled to preferential reimbursement (due to eligibility for other social benefits or based on the level of their annual income). A preliminary draft law tabling several health reforms was presented in June 2025 and is being discussed with healthcare organisations, which have expressed concerns. The reforms propose reducing this type of fee supplements and enhancing the attractiveness of the convention mechanism (for example, by making some premiums available exclusively to conventioned healthcare providers). If adopted, these amendments will take effect in 2028. However, cost-saving measures in the 2026 health insurance budget introduce higher patient contributions for some medicines, in order to finance reimbursement for innovative treatments. From 2026, patients pay a minimum co-payment of EUR 2 per package of medication at public pharmacies. However, people on low-incomes pay a reduced minimum co-payment of EUR 1. Furthermore, fees for midwifery services are introduced for the first time.

Health spending is skewed towards inpatient care, reflecting a hospital-centred model of healthcare delivery. In 2023, the largest share of health spending in Belgium was directed to inpatient care (a share higher than the EU average), while the share of spending for outpatient care was slightly below the EU average. This reflects a continued reliance on hospital-based care. However, the occupancy rate of hospital beds is low (62.5% in 2023) suggesting an inefficient use of resources. In recent years, day surgery rates in Belgium have risen, indicating a shift from inpatient care. For instance, the percentage of tonsillectomies and inguinal hernia repairs performed as day surgeries exceeds the EU average. Nonetheless, there are significant variations in the proportion of day surgery activity across regions and hospitals in Belgium, suggesting room for more efficiency gains. Furthermore, the rate of avoidable hospital admissions for conditions that are sensitive to management at ambulatory care level is higher

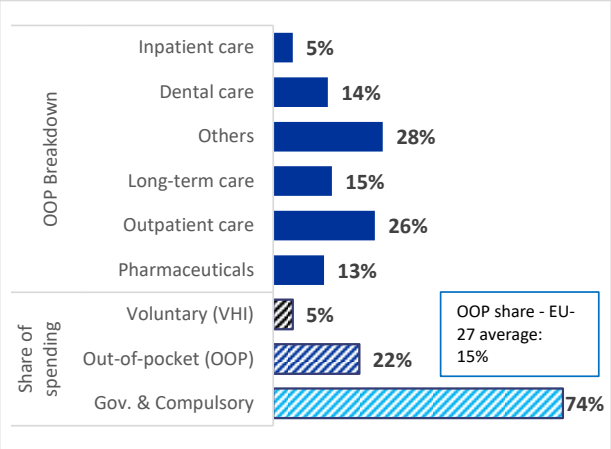
([391]) JA PreventNCD - Reducing Europe's cancer and NCD burden through coordinated strategies on health determinants.

([392]) JACARDI - Joint Action on CARdiovascular diseases and DIabetes.

([393]) EUCanScreen - Implementation of cancer screening programmes.

than the EU average. This is particularly the case for diabetes, asthma and COPD, pointing to a need to strengthen the role and effectiveness of primary care in managing these chronic conditions ([394]).

Graph A15.2:**Out-of-pocket payments: share in healthcare spending and categories, 2023**



Household out-of-pocket payment: direct payment for healthcare goods and services from the household primary income or savings, where the payment is made by the user at the time of the purchase of goods or the use of the services (Eurostat). VHI: voluntary health insurance (1) Others: eyeglasses, hearing aids, lab tests...
Source: Eurostat and Country Health Profiles - Dashboard

Belgium faces challenges with unequal access to healthcare. The overall proportion of the Belgian population reporting unmet needs for medical care (1%) was below the EU average (3.6%) in 2025. However, lower income groups were disproportionally affected. Among the population who declared having medical needs, the gap between people below and above the poverty threshold (defined as 60% of the median equivalised income) is higher in Belgium than across the EU. As public coverage of dental care is comparatively low in Belgium, unmet needs for dental care are higher: identified by 3.9% of the population who reported needing dental care in 2025 (versus an EU average of 6.3%), with people at risk of poverty nearly four times as likely to forgo dental care. Beyond its direct impact on health status, healthcare coverage is also a powerful tool against poverty and inequality. Analysis shows that in Belgium's case, income inequality as measured via the Gini coefficient, would increase by almost 24% in the absence of public coverage for healthcare ([395]).

([394]) OECD/European Observatory on Health Systems and Policies (2025), *Country Health Profile 2025: Belgium*. *State of Health in the EU.*

([395]) European Commission: Directorate-General for Health and Food Safety, Cruces et al. (2025), The role of healthcare in reducing inequalities and poverty in the EU.

To note that as regards health coverage, in this analysis poverty and income refer to a different measure than the usually reported one, which is defined for instance in Annex 12. The analysis also estimates the impact of benefits in kind, while the standard measure only accounts for cash transfers.

Table A15.1: **Key health indicators**

	2020	2021	2022	2023	2024	10-year change**	EU average* (latest year)
Cancer mortality per 100 000 population	223.2	220.1	218.2	216.1	n.a.	0.86	233.1 (2023)
Mortality due to circulatory diseases per 100 000 population	217.9	217.0	221.6	209.6	n.a.	0.74	313.0 (2023)
Current expenditure on health, purchasing power standards, per capita	3 966	4 205	4 336	4 570	n.a.	1.35	3834.9 (2023)
Public share of health expenditure, % of current health expenditure	76.0	75.1	73.8	73.6	n.a.	0.97	80.6 (2023)
Spending on prevention, % of current health expenditure	1.9	2.9	2.3	1.8	n.a.	0.98	3.7 (2023)
Available hospital beds per 100 000 population***	412	408	404	399	398	0.91	440 (2023)
Doctors per 1 000 population*	3.2	3.2	3.3	3.4	n.a.	1.16	4.3 (2023)*
Nurses per 1 000 population*	11.6	11.6	11.5	11.5	n.a.	1.11	7.6 (2023)*
Mortality at working age (20-64 years), % of total mortality	12.9	14.2	13.4	13.2	12.9	0.82	14.3 (2023)
Consumption of antibiotics in the community and hospital sectors, defined daily doses per 1 000 inhabitants	16.7	17.4	20.5	20.6	20.6	0.84	20.3 (2024)

*The EU average is weighted for all indicators except for doctors and nurses per 1 000 population, for which the EU simple average is used based on 2023 data (or latest available). Doctors' density data refer to practising doctors in all countries except Greece, Portugal (licensed to practise) and Slovakia (professionally active). Density of nurses: data refer to practising nurses (EU recognised qualification) in most countries except Portugal (licensed to practice) and Slovakia (professionally active). Latest data update on nurses for Belgium and Sweden: 2022; for France: 2021; for Luxembourg: 2017.

** latest available 10-year trend: ratio 2023/2014 or 2024/2013; a factor of 2.00 means that it has doubled in 10 years.

***'Available hospital beds' covers somatic care, not psychiatric care.

Source: Eurostat

Shortages of health professionals undermine access to healthcare. The number of practising doctors per 1 000 population in Belgium (3.4) in 2023 was considerably below the EU average (4.3); in fact, among the lowest in the EU. Moreover, around 39% of doctors in Belgium are aged 55 and over, and only around 17% are aged below 35, raising concerns about the long-term accessibility of healthcare services. Although the proportion of general practitioners (GPs) among all doctors is high (much higher than the EU average), shortages of GPs are observed in both urban and rural areas (see Annex 18). This, combined with a growing demand for healthcare, has resulted in an increasing number of GPs refusing new patients, which poses challenges in access to healthcare. The number of nurses per 1 000 population (11.5) in 2023 stood higher than the EU average (7.6), yet there are shortages of nursing staff in hospitals, which lead to bed closures. Despite policy measures aiming to improve nurse staffing levels in hospitals by increasing hospital budgets, hospitals continue to have difficulties in recruiting and retaining nurses. Improving the attractiveness of the health professions has been an area of focus, with the creation of new roles and profiles to support nurses and GPs (see 2025 Country Report). Complementary efforts aim at improving awareness about employment opportunities in healthcare and promoting training. However, the numbers of medical and nursing graduates have not increased since the COVID-19 pandemic. The pipeline of nursing graduates is in practice reduced by the fact that a significant share of new graduates (up to 35% in the French-speaking community) are foreign students who typically leave Belgium after completing their studies ([396]). In order to address the shortage of GPs, the government announced a plan to increase the share of postgraduate training places allocated to general medicine from 39% in 2022 to 47% by 2028. Furthermore, the government approved the quotas for 2031, which set both the number of doctors entering specialisation following their initial medical training, and the quotas for dentists for 2030. Both quotas have been slightly increased to help mitigate shortages and improve access to healthcare. Foreign-trained health professionals are not considered when determining such quotas, so that Belgium does not depend on unpredictable flows of foreign graduates.

