EUROPEAN
COMMISSION

Brussels, 16.9.2024
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COMMISSION IMPLEMENTING DECISION

of 16.9.2024

on the partial suspension of the disbursement of the first instalment of the non-repayable support for Belgium

(Only the Dutch and French texts are authentic)

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility [1], and in particular Article 24(6) thereof,

Whereas:

(1) According to Article 4(2) of Regulation (EU) 2021/241, the specific objective of the Recovery and Resilience Facility is to provide Member States with financial support with a view to achieving the milestones and targets of reforms and investments as set out in their recovery and resilience plans.

(2) Council Implementing Decision of 13 July 2021 on the approval of the assessment of the recovery and resilience plan for Belgium [2] (the ‘Council Implementing Decision’) provides that the Union is to release instalments in accordance with the Financing Agreement conditional on a decision by the Commission, taken in accordance with Article 24(5) of Regulation (EU) 2021/241, that Belgium has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the recovery and resilience plan.

(3) On 29 September 2023, Belgium submitted a request for payment of the first instalment of the non-repayable support, accompanied by a management declaration and a summary of audits. Pursuant to Article 24(3) of Regulation (EU) 2021/241, the Commission assessed on a preliminary basis whether the relevant milestones and targets set out in the Council Implementing Decision had been satisfactorily fulfilled. For the purpose of that assessment, the operational arrangements concluded between the Commission and Belgium [3] in accordance with Article 20(6) of Regulation (EU) 2021/241, were taken into account.

(4) Section 2(1)(1.1) of the Annex to the Council Implementing Decision provides the relevant milestones and targets that are to be satisfactorily fulfilled for the first instalment of the non-repayable support for an amount of EUR 973 994 000.

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(1) OJ L 57, 18.2.2021, p. 17.

(2) ST 10161/21, ST 10161/21 ADD 1, as amended by ST 15570/23.

(3) Recovery and Resilience Facility Operational arrangements between the European Commission and Belgium, entered into force on 9 December 2022 and amended on 24 July 2024.

(5) As a result of the assessment provided for in Article 24(3) of Regulation (EU) 2021/241, the Commission established that milestone 157 - Pension reform proposal - has not been satisfactorily fulfilled. In accordance with Article 24(6) of Regulation (EU) 2021/241, the Commission communicated to Belgium its assessment on 2 July 2024 and informed Belgium that it could present its observations on the Commission's assessment within one month from the date of that communication.

(6) On 8 August 2024, Belgium sent a letter dated 31 July 2024, acknowledging receipt of the Commission's assessment communicated on 2 July 2024. Belgium did not present any observations on the Commission's assessment pursuant to Article 24(6), first subparagraph of Regulation (EU) 2021/241 within one month of the communication of the Commission's assessment.

(7) On the basis of the justification provided in the request for payment, the Commission still considers that milestone 157 has not been satisfactorily fulfilled.

(8) Reform R-4.07 is entitled 'End of career and pensions' of the Federal State and it description requires that "This reform aims at (1) making the pension system future-proof, (2) improving the financial sustainability of the social security system and of public finances, (3) increase the solidarity role of the pension system, (4) strengthen the 'insurance principle', (5) introducing a 'gender test', (6) ensuring the convergence between and within different pension systems, (7) improving the efficiency of the administrative services dealing with pensions. The law to reform the pension regime shall be adopted by 30 June 2024 and enter into force on 1 January 2025, it being understood that it may provide for reasonable transition periods for certain provisions. To involve stakeholders, the federal government plans to organise a conference on employment in 2021, which shall focus on "career ends" and employment of older workers. Based on the conclusions of this conference, an action plan with proposals for concrete measures shall be put forward to the federal government."

(9) Milestone 157 of the Council Implementing Decision which pertains to Reform R-4.07 requires that a "Proposal submitted for approval to the Council of Ministers of the federal government to reform the pension regime, which shall include the following elements: (i) Measures to improve the financial and social sustainability of the pension system; (ii) Measures to incentivize people to remain active on the labour market after meeting early retirement conditions; (iii) Measures to increase its solidarity role to ensure a decent minimum pension, its insurance role, gender balance, taking into account the overall pension regime financial and social sustainability improvement objective; (iv) Measures to ensure convergence between and within the different systems." The fulfilment of the milestone is subject to the "Reform proposal submitted to the Council of Ministers of the federal government".

(10) Belgium has not provided to the Commission due justification that this milestone has been satisfactorily fulfilled.

