

# **Belgium Report**

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# **Executive Summary**

Belgium, located in the heart of Europe, is a small country of 11.2 million inhabitants. In 2015, its gross domestic product (GDP) should reach  $\notin$ 412 billion at current prices (in nominal terms, 16% above the 2008 pre-crisis level of  $\notin$ 355 billion, as estimated by the IMF). Belgium has been one of the euro area's good performers in recent years. The county's per capita purchasing power is about 6% above the French level, 10% above the euro area average, and 19% above the EU-28 average. Belgium also boasts an extremely open economy: the sum of imports and exports amounts to 170% of GDP. The country's net exports should total above 2% of GDP in 2015. However, its unemployment rate rose steadily in 2015, reaching 8.8% in September 2015. This is below the euro area average of 10.8%, but the euro area rate as a whole actually decreased in 2015.

Belgium is thus rather healthy from an economic perspective, although not the European Union's best-performing economy. It boasts a well-educated population, attracts substantial foreign direct investment, maintains high-quality hospitals, has a healthy housing market (i.e., it did not crash during the financial crisis, and recent estimates suggest only modest overvaluation) and overall manages a well-performing economy. With its comprehensive road, rail, water and information-technology networks, as well as its world-class harbors, Belgium provides direct access to and from the rest of the world into Europe. Its openness in terms of trade and high reliance on exports implies that Belgian companies must remain competitive or face losing their market position. The International Institute for Management Development (IMD) ranks Belgium as the 23rd most competitive economy in the world (a five-position improvement over 2014).

Politically, the country is home to one of the most significant separatist movements in Europe (together with those in Catalonia and Scotland, and the Italian "Padania"), which makes the country institutionally fragile and complex. Decades-long tensions have produced a layer-cake of federal, regional, provincial and community (read: linguistic) entities, with unclear and often overlapping responsibilities. This produces frequent deadlocks, and ideological/linguistic positions often overshadow rational arguments when reforms are made. It also produces centrifugal forces, with the strongest party in Flanders arguing in favor of splitting the country.

The Michel I government, which took power in October 2014, committed to abstain from any additional institutional reforms, temporarily setting aside the thorny issues that plagued other reforms. Its challenge is instead to restore the "competitiveness" of the economy, while reducing the public deficit in order to address the high debt-to-GDP ratio (now around 107%) and the implicit pension debt.

The government's ambitious self-imposed agenda thus focuses on economic reforms. It aims at improving the labor market, reforming the tax and pension systems, restoring the sustainability of the social-security system, enhancing the judiciary, and other such tasks. An important component of its strategy is to reduce the tax wedge on labor, which is one of the highest in the OECD, and to reform the pension system.

Some progress is being made in this direction, but reforms have proven difficult. One reason is a relative lack of agreement within the right-wing coalition as to what reforms are needed, and how to pursue them. Another reason is the political environment's increased political polarization. The current government is atypically right-wing for a country used to broad-based coalitions. Moreover, the Flemish separatist N-VA is one of the main coalition partners, implying that French speakers are suspicious of any radical reform, on the grounds that it may end up weakening Wallonia's economic position (and this seems indeed true of the recent tax reform, for instance). This leads to intense and vocal political opposition to the government's measures, and to vigorous protest by the large and well-organized trade unions, which make reforms more difficult.

Amid such tensions, the long-term challenge of this and future governments will be to restore investment and job creation in ways that return all Belgian regions to a condition of sustainable growth. It also needs to maintain fair intra- and inter-generational transfers, restore knowledge creation and innovation in the private sector without impairing access to the public goods and services that are important to social cohesion, and to better integrate (both socioeconomically and culturally) the second- and third-generation immigrants who are now Belgian citizens.

Belgium's overall outlook is thus mixed. On the one hand, Belgian citizens live well and peacefully, and the country possesses the resources to achieve such goals. On the other hand, Belgium needs to reduce its internal tensions in order to redirect its political energy away from nitpicking and toward restoring and maintaining prosperity. As is true of European Union policy more generally, it may be a long and winding road from here to there.

# Key Challenges

Belgium's key challenges remain the following: 1) to improve its competitiveness, 2) to rationalize and stabilize its institutional setup, 3) to restore sustainability in its public accounts and achieve equitable growth over the long run, and 4) to better integrate some of its societal peripheries, in particular second- and third-generation immigrants of Muslim background.

During the course of the Great Recession, Belgium managed to limit damage within its mainstream small- and medium-sized business sector, and indeed experienced only a limited recession on the domestic front. By 2011, its GDP had recovered to its 2008 level, and is now 4.3% above that point. Clearly, the economic situation in Belgium better resembles that of Germany than of Greece. However, the country has suffered from a progressive erosion of competitiveness that it now ought to address. Belgium is one of the most open economies in the world, and small missteps have important consequences. Its market share in global exports has fallen, as has the technological content of its exports. The country has lost considerable ground in fields such as car manufacturing and high-tech steels. It thus needs to identify new sectors capable of producing high GDP growth and engage in a massive transfer of factors of production toward these sectors.

In this context, the government has initiated a so-called tax shift to provide incentives for firm-level investment and job creation. But in a context of sluggish growth and investment worldwide, this tax policy alone cannot produce a rapid acceleration in growth. Moreover, many pundits criticize the reforms for being insufficiently daring.

With respect to the country's institutional setup, Belgium has suffered from decades of institutional instability due to recurring tensions between the Flemish and the Walloon regions. Flanders is richer, and its unemployment rate is about half the level of Wallonia's. One reason for this is that Wallonia's economy was once based more heavily on coal mining and heavy industry, and is still experiencing a difficult process of adjustment. Such political tensions, as well as some nagging "community" issues in and around the (bilingual) Brussels region, undermine the population's trust in the social safety net and led to the umpteenth institutional reform in 2011, which organized the phasing out of transfers between Flanders and Wallonia.

The current government was instituted on the basis that it would not pursue any additional institutional reform. Its agenda is thus mainly "economic." However, tax reforms decided at the national level also have important distributional consequences for the regions, and for Wallonia in particular. Given the mutually reinforcing effects of institutional and tax reforms, the Walloon deficit will likely balloon over the next five years. This will prevent the region from pursuing any costly reform or public investment, and will likely force it to cut its spending. There is thus a risk of destabilization that will have to be managed if a local economic depression is to be avoided.

Third, without sustained and balanced economic growth, many pillars of Belgium's society will be jeopardized in the long run. Belgium is a lowinequality country, with accessible health care, hospitals, and other public goods and services such as schools and universities. However, its pension system needs additional reforms to be sustainable, and the adjustments risk being highly unfair to future generations of pensioners unless additional economic growth materializes to help finance the system. Likewise, health costs are increasing much faster than GDP, and cutting down on public subsidies to hospitals carries the risk of a reduction in access. However, many of the levers that could promise faster growth are out of the hands of local politicians, and significant progress is needed at the European level as well.

Finally, the issue of the failure (thus far) to integrate large segments of secondand third-generation immigrants, both in socioeconomic and cultural terms, raises some deep societal and political challenges. The issue particularly concerns large groups of young (now Belgian) citizens of Muslim background, especially of Moroccan origin, who feel excluded from Belgian society and are concentrated in large cities (in particular Brussels and Antwerp). This has been a nagging issue for at least two decades, throughout which all policies intended to address this major integration issue have met with limited success at best.

This situation has provided fertile ground for the emergence of small (but committed) numbers of radical Islamists – in fact, according to a U.N. report released in October 2015, about 500 Belgian citizens were counted as combatants in Syria and Iraq (within ISIS and similar groupings), the highest such per capita figure for any European country. The issue of returnees and the danger they present – a factor frequently referred to by analysts as a "time bomb" – is bound to be a serious problem at least during the next few years.

Citation:

http://www.levif.be/actualite/international/pres-de-500-combatants-belges-en-syrie-et-en-irak-selon-l-onu/article-normal-428335.html

# **Policy Performance**

### I. Economic Policies

#### Economy

Economic Policy Score: 6 Europe and the euro area are mired in a protracted economic crisis that has dealt a blow to existing economic institutions. Belgium is proud to be at the heart of Europe, but is now paying a cost because of it, and suffers from the need to implement substantial adjustments in response to this Europe-wide shock. Productivity growth has slowed substantially, and several of Belgium's previous comparative advantages are eroding. As a result, the unemployment rate has continued to rise in Belgium even as it reached a four-year low in October 2015 in the euro area as a whole.

The new federal government (Michel I) is trying address some of these problems. However, it is exceptionally right-wing for Belgium's tradition of middle-of-the-road government coalitions, and its mode of action has prompted strong political reactions that are destabilizing institutions intended for more consensual decision-making styles. This may in part lead to the weakening of some conservative special interests and produce positive changes in the future. But it also increases the risks of future reversals and further instability. In addition, economic policies often lack coherence, since competences are today largely split between the federal and regional authorities, and political majorities at the regional level contrast with those at the federal level (both the Walloon and Brussels regions currently have center-left governments).