([396]) Country Health Profile 2025: Belgium – see earlier footnote.

Belgium has increased investment in digital technologies for health, improving their uptake. Belgium has been investing consistently in digital technologies for health, more so following the COVID-19 pandemic. Since 2015, the amount invested annually, expressed in EUR million per 100 000 population, has been more than twice the EU average. As a result, the share of the population accessing their personal health records online or using online health services (excluding phone) instead of in-person consultations both increased between 2020 and 2024, and stood above the EU average. An important target in Belgium's strategy for the digital transformation of its health sector is the development of the Belgian integrated health record: a digital platform providing real-time access to comprehensive patient information for health professionals across different care settings. Belgium's recovery and resilience plan includes additional investments in digital health and health data. These have supported the set-up of a Health Data Authority, in line with the European Health Data Space. The investments also aim to develop standardised care sets for patient data collection and storage, extend the electronic prescription system, expand the use of teleconsultations, and provide digital tools for integrated care teams. Moreover, Belgium participates in joint actions and benefits from direct grants under EU4Health, which aim to improve the semantic interoperability of health data and facilitate the implementation of the European Health Data Space.

Belgium's pharmaceutical sector is of high economic significance. Employment in pharmaceutical manufacturing is among the highest in the EU. The country stands out as a leading hub for clinical research and innovation. In 2024, Belgium reported one of the highest numbers of clinical trials per million population in the EU (42.1), more than twice the EU average of 18.3 ([397]). Research and development in Belgium's pharmaceutical industry has been consistently among the most intensive in the EU over the years. The amount spent per capita annually has stood well above the EU average ([398]). Furthermore, the number of patents granted for pharmaceuticals per million population (4.2) in 2024 was more than twice the EU average (1.8) ([399]). Regarding trade and commercialisation, Belgium's pharmaceutical industry maintains a high share of the exports to non-EU countries (24.8% in 2025 vs an EU average of 13.9%).

([397])US National Library of Medicine, https://clinicaltrials.gov.

([398]) The Pharmaceutical Industry in Figures, EFPIA (European Federation of Pharmaceutical Industries and Associations).

([399]) European Patent Office: Statistics & Trends Centre | epo.org.

Belgium's housing market has seen a continuous rise in nominal house prices over the years, characterised by moderate overall growth. Although at national level nominal house prices are rising steadily without interruption, regional disparities are pronounced, with the Brussels Capital Region (BCR) and neighbouring provinces generally commanding higher prices than Wallonia. The price-to-income ratio remains relatively stable, yet rental prices have outpaced house prices in recent years, exacerbating affordability issues across regions, in particular for vulnerable groups.

The construction sector is facing labour shortages and increasing costs of building materials following the COVID-19 pandemic. The reduced activity in the construction sector, combined with a decline in the number of building permits issued since 2022, indicates that the low rate of construction will persist at least in the short term. A factor influencing the sector's activity is the labour shortage, which remains high, with a vacancy rate significantly above the EU average. This restricts the sector's capacity to increase housing supply and quality and to meet demand, leading to intensified pressures on the housing market.

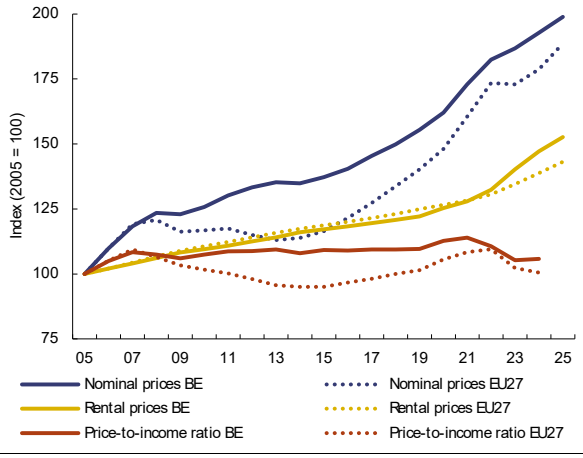
Belgium faces a challenge in fulfilling social housing needs, illustrated by persistently long waiting lists despite regional efforts. Social housing represents around 6% of the total stock in Belgium ([400]), which is not sufficient to meet demand from eligible households in all regions. Recent or planned efforts to expand supply – although aimed at making social housing management more efficient – will face financial constraints and complexities arising from the land available and long permitting periods.

([400]) Regional sources.

Housing market developments

Belgium's nominal house prices have experienced a steady increase, moderating growth and regional disparities, while rental prices have risen slowly. Nominal house prices in Belgium have been increasing steadily over the past 20 years, with some episodes of faster growth and others with stagnating or even slightly decreasing prices, for example after the 2008-2009 crisis. With price increases mostly matching income growth, the price-to-income ratio has remained broadly stable over the last decade (Graph A16.1). The most recent figures from Eurostat show that annual growth in property prices has increased significantly after two years of moderate growth, reaching 3.2% in 2025. Rental prices have increased at a lower pace than house prices since 2005, albeit with a visible acceleration since 2021. There are significant regional differences in house prices. Housing units are most expensive in the BCR and its neighbouring provinces and in Flanders, particularly in the Antwerp and Ghent regions and on the Belgian coast, while house prices are relatively lower in Wallonia.

Graph A16.1:**House prices, rents and price-to-income evolution in BE and EU27 since 2005**

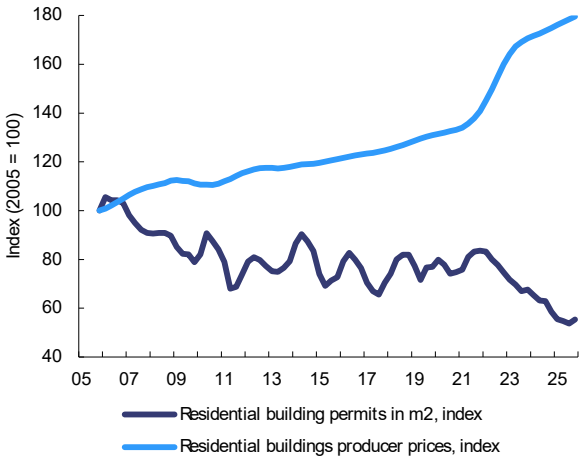


Source: Eurostat

Construction of new dwellings continues to decrease, primarily in response to rising producer costs and supply challenges, with a continued slowdown in building permits. After remaining broadly constant for 15 years,

the construction of new dwellings has been steadily decreasing since 2022, corresponding to a spike in the prices of construction materials following the COVID-19 pandemic and the associated supply chain disruptions (Graph A16.2). High interest rates have also played a part. According to the Belgian statistical office Statbel, in the first half of 2025, the lowest number of building permits was granted since 1998, even though the need for new construction is particularly high (see Annex 5). This indicates that the low rate of construction will persist, at least in the short term. According to Commission estimates, 138 000 units will be needed in Belgium between 2025 and 2035 ([401]). According to national estimates there will be a shortfall of 375 000 units by 2030, which equates to 75 000 per year ([402]).

Graph A16.2:**House supply indicators in BE since 2005**



(1) 4-quarters moving sums (average for prices)
Source: Eurostat

Labour shortages in the construction sector are constraining its productive capacity. Labour shortages remain high (see Annex 11) in the construction sector, which had a vacancy rate of 5.5% in 2025 (EU average: 2.8%). The availability of skilled staff is an obstacle to investment, as reported by 74% of Belgian construction firms (EU average: 84%) ([403]). As the need for labour in the construction sector is expected to grow faster than the Belgian average by 2035 ([404]), the sector faces challenges in aligning the supply of construction professionals with increasing demand across various qualification and skill levels.

There is a notable increase in housing loans and property transactions, particularly in regions benefiting from reduced registration fees. In a context in which interest rates have come down from their peak but remain higher than in the pre-2022 period, housing loans expressed as a percentage of GDP have recovered to 6% after a few years of decline, but remain at lower levels than those registered before 2022 (Graph A16.3). The number of new loans can deviate from the number of housing transactions for several reasons. The 2025 notaries' barometer also shows a increase in new deeds signed: up 14.2% nationally, following a decrease of 0.7% between 2023 and 2024, with record increases seen in Wallonia – up to 28% in Walloon Brabant, where the lowering of registration fees for new deeds may reinforce the impact of the relative reduction in borrowing costs.