(11) On 13 September 2023, a proposal was submitted for approval to the Council of Ministers of the federal government to reform the pension regime. The proposal was approved by the Parliament on 4 April 2024 and published on the Official Journal on 16 May 2024.

(12) The proposal contains provisions on (i) the introduction of an effective working time to receive access to the minimum pension as well as a revaluation of part-time work as part of the minimum pension (title 2), (ii) the introduction of a bonus pension for people who extend their professional career (title 3), (iii) a reform of the pension

equalization mechanism (‘*péréquation*’) and of the survival pension applicable to civil servants (title 5) and (iv) the increase of the Wijninckx contribution ([4]) levied on the highest complementary pensions (title 6). The measures in the proposal of 13 September 2023 complement measures previously proposed for approval to the Council of Ministers and subsequently approved by the Parliament between December 2020 and June 2021, notably the increase in the minimum pension ([5]), the increase of the guaranteed income for the elderly (GRAPA) ([6]) and the abolition of the correction coefficient for self-employed ([7]), and in March 2023 (the reduction in the 2024 increase in minimum pension and other social security benefits). For the purposes of the assessment of milestone 157, the three sets of above-mentioned measures, which have been presented by the Belgian authorities as contributing to the fulfilment of milestone 157, as taken together, are considered to form the “pension reform” referred to in milestone 157 of the Council Implementing Decision.

(13) In this respect, the pension reform failed to improve the financial and social sustainability of the pension system (first requirement of the description of the milestone 157 in the Council Implementing Decision), since the reform is expected to result in additional pension expenditure compared with a situation where it would not be implemented. This finding results from the following considerations:

(14) In its report ([8]) on the impact of the proposal for a reform of the pension system, Belgium argues that, compared to the 2020 report of the Study Committee on Ageing([9]), where pension expenditure was estimated to increase from 10.6% in 2019 to 13.3% of GDP in 2070, the new estimate in the 2023 report of the same Study Committee on Ageing([10]) (under different assumptions) points to pension expenditure increasing to 13.1% of GDP by 2070 (when factoring in the impact of all measures included in the pension reform proposal). This would be 0.2 pp of GDP lower than anticipated in the 2020 report of the Study Committee on Ageing. Belgium claims on this basis that this amounts to a projected decline in pension expenditure by 2070 as compared without the reform being implemented, which would demonstrate that the pension reform fulfils the requirement in the Council Implementing Decision to improve the financial sustainability of the pension system and represents a first step in the direction of making the system future-proof.

([4]) The Wijninckx contribution is a special social security contribution due in cases where the total premiums used to fund a second pillar pension plan would lead to a total pension income (first and second pillar) exceeding the maximum legal pension applicable to civil servants, the so-called ‘Wijninckx’ ceiling.

([5]) *Arrêté royal relatif à l'augmentation de la pension minimum garantie* of 20 December 2020, published on the Office Journal of 31 December 2020.

([6]) *Arrêté royal du 20 décembre 2020 relatif à l'augmentation de la garantie de revenus aux personnes âgées* of 20 December 2020, published on the Office Journal of 31 December 2020.

([7]) *Loi 15/06/21 modifiant diverses dispositions relatives aux régimes de pension des travailleurs salariés et des travailleurs indépendants en ce qui concerne le calcul de la pension proportionnelle*, published on the Office Journal of 6 July 2021.

([8]) BE-C[C44]-R[R-407]-M[157] E_CC44_RR_407_M157__RiR_Pensions_draft_12_09_2023_Clean.

([9]) The Study Committee on Ageing was created within the framework of the law of 5 September 2001 which guaranteed a continuous reduction of public debt and founded the Ageing Fund. The Committee was established within the High Council of Finance. The Committee is commissioned with drawing up an annual report on the budgetary and social consequences of ageing. The Federal Planning Bureau (FPB) is responsible for the committee’s technical and administrative secretariat.

([10]) Study Committee on Ageing, July 2023, Annual report, available at: https://www.plan.be/uploaded/documents/202307110905350.REP_CEVSCVV2023_12855_F.pdf.

(15) However, an analysis of the underlying evidence provided by Belgium [11] on the impact of the pension reform shows that the combined expected impact of the various measures put forward by Belgium is a higher increase in annual pension expenditure as a share of GDP for every year until 2070, as compared to the baseline projections (that is, pension expenditure projections without the reform being implemented). The increase in annual pension expenditure peaks up at 0.35 pp of GDP as far as in 2030, to gradually decline towards 0.15 pp of GDP in 2070, but is always clearly above zero. The budgetary impact of the pension reform is directly based on the information contained in the notes [12] submitted by Belgium as part of the request for payment, and produced by the Federal Planning Bureau [13]. The computation of the budgetary impact of the pension reform has been carried out by the Federal Planning Bureau based on the same underlying assumptions as those used for the 2023 report of the Study Committee on Ageing.