In its May 2015 recommendations, the Council of Europe identified several weaknesses needing attention by the government. Among these were the way in which 1) pensions are funded, 2) taxes are collected, and 3) labor markets function. The government has engineered additional pension reforms to increase the effective age of retirement. However, as pointed out by the Council, this has not been accompanied by better incentives for firms to hire

older workers. There is thus a high risk that the older individuals will bear disproportionate costs through higher unemployment rates today, as well as through reduced pensions in the future. Next, the tax base is too narrow, and marginal tax rates on labor too high as a consequence. The government has initiated a major "tax shift," but has not sufficiently broadened the tax base. This may lead to potentially significant budgetary shortfalls in the coming years. Such problems might mainly be transitory and prove to be due to adjustment costs (for example, through a greater prevalence of strikes due to resistance to change). In the meantime, however, the Belgian economic framework and its international competitiveness have not significantly improved.

#### Citation:

Council of Europe's Recommendations:

http://ec.europa.eu/europe2020/pdf/csr2015/csr2015\_belgium\_en.pdf Biatour and Kegels 2015: http://www.plan.be/admin/uploaded/201510021314080.WP\_1506\_11090.pdf Inflation and Unemployment in Europe: http://ec.europa.eu/eurostat/web/products-press-releases/-/3-30102015-AP http://www.ft.com/intl/cms/s/0/fd6f03fa-7ef2-11e5-a1fe-

567b37f80b64.html?ftcamp=crm/email/20151030/nbe/WorldNews/product#axzz3q4JYCOkM

#### Labor Markets

At the onset of the financial crisis, unemployment rates did not increase as dramatically in Belgium as elsewhere in Europe, demonstrating the effectiveness of the Belgian social safety net. But the performance of its labor market has continually eroded since then. Unemployment in the euro area peaked in 2013, but continued to increasing in Belgium throughout 2015. Employment growth, by contrast, has stagnated at 0.6% per annum.

According to several analyses (including that of the Council of Europe), this is due to a lower than desirable link between wages and productivity, financial disincentives to work (in part due to high taxes and social contributions on labor), increasing mismatches between the demand and supply of labor skills, workers' insufficient geographic mobility between regions (Flanders, Wallonia, Brussels) in spite of the short distances, and pockets of high unemployment (particularly among the youth and/or underskilled), especially in the Brussels region and older industrial basins in Wallonia. Belgium has been forced to keep public spending under tight control due to the European Commission's macroeconomic imbalance procedure. This implies that there is chronic underinvestment in higher education, and no long-term plan for midcareer retraining (both competences are now largely exerted by the subnational authorities). This does not bode well for the supply of skills. On the other hand, many other changes are underway (incentives to work have been

Labor Market Policy Score: 6 strengthened by making access to unemployment benefits and early retirement more difficult, for instance), but have shown only minimal results as yet.

Citation: Council of Europe's Recommendations http://ec.europa.eu/europe2020/pdf/csr2015/csr2015\_belgium\_en.pdf

#### Taxes

Tax Policy Score: 6 Belgium's tax structure is not equitable, as it puts too much pressure on wages (alongside Italy, Belgium has the highest effective tax rate on labor in the OECD). This policy produces strong incentives to avoid or evade taxation. On the other hand, capital is only moderately taxed, thanks to tax loopholes available both for personal-income and corporate taxpayers. With each income source (labor, capital, corporate), horizontal and vertical equity are guaranteed on paper, but differential treatment between income sources undermine this principle. Nevertheless, low levels of inequality place Belgium among the most equitable countries (with the caveat that this is measured inequality; since some sources of income do not need to be declared, it is hard to obtain accurate data).

The present government being more right-wing than the typical Belgian coalition, it is placing more emphasis than was previously the case on capping social-security costs. The opposition and the trade unions have accused it of dismantling the existing social safety net, which is an exaggeration. But one should indeed expect an erosion of the provision of public goods and services and an increase in inequality and poverty in the future, hopefully associated with gains in competitiveness and a progressively shrinking public debt. This is an important objective due to the unfunded nature of future pension expenditures.

#### **Budgets**

Budgetary PolicyThe IMF forecast that Belgium's total public debt should reach 106.7% of<br/>GDP in 2015 and start decreasing in 2016 or 2017 (net debt is estimated at<br/>66% of GDP). The public deficit is progressively approaching zero. In its<br/>recent bond sales, the Belgian government has been able to borrow at negative<br/>interest rates. In other words, despite a relatively high public debt, the public<br/>finances are deemed to be sustainable overall. A hidden ticking bomb is the<br/>implicit pension debt related to entitlements that will be owed to current<br/>workers in 10 to 20 years. The ongoing tax reforms also create some<br/>uncertainty with regard to what actual tax receipts will be over the next year or<br/>two.

**R&I** Policy

Score: 6

#### **Research and Innovation**

R&D policy is shared between the central government, which can offer tax incentives, and the subnational (regional and community) governments, which are responsible for managing European subsidies and supporting university R&D and related projects. This increases subnational accountability but hurts coordination and limits economies of scale. According to the KPMG consultancy, Belgium has "increased its attractiveness as a prime location for companies involved in research and development activities and in the exploitation of patents." The country's location, transportation facilities and infrastructure offer much for potential investors, KPMG says.

According to the Europe Commission too, Belgium is improving its R&D performance. It spent 2.28% of its GDP on R&D in 2013, and currently uses all available tax incentives to promote R&D. In spite of this, the share of basic research in business enterprise R&D (BERD) has dropped from 9.5% in 2005 to 7.0% in 2007.

Despite these improved fiscal incentives, Belgium remains technologically considerably behind other European countries of a similar size such as Denmark and the Netherlands. While some indicators such as patent registration and monetary returns may be improving, the technological content of the country's exports is progressively eroding. Universities are chronically underfunded, despite the assistance provided by the regions to help them monetize their discoveries in the form of spin-offs and improved links with businesses. This should not overshadow important exceptions; a highly skilled work force is present, and fiscal incentives have attracted some researchintensive firms in the chemical, pharmaceutical, and more recently computerscience sectors (such as Google, in the latter category).

Citation: EC 2015: http://ec.europa.eu/economy\_finance/publications/eeip/pdf/ip008\_en.pdf

Europe 2020 indicators: http://ec.europa.eu/eurostat/statisticsexplained/index.php/Europe\_2020\_indicators\_-research\_and\_development

Biatour and Kegels 2015: http://www.plan.be/admin/uploaded/201510021314080.WP\_1506\_11090.pdf

#### **Global Financial System**

Stabilizing Global Financial Markets Score: 8 Most banks suffered extensively from the crisis, and the Belgian government was more proactive in the restructuring of banks than many of its fellow European governments. Yet Belgium is clearly too small a country to restore financial stability alone. Indeed, some of the largest Belgian banks are structurally linked to other European banks, or have in fact become subsidiaries of larger banks with headquarters based in neighboring countries (e.g., ING, BNP Paribas). This led the government to promote international efforts to restore financial stability and combat financial fraud and tax evasion (from which Belgium is a clear loser, in spite of repeated initiatives to recover revenues lost through tax evasion through banks based in countries such as Luxembourg). Belgium also actively took part in the creation of the so-called banking union in the euro area, and has sought to improve banking supervision within its borders.

### **II. Social Policies**

#### Education

Education Policy Score: 6 The OECD classifies Belgium's performance as "top" with regard to youth skills, but only as "average" with regard to other indicators (including inclusiveness, youth integration into the labor market, and the promotion of skills in workplaces). Improvements in the Belgian education system were mainly achieved before 2010, and its education system has largely stagnated since that time. Given that education is almost exclusively publicly financed in Belgium, the pressure to balance budgets currently exerted by the economic crisis is certainly an important factor. In addition, the organization of education generates some excessive structural costs due to the coexistence of a public network and a "free" (Catholic) network that is also publicly funded; this undermines cost-effectiveness and overall efficiency (as well as reform potential) within the education system. The education system also has evident difficulty in producing social mobility; according to the OECD, "the likelihood of a student participating in tertiary education varies greatly depending on the level of education attained by his or her parents."

The general affordability of education helps render access to education largely equitable. University fees remain very low ( $\textcircled$ 35 per year in French speaking universities,  $\textcircled$ 90 in Flemish universities) as compared to the Anglo-Saxon countries. De facto discriminatory factors include the very minimal or nonexistent study grants for poorer students, and the increasingly overcrowded classrooms. Although the universities perform quite well today, their increasingly tight budget constraints risk reducing the quality of education in the medium-term.

As reported by Vanden Bosch (2014), the European Commission has also pointed to the "lack of coherence between education and employment policies, given the specific needs of the migrant population."

#### Citation:

OECD Skills Outlook: http://www.oecd.org/education/oecd-skills-outlook-2015-9789264234178-en.htm

OECD (2014). "Education at a glance 2014, OECD Indicators"

Vanden Bosch (2014). "The European Semester in Belgium: A state of play", Egmont Royal Institute for International Relations, European Policy Brief No 32

#### Social Inclusion

Social Inclusion Policy Score: 6 Belgium has traditionally had generous employment protections, unemployment benefits and overall social security provisions, all of which help contain poverty to a substantial degree. Inequality with regard to disposable income has not increased much during the crisis, despite increasing market-income heterogeneity. Transfers as a percentage of GDP show the sixth-highest level within the OECD. Accordingly, Belgium's relative position with respect to social inclusion has improved steadily until recently.

Recent labor-market policy reforms have primarily aimed at increasing incentives to work, largely through making access to unemployment benefits and early retirement more difficult. This increases sustainability within the social-security system in the long term, but also increases the risks of poverty.

More importantly, the current immigration crisis (with massive inflows of refugees mainly from Syria and Afghanistan) may force Belgium to tighten its immigration policy and the generosity of its poverty assistance quite substantially. Even before the crisis, Belgium had become a leader in curtailing social-security benefits to intra-EU migrants, and the previous government had toughened its immigration policy. The current crisis might accelerate this trend and spill over to social security at large.