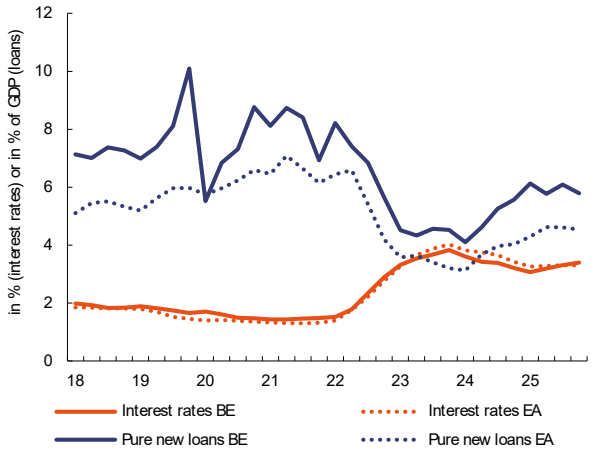
([401]) Balouktsi et al. (2026) Housing investment needs in the EU. JRC Technical Report 144419.

([402]) Embuild | Embuild.

([403]) EIB Investment Survey 2025: Belgium overview.

([404]) Cedefop (2025 Skills Forecast). Link tool; link report.

Graph A16.3:**Borrowing costs and housing loans, in BE and EA since 2018**



Source: Eurostat and ECB

Structural policies

Belgium's housing policy is shaped by an institutional structure, with responsibilities shared between federal, regional and local governments. Each region – Flanders, Wallonia and BCR, and, since 2021, the German-speaking Community – is responsible for housing, land use and building regulation, creating diverse approaches within the country and in some instances redundancies. Because housing policy is a regional responsibility in which municipalities play a key role, the different regions often advise municipalities to, for example, develop local housing strategies that weigh local housing needs against available housing supply, both in terms of existing stock and undeveloped plots. Rental policies, although formally codified at regional level, share similarities, and fundamental principles (decent housing, transparency, anti-discrimination), and are set at federal level.

Belgium faces significant challenges in meeting social housing needs, despite targets to increase the stock. Belgium's social housing stock remains limited and unable to meet the needs of all households in its target group, with social housing comprising approximately 6% of the total housing stock. Regional targets exist for increasing the share of social housing ([405]).

Belgium's approach to social housing involves both direct government and private funding, seeking to address demand through new construction and renovation. Belgium has leveraged EUR 294 million of the EU Recovery and Resilience Facility for the construction and renovation of social housing in the different regions (see Annex 12). In Wallonia, the social housing sector relies solely on public funding. The delay in establishing a functioning government in the BCR has stalled the allocation of public budgets, with a direct impact on the social and affordable housing sector. In Flanders, even though the budget for social housing has been increasing, investment needs (new build and renovation) seem to surpass this budget. As rents are indexed on household income, the impoverishment of social housing tenants fragilises the financial stability of social housing providers and their capacity to build and renovate. Recently, Flanders (EUR 1.7 billion loan) and Wallonia (EUR 1.3 billion loan) have mobilised also significant financing with the European Investment Bank to build and renovate social housing units.

Reforms in the social housing sector in some regions aim to boost efficiency and transparency. In Flanders, social housing providers and social rental offices have been merged to increase efficiency, professionalise the social housing provider sector, simplify application procedures for potential tenants and allow for more transparency. Over the current legislative term([406]), Wallonia intends to rationalise implementation of its housing policy significantly by creating a single Walloon housing agency and local housing hubs. BCR has been working to restructure the social housing sector to improve efficiency.

([405]) Flanders' current government strategy aims to bolster social housing with targets, such as quadrupling production to 100 000 homes by 2035.

([406]) 2024-2029.

Complementary regional strategies exist to improve housing affordability by trying to activate the private rental sector. Flanders implements a budget rentals scheme to help middle-income earners secure housing. This initiative allows them to rent below market value, determined by a statistical tool, with the aim of ensuring fair pricing. Budget rentals can be developed by housing companies or integrated into mixed-use projects by private developers, who receive subsidies and a rent guarantee for up to 27 years. Tenants benefit from reduced rents, while housing companies enjoy increased returns, expanding their influence in local housing policy. The scheme uses regular evaluations and caps rental prices, depending on the region, to prevent overcompensation of developers and to maintain affordability. This policy option has not gained much attention from private landlords and/or developers so far. In Wallonia and BCR, social rental agencies act as intermediaries between private landlords and low-income tenants, offering tax benefits to encourage participation.

Rent regulation policies in various regions demonstrate a range of approaches and challenges in ensuring fair rental practices and accurate market data. While rent regulation exists in the three regions, their specifics and implementation vary. In BCR, rents can be challenges when they exceed the reference rent by more than 20%. The Rent Assessment Commission provides non-binding guidance on rent fairness, using reference rents based on historical data. However, this reliance on data highlights the need for high quality data and insights into the private rental market. The introduction of a rental contract registration system in 2025 is a step towards improving data accuracy, focusing initially on new contracts. At present, at federal level, there is a rent register based on tax information and Flanders is exploring similar initiatives to possibly use federal tax registrations to obtain oversight.

Belgium has adopted rent regulation policies linking rent indexation rights to energy performance certificate ratings. Properties with a low rating (E, F or G) face restrictions or a ban on imposing annual rent increases. This approach aims to encourage landlords to improve energy efficiency while shielding tenants from price hikes in substandard housing (see Annex 9).

Most land in Belgium is privately owned and municipalities have limited instruments to steer or acquire it ([407]). Decentralised planning and high levels of private ownership make it difficult to coordinate land development or control land acquisition. Decreasing land availability and increasing land prices, in particular in high-demand areas, mean new solutions need to be found to produce housing. This all-increases production costs for housing and poses a challenge for the balance sheet for social and affordable housing. In Flanders, a task force on housing and spatial planning is seeking solutions to optimise available land.

Leasehold agreements in BCR try to tackle land scarcity and support housing projects, yet bureaucracy and limited government authority delay vital financial frameworks. In the BCR, leasehold agreements (*erfpacht*) are employed to manage land scarcity, negotiating long-term land use rights to facilitate housing projects. However, the former caretaker status of the government had a significant impact on financing mechanisms, restricting the decisive financial frameworks needed to drive housing initiatives forward. Bureaucratic delays often impede housing permits in the BCR.

Wallonia plans to undertake several reforms in the short to medium term to accelerate permitting and reduce administrative costs. Initiatives to accelerate permitting in Wallonia

([407]) Research for HOUS Special Committee - Mapping the housing needs in the EU, assessing the impacts of scarcity and providing an overview of relevant EU legislation (Study).

include implementing a single window procedure, digitalising permitting procedures and introducing stricter procedural time limits. Such reforms are expected to accelerate affordable housing projects, making permitting more efficient and less costly. Wallonia also aims to activate public land for social and affordable housing through public-private partnerships ('Design, Build, Finance & Maintain' (DBFM) partnerships) to be implemented by the Société Wallonne du Logement.

Taxation related to housing in Belgium is shifting, with planned federal changes to mortgage interest deduction and Wallonia cutting registration fees for first-time buyers. While mortgage interest relief for primary residences has already been abolished, the 2025-2029 federal government agreement now also plans to abolish mortgage interest deduction for non-primary residences, altering longstanding incentives for property investment. In Wallonia, the recent cut in registration fees, from 12% to 3% has increased the purchasing capacity of first-time buyer households and has led to a significant increase in the number of transactions.

Belgium's regional policies on regulating social housing quality reveal disparities and challenges in maintaining standards across the country. In Flanders, stringent building regulations ensure that social housing units are of a higher quality and larger than those in the private sector, focusing on durability to reduce long-term maintenance costs. These regulations pose challenges for construction companies, requiring them to be well-versed in public procurement processes and familiar with the additional regulations. Social housing providers face financial challenges because of price limits and rising (material) costs, which affect financial sustainability. BCR meanwhile faces relatively high vacancy rates in its social housing sector, impacting its capacity to serve eligible groups effectively. To address housing quality issues in the private sector, a dedicated unit verifies the adequacy of housing units and has recently implemented resettlement allocations for tenants. To address housing quality issues in the private sector, all regions have dedicated units to verify the adequacy of housing units with resettlement policies for tenants. Limited available housing however impedes such policies, leading some time to evictions without resettlement options.

Vulnerable groups

Significant challenges in housing affordability persist for vulnerable groups. While Belgium's overall housing cost overburden rate is lower than the EU average at 6.7% (EU: 7.7%)([408]), vulnerable groups face heightened pressures. Persons at risk of poverty and individuals with disabilities have above-EU-average housing cost overburden rates (31.3% and 12.0% respectively ([409])). Regional disparities are evident, with housing cost overburden rates of 4.6% in Flanders, 7.2% in Wallonia and 16.6% in Brussels. Persons at risk of poverty in Belgium spend 32.3% of their income on rent, slightly below the EU average (EU: 33.5%). In 2024, 8.0% of people felt discriminated against during their housing search in Belgium (EU: 5.8%), a rate that is higher among people at risk of poverty and persons with disabilities.