(16) In the report on the impact of the pension reform, Belgium claims that the difference between the alleged reduction in pension expenditure by 0.2 pp of GDP by 2070 (i.e. the difference in pension expenditure in 2070 between the 2020 report and the 2023 report of the Study Committee on Ageing when factoring in the impact of all measures included in the pension reform proposal) and the above-mentioned increase by 0.15 pp of GDP by 2070 stems from better labour market assumptions underlying the 2023 projection compared to those used for the 2020 report of the Study Committee on Ageing due, according to the report, to 'the revision of certain demographic and macroeconomic parameters. In that respect, it should be noted that the evolution of the employment rate in 2020-2024 is much more favourable than was expected in the 2020 report. This strong increase in employment reflects the focus of the federal government on employment creation and is to a certain extent the result of the measures taken.'

(17) However, beyond listing a number of initiatives related to different degrees to the labour market, Belgium has not provided clear evidence that government action would indeed be the cause of the upward revision in the labour market assumptions. Moreover, even if some of the listed initiatives were to improve the situation on the labour market, they are not as such included in the pension reform and their impact can thus not be taken into consideration in the analysis of the expected impact of the pension reform.

(18) The argument put forward by the Belgian authorities in relation to the expected impact of the pension reform on the alleged reduction in the projected increase of pension expenditure in 2070 as a share of GDP is based on the comparison of two sets of projections drawn up at different points in time and built on different sets of assumptions. A rigorous approach to assess whether the pension reform improves the financial sustainability of the pension system involves a comparison between projected pension expenditure in a scenario where the pension reform would be implemented and a scenario where it would not be implemented, based on the same sets of assumptions.

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(11) EC_Q1_information_EC_19-10-2023.

(12) Nota_BKV_maatregelen21-24(exclWV)_2023-21-04; and pensioenmaatregelen_juni23_FPD-FPB_RapportDEF.

(13) The Federal Planning Bureau (FPB) is a Belgian independent public agency. It draws up studies and projections on economic, social and environmental policy issues and on the integration of these policies within a context of sustainable development.

(19) The data provided by Belgium, as produced by the Federal Planning Bureau, shows that the gap between cost increasing and cost decreasing measure is maintained positive throughout the whole projection period (2022-2070), which results in a significant cumulative impact on public finances. Notably, the increase in minimum pension has been bringing pension costs up since 2021 and the different steps of the measure have been fully implemented by 2024. In turn, measures expected to decrease costs will only start materialising much later. Specifically, based on the evidence provided, the measure on the equalisation ('péréquation') of civil servants' pensions, which is expected to reduce annual spending by 0.39 pp of GDP in 2070, will gradually be implemented as of 1 January 2025 and will only start yielding savings for the pension system as of 2029. Overall, this means that, over the period 2021-2029, the cumulated impact of the reform will significantly increase public debt before slowing down, but still contributing positively to debt cumulation, over the period 2029-2070. Without further measures and based on the Federal Planning Bureau's data provided by Belgium and on the Commission services calculation, the reform would, as a whole, lead to a significant overall debt accumulation of around 11¾ ppt of GDP by 2070.

(20) Moreover, on 18 April 2024 the 2024 Ageing Report ([14]) was published. A pension country fiche, as integral part of the 2024 Ageing Report, was also published ([15]). The fiche provides long-term projections on pension expenditure under the macroeconomic assumptions and methodologies agreed within the Ageing Working Group of Economic Policy Committee. The projections had a cut-off date of 1 December 2023 and therefore represent the situation of the pension system at that date. However, in the pension country fiche, Box 2 lists measures adopted after the cut-off date and thus were not incorporated in the projections. These measures largely correspond to the measures included in the proposal to reform the pension submitted on 13 September 2023 for approval to the Council of Ministers of the federal government, notably the following measures are included: (i) the introduction of an effective working time to receive access to the minimum pension as well as a revaluation of part-time work as part of the minimum pension; (ii) the introduction of a bonus pension for people who extend their professional career; (iii) a reform of the pension equalization mechanism ('péréquation') of the staff of the public sector. The impact of these reforms on pension expenditure, on the basis of the assumptions underlying the projections in the 2024 Ageing Report, is estimated to reduce pension expenditure by 0.2 pp of GDP in 2070, which is less than the 0.4 pp of GDP in 2070 pension expenditure reduction estimated in the notes submitted by Belgium as part of the request for payment, and produced by the Federal Planning Bureau ([16]).