Citation:

OECD Economic Surveys: Belgium, February 2015 http://www.oecd.org/eco/surveys/Overview\_Belgium\_2015\_Eng.pdf

#### Health

Health Policy Score: 7

In Belgium, public (or publicly funded) hospitals own and maintain good equipment and university hospitals offer advanced treatments, given the

institutions' participation in medical research. Coverage is broad and inclusive. Access to health care is quite affordable, thanks to generous subsidies. Belgium fares quite well in terms of the efficiency of its health care system. It ranks close to Sweden, which is often considered as a benchmark of efficiency for affordable access to health care.

A problem is that costs have been contained by reducing wages and hospital costs in ways that do not seem viable in the long run, particularly given the aging population. Too few graduating doctors are allowed to practice, and the short supply of doctors in the country may compel an increasing number to leave the public system and the constraints imposed by state subsidies, and move to fully private practices. Inclusiveness may thus be threatened in the medium-term.

Another issue is that Belgium insufficiently emphasizes prevention, and spends more than similar countries on subsidized drugs, which generates a structural increase in health policy costs and hampers long-run sustainability within the health care system.

Recently, entire areas of state competences regarding health care have been devolved to the regions (Wallonia, Flanders and Brussels) with the aim of increasing local accountability. However, this risks a loss of coordination and increased costs (e.g., excess spending on medical equipment) in a country where regions are so small that patients may easily move between regions, and the resulting competition may lead to excess spending. There is also a risk of losing management competence, as the pool of ministers and experts is considerably smaller in the regions than in the country as a whole.

#### Families

Although child care for children below the age of three is rationed in Belgium, the country is a good performer in this regard overall. Essentially free public schooling is available for children after the age of three, and free or very cheap child care is available from 7:30 a.m. until 6 p.m. on working days.

Subsidies per child (allocations familiales/kinderbijslag), responsibility for which were recently devolved to the federated entities, are low for the first two children, but personal-income-tax cuts offer support to households with children.

High implicit tax rates on low-wage earners, which effectively create a substantial hurdle for low-qualified second earners in a couple (who are typically women), remain a hurdle to equitable family policy. Official statistics

Family Policy Score: 8 show that the labor-market activity rate for highly educated women is only five percentage points below the comparable men's rate, but is a full 18 points (35% compared to 53%) lower for women with less education.

#### Pensions

Pension Policy Score: 7 Pension policy has long been a touchy issue in Belgium. Reforms were continuously delayed until the financial crisis hit the country and forced the previous government to initiate a number of reforms to restrict early retirement. Despite considerable political oppositions, the current government has steadfastly pursued an effort, with a firm plan – passed by parliament in July 2015 – to raise the legal pension age gradually from 65 to 66 years (by 2025) and ultimately to 67 years (by 2030), with the aim of making the system more sustainable. The sheer fact that such a policy has been approved after so many years of stalemate can be regarded as a significant step forward. In June 2015, the government also set up an advisory commission for pension reforms (comité national des pensions/nationaal pensioencomité) which is composed of economic experts and the main stakeholders, including trade unions.

There is, however, a risk to be considered; overall pension generosity will clearly fall, even though minimum pension levels are already very low, producing relatively high poverty rates among the retired. Public pensions are often topped up by private pensions (especially among medium- and highincome individuals in the private sector), but the economic crisis has dented their expected returns. Poverty among the retired can thus be expected to increase in the coming decades.

#### Integration

Integration Policy Score: 6 Belgium has a contradictory attitude to immigration. On the one hand, it has traditionally been quite welcoming to political refugees and has had a relatively lenient policy toward "economic" migrants. The Center for Equal Opportunities and Opposition to Racism was formed to address potential discrimination issues.

On the other hand, Belgium has never properly invested in education in ways that would enable immigrants and their children to integrate easily in the economic sphere. This has led to high unemployment rates among immigrants, who are largely concentrated in urban areas (particularly Brussels). Deep education and employment-rate gaps between Belgian nationals and residents of non-European origin thus persist.

The combination of these two trends has produced increasing opposition to

immigration and strengthened latent racism within the population at large. It has also produced a deep feeling of alienation among some quite large groups of second- and third-generation immigrants, both in socioeconomic terms (as they feel excluded from social mobility) and in cultural/religious terms (not being recognized as full-fledged citizens, being Muslim).

The previous and the current government have sought to tighten immigration policy, but the current immigration crisis (following the protracted civil war in Syria) has de facto undermined this attempt. The minister in charge of this portfolio seems quite able to manage the immediate logistic consequences of this crisis, but its long-term effects are difficult to foresee from a budgetary perspective as well as from that of immigration and social-security policies and potential populist reactions.

#### Citation:

OECDEconomicSurveys:Belgium,February2015.http://www.oecd.org/eco/surveys/Overview\_Belgium\_2015\_Eng.pdfKoutroubas, Theodoros, Rihoux, Benoît, Vloeberghs, Ward, & Yanasmayan, Zeynep. (2011). The complex

community mosaic in Belgium. In M. Emerson (Ed.), Interculturalism: Emerging societal models for Europe and its Muslims (pp. 55-76). Brussels: Centre for European Policy Studies.

#### Safe Living

Belgium is generally a safe country, yet violence does occur and the country's crime rate is higher than in neighboring countries. Self-reported victimization rates are above the OECD average, in part due to above-average bullying problems that do not receive much policy attention. Underfunded, overcrowded and unhealthy prisons are part of the problem. Efforts are being made to strengthen police presence in potentially risky areas (and even of the army, following the terrorist attacks on Charlie Hebdo in Paris). However, the court system remains too slow (due to a huge backlog) and is often perceived as lenient. Part of this is due to chronic underfunding of the judiciary, but the issue is further exacerbated by linguistic issues in and around Brussels (the issue being the imbalance in the proportion of French- and Dutch-speaking judges and chambers, which perpetuates the backlog, particularly for penal issues). This helps maintain a feeling of impunity for small misdemeanors. On another front, in particular in connection with terrorist threats, the intelligence services still lag behind those of other European countries in terms of overall efficiency, IT proficiency, and related issues, in spite of ongoing investment.

The country's relative social stability, neocorporatist arrangements and limited levels of income inequality have largely insulated it from mass demonstrations or riots of the kind sometimes observed in France.

Safe Living Conditions Score: 7 Citation:

OECD 2015. Better life initiative. How is life in Belgium? October 2015. http://www.oecdbetterlifeindex.org/countries/belgium/

#### **Global Inequalities**

Global Social Policy Score: 4 The economic crisis has placed continued pressure on the government's development-aid efforts. International-development policies, which are now split between the federal and federated entities, are increasingly being seen as an instrument to help Belgian firms export to developing countries. Unrelated aid is being cut, and Belgium has repeatedly missed its own spending targets despite recognized Belgian expertise in the field, particularly in sub-Saharan Africa. At the international level, Belgium has been part of efforts to push for more fair-trade arrangements, but has not been an agenda-setter.

### **III.** Enviromental Policies

#### Environment

The Belgian government has established a climate-policy website (www.climat.be) on which the authorities themselves write that the country's environmental policy is "rather complicated" ("la politique de notre pays en matière de climat est assez compliquée"). Belgium's environmental policy is indeed split between the federal government and the three regions, which makes it largely unmanageable. Most of the energy spent at this policy seems to be devoted to pushing the burden of adjustment to another of these partners. The website proudly details the progress made between 2008 and 2012, but concludes with the understatement that negotiations for the 2013 – 2020 policy round have not yet come to fruition. In practice, this means that environmental policy in Belgium remains largely uncoordinated, local and inefficient. Generally speaking, environmental quality matches the OECD average.

Carbon emissions represent the most immediately troubling environmental dimension. These have fallen over time, but primarily due to the economic crisis that wiped out large swathes of industry. Company cars remain largely subsidized and public transportation (mainly rail) systems are rather inefficient, with a high propensity to mount strikes. The implicit subsidization of diesel engines also increases nitrogen-oxide and particulate-matter pollution.

Environmental Policy Score: 6 Car traffic is unlikely to decrease in the short run, partly due to the poor management of public transportation projects (e.g., a regional express train for the greater Brussels area, initially planned for completion in 2012, has been postponed to 2025). The government is introducing a per-kilometer tax on trucks, but the main objective is to shift some of the tax burden away from labor, not to reduce traffic. Congestion in the major cities remains high. Brussels, for instance, ranks as the sixth-most-congested city in Western Europe, according to the TomTom congestion index, with an average daily delay of 25 minutes during peak hour for what would be a 30-minute drive in off-peak conditions.

Significant improvements in water treatment have been recorded in all regions, after Belgium was taken to court by the European Commission for failing to implement its international commitments. Implementation in this area has become a regional prerogative.

Efforts have been made to increase the share of solar and wind-based electricity production, but with huge cost overruns that were not anticipated by policymakers despite warnings from experts. Traditionally, Belgium has relied broadly on nuclear power to produce electricity, but several recent plant failures (without environmental consequences) may lead to a drop in the share of nuclear power in the future. Too little effort has been made to improve energy efficiency, even when this would have been less costly than producing solar energy. However, new and innovative business ventures are today being created to tackle the problems left open by previous policy failures.