The demand for social housing exceeds supply in all regions, causing substantial waiting lists. In Flanders 215 337 people are on the waiting list for social housing, exceeding the existing stock of about 180 000 units, prompting the Council of Europe to call for improvements in housing policy for vulnerable groups ([410]). Similarly, 55 000 Brussels

([408]) The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

([409]) While the EU averages are 29.1% and 9.9% respectively.

([410]) Council of Europe (2025). European Federation of National Organisations working with the Homeless (FEANTSA) v. Belgium.

Graph A16.4:**Housing affordability selected indicators**

		EU27				BE							
	unit	2000-25 avg.	2023	2024	2025	2000-25 avg.	2023	2024	2025	unit	2023	2024	2025
House price to income ratio	*2000-25 avg = 100*	100.0	102.0	100.2		100.0	102.0	102.6		YoY%	-4.8	0.5	
Rent to income ratio	*2000-25 avg = 100*	100.0	85.1	83.5	84.5	100.0	85.9	87.8	88.5	YoY%	-1.5	2.2	0.8
Overburden rate, total	%	9.9	8.8	8.2		9.2	7.8	6.7	6.7	PPS/y	0.3	-1.1	0.0
Overburden rate, tenant with market rent	%	23.8	20.3	19.2		32.1	29.8	24.3	25.4	PPS/y	-1.4	-5.5	1.1
Overvaluation gap	%					5.3	10.3	9.2	8.3				
Deflated construction production price	*2010 = 100*	102.2	112.2	111.8	110.5	102.4	112.2	110.2	109.8	YoY%	4.4	-2.0	-0.4
Building permits	*m^2 per ths persons*	483.5	376.9	362.9	379.9	827.8	670.6	582.3	546.0	YoY%	-8.9	-13.2	-6.2
Residential construction investment	*% GDP*	5.5	5.8	5.1	5.0	5.7	5.6	5.3	4.8	YoY%	-5.1	-5.4	-9.4
Share of ownership	%	70.0	69.1	68.4		72.0	71.9	70.3	70.9	PPS/y	-0.7	-2.2	0.9
Share of people living in overcrowded homes	%	17.7	16.8	16.9		4.4	5.7	6.5	6.6	PPS/y	-0.3	0.8	0.1

Source: Eurostat and European Commission calculations. The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

households are waiting for social housing against a stock of 41 014 units, with numbers up by 18% since 2020. In relative terms, 8.2% of all Brussels households are registered as candidates for social housing. Wallonia has 49 945 households currently on the waiting list for social housing, against a total housing stock of 103 293 units. The waiting time differs across all regions, with average wait times exceeding 5 years in Flanders and around 12 years in Brussels. Waiting times are even longer for one-person households and households needing larger housing units. As a result, many individuals eligible for social housing must rely on the private rental or owner-occupied market, which can lead to unaffordable housing situations and/or poor conditions.

There is some concern on housing quality for vulnerable groups. Vulnerable groups endure higher rates of overcrowding in Belgium (see Annex 19), posing risks for housing quality. Under the Social Climate Fund, Belgium is allocated EUR 1.6 billion of EU funding to support, among others, the vulnerable groups most affected by rising energy and transport costs. Generally, however, severe housing deprivation is below the EU average and the share of the population living in housing with leaking roofs or damp walls, floors or foundation has been declining in Belgium.

Homelessness remains a pressing challenge, especially in BCR. Homelessness is a significant concern in Belgium, estimated to affect approximately 49 500 persons in 2024 ([411]). The problem is significant in BCR ([412]), where 9 777 people are homeless, including 1 678 children, and the total figure of homelessness in Brussels having increased by 24.5% since 2022. Fragmented data across time and regions hinder trend monitoring and comparison. In addition, providing adequate and sufficient housing for asylum seekers is challenging, with 1 127 people on a transit list for a place in the regular reception network for asylum seekers ([413]) and court rulings pointing to shortcomings in meeting minimum reception standards ([414]). The federal government, jointly with the communities and the regions, is preparing a new cooperation agreement on homelessness and housing exclusion, to strengthen inter-federal cooperation and improve the integrated and preventive approach to homelessness.

([411])Mertens et al. (2025). Dénombrements du sans-abrisme et de l'absence de chez-soi.

([412]) Bruss'help, Dak- en thuislozentelling in het Brussels Hoofdstedelijk Gewest (2024).

([413])Fedasil, Réseau d'accueil pour demandeurs d'asile en Belgique, au 1er mai 2026.

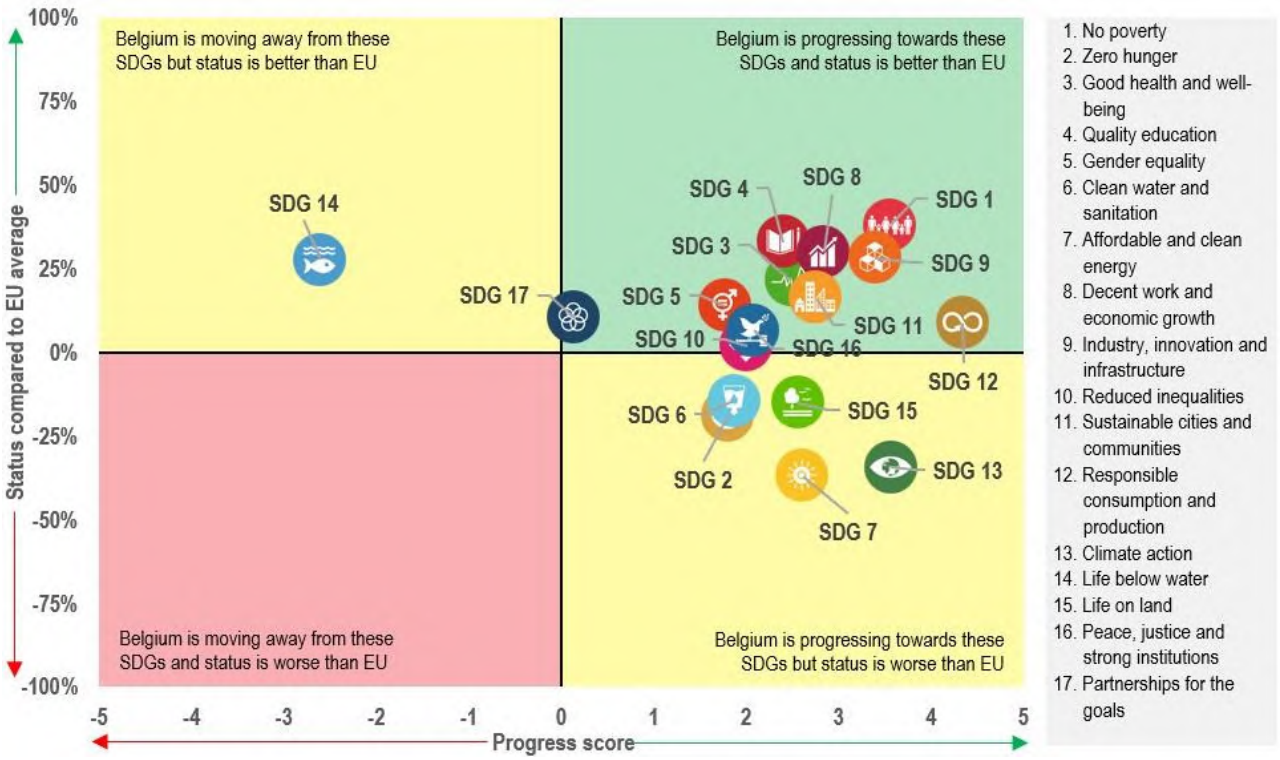
([414]) Flemish Agency for Integration (2025). Legal framework and jurisdiction on lack of reception for asylum seekers.

This annex assesses Belgium's progress on the sustainable development goals (SDGs) along the dimensions of competitiveness, sustainability, social fairness and macroeconomic stability. The 17 SDGs and their related indicators provide a policy framework under the UN's 2030 Agenda for Sustainable Development. The aim is to end all forms of poverty, fight inequalities and tackle climate change and the environmental crisis, while ensuring that no one is left behind. The EU and its Member States are committed to this historic global framework agreement and to playing an active role in maximising progress on the SDGs. The graph below is based on the EU SDG indicator set developed to monitor progress on the SDGs in the EU.

Belgium performs well and is improving on all SDGs on *competitiveness* (SDGs 4, 8, 9). It performs strongly in particular on innovation, with R&D intensity (i.e. R&D expenditure as a percentage of GDP) of 3.36% in 2024 - well above the EU average of 2.24% that same year. The percentage of households with a high-speed internet connection in 2024 (93.8%), although slightly lower than in 2023 (96.0%), was still well above the EU average (82.5%).