(21) The analysis of the underlying evidence provided by Belgium on the impact of the pension reform shows that the combined expected impact of the various measures put forward by Belgium results in a higher increase in annual pension expenditure as a share of GDP for every year until 2070, as compared to the baseline projections (that

([14]) The Ageing Report is a joint report prepared by the European Commission and the Economic Policy Committee (EPC), The 2024 update of the Ageing report is available at: https://economy-finance.ec.europa.eu/publications/2024-ageing-report-economic-and-budgetary-projections-eu-member-states-2022-2070_en.

([15]) The Belgian pension country fiche has been prepared by the Federal Planning Bureau. The fiche is available at: https://economy-finance.ec.europa.eu/document/download/44c42889-3c34-4ce7-82b9-2636b38dacb2_en?filename=2024-ageing-report-country-fiche-Belgium.pdf.

([16]) Pensioenmaatregelen_juni23_FPD-FPB_RapportDEF and EC_Q1_information_EC_19-10-2023.

is, pension expenditure projections without the reform being implemented). The increase in annual pension expenditure peaks up at 0.35 pp of GDP as far as in 2030, to gradually decline towards 0.15 pp of GDP in 2070 but is always clearly above zero. The budgetary impact of the pension reform is directly based on the information contained in the notes submitted by Belgium as part of the request for payment and produced by the Federal Planning Bureau ([17]).

(22) The pension reform that Belgium has put forward to justify the satisfactory fulfilment of milestone 157 is estimated to have a joint net budgetary impact (i.e. by adding up their individual impact) that increases the annual expenditure of the pension system throughout the whole projection period and with an increase of 0.15 pp of GDP by 2070, as compared to a baseline without the pension reform. Furthermore, the data presented by Belgium shows that this increase in expenditure of the pension system will materialise every year throughout the entire projection period (up to 2070), peaking at 0.35 pp of GDP in 2030, thereby leading to a substantial debt cumulation.

(23) Therefore, the pension reform put forward does not improve the financial sustainability of the pension system and does not improve the financial sustainability of public finances. This is confirmed on the basis of the estimation submitted by the Belgian authorities and by the estimation produced in the context of the Ageing Working Group for the 2024 Ageing Report.

(24) Moreover, the pension reform failed as well to ‘increase [the] solidarity role [of the pension system] to ensure a decent minimum pension, its insurance role, gender balance, taking into account the overall pension regime financial and social sustainability improvement objective’ (third requirement in the description of milestone 157 in the Council Implementing Decision). This is because measures to increase the pension system’s solidarity role to ensure a decent minimum pension, its insurance role, gender balance’ fail to take into account the objective of improving the overall pension regime’s financial and social sustainability. As described above, the reform is expected to further deteriorate the financial sustainability of the pension system by resulting in additional pension expenditure, compared with a situation where it would not be implemented. The reform includes measures which are broadly budgetary neutral or are expected to increase pension expenditure, without counterbalancing measures, neither on the revenue nor on the expenditure side, except for the measure on the equalisation (‘*péréquation*’) of civil servants’ pension, which only starts to yield savings from 2029 and is moreover insufficient to compensate for the increases brought about by the other measures. Notably, the increase in the minimum pension is projected to substantially increase pension expenditure over the projection horizon.

(25) On the basis of the information provided, it is therefore not possible to conclude that the pension reform includes “(i) Measures to improve the financial and social sustainability of the pension system;” or “(iii) Measures to increase its solidarity role to ensure a decent minimum pension, its insurance role, gender balance, taking into account the overall pension regime financial and social sustainability improvement objective".

([17]) The Federal Planning Bureau (FPB) is a Belgian independent public agency. It draws up studies and projections on economic, social and environmental policy issues and on the integration of these policies within a context of sustainable development.

(26) Therefore, as milestone 157 constituting part of Belgium's request for payment is not satisfactorily fulfilled, the disbursement of the financial contribution for the first instalment of the non-repayable support should be partially suspended, pursuant to Article 24(6) of Regulation (EU) 2021/241.

(27) Pursuant to Article 24(6) of Regulation (EU) 2021/241, the Commission has determined the suspended amount by applying the methodology for the determination of payment suspension under the Recovery and Resilience Facility Regulation explained in its Communication of 21 February 2023 ([18]).