The regions are now responsible for maintaining forests and biodiversity. Overall, forest management is proactive, with a view toward long-term sustainability. Some superficial attention is given to biodiversity.

Citation: References:

European Commission (2015): http://ec.europa.eu/environment/water/waterframework/pdf/4th\_report/MS%20Annex%20%20Belgium.pdf

European Environment Agency (2014). "Total greenhouse gas (GHG) emission trends and projections (CSI 010/CLIM 050) - Assessment", June

European Environment Agency (2014). Air Pollution Fact Sheet2014: Belgium.

OECD (2015). "OECD Economic Surveys. BELGIUM"

TomTom (2015). "TomTom European Traffic Index. Measuring congestion worldwide"

#### **Global Environmental Protection**

Global Environmental Policy Score: 4 Global efforts to foster environmental protection are coordinated by the European Commission, and the Belgian government seems to prefer a backseat role in that process. In the previous government, the minister of sustainable development was also the minister of finance. In the present government, the minister for energy and the environment had never worked on energy or environmental matters before taking the position. Belgium has not sought or assumed a proactive role in the design and advancement of global environmental-protection schemes – especially since several aspects of environmental-protection policy have now been devolved to the regions, which leads to frequent difficulties in the formulation of a clear Belgian (federal/national) position.

# Quality of Democracy

#### **Electoral Processes**

Standard legal restrictions, such as requiring a certain number of signatures before an individual may run as a candidate, are fair and are effective in controlling the number of candidates in any election. The same holds for parties, which can be relatively easily registered and at very little cost, even in a single constituency (or electoral "arrondissement"). In practice, however, such restrictions may represent a higher hurdle for smaller or local parties or candidates. One reason is that the registration process has been mastered by the more established parties, and poses more of a challenge for individual candidates. Most political parties offer a broad diversity of candidates, according to gender, age and ethnicity. Gender rules are quite specific, as there are mandatory quotas on electoral lists.

All mainstream political parties, or so-called democratic parties, have broadly equal access to the media (however, equal media airtime is not guaranteed by law). Minor parties and so-called non-democratic (essentially post-fascist) parties do not have equal access to media, as the main TV stations, for instance, reserve the right to ban such political parties from broadcasts. Print media also offers broad and mostly balanced coverage of political parties, although some newspapers may have preferential links to this or that party "family." The influence of post-fascist or national-populist parties varies depending on geographical region. In Flanders, the national-populist Vlaams Belang is considered to be an acceptable party for media interviews and broadcasts. The extreme-left PTB/PVdA does receive some media coverage across the whole country. All other parties have quite fair access to the media. Difficulty of access seems to be a substantial issue only for ultra-minority parties, largely because of their small size.

> Voting is compulsory in Belgium, and all resident Belgian citizens are automatically registered to vote. Non-Belgian residents and Belgian nationals living abroad must register on a voluntary basis.

> There are two marginal limitations in terms of the proportion of voters concerned. In some municipalities with "linguistic facilities" around Brussels (i.e., situated in Flanders, but with a significant proportion of French-speaking

Score: 8

Candidacy

Procedures

Media Access Score: 7

Voting and Registrations Rights Score: 9 voters), voters may not receive voting documents in their native language. The situation is usually handled quite pragmatically, but in 2015 this led to the prolongation of a stalemate in one "commune à facilités/faciliteitengemeente" in the Flemish periphery of Brussels. In this municipality of Linkebeek, no arrangement could be found for the (Francophone) mayor to be officially installed by the (Flemish) regional authorities, although he and his list had captured a broad majority of the (largely francophone) vote.

The fact that compulsory voting is not extended to Belgian nationals living abroad means that their degree of representation is potentially lower than that of regular voters.

Party Financing All political parties represented in parliament are largely financed by the state, based on the number of votes cast and the number of parliamentary seats, and private contributions are limited. Electoral campaigns at all levels are subject to tight regulations on allowed spending, both in terms of amount and item. After each election, all advertising and campaign spending and contributions are scrutinized in detail by a special parliamentary committee, with limited partisan bias. Candidates who infringe the rules may, for instance, lose the right to be elected, even though such instances are rare. In most cases, a range of more modest (financial) sanctions are implemented, typically seeing the candidate forced to repay non-eligible expenses or overspending.

> Tight financial control over the party accounts is also exerted during nonelectoral periods, again by a special largely nonpartisan parliamentary committee. In 2015, two parties received modest sanctions following some remarks on their accounting techniques. This was quite hotly debated and framed in terms of majority/opposition tensions, but can generally be seen as an indication that the system of checks and balances functions quite well.

Popular Decision-Referenda are illegal in Belgium. The main rationale is to avoid a "tyranny of Making the majority," given the fragmentation between Flemish speakers (a majority Score: 3 at the national level), German speakers (the smallest group at the national level), and French speakers (about 40% of the national population, but a majority in the Brussels region).

> Some popular initiatives are tolerated, but will only be considered as a suggestion by the authorities. At the local level, "popular consultations" can be organized, but these are largely controlled by local authorities and are rare.

> More focused public consultations however are organized on a regular basis for city planning decisions, building permits and similar issues. Again, popular reactions are not binding, but are an important component of decision-making. The complex institutional architecture of Belgium also means that approval is

Score: 10

sometimes needed at the local, regional, and federal levels for a project to proceed. This gives rise to lots of not-in-my-backyard (NIMBY) lobbying of the kind that has delayed the creation of a train network around Brussels for decades and has blocked completion of the southern part of the Brussels motorway ring.

#### Access to Information

Media Freedom Score: 8 Some of the main public television and radio stations are managed by representatives of the main political parties; the head of the main Frenchspeaking public-media company actually is appointed by the government and claims an official post comparable to that of a civil servant. Regardless, the journalists at the company work largely free from direct control or political influence, even though some reporting appears excessively lenient with regard to some of the government's main representatives. The country's main private television and radio stations in general operate independently of political parties, even though some interpersonal connections exist at the levels of upper management.

> Privately held press organizations are largely independent, and they scrutinize public activities increasingly well, though their level of financial resources is sometimes problematic.

Media PluralismRelatively few actors have an ownership stake in the major private-media<br/>companies, a situation which is normal amid a small economy and an<br/>oligopolistic market. In practice, the various media outlets (television, radio,<br/>print and web) offer a diverse range of opinion, and most political positions<br/>are well represented. The board of Belgium's public-media group is also<br/>composed of representatives from most political parties, including opposition<br/>parties (from among the main parliamentary parties).

One issue affecting media outlets is the growing financial stress on print media. Tighter budgets have restricted newspapers' ability to pursue in-depth investigations on a systematic basis, and have in general diminished some of the public scrutiny that a free press is in theory supposed to exert.

While there is no law that directly addresses freedom of information, access to official information is in general granted and should be forthcoming without impediment (Belgium in 2009 was one of the signatories of the Convention on Access to Official Documents). In practice, however, some information can be hard to find, is not directly publicized or is not made widely available. This is further complicated by the multilevel structure of state institutions and administration (federal, regional/community, provincial and local), with the ineffective sharing and aggregation of information across all levels.

Access to Government. Information Score: 7 As a researcher, it is even difficult to determine out how one gains access in general to information. As a few examples, at the time of writing, finding information from the country's main consumer-budget survey has become increasingly difficult; data on pass/fail rates at French-speaking universities is now considered classified; and the state is now specifically avoiding collection of information that may have "ethnic" content (a response to the country's tense ethnolinguistic issues).

#### **Civil Rights and Political Liberties**

Civil RightsThe courts operate independently of political interests, and regularly challengeScore: 7political decisions. Equally, tension between judges and politicians can be said<br/>to have increased in recent years. In most cases, civil rights are well-protected.

Yet issues remain. The judicial system is chronically underfunded, which means that many cases face a delay of years before a decision is made. This has damaged Belgium's position in the World Bank's "ease of doing business" rankings, where it is ranked 53rd in terms of contract enforcement (as compared to an overall rank of 43rd in June 2015). Abnormal delays also sometimes force judges to abandon prosecution. In February 2013, a court fined the Belgian state €10,000 per judge lacking over judicial delays due to the government's decision to appoint too few judges, which resulted in unacceptable delays in judgments. In April 2013, Yves Liégeois, the chair of the prosecutor's office, publicly complained of his increasing inability to pursue investigations.

Another difficulty involves linguistic issues (e.g., in municipalities around Brussels), as some jurisdictions are split into Dutch-speaking and French-speaking chambers. This is mainly a problem in Brussels, which is bilingual.

Belgium is a mature democracy in which political rights are generally wellprotected. Weaknesses in the system began to appear as a result of tensions between the Dutch-speaking (Flanders and a minority in Brussels) and Frenchspeaking (Wallonia, a majority in Brussels and in some municipalities around Brussels) communities. To reinforce the usage of Dutch in Flanders, the Flemish regional government passed a law that in effect largely bans the usage of French for political communication in Flemish territory, even in municipalities where a large majority of the population is French-speaking. This created tension when some mayoral candidates chose to use French anyway. Some Flemish local politicians in the greater metropolitan area surrounding Brussels have also pushed for limitations in the use of French even in the business and private/cultural spheres, which in principle

Political Liberties Score: 8 contravenes constitutional liberties.

As in most countries, discrimination exists in practice. Belgian citizens of foreign origin, for example, perform significantly worse in employment levels and educational achievements. A significant percentage of the Belgian population openly expresses racist speech or feelings, though rarely through mainstream media outlets.