Belgium is performing well and is improving on education indicators overall, although there are still concerns over high inequalities in educational outcomes linked to the socio-economic background of pupils. The percentage of adults with at least basic digital skills was above the EU average in 2025 at 61.2% (EU 60.4%). However, the country still faces a significant challenge to

Graph A17.1:**Progress towards the SDGs in Belgium**



For a detailed progress assessment towards the various SDGs, see the annual Eurostat report 'Sustainable development in the European Union'; for extensive data on the short-term SDG progress of EU countries, see Key findings – Sustainable development indicators; for an interactive visualization of SDG progress of EU countries, see SDG country overview. A high status does not mean that a country is close to reaching a specific SDG, but signals that it is doing better than the EU on average. The progress score is an absolute measure based on the indicator trends over the past five or six years. The calculation does not take into account any target values, as most EU policy targets are only valid for the aggregate EU level. Depending on data availability for each goal, not all 17 SDGs are shown for each country.

Source: Eurostat, latest update of 29 April 2026. Data refer mainly to the period 2019-2024 or 2019-2025. Data on SDGs may vary across the report and its annexes due to different cut-off dates.

improve digital skills. The recovery and resilience plan (RRP) includes large investments to improve digital infrastructure and equipment in schools.

While Belgium is improving on nearly all the SDGs related to *sustainability*, it is losing ground on SDG 14 (Life below water) and needs to catch up with the EU average on SDG 7 (Affordable and clean energy), SDG 15 (Life on land), SDG 13 (Climate action) and SDG 11 (Sustainable cities and communities). Although Belgium has made some progress on energy consumption and climate change mitigation indicators, its overall performance remains below the EU average. The share of renewable energy in gross final energy consumption (SDGs 7 and 13), which increased from 9.1% in 2017 to 14.7% 2023, decreased back to 14.3% in 2024, while the EU average was at 25.2% in 2024. The final energy consumption in household per capita (SDG 7) decreased from 704 kg of oil equivalent in 2018 to 599 kg in 2024. Although a slight increase from 2023 (591 kg), this was still above the EU average of 507 kg in 2024. Belgium's RRP includes measures to support the shift from fossil fuels, in particular for the energy renovation of buildings, decarbonisation of industrial production, and sustainable transport.

Belgium performs less well on sustainable agriculture (SDG 2) and clean water (SDG 6) while improving on responsible consumption (SDG 12). Emissions from agriculture (ammonia, nitrates) are well above the EU average (SDGs 2 and 6); so is phosphate in rivers (SDG 6). On SDG 12, the circular material use rate increased from 20.6% in 2018 to 22.7% in 2024, comfortably maintaining its position well above the EU average (12.2%).

Belgium performs well or is improving on all SDGs related to social fairness (SDGs 1, 3, 4, 5, 7, 8, 10). The country performs well on poverty and inclusive growth (SDGs 1 and 8), reflecting the high redistributive impact of the tax and benefits system. The share of persons at risk of poverty or social exclusion fell in 2024 to 18.3% compared to 20.1% in 2019, hence staying below the EU average of 21%. Belgium has made progress on various employment indicators, including the long-term unemployment rate (2.6% in 2018 against 2.0% in 2025) and the number of young people not in employment, education or training (11.4% in 2018, 9.8% in 2025). Several measures in the RRP aim to further tackle unemployment, in particular by improving training and life-long learning. However, despite these measures the employment rate remains well below the 2030 national target, being held back by a low activity rate (see Annex 11). Labour market participation remains low in particular for vulnerable groups, such as adults with a lower level of education, people with a migrant background and people with disabilities.

Belgium needs to catch up with the EU average on affordable and clean energy (SDG 7), including on the share of renewable energy in gross final energy consumption, which was 14.3% in 2024 - well below the EU average of 25.2%. However, the proportion of the population unable to keep their home adequately warm is lower than the EU average (4.8% in 2024; EU average: 9.2%).

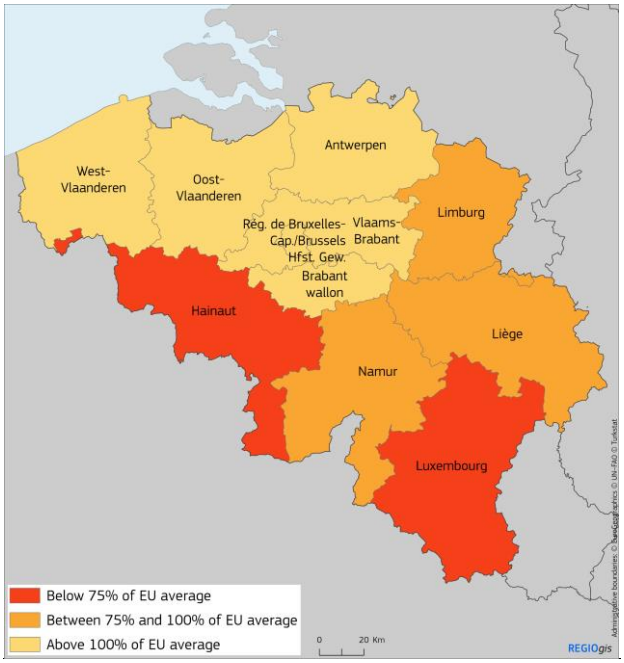
For *macroeconomic stability*, Belgium performs well and is improving on SDG 8 related to decent work and economic growth while it is moving away from achieving SDG 16 (Peace, justice and strong institutions) and SDG 17 (Partnerships for the goals). On SDG 16, Belgium performs relatively well on the quality of its institutions and on access to justice, but worse than the EU average on peace and personal security. The perceived independence of the justice system by the population in 2025 is the same as in 2018, namely 64%, but was substantially above the EU average of 54% in 2025. Belgium performs better than the EU average on most indicators related to SDG 8 (Decent work and economic growth) except for the employment rate, which was 72.8% in 2025, hence below the EU average of 76.1.

As the SDGs form an overarching framework, any links to relevant SDGs are either explained or depicted with icons in the other annexes.

Regional development trends

Regional disparities in Belgium are significant and have persisted over time. Economic activity is mostly concentrated along the axis of the Brussels-Capital Region and the provinces of Antwerpen, Brabant-Wallon and Vlaams-Brabant, with regional GDP per head (in purchasing power standard, PPS) exceeding 130% of the EU average. Since 2004, the average GDP per head (in PPS) compared to the EU average has declined in the provinces Hainaut and Luxembourg (by 8 in Hainaut, 10 in Luxembourg) to less than 75% of the EU average. The provinces of Namur and Liège in Wallonia and Limburg in Flanders have also seen a significant decline. Similarly, the Brussels-Capital Region has declined compared with the EU average (EU = 100), even though from much higher levels, from 248 in 2004 to 190 in 2024. By contrast, the neighbouring regions Vlaams-Brabant and Brabant-Wallon have improved their relative position, suggesting some shift of economic activity from Brussels to its periphery.

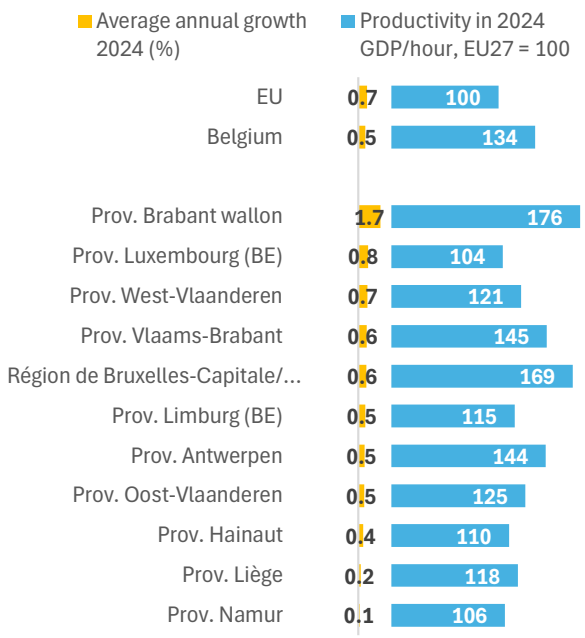
Map A18.1: **GDP per head compared with the EU average**



2021 - 2023 average GDP per head in purchasing power standard compared with the EU average.
Source: European Commission calculation based on Eurostat 16 July 2025 data

Labour productivity (GDP per hour worked) in the less developed regions remains above the EU average, but internal disparities are growing. The more developed provinces of Brabant-Wallon and Vlaams-Brabant have experienced solid productivity growth over the past decade. While the Brussels-Capital Region has high productivity per hour worked, it exhibits muted annual productivity growth. Hainaut and Namur have low annual productivity growth (0.4 and 0.1% respectively) paired with lower productivity levels, compared with the most dynamic regions of the country (110 and 106 respectively) (Graph A18.1).