(28) In line with the methodology for the determination of payment suspension under the Recovery and Resilience Facility Regulation:

(29) The unit value for the milestone was derived by dividing the financial contribution made available to Belgium in the Council Implementing Decision EUR 5 033 950 235 by the number of milestones and targets in that Decision (219).

(30) A coefficient of 0.5 was applied to milestone 157 as it does not concern the entry into force of a reform or the final step for the implementation of a non-legislative reform. An upward adjustment of the corrected unit value was also applied to milestone 157 (a factor of 3), as the reform is considered by the Commission of particular importance to justify the rating for addressing all or a significant subset of challenges identified in the relevant country-specific recommendations, including fiscal aspects thereof. Specifically, the component description in the Council Implementing Decision specifies that the measure "*contributes to addressing the Country Specific Recommendation to ensure the fiscal sustainability of the pension system (Country Specific Recommendation 2019.1)*". Recitals (13) and (14) of the Council Implementing Decision of 6 July 2021, when referring to the assessment criterion set out in Article 19(3), point (b), of and Annex V, criterion 2.2, to Regulation (EU) 2021/241, provides: "*The RRP includes an extensive set of mutually reinforcing reforms and investments that contribute to effectively addressing all or a significant subset of the economic and social challenges outlined in the country-specific recommendations addressed to Belgium by the Council in the European Semester in 2019 and in 2020, in particular those in the areas of the quality and sustainability of public finances, pension,…*" and "*The RRP includes relevant fiscal-structural reforms that are expected to improve the quality and sustainability of public finances. Such reforms include the systematic integration of spending reviews in the budgetary planning cycles of all government levels to improve quality and efficiency of public spending. Moreover, a pension reform aims to improve the financial and social sustainability of the pension system, against the background of increasing public pension expenditure.*" A downward adjustment of the corrected unit value was applied (a factor of 0.10), as some of the measures included in the pension reform are relevant to the aims of the milestone. In considering this downward adjustment, the substantive progress towards the achievement of the overall objective of the reform was assessed, in accordance with the Commission methodology for the determination of the payment suspension under the Recovery and Resilience Facility Regulation. In addition to the assessment of the fulfilment of the requirements of milestone 157, an assessment has been carried out of the overall objective of the reform, which is *to make the pension system in Belgium future-proof, notably by improving the fiscal sustainability of the pension system* and the extent to which the elements put forward by Belgium

([18]) Communication from the Commission to the European Parliament and the Council of 21 February 2023 'Recovery and Resilience Facility: two years on A unique instrument at the heart of the EU's green and digital transformation' COM (2023) 99 final constitute progress towards achieving this objective. Some measures in the reform are expected to contribute to fulfilling some requirements set in milestone 157. In particular requirements ii) and iv) from the milestone description are considered fulfilled. However, these measures are expected to have little to no impact on the underlying objective of reform R-4.07, namely to improve the fiscal sustainability of the pension system. It is reminded that the Council recommended to Belgium to "*Continue reforms to ensure the fiscal sustainability of the long-term care and pension systems, including by limiting early exit possibilities from the labour market*" (CSR 2019.1). For this reason, the improvement of financial sustainability and making the pension system in Belgium future-proof is established by the Council Implementing Decision as the underlying objective of the measure. Specifically, as long as the pension system does not become financially sustainable, it is difficult to consider that the other requirements laid down in milestone 157 can be met on a lasting basis.

(31) The application of the methodology for the determination of payment suspension under the Recovery and Resilience Facility Regulation as above leads to an amount of EUR 31 031 200.

(32) Pursuant to Article 24(6), second subparagraph of Regulation (EU) 2021/241 the suspension should only be lifted where Belgium has taken the necessary measures to ensure a satisfactory fulfilment of milestone 157.

(33) Pursuant to Article 24(8) of Regulation (EU) 2021/241, where Belgium does not take the necessary measures within a period of six months from the adoption of this Decision, the Commission should reduce the amount of the non-repayable support proportionately after having given the Member State concerned the possibility to present its observations within two months from the communication of its conclusions,

HAS ADOPTED THIS DECISION:

Article 1
Suspension of the payment of the non-repayable support

The payment of EUR 31 031 200 from the first instalment of the non-repayable support as laid down in Section 2(1)(1.1) of the Annex to Council Implementing Decision of 13 July 2021 on the approval of the assessment of the recovery and resilience plan for Belgium shall be suspended.

Article 2
Addressee

This Decision is addressed to the Kingdom of Belgium.

Done at Brussels, 16.9.2024

For the Commission
Paolo GENTILONI
Member of the Commission