While it is difficult to provide equal opportunities to the disabled (in this respect Belgium performs less well than most northern European countries), Belgium also falls below the European average with regard to acts of violence against ethnic minorities. Yet state institutions have taken a proactive stance in such matters. Gay marriage has been legal for more than 10 years without significant social upheaval, mass demonstrations or violence. In 1993, the Belgian parliament founded a government agency called the Center for Equal Opportunities and Opposition to Racism. The center is easily accessible to the public, and its many activities, including legal support for persons subject to discrimination, are publicly visible.

#### Rule of Law

Legal Certainty The rule of law is relatively strong in Belgium. Officials and administrations usually act in accordance with legal requirements, and therefore actions are predictable in this sense. Nevertheless, the federalization of the Belgian state is not yet fully mature, and the authority of different government levels can overlap on many issues; a state of affairs which makes the interpretation of some laws and regulations discretionary or unstable and therefore less predictable than what would be desirable in an advanced economy.

> For example, Belgium has since 2009 failed to implement many of its fiscal treaties with foreign partners (for a list, see the Belgian Service Public Federal Finances website). The main reason for this is that all levels of power (federal, regional, etc.) must agree; when they do not, deadlock ensues. Other instances of legal uncertainty include linguistic requirements, where national and regional/community rules may conflict; regulation policy, where regulators' decisions are sometimes overruled by the government; and taxation policy, which is in the process of being devolved from the center to the regions. Moreover, taxation and pension policies were modified hastily and without notice in 2012, in an attempt to reduce the public deficit.

Judicial Review The 2007 called Constitutional Court (until the Cour Score: 8 d'Arbitrage/Arbitragehof) is responsible for controlling the validity of laws adopted by the executive branch. The Council of State (Conseil d'État/Raad van Staat) has supreme jurisdiction over the validity of administrative acts. These courts operate independently of government, often questioning or

Nondiscrimination Score: 7

Score: 7

reverting executive branch decisions at the federal, subnational and local levels. For example, in March 2010, the Council of State invalidated a decision of the Flemish government to ban in schools all visible religious symbols, and forced the federal administration to allow a teacher suspected of "sympathy with terrorism" to teach Dutch to prisoners. That same month, the Constitutional Court declared legal a controversial €250 million tax levied by the federal government against electricity producers.

However, the Council of State is split in two linguistic chambers, one Dutchspeaking and one French-speaking. These chambers are separately responsible for judging administrative acts of regions and communities, which poses challenges with regard to government independence, especially when a case involves language policy or the balance of powers between different government levels.

Appointment of The Constitutional Court is composed of 12 justices who are appointed for life by the king, from a list that is submitted alternatively by the Chamber of Deputies and by the Senate (with a special two-thirds majority). Six of the justices must be Dutch-speaking, and the other six French-speaking. One must be fluent in German. Within each linguistic group, three justices must have worked in a parliamentary assembly, and three must have either taught law or have been a magistrate.

> The appointment process is transparent, yet attracts little media attention. Given the appointment procedure, there is a certain level of politicization by the main political parties, and indeed most justices, have had close links to one of the parties or have previously held political mandates before being appointed to the court. However, once appointed, most justices act independently.

> A number of corruption cases and issues of conflicts of interest, widely covered by the media, has pushed government reforms toward a higher level of regulation of public officers. Since 2006, the federal auditing commission of state spending is responsible for publicizing the mandates of all public officeholders, after some officeholders held a significant plurality of offices. Assets held before and after a period in public office also have to be declared. Although the asset information is not published, the information does have legal value as it can be used in the event of a legal case (public officeholders therefore complete comprehensive declarations); such a practice appears to be effective (and various politicians have been investigated, after the financial crisis and bailout plans). Since 1993, political parties have been funded by public subsidies based on electoral results. Private donations by firms are not allowed. This practice is often criticized as a means of preserving the political status quo, as the system makes it difficult for an outsider to enter the political

Justices Score: 9

Corruption Prevention Score: 8

scene. To prevent further corruption scandals, public procurements above a certain value must follow strict rules. This rule has, however, often been bypassed at the local level (as revealed by certain corruption cases, such as in Charleroi), by splitting the market into sufficiently small units. Overall, the fight against outright corruption seems to have gained in effectiveness over the last years.

## Governance

### I. Executive Capacity

#### Strategic Capacity

Strategic Planning Score: 7 Each minister works closely with a team of collaborators in each ministerial cabinet. Each cabinet is usually large, with as many as 30 to 40 senior staff and experts. Meetings take place often, and the team designs policies in line both with the minister's objectives and the government agreement. The minister and the advisory team are then responsible for drafting bill projects which are then submitted to the government in weekly meetings.

In terms of long-term planning, the knowledge accumulated by a minister's collaborators can be lost at the end of a legislative period, as the ministerial team changes with the minister. Moreover, the frequency of staff rotation is generally high. In contrast, public administration is run by civil servants with longer tenures of office, but these groups do not generally take part in strategic ministerial decisions. Long-term planning (beyond a legislative term) is therefore made difficult. The main rationale for relying on the minister's team instead of civil servants is that the former are the minister's (and the party's) close aides and tend to be more flexible in terms of working hours and availability for emergency situations.

The federal Planning Bureau (Bureau du Plan/Planbureau) does play a role in providing longer strategic planning options, but in general it is the ministerial cabinets that are the main movers of legislative efforts.

Scholarly Advice Consultation with non-governmental academic experts depends on the subject matter; their actual influence on eventual decisions is quite limited most of the time, and certainly marginal when compared to the influence of experts who are attached full-time to ministerial cabinets (see below). The government and/or the parliament do consult full-time academic experts with independent views, but not in a systematic way (this is left to the initiative of parliamentary committees), and not necessarily to generate genuine scientific debate.

However, in Belgium's neocorporatist system, representatives of the social partners (employers' organizations and trade unions) are systematically summoned for participation when a strategic decision is to be made on socioeconomic issues.

One interesting exception seems to be the newly created National Committee for Pensions, which is composed of three subcommittees. The first is composed of the traditional social partners. The second is made up of government experts from the various institutions involved in pension funding, an innovation that should enhance coordination in the typical Belgian web of institutions and shared responsibilities. The third subcommittee is composed only of academic experts. This subcommittee is the direct heir of the Commission for Pension Reforms set up by the previous government. The scale of the impact produced by these academics remains to be seen, but this new setup might change how reforms are made in the future.

In more politically sensitive areas such as tax reform, academic and international expertise has had very limited influence.

#### Interministerial Coordination

GO Expertise The Prime Minister's Office contains a "strategic cell" that helps the prime minister evaluate and steer policy across all levels. Typically, this oversight function is shared with deputy prime ministers (one per coalition party, apart from the prime minister's party) in a regular "core" meeting. Each of the advisors and experts in the cell specializes in one field. They assess only the most important issues, as the relatively small size of the team limits its ability to deal with all issues at hand. The fact that governments are always coalitions (comprised of at least four parties) also gives a central role to party advisors of the corresponding minister in the process of lawmaking.

Before implementation, each government project is submitted to the ministers' council, which meets weekly. The council is composed of a secretariat, which scrutinizes technically and politically each proposal before it is debated and prepares the ministers' council agenda, and 14 line ministers and the prime minister, who debate each proposal. Decisions are made on the basis of political consensus, not a majority vote.

> Either directly or through the council's secretariat, the prime minister can block any item presented and either return it for redrafting or turn it down completely. This may be because a project does not fit the government agreement or conflicts with one of the coalition parties' agenda, but can be for any other reason as well. All government members must by contrast defend an accepted project collegially. In general, the detailed government agreement,

Score: 7

GO Gatekeeping Score: 7

informally referred to as "the bible," provides an easy justification for the rejection of projects that might be politically difficult to handle; if a project does not directly relate to the governmental agreement, it is likely to be turned down either by the prime minister or through maneuvers by some other coalition parties in the "core."

Citation: Reference: http://www.premier.be/fr/conseil-des-ministres

Line Ministries Score: 10 Before implementation, each government project is submitted to the ministers' council, which meets weekly. The council is composed of a secretariat that scrutinizes each proposal before it is debated and prepares the ministers' council agenda, and 14 line ministers and the prime minister, who debate each proposal. Decisions are made on the basis of political consensus, not of majority vote.

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The council of ministers (conseil des ministres), which is one of the central components of the government, meets every week. Each minister is responsible for drafting a proposal, which gets submitted to the council. The council's secretariat then checks whether the proposal can be debated: is it complete, technically sound, does it conflict with other decisions made in the past, is it contained in the governmental agreement? Proposals are debated by ministers only if they pass this first filter, which allows them to focus on the strategic aspects of the issue. However, the most important strategic considerations are mainly political.

To reach the council of ministers, a given project is always discussed beforehand in formal or informal inter-cabinet meetings that include experts and senior officers of the relevant ministries. Most negotiation is performed at that stage and, if necessary, further fine-tuned in the "core" meeting in the case of particularly important or sensitive policy issues.

While ministries are not significantly involved in preparing cabinet meetings, each minister has a large team of close collaborators and advisors (the ministerial cabinet) to prepare projects, which are first submitted to the

Cabinet Committees Score: 10

Ministerial Bureaucracy Score: 5 minister, and then to the council of ministers. For some decisions, responsibilities are shared among several ministers, a situation that happens regularly. In this case, ministerial teams must coordinate their actions in intercabinet meetings before being able to submit a proposal to receive the approval of each minister. Only at this stage may the proposal be submitted to the ministers' council.