Graph A18.1:**Labour productivity growth (2014 - 2024) and labour productivity (2024), Belgium (NUTS 2 regions)**



Source: Commission calculations based on Joint Research Centre (JRC) data

Table A18.1: **Main development trends, challenges and the concentration of resources**

	Main development trends
Less developed regions (population 1.7 million)	In the provinces of Hainaut and Luxembourg, the average 2021-2023 GDP per capita (in PPS) remains less than 75% of the EU average, with limited convergence over time, reflecting persistent structural gaps in productivity and employment creation. Hainaut's economic convergence is restricted by its historical reliance on energy-intensive and declining industrial activities, combined with weaker innovation ecosystems, lower business density, and subdued labour market performance. This underscores the importance of a green and just industrial transition and economic diversification to more innovation-intensive and high value-added activities. By contrast, the province of Luxembourg is more rural and less industrialised, facing challenges related to low population density, limited agglomeration effects, and weaker productivity, rather than the legacy of large energy-intensive industries.
Transition regions (population 2.5 million)	Transition regions in Wallonia and Limburg (Flanders) show moderate performance, with average annual GDP growth and productivity levels that remain below the EU average.
More developed regions (population 7.6 million)	In the more developed regions, productivity levels are consistently above the EU average. However, growth patterns vary. Over the past decade, Brabant Wallon and Vlaams-Brabant have recorded both productivity and economic growth above the EU average, widening the gap with other Belgian provinces. Brussels appears to be caught in a development trap, with stagnant economic growth and productivity growth well below the EU average. Other more developed provinces in Flanders show intermediate performance, with growth rates close to or slightly below the EU average.
Specific territories	Wallonia faces significant structural challenges stemming from both historical and ongoing industrial restructuring, skills mismatches, and the need for accelerated investment in clean technologies and infrastructure. The Flemish province of Limburg, also shaped by a legacy of coal mining and heavy industry, records export performance below the Flemish average and faces challenges related to the shortage of highly skilled workers and the transition from manufacturing to higher value-added and knowledge-intensive activities. Urban areas in Belgium face a distinct set of challenges, particularly related to social deprivation and mobility/congestion. Poverty and social exclusion, compounded by low employment rates and limited access to affordable housing, are predominantly urban issues, most pronounced in the Brussels-Capital Region. Larger metropolitan commuting zones experience significant congestion, and despite efforts to promote public transport and active mobility, private car use for work and daily commutes continues to exacerbate these pressures. Rural areas in Belgium generally benefit from relatively good access to essential services such as schools and hospitals compared with the EU average. However, in less densely populated parts of Wallonia, residents experience poorer access to primary care and face challenges in accessing efficient public transport.

Source: European Commission based on Eurostat data; categories of regions based on Map A18.1

Key challenges for regional competitiveness

Wallonia struggles to be competitive, according to the Regional Competitiveness Index (see Annex 4). Despite significant investment in research and innovation in Wallonia, its impact on the economy and employment remains limited, reflecting a fragmented support landscape, complex procedures and insufficient technology transfer. Boosting competitiveness remains a key challenge for Wallonia, but efforts are being made by modernising the research policy framework and rationalising competitiveness hub and clusters. These efforts aim to: (i) create a clearer and more agile research and innovation ecosystem; (ii) bring the smart specialisation strategy closer to firms' needs; and (iii) better align structures with regional priorities. The goal is to strengthen the contribution of research and innovation to regional economic growth and job creation.

The 2025 country-specific recommendations for Belgium highlighted the need to increase innovation diffusion by better targeting R&D public support to companies

Table A18.2: **Key regional indicators for Belgium (NUTS 1 and NUTS 2 level)**

	GDP per head (PPS, index)	Real GDP per head growth	Population aged 25-34 with high educational attainment	Employment in high-technology sectors	Employment in knowledge-intensive services	Employment rate 20-64	Unemployment rate	At-risk-of-poverty or social exclusion rate (AROPE)	R&D expenditure	R&D expenditure in business enterprise sector (BERD)
	EU27=100	Average annual % change	% of population aged 25-34	% of total employment	% of total employment	% of population aged 20-64	% of labour force	% of population	% of GDP	% of GDP
	2024	2014-2024	2025	2025	2025	2025	2025	2025	2023	2023
EU	100	1.4	44.8	5.1	41.7	76.1	6.0	21.0	2.24	1.51
Belgium	117	1.0	52.7	5.9	51.4	72.8	6.2	16.5	3.36	2.36
Région de Bruxelles-Capitale/ Brussels Hoofdstedelijk Gewest	190	0.2	63.5	8.2	52.1	63.9	12.6	33.6	2.45	1.45
Vlaams Gewest	119	1.2	53.5	5.8	49.5	77.3	4.3	11.4	3.50	2.50
Région wallonne	87	1.2	46.3	5.3	55.4	67.9	7.8	20.0	3.16	2.68
Région de Bruxelles-Capitale/ Brussels Hoofdstedelijk Gewest	190	0.2	63.5	8.2	52.1	63.9	12.6	33.6	2.45	1.45
Prov. Antwerpen	135	1.0	51.5	6.6	50.1	76.2	4.3	14.2	4.08	
Prov. Limburg (BE)	94	1.1	49.2	4.5	49.5	75.0	4.4	10.2	1.91	
Prov. Oost-Vlaanderen	110	1.5	56.4	5.7	48.3	78.8	4.2	12.1	3.40	
Prov. Vlaams-Brabant	127	1.2	57.8	7.4	55.9	77.1	5.5	8.8	5.17	
Prov. West-Vlaanderen	117	1.4	51.3	3.9	43.7	79.2	3.0	9.8	1.72	
Prov. Brabant wallon	155	2.6	66.7	9.8	60.9	74.2	6.7	13.9	8.68	
Prov. Hainaut	72	0.8	40.9	5.0	54.3	65.3	9.0	24.8	1.58	
Prov. Liège	86	0.9	47.0	4.4	55.0	66.0	7.2	19.6	2.52	
Prov. Luxembourg (BE)	72	1.0	46.4	3.9	54.1	73.0	6.7	15.4	0.57	
Prov. Namur	80	1.0	43.6	5.0	55.1	71.1	7.7	15.7	1.09	

Dark green - the indicator is at least 120% of the EU average.
Light green - the indicator is at least 100% of the EU average.
Yellow - the indicator is at least 90% of the EU average.
Light red - the indictor is at least 75% of the EU average.
Dark red - the indicator is less than 75% of the EU average.
For 'negative' indicators (where higher values are unfavourable), the colours are reversed.
Source: Eurostat and JRC

with the highest growth (see Annex 4). Investment in R&D in Flanders stands at 3.5% of GDP, slightly higher than Wallonia (3.2%) (see Table A18.2) and significantly more than the Brussels-Capital Region (2.5%). The lower levels of investment in the Brussels-Capital Region is largely accounted for by reduced spending in the business enterprise sector. By contrast, the relatively lower investment in Wallonia is due to lower public funding, while business enterprise investment in R&D is on par with Flanders. Patents reflect the degree to which R&D investment leads to economic activity through innovation. The provinces of Brabant-Wallon and Vlaams-Brabant are leading in patent applications and rank among the top in the EU. There is a significant gap between Flanders, with 179 applications, and Wallonia, with 86.3, reflecting very low rates in the provinces of Hainaut, Liège, Luxembourg and Namur.

Belgian regions face diverse challenges in providing favourable framework conditions for entrepreneurship. Flanders, particularly Ghent, performs better than the other Belgian regions in terms of scale-ups. In 2023, Wallonia reformed its business support structures by merging its three public investment agencies into a larger agency, Wallonie Entreprendre. Coordination between this agency and sub-regional agencies is key to streamlining business support instruments and improving service delivery. Wallonia suffers from a lack of diversified funding, relying mostly on public structures. This limits the ability of companies to raise funds at scale and attract international investors. The 'Circular Wallonia' strategy has supported the uptake of circular practices, but scaling these up is hindered by regulatory and

economic constraints ([415]). The Brussels-Capital Region lacks an integrated industrial strategy to support sustainable growth under urban constraints. Developing such a strategy could facilitate stronger coordination between public authorities and social partners to align land use, job creation, skills development and mobility, while prioritising high-value, space-efficient activities, such as high tech, circular economy and urban manufacturing.

Key manufacturing sectors face challenges in some provinces in ensuring a successful just transition ([416]). Although all three regions are tackling the just transition through decarbonisation strategies (Wallonia, Flanders) and digitalisation initiatives (Brussels, Flanders), the impact varies across provinces. The automotive sector is under pressure in all of Belgium, but its decline has had the largest impact on the provinces Limburg and East Flanders. The non-metallic minerals production sector ([417]) has also seen a general decline nationwide, but the provinces of Limburg, Hainaut and Namur are the most severely affected. Among these, Hainaut and Namur face the biggest challenges in providing employment security due to their limited economic diversification.