The bottom line is that top civil servants do not play a significant role - in most cases, they are at best informed of ongoing discussions and are simply asked to deliver data and information.

Belgian governments have typically been broad coalition governments (the current government is more homogeneously right-wing, but still includes four parties), and mechanisms such as the council of ministers were established to enforce effective coordination. It is also important to note that party discipline is strong and party presidents are dominant figures able to enforce coordination both within and across government levels (subnational and national). In addition, some of the larger parties have well-organized study centers that provide extensive policy expertise.

The government agreement, signed at the government-formation stage, operates as an ex ante contract that limits possible deviation once the coalition operates. Once the government is formed, decisions are made collegially, and all government officials must defend the decisions made by the council of ministers. Thus, as long as governmental decisions remain within the boundaries of the government agreement, policy proposals are well coordinated.

Importantly, the last elections produced highly asymmetric coalitions at the federal and regional levels. The federal government must be composed of the same number of Dutch and French-speaking ministers. However, only one French-speaking party is part of that government: the liberal-right MR. The coalition in Flanders is made up of all the Flemish parties in the federal government. In Wallonia, the coalition is composed of parties that are in the opposition at the federal level: the Socialists (PS) and the Christian Democrats (CDH). The Brussels government is a six-party coalition with a partial overlap between the federal and regional coalitions. The capacity to coordinate policy between the federal and the regional governments is thus much more limited than it has been in recent times.

Moreover, the fact that the MR is the sole French-speaking party at the federal level, as well as a minority party in its electoral districts, puts it in an awkward position, limiting the capacity of the MR prime minister to dictate policy and behavior to coalition partners. Finally, the federal government is unusually

Informal Coordination Score: 9 right-wing for Belgium, and has sought to pass a large batch of reforms despite strong opposition from the trade unions. This creates tensions between the coalition partners, who have tended as a result to engage in public displays of dissent – in particular the Flemish Christian Democrats (CD&V), which still has strong structural links with the large Christian trade union.

#### **Evidence-based Instruments**

RIA Application Score: 2 Before making a decision, the government will typically seek the opinions of stakeholders in an attempt to prevent misguided policy action and to ensure some level of societal support. However there are no formal RIA procedures, and unexpected policy outcomes are not exceptional. Two examples of this have been the policies aiming at curtailing CO2 emissions and the flipflopping on whether to shut down nuclear plants without assessing their real capacity to produce energy.

> With regard to carbon emissions, energy experts had recommended making improvements to house insulation to reduce demand. Instead, the various governments heavily subsidized solar panels, which were politically more appealing. In the absence of a proper RIA, the ex post measure of success was the rate of adoption (subsidy pick up) and volume of green-energy production. It took years for the various operators to admit that the cost overruns were unmanageable, and they ultimately had to freeze subsidies suddenly and partially renege on previous commitments.

> In the case of nuclear plants, a Green Party proposal in a previous government induced a vote on a law scrapping all nuclear plants without any practical substitute. The government prior to the one serving today scrapped that law. The current government recently voted to keep plants operating until 2025. However, a number of the plants are regularly malfunctioning or out of order, and it is unclear how and whether they will be able to continue operating until that date. Again, there is no planned objective measurement procedure to evaluate the success of one or the other policy.

> The current government also has decided to institute a tax shift intended to reduce labor costs, transfer some of the tax burden to polluting activities, and broaden the tax base overall. However, as of the time of writing, policymakers remained unclear regarding the potential income shortfalls resulting from their measures, and had not agreed on how to measure efficiency or other gains ex post. A potential shift on the horizon could stem from the European Commission's imposition of some ex post RIA requirements as a condition of obtaining EU regional-development financing. This external lever could create a new culture of impact assessments, which would have a different purpose

than showing that the incumbent government was right.

There is no formal regulatory impact assessment process in Belgium.

There is no formal regulatory impact assessment process in Belgium.

#### Societal Consultation

There is a strong tradition of consensual policymaking in Belgium (neocorporatist arrangements), whereby the government consults most established stakeholders to facilitate the acceptance of policy. This is especially the case for employers' associations and trade unions (the so-called social partners) around socioeconomic issues. Such consultations have also become routinized in other fields, with the creation of specific consultative bodies, for instance the Federal Council for Sustainable Development which also gathers representatives of environmental organizations.

The current government has partially broken with this tradition, and has attempted to impose reforms in the areas of pensions, taxes, unemployment and other such matters without the support of trade unions. Arguably, some of this culture of consensus had previously stalled important but necessary reforms. The current government's strategy has come as a cultural shock, however.

#### **Policy Communication**

Maintaining coherent communication is sometimes difficult in coalition governments, in which each party needs to display its contribution and its power to its voters. In addition, the center-right Flemish Christian Democrats (CD&V) in the federal coalition have quite different views on inequality and some tax expenditures than do the more "radical" liberal-right N-VA. There also are some cleavages between the only French-speaking party and the other three Flemish-speaking parties in the coalition. These tensions limit the prime minister's capacity to control the communications of his ministers and of other high-profile politicians who criticize the government despite belonging to a government-coalition party. In spite of this, communication remains surprisingly coherent under the circumstances.

#### Citation:

http://www.levif.be/actualite/belgique/michel-ier-risque-fort-de-rester-dans-l-histoire-comme-le-gouvernement-de-la-zizanie/article-opinion-365977.html

Quality of RIA Process Score: 1 Sustainability Check Score: 1

Negotiating Public Support Score: 6

Coherent

Score: 5

Communication

#### Implementation

Government Efficiency Score: 7 On 9 October 2014, the newly instituted government published its government agreement, the document meant to guide its policy over the whole government term.

Its first objective was to increase the employment rate from 67.5% to 73.2%. The activity rate at the end of the second quarter of 2015 had instead dropped by half a percentage point. This is due both to the global economic slowdown and a progressive loss of national competitiveness. The main reforms envisioned as a means of correcting this loss of competitiveness have been to reduce social-security contributions on a firm's first employee, to reduce taxes and general social-security contributions by companies, and to tighten the rules governing early retirement. The government did pass most of these reforms, but the jury is still out as to their effectiveness in addressing the problems identified. In particular, the so-called tax shift remains quite conservative in comparison to international recommendations.

The second objective is to reform the pension system. The short-term policy objective was to tighten early-retirement rules. This reform passed despite substantial opposition by unions and non-government parties. In the longer term, the government aims at creating a self-sustaining pension system in which pension outlays will be indexed to GDP growth, therefore fixing the pension-transfers-to-GDP ratio. The government did set up a specialized commission (Comité National des Pensions) that includes academic experts and all main stakeholders.

The agreement's third objective is to ensure the sustainability of the socialsecurity system. Here, the government argues that the total volume of transfers as a fraction of GDP will have to be capped. One stated objective is to increase GDP, but the government arguably has little control of economic growth, which largely depends on demand in the rest of the world, as Belgium is a small open economy.

The fourth objective is to reform the tax system and enhance the government's budget balance. See the first objective above for details on the reforms related to taxes on labor. The government also committed itself to a reform of the corporate tax, an enlargement of the VAT tax base, and a shift of part of the tax burden toward environmental taxes. The government recently passed a batch of reforms implementing these measures.

The fifth objective is much broader, and concerns the energy, environment and science policy. Ministers in this area are comparatively weak within their

respective parties, in some cases without experience in their portfolio areas, and achievements have accordingly been less clear cut.

The sixth objective is to improve "justice and security." The main policy lever envisioned here is to improve the "efficiency" of the justice system – that is, to make it work better with less funding. The minister of justice has a law degree and is considered quite competent. However, progress has been very limited so far. There are some plans to produce a sweeping simplification of the penal and civil codes, but many other ministers have previously set this goal for themselves without success.

The other five stated objectives concern (7) asylum and migration policy (the details of which will have to be adjusted in light of the Syrian crisis), (8) public administration and enterprises, (9) a projection of Belgian "values and interests" in international relations, (10) improvements in mobility and road safety (a largely hopeless task given the complexity of Belgian institutions), and (11) transversal issues that include "equality and fairness", "sustainable development" and "privacy and personal information protection." After only one year in office, the government still seems quite determined to make progress on several of these issues, but only time will tell what exactly it can achieve.

 $Citation: \\ http://www.premier.be/sites/default/files/articles/Accord_de_Gouvernement\_-_Regeerakkoord.pdf$ 

One should distinguish de jure powers from the government's de facto powers to provide incentives to each minister. De jure, the prime minister has little power to exclude ministers from the government. The main architects of government positions are the party presidents who, at the governmentformation stage, negotiate for control of the various portfolios, and then nominate their people. Every minister's primary incentive is thus to push his or her own party's views, rather than the government's potential view.

That said, this hierarchical structure is actually able to impose strong discipline on each minister when the incentives of party presidents are sufficiently aligned with those of the government.

The hierarchical structures inside ministries is such that the line minister (or ministers, when a ministry's set of responsibilities are shared by more than one government portfolio) controls the ministry at the political level. The ministry itself is presided over by a general administrator, whose nomination used to be purely political, but is now (at least partly) determined through a competitive exam.