Employment rates are low in Wallonia and the Brussels-Capital Region. Labour market outcomes are generally better in Flanders than in the Brussels-Capital Region or Wallonia. Flanders leads with an employment rate of 77.3%, while Wallonia (67.9%) and Brussels (63.9%) lagged behind (see Annex 11). Overall, the disparities in employment rates in Belgium are among the highest in the EU. Unemployment rates in Wallonia (7.8%) and the Brussels-Capital Region (12.6%) are above the EU average (6%). Youth unemployment (age 15-24) is a concern, particularly in Brussels (23.6%), Namur (26.3%) and Hainaut (28.1%), where the rates significantly exceed both the national (17.4%) and EU averages (14.9%). These high unemployment rates are a major challenge not only to the growth potential of the less developed regions of the country and to social cohesion but also to the risk of poverty and social exclusion. Improving labour mobility between regions could help tackle labour market imbalances and skills shortages.

Belgium's regions face challenges with education attainment, with Hainaut and the Brussels-Capital Region most affected. In Hainaut, only 13.2% of 25-34-year-olds had a tertiary education attainmentin 2025. This is less than in the rest of Wallonia (17,6%) and far less than in Flanders (26,6%) and the Brussels-Capital Region (20,1%). On a positive note, despite a nationwide increase in average rates, the share of early school leavers in Wallonia fell from 10.9% in 2019 to 9.8% in 2025. This downward trend can also be observed in Hainaut, whereas in the Brussels-Capital Region, the number of early school leavers is 8.8% and increasing (above the EU average of 9.1%).

Poverty and social exclusion are high in the Brussels-Capital Region and intertwine with other challenges. The share of people at risk of poverty and social exclusion is significantly higher in urban areas (25.4%) than in rural areas (13.2%) and town/suburbs (12.6%) and exceeds the EU average for urban areas (21.3%). This set of urban social challenges is particularly pronounced in the Brussels-Capital Region (see Annex 12). High poverty rates in Brussels are associated with the region's low employment rate and the prevalence of low-work intensity households (see Annex 12). These rates are partly exacerbated by relatively high housing costs, which are driven by multiple economic factors (see Annex 16). Brussels faces the steepest affordability pressures in Belgium. There is also rising

([415]) European Environment Agency (2024) Circular economy country profile 2024 – Belgium.

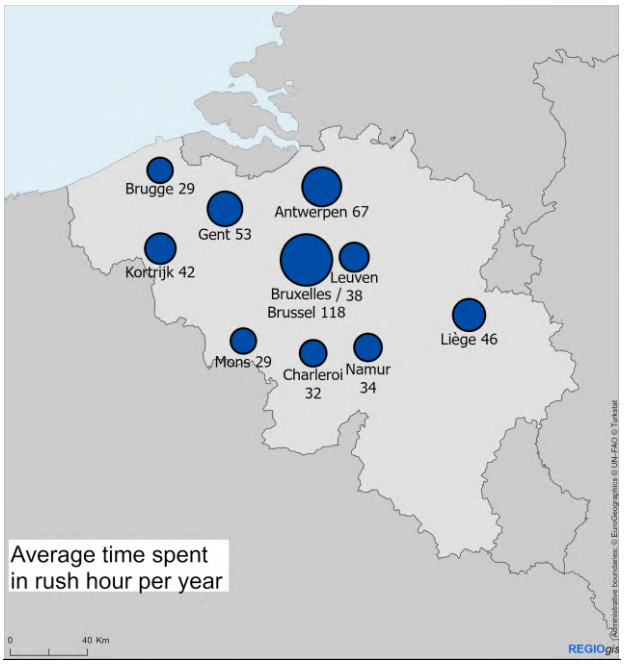
([416]) Automotive, basic metals, chemicals, fabricated metals, machinery and non-metallic minerals. Mapping the impact of industrial decline on European regions - Internal Market, Industry, Entrepreneurship and SMEs.

([417]) This sector covers cement, ceramics, glass, lime, concrete and stone products.

residential segregation between income groups, with lower-income households increasingly clustered in old industrial neighbourhoods offering low-quality housing from the private rental market ([418]). The demand for social housing vastly exceeds supply, with around 55 000 households on the waiting list for social housing in the Brussels-Capital Region (see Annex 16).

Congestion is a significant regional challenge for the Brussels-Capital Region and Flanders, with the capital particularly suffering from an insufficient logistics system infrastructure. Flanders combines strong logistics assets with heavy congestion, especially around Antwerp, which hosts one of the largest ports in Europe. The region's high freight intensity and car dependency increase environmental costs, including costs from air pollution, despite good public transport, a strong cycling culture and major investments in green mobility ([419]). The Brussels-Capital Region is one of the most congested metropolitan areas in the EU, with persistent car usage despite extensive public transport options ([420]). The region is working to develop a more coherent logistics system, structured around major hubs, a network of local hubs and more efficient management of goods flows. The potential of the canal for freight transport could be better explored, and better knowledge of the subsoil could improve both the planning and execution of infrastructure developments.

Map A18.2: **Average number of hours per year lost by a commuter due to congestion during rush hour across Belgian metropolitan areas**



This indicator measures the average number of hours lost by a commuter in traffic during rush hour, compared with the time it would take to make the same commuting trip outside of rush hour. It is assumed that there are 230 working days/commuting trips per year. A trip includes travel to work and back in the morning and evening rush hours. The most common commuting times are used.
Source: TomTom traffic data

Wallonia faces bottlenecks in public transport provision in rural areas. The region's high car dependency, urban sprawl and relatively weak public transport, especially in rural areas, hinder mobility, raise emissions and limit access to affordable, sustainable transport options ([421]). Transport poverty is higher than the EU average for people below the poverty threshold (Annex 11). A key challenge is the declining availability and frequency of public transport in rural and peri-urban areas. Improving access to public transport in these areas could reduce car dependency and, in turn, alleviate the congestion in more urban areas caused by daily commutes.

([418]) OECD Economic Surveys: Belgium 2022 (EN).

([419]) Flemish productivity and competitiveness agenda (Flemish Acceleration) | Department of WEWIS.

([420]) Is Brussels a performing, competitive and attractive European metropolitan region ? | National Bank of Belgium; OECD Territorial Reviews: Brussels-Capital Region, Belgium | OECD.

([421]) Interaction mobilité/aménagement du territoire en Wallonie dans une perspective de transition juste - Iweps.

The region of West Flanders faces both challenges and opportunities relating to the sustainable blue economy. The sector is dominated by port activities, which generate roughly 40% of blue gross added value (GVA) in Belgium, followed by maritime transport ([422]). However, the marine living resources sector, while contributing a smaller share of blue GVA (18%), accounts for approximately 41% of all blue economy jobs in the country ([423]). The blue economy's socio-economic impact is concentrated almost entirely in West Flanders, where its North Sea territory is a pioneer in offshore wind energy.

Efforts to achieve net-zero emissions in carbon-intensive industries in Wallonia and port activities in Flanders are insufficient. The 2025 country-specific recommendations for Belgium highlighted the need to further incentivise industry to decarbonise. Brussels has the lowest per capita emissions (2.3 tCO2eq), while Hainaut's are seven times higher. Carbon-intensive industry drives 29.7% of Wallonia's emissions due to the activities of its cement, chemicals and power plants. Three Hainaut districts are targeting economic diversification under the just transition plan, aiming to improve sustainable production, reduce emissions and accelerate new/clean energy infrastructure. However, more action is needed to reach the climate target goals. Flanders has a strong industrial base, with harder-to-abate activities around the port of Antwerp. The region faces bottlenecks in tackling electrification of industrial heat, carbon capture and storage, and creating the appropriate enabling conditions to be put in place in the transition to cleaner energy (see Annex 8).

Employment in sustainable and competitive sectors is less than 10% in four out of five Walloon regions, whereas the average in Belgium is 19.3% ([424]). Hainaut (5.8%) and Luxembourg (4.2%) have particularly low green employment rates ([425]). While Wallonia is establishing a framework for sustainable development, underpinned by measures to train underqualified workers for specialised sectors, efforts are insufficient so far. Advancing the industrial and green transitions in Hainaut is crucial for local economic resilience and social cohesion.