Ministerial Compliance Score: 8

Monitoring Ministries Score: 6 The fact that the tenure of the general administrator and the minister are different opens the gate to potential tensions between the minister and the ministry. A concrete example is that of the minister for mobility, Jacqueline Galant. She has to handle particularly sensitive issues in the Belgian multiregional context, and the head of her administration was appointed before her term. She thus seeks external advice from external advisors over which she has more political control, and sometimes acts against the recommendations of her administration. This has created an open rift, with mutual accusations of betrayal and "sabotage" frequently leaked to the press, at the cost of partial policy paralysis.

Belgium has relatively few agencies that are funded and controlled by the government, but are also formally independent of the government. Agencies of this type include public radio and television stations, Child Focus, a foundation for missing or sexually exploited children, the Center for Equal Opportunities and Opposition to Racism, some official job placement agencies, and public social service centers (Centres Publics d'Action Sociale (CPAS) / Openbare Centra voor Maatschappelijk Welzijn (OCMW)). The monitoring of these agencies works through several channels. Two are most relevant here. First, a government or party delegate will generally sit on the board of these agencies. Second, each year, the agency will have to submit a report to the government or to the ministry responsible for its activities. This monitoring is extremely controlled and effective, partly thanks to party discipline.

Nonetheless, effective monitoring is not necessarily synonymous with efficiency. Several scandals have emerged with the economic crisis and have shed light on malpractices in businesses or organizations that while not actually public, can be used to offer positions to former politicians or "friends." The most pertinent case was with Dexia (formerly Crédit Communal), a bank that historically offered loans to municipalities. It was merged with its French equivalent, and the main administrators were the French and Belgian politicians Pierre Mariani and Jean-Luc Dehaene. Dexia was almost wiped out by the financial crisis, and stood among the 25 banks failing the European Central Bank (ECB) "stress tests" in October 2014. Another example can be found in rail transport and infrastructure. Rampant poor management has led to an increase in the number of accidents and delays to unacceptable levels. A counterexample is state postal services, which have started to earn a profit and largely resolved problems with delays. But with other examples, such as water distribution, social housing and so on, actions have confirmed that such companies need a significant governance overhaul, which is unlikely to come from government monitoring.

Several core responsibilities of the Belgian central government have been delegated to regional or sub-regional levels over the recent decades: to the

Monitoring Agencies, Bureaucracies Score: 7

Task Funding Score: 4 three regions (Flanders, the Brussels region and Wallonia), to the linguistic communities (Flemish, French and German), and to the municipalities (communes/gemeenten; a city may be subdivided into several communes). Due to recurrent political stalemates between the Flemings and Francophones, the Brussels region has been chronically underfunded; one of the main items in negotiations for forming a national government was the refinancing of Brussels. Municipalities in rich areas are typically funded sufficiently, but this is often not the case in poorer areas.

Communities have been made responsible for education, but have not received sufficient funding to ensure the healthy development of education policy. The Flemish community and region were merged to address this issue, but the French community could not do the same, as it operates both in the bilingual region of Brussels and in Wallonia (which is French-speaking). The government agreement also implies serious cuts in financial transfers from Flanders to Wallonia over the next 10 years. But since Wallonia is a postindustrial region with unemployment levels twice as high as in Flanders, it is difficult to see Wallonia not continuing to suffer from chronic underfunding.

Another part of the government agreement was to start decentralizing taxation, but the main sources of state financing (direct taxes and VAT) will remain centrally controlled and collected, before being redistributed according to preagreed sharing rules. Redistribution issues remain a point of conflict between the main regions and communities, even more so during the recent financial crises.

The state has no formal authority over regions and communities (there is no hierarchy between federal and regional/community levels). On some policy dimensions (e.g., spatial planning, transport, education, culture, applied research, local authorities, etc.), the regions and communities are actually becoming more powerful than the federal government. The tensions between the country's linguistic communities as well as between its geographically defined regions (both the communities and regions have their own political institutions and administrations) reinforce this trend.

Formally, the national (federal) government has no authority over regional governments and administrations, but it can impose some standards and policies. Environmental policies, for instance, have been largely regionalized, but environmental standards and norms are set at the federal level. As a result, environmental-policy coordination has been deadlocked since 2012 (for instance, the regions have been unable to reach agreement on sharing carbonemission decreases, with the result that Belgium lacked an official proposal as the COP21 meeting approached in Paris). In addition, subnational and local executives have to abide by budgetary constraints set by the central government. Responsibilities for several policy levers are shared by different

Constitutional Discretion Score: 10

National Standards Score: 5 government levels, in which case the central government has partial authority over regional governments' courses of action.

Altogether, the central government does not have the ability to enforce or control more detailed standards in terms of things like performance figures, as just one example. The government can only try to maintain influence through more general (legal or budgetary) levers.

#### Adaptablility

Belgium is one of the founding states of the European Union and an active member of many international agreements. In some instances, Belgium has even played a leading role in international agreements (such as banning the production of land mines).

However, this apparent enthusiasm for international and supranational coordination comes with significant caveats, as Belgium is today regularly criticized for not fully complying with rules agreed upon at the European Union, United Nations or NATO. For instance, critics have taken aim at Belgium's failures to respect the Geneva Convention, its failure to ratify the Framework Convention for the Protection of National Minorities or the Nuclear Nonproliferation Treaty, and its slower-than-average progress in abiding by EU environmental norms. This can again be partially explained by the persistent political tension between the country's Dutch- and French-speaking camps, its complex and still evolving institutional structure, and the fact that, due to decentralization, all governmental entities maintain (and tend to further develop) their own international relations in the area of their (sometimes overlapping) competences.

Belgium hosts various supranational institutions, including the majority of the offices of the European Union. The country has always displayed enthusiasm toward joint-reform initiatives. This can be illustrated by the large number of Belgian politicians involved in the highest levels of such organizations (e.g., Herman Van Rompuy, who was the President of the European Council; Guy Verhofstadt, leader of the liberal group in the European Parliament; Jean-Pascal van Ypersele, one of three vice chairs of the Intergovernmental Panel on Climate Change). Moreover, the country's small size makes it heavily dependent on international coordination. It therefore supports international reform efforts in areas such as tax systems, carbon-dioxide regulation, and as of 2015, on the European equivalent of the American Foreign Account Tax Compliance Act. However, with regard to implementation, Belgium does not always fulfill its commitments.

International Coordination Score: 7

Domestic Adaptability Score: 6

#### **Organizational Reform**

Self-monitoringIn 1992, Belgium became a federal state with one central government, three<br/>regional governments (Flanders, Brussels, Wallonia), three communities<br/>(Dutch-, French- and German-speaking, each with a parliament and a<br/>government), 10 provinces, and 589 municipalities (there was a merger in<br/>1975). The federal and regional/community governments have many<br/>overlapping competences.

As a consequence, Belgian institutions are far from efficient. The responsibility split between municipalities and regions has not been reoptimized appropriately, particularly in Brussels with its 19 municipalities of very different shapes and sizes, each with a mayor striving to conduct his/her own policy. Many decisions require interministerial coordination, which makes Belgium almost as complex as Europe. Very frequently, no rational solution emerges, because any such solution either means more devolution to federal entities, which is perceived by "federalists" as a step toward pure separatism, or re-centralization of some competences toward the central state, which is perceived by "regionalists" as a step backward toward yesterday's centralized structures.

One efficient solution would be to devolve competences that do not require intense coordination fully to the regions, while centralizing others that require intense coordination. There should also be a clear hierarchical structure between the central state and its federal entities. In contrast, in the current structure, each entity is so independent that the central government cannot impose needed reforms to meet Belgium's international commitments.

However, the issue is less problematic when only one entity is involved in a reform effort, and monitoring across regions does exist. The good practices of a region (or of other countries) can thus inspire others (the efficiency of institutional arrangements between regional governments is easily comparable, for example).

Institutional Most reforms are the consequence of bargaining between power levels, and an attempt to meet contrasting or asymmetrical demands (Dutch speakers want a given prerogative, which French speakers oppose; while French speakers have another request, which Dutch speakers oppose) through global negotiations, at the end of which both sides will obtain some demands (but not all, as any deal is a compromise) through some "package deals" and logrolling. Therefore most reforms do not improve efficiency overall.

For instance, the boundaries of the Brussels capital region (which are restricted to about one-fourth the actual Brussels agglomeration in terms of area, and one-half in terms of population) results in a number of overlapping issues with Flanders and Wallonia. Within the Brussels region, the competence split between the 19 communes and the region also creates overlap and gridlock, in particular for city planning.

Many tasks, such as road construction, public transportation, airport noise or water pollution, have become extremely challenging to manage. A case in point is the air-traffic routes from Brussels International Airport, the airport being located in Flanders, but very close to the Brussels and Walloon regions. However, as the general process has trended toward decentralization, some efforts have had positive effects and can be seen as an improvement in strategic capacity.

### II. Executive Accountability

#### Citizens' Participatory Competence

There are few sources of data that allow one to assess the citizenry's level of information with precision. However, it is possible to surmise that individuals' policy knowledge must have increased under this government, if only because some measures are controversial, and controversy attracts media attention. The last legislative elections created a starkly divided outcome, with right-wing parties and the Flemish Christian Democrats in power at the federal level and in the Flemish government, and the Socialists and Walloon Christian Democrats controlling the Walloon government (together with a French regionalist party in Brussels). The Green parties are in the opposition everywhere. This increased polarization, but should also improve accountability. Belgian citizens have access to an independent press, and government meddling with information is limited to the usual pressure to try and emphasize favorable news.

#### Legislative Actors' Resources

Belgium is a parliamentary democracy. During the political crisis of 2010 – 2011, when the government was unable to be formed, the parliament took over policymaking from government without much problem. Thanks to Belgium's strong party system, information flows well between the government and parliament. As party heads are central figures in any political agreement, they

Policy Knowledge Score: 7

Parliamentary Resources Score: 9 can coordinate action at each level. Individual members of parliament as well as party parliamentary groups are also well-supported by state-funded expert staff and by parliamentary assistants – their overall level of resources is thus high, even if there is often a high level of party discipline in the federal parliament.

In addition, parliament can summon any person, even ministers, to request information. It can initiate special investigations through ad hoc committees, and the Audit Office (Cour des Comptes/Rekenhof), which monitors all Belgian institutions, is a collateral institution of the federal parliament.

Parliamentary committees are de facto able to obtain essentially all documents they need, as long as documents are not deemed highly confidential. The more sensitive areas include domestic and foreign security, in particular regarding the police and intelligence services, for which two special regular parliamentary committees have been set up. These powers become even stronger when a parliamentary committee is set up to initiate a parliamentary investigation. However, this often leads to a strategy of not collecting data on sensitive issues in order to avoid having to disclose sensitive information. This does of course imply that government policymaking takes place somewhat in the dark.

Ministers are regularly summoned to parliamentary committees. The rights of committees do not appear to be restricted. This is reinforced by the fact that, in regular times most parliamentary members (majority and opposition alike) have little chance in seeing their own proposals pass in parliament. Therefore they concentrate much of their activities on spoken "question hours" and on written questions (which must be answered by the minister in charge), which can attract media attention and thus improve a member's media visibility.

However, when the media attention on a topic is intense, one frequently sees important ministers replaced by (less important) state secretaries during questioning.

Experts are regularly invited and questioned in parliamentary committees. The rights of committees do not appear to be restricted. Experts are often called upon, for instance when committees are addressing so-called ethical laws (involving issues of euthanasia, adoption rights for same-sex couples, religious-related disputes, and so on) or institutional reforms. There are some de facto restrictions as to the range of experts invited, as the decision in principle to query expert advice must be validated by an absolute majority of committee members. This gives a de facto veto power to the majority parties.

The number of parliamentary committees in the Chamber of Deputies is slightly larger than the number of ministries. Eleven permanent committees address key policy areas that are largely aligned with ministerial portfolios

Obtaining Documents Score: 9

Summoning Ministers Score: 10

Summoning Experts Score: 9

Task Area Congruence Score: 8

**Ombuds** Office

Score: 9

(such as defense, justice, budget or external affairs). Other committees can be more specific than the ministry (such as committees created in the wake of the Volkswagen scandal or on nuclear safety) or instead are meant to be broader when dealing with cross-cutting issues (there has been committees on the financial crisis and on constitutional reforms, for example). Committees are thus largely able to monitor ministries, but the head of a given ministry is accountable only to his or her minister.

#### Citation:

List and functioning of commissions: https://www.lachambre.be/kvvcr/pdf\_sections/pri/fiche/fr\_12\_02.pdf

Audit Office Score: 10 Established by the constitution (Article 180), the Court of Audit (Cour des Comptes/Rekenhof) is a collateral body of the parliament. It exerts external controls on the budgetary, accounting and financial operations of the federal state, the communities, the regions, the public-service institutions that depend upon them, and the provinces. Some public firms and non-profit organizations are also subject to review (for instance, the Flemish public-transportation firm De Lijn was audited in 2013). Its Court of Audit's legal powers allow it considerable independence and broad autonomy to fulfill its mandate. The members of the Court of Audit are elected by parliament. The Court's reports are public and presented to parliament along with the accounts of the state. The body regularly attracts media attention for its critical remarks regarding the management of public entities or services (such as over the roads in Wallonia).

> Citation: https://www.ccrek.be/EN/Presentation/Presentation.html

The independent federal ombuds office was established in 1995. The goal of the office is to have direct contact with citizens and inform them of the administrative process if need be and collect complaints against the administration. Parliament elects members of the ombuds office, but after their election, ombudsmen are totally independent and autonomous from government. The office makes a public report to parliament every year (7,018 complaints and information demands were addressed in 2014, in comparison with 6,609 in 2013). However, the ombudsman's role is only informative and deals with facilitation or advocacy; he or she has no coercive power.

Some difficulties occur when a complaint touches upon an issue which concerns both federal and regional or community authorities. Regional authorities have their own ombudsmen, most of whom were also installed in the 1990s and early 2000s, so some overlaps occur.

Citation: http://www.federaalombudsman.be/homepage

#### Media

Media Reporting Score: 6 Television-news programs provide a relatively reasonable level of information, with a greater share of high-quality content and less focus on personalities than in Italy or France, for example. However, the economic crisis in the media sector is accelerating a trend toward sensational, lowerquality information, as well as a growing inability to conduct in-depth investigations or monitor policymaking.

Almost all television channels, public and private, organize political debates on weekends, but the substance is superficial at best. Pure "infotainment" programs are more widespread on Dutch-speaking than on French-speaking channels.

The media from each linguistic community focus mostly on their own community, with little attention paid to events, personalities and perceptions in the other linguistic community.

#### Parties and Interest Associations

Belgium maintains a multiparty political system, with more than a dozen parties that hold regular parliamentary representation. Party organizations also come in a broad variety of forms. Three parties obtained more than 10% of the national vote in the federal elections held in May 2014: the New Flemish Alliance (N-VA) obtained 20.3% of the vote; the French Socialists, whose then-leader Elio Di Rupo was the prime minister in the previous government, obtained 11.7% of the votes; and the Flemish Christian Democrats obtained 11.6% of the vote.

All the other parties obtained less than 10% of the vote at the national level. However, this observation must be qualified by the fact that each party runs only in its own district, mainly Flanders and Brussels for Flemish parties, or Wallonia and Brussels for French-speaking parties. Hence, the percentage totals in the relevant regions were much higher. This is evident in the vote totals for the regional parliaments, which were elected on the same day. In Wallonia, the left-wing socialists, the right-wing liberals and the Christian Democrats respectively obtained 31%, 27% and 15% of the vote. In Flanders, the New Flemish Alliance, the Christian Democrats, the Liberals and the Socialists respectively obtained 32%, 21%, 14% and 14% of the vote.

Intra-party Democracy Score: 5 Concerning internal selection procedures, Bram Wauters (2013) writes that "...all Belgian parties represented in parliament give their members a direct say in the appointment of the party leader, be it at a party conference in which all members can participate and vote or via internal elections granting each member one vote (either by postal or electronic voting, or by arranging polling booths in local party sections). The exception is the Flemish extreme right party Vlaams Belang."

The actual competitiveness of these internal elections varies widely on a caseby-case basis. In most internal elections, the winner is elected by a crushing majority, suggesting that challengers are simply acting figures destined to give an appearance of internal democracy – or, quite frequently, there is only one candidate. But it does happen that some internal elections are highly competitive, and lead to surprising results (among others, the Greens typically have competitive internal elections, and both the Christian Democrats and the Liberals have occasionally had tight contests). Overall, the process is thus mostly controlled by intermediate party elites.

#### Citation:

Wauters, Bram (2013). "Democratising Party Leadership Selection in Belgium: Motivations and Decision Makers." Political Studies 62/S1, 62-80, DOI: 10.1111/1467-9248.12002.

Belgium has a high level of trade-union membership and a strong tradition of social consensus implemented through strong and well-organized trade unions and employers' organizations. For instance, most proposals on wage regulation and employee protection are the result of routine negotiations between employers' associations and trade unions. Proposals are validated by the government and translated into law. This continuous mechanism of cooperation forces these actors to present realistic and well-argued demands (budgeted and framed in legal terms), even if some bargaining (and bluffing) occurs. The trade unions and employers' organizations each have their own well-developed study services with highly technical (legal, budgetary and so on) expertise. It should be noted that, in contrast to political parties, employers' associations and trade unions are still structured at the national level. However, there are some elements within Belgium's social organizations that appear not to be resistant to change, given a general conservatism and a perceived need to protect the institution.

There is a large range of civil-society groups with influence on policy formation in Europe, and Belgium is among the good performers in this regard. A number of non-economic interest associations receive state funding, including environmental, cultural, religious/philosophical, sports/leisure and minority (such as individuals with handicaps) groups.

Association Competence (Business) Score: 8

Association Compentence (Others) Score: 7 The largest groups can both make proposals and influence policy. Consociationalism also implies that some socially important decisions are made smoothly. The decisions to legalize same-sex marriage in 2003 and euthanasia in 2002 followed intense but quite dispassionate debates. The contrast with France or the United States over similar issues is all the more striking.

The main reason why this can happen is again related to the predominance of political parties. Some groups and associations that receive funding either initially have, or subsequently develop, preferential political relationships with political parties and/or government actors. This means that social groups, associations and (to some extent) publicly funded schools often have longstanding ties to a political group. It implies that there is a strong incentive for non-economic interest associations to propose policies, and further to ensure that these proposals are well founded, as there is a high probability that the proposals will be debated in parliament.

Obviously, the negative aspect of this structure is a dependence on public funding, and therefore a possible lack of independence, which is sometimes criticized by more radical cadres and activists. On the positive side, some groups are able to coalesce into broader umbrella organizations (such as around environmental protection) that are able to hire stable staff with policy expertise.

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