Wallonia faces bottlenecks in the access to healthcare and childcare, particularly in rural areas. Physical access to hospitals and primary schools in Belgium's rural areas is generally better than in the EU on average. However, data ([426]) indicate a need to increase the number of general practitioners in Wallonia in the medium term, particularly in provinces already experiencing shortages (such as Luxembourg) (see Annex 15). Wallonia has also been suffering from a deficit in childcare, which reached a coverage of 37% in 2022 ([427]), although new childcare places are expected to be created by the end of 2026, including 1 700 with support from the Recovery and Resilience Facility (see Annex 15). Increasing access to childcare in the Brussels-Capital Region is one measure that can help boost the relatively low female employment rate (58.9% compared with the EU average of 71.3% and national average of 69.3%), in addition to employment-oriented measures, including training (see Annex 11).

Belgium faces challenges in interfederal coordination due to its complex institutional set-up, **where multiple federated entities have exclusive competence over certain policy areas**. Although coordination

([422]) European Commission: EU Blue Economy Observatory - Belgium Country Profile (2024).

([423]) European Commission: EU Blue Economy Observatory - Belgium Country Profile (2024).

([424]) JRC data: Jobs from 56 NACE activities that produce less greenhouse gas emissions per worker and are more productive per worker than the EU median value.

([425]) List of Walloon plans on Wallonie.be.

([426]) Cadastre des médecins généralistes actifs en Wallonie 2016-2022.

([427]) https://www.iweps.be/indicateur-statistique/accueil-prescolaire-taux-de-couverture/.

mechanisms exist in areas such as research, innovation (see Annex 4) ([428]), industrial policy (see Annex 5), and energy ([429]), these mechanisms need to be effectively implemented. The limited interfederal cooperation on industrial strategy impedes synergies between federal and regional levels and limits Belgium's competitiveness. Strengthening cooperation between federal, regional and municipal authorities – including metropolitan coordination around Brussels – could lead to more coherent policies, efficient investment ([430]) and a more responsive approach to societal and economic challenges.

([428]) Mesures d'aide à la recherche et au développement à l'impôt… | Cour des comptes.

([429]) Belgium 2022 Energy Policy Review | OECD.

([430]) Le niveau d'investissements publics en Belgique a connu une hausse ces dernières années, mais n'atteindrait pas le niveau visé | Bureau fédéral du Plan.

This Transport Annex presents the state of play and the challenges Belgium faces with the implementation of the trans-European transport network (TEN-T) and the European railway traffic management system (ERTMS).

Belgium is crossed by two European transport corridors (North Sea – Baltic and the North Sea – Rhine – Mediterranean). The TEN-T in Belgium comprises: 2 387 km of rail (of which 1 243 km are on the core network), 2 753 km of roads (of which 804 on the core network), and 1 071 km of inland waterways. In addition, Belgium has four airports (including two core airports), 20 ports (including nine core ports) and 11 urban nodes on the TEN-T network ([431]).

The country has one of the densest and busiest rail networks in Europe, reflecting its compact geography and central role in European transport. The system is well-integrated, meeting overall key technical TEN-T requirements, such as electrification, track gauge and axle load.

The European railway traffic management system (ERTMS) is essential to digitalising the railways and modernising and harmonising railway operations across Europe. ERTMS ensures the safety of rail networks by providing a unified signalling system that significantly reduces the risk of accidents. It also provides interoperability between national rail systems, improving cross-border train movements. Finally, ERTMS enhances network capacity and operational efficiency, increasing the competitiveness of the rail sector.

Belgium is among the frontrunners in terms of ERTMS deployment ([432]). A major gap remains the high-speed Brussels-Paris line, which has not yet been equipped with ERTMS, which creates a barrier to cross-border rail services.

Rail network priorities are focused on improving port access and increasing network capacity and resilience. To supplement the key cross-border projects in the core TEN-T network and ensure an efficient traffic flows along the two European transport corridors crossing Belgium, it is critical to remove the capacity bottleneck on the Ghent-Zeebrugge line by adding tracks to separate freight and passenger traffic, reducing delays and improving reliability by 2030.

The Port of Antwerp is a main entry point to the North Sea – Baltic corridor, and its rail connection would benefit from upgrading and electrification. Moreover, capacity upgrades in the Brussels rail node including the north-south junction, would help to resolve structural bottlenecks and improve interoperability.

Given that inland waterways play a vital role in both Belgian and European logistics by ensuring efficient, sustainable connections between major ports, industrial hubs, and neighbouring countries, investment priorities for Belgium include modernisation works along the canals connecting the Scheldt and Meuse rivers. De Vlaamse Waterweg and the Service Public de Wallonie are in charge of an inland waterways plan focused on lock construction and upgrades on the Albert Canal and Bocholt–Herentals Canal.

Belgian railway infrastructure faces significant modernisation and maintenance challenges. In addition to budgetary constraints, progress in rail infrastructure in Belgium is hampered by complex and lengthy permit procedures, including the risk of appeals. Lengthy land acquisition processes and slow public procurement and project implementation also delay the completion of projects and contribute to high project costs.

([431])TENtec Information System, according to Reg. 2024/1679.

([432]) Based on ERTMS – Third work plan of the European coordinator Matthias Ruete.

Map A19.1: **TEN-T Cross-Border & National Priority Sections in Belgium.**

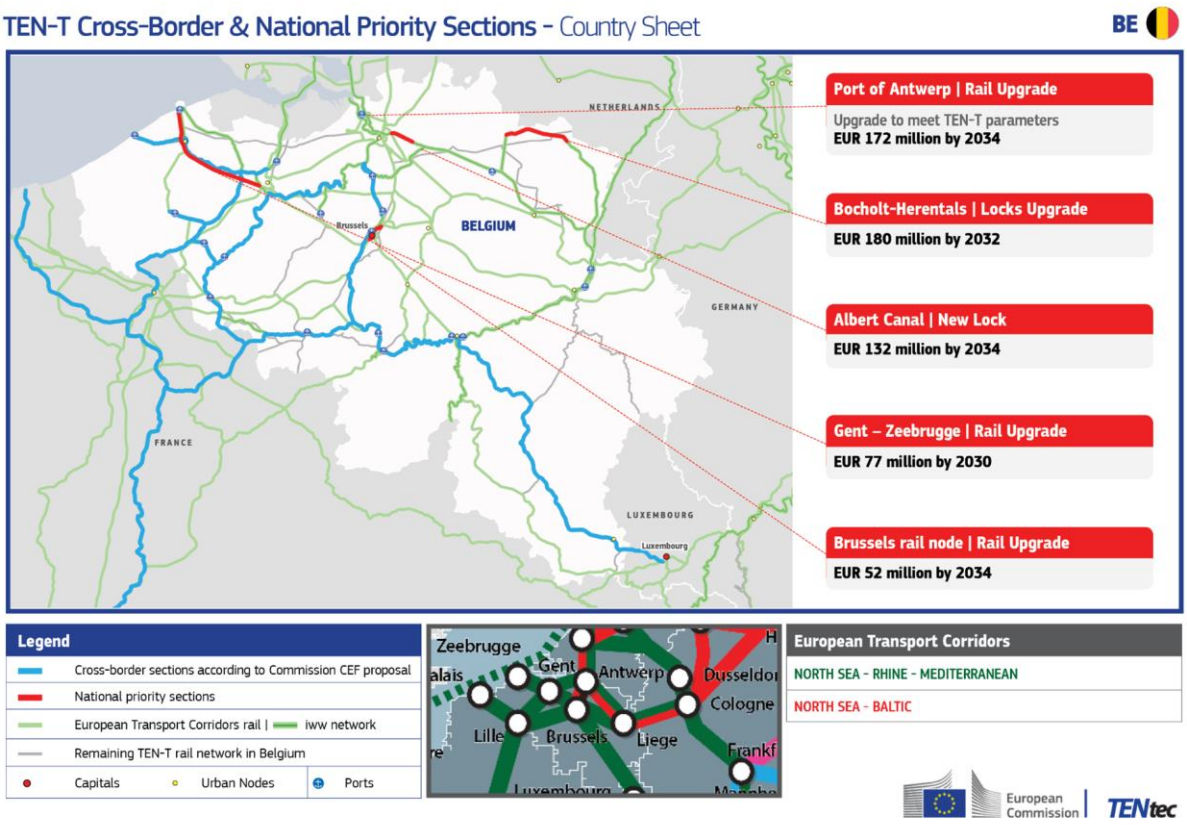


Table A19.1: **ERTMS deployment in Belgium.**

TEN-T rail network	ERTMS (trackside) in operation			Minimum estimated cost of additional deployment until 2035
	year	length	% of total TEN-T	
2387 km	end 2024	1683 km	79%	
	by 2035	2387 km	100%	EUR 170 million

Source: Based on ERTMS – Third work plan of the European Coordinator Matthias Ruete.

Moreover, harmonising technical and operational rules with the minimisation of national rules in line with the EU directives on rail interoperability and safety remains critical to ensuring seamless cross-border rail transport.