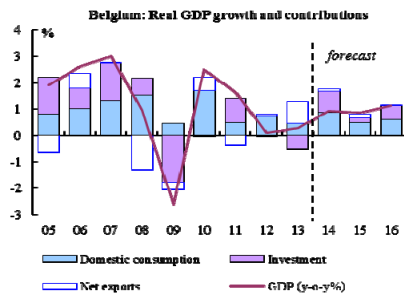


INVESTMENT IN BELGIUM

What is the situation in Belgium?

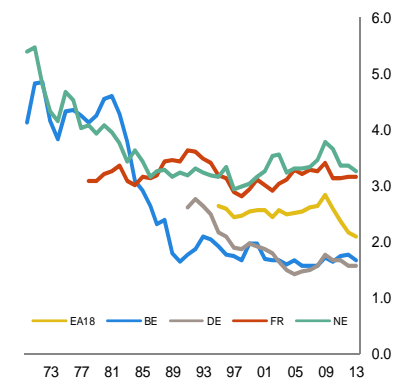


Source: European Commission 2014 Autumn Forecast

Before the crisis, investment contributed significantly to economic growth in Belgium. Despite a sharp fall in economic growth in 2009, the country endured the crisis relatively well. The share of investment in overall GDP fell less than in other euro area countries: from 24.3% of GDP in 2008 to 22.3% in 2013, compared to 23% and 19.6% respectively for the euro area. In 2010-2013, investment contributed a mere 0.1 percentage point to overall economic activity. Belgian investment was mainly driven by companies and households (mainly housing), whereas government-led investment lagged behind.

What is the main challenge?

Public investment expenditure (%GDP)

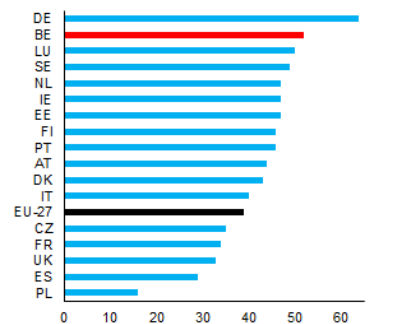


Source: Commission services

The main investment challenge for Belgium lies in the public sector. Over the years, public investment has fallen to 1.6% of GDP, close to the lowest level among all EU countries. This reflects the fact that the fiscal stability measures of the 1980s were tilted against investment, a policy the country has maintained ever since. Moreover, since the beginning of the 1980s, the share of public administration in the total government budget has grown to the detriment of the share of public investments. However, such a long period of low spending on public investment projects has significant negative effects on the long-term potential of the economy. There appears to be scope to upgrade basic infrastructure such as school buildings and (intermodal) mobility links. Public investment is largely the responsibility of the regional and local governments, the latter representing around half of total spending. Looking ahead, it will be important for the country to focus more on investment while maintaining the credibility of public finances.

Opportunities for investment

Innovative enterprises as % of total number of enterprises



Source: Commission services

Investment in domestic energy infrastructure and the interconnection with neighbouring energy markets would improve security of supply for the energy market and would benefit the economy as a whole. Belgium's goal of acquiring 13% of its energy supplies from renewables by 2020 provides a strong incentive to invest in the fast-growing green or renewable energy technology sector. Acceleration of investments to move towards a low-carbon economy would help meet the 2020 targets for reducing greenhouse gas emissions. Belgium could also invest further in networks and infrastructure in different modes of transport which, together with highly-skilled and multilingual employees make it the ideal location for a logistics base, headquarters or distribution centres. Innovation is at the core of life sciences such as pharmaceuticals and biotechnology, more than any other industry. Thanks to its expertise and world-renowned institutions, Belgium is a key player in these areas and should preserve that position. In the transition to an innovation-driven economy, Belgium also has ample scope to become a hot-spot for creative industries. The country is renowned for its young, trend-setting designers, its longstanding manufacturing know-how and high quality standards.

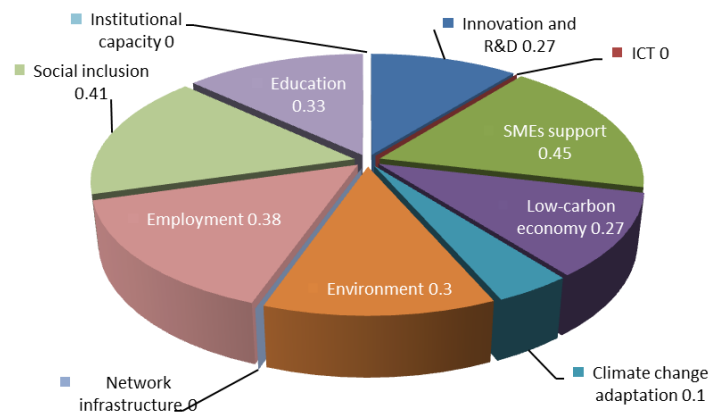
Reforms for investment

In the Country Specific Recommendations for Belgium, the European Union recommended

- Ensure the structural adjustment needed to achieve sufficient progress towards the medium-term objective and to respect the debt rule
- Increase labour market participation by reducing financial disincentives to work and by increasing labour market access for disadvantaged groups
- Pursue a comprehensive tax reform that simplifies the tax system and shifts taxes away from labour towards more growth-friendly bases
- Restore competitiveness by continuing the reform of the wage-setting system; by improving the functioning of the retail and services sectors; by streamlining incentive schemes for innovation
- Contain future public expenditure growth related to ageing by reducing the gap between effective and statutory retirement age and by promoting active ageing
- Make sure the targets for reducing greenhouse gas emissions are being met, in particular for transport and buildings

EU funding for investment

2014 - 2020
in billion EUR



Source: Partnership Agreement:
http://ec.europa.eu/contracts_grants/agreements/index_fr.htm
http://ec.europa.eu/contracts_grants/agreements/index_nl.htm

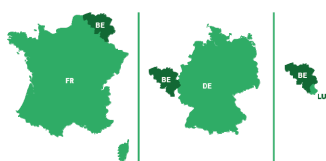
Past or ongoing projects for investment

Gas interconnections

New gas interconnection.
Commissioning date:
December 2015 (**Belgium, France**)

Reinforcement of gas interconnection.
Commissioning date: 2016
(**Belgium, Luxembourg**)

Reverse flow interconnection on TEN-P pipeline to Eynatten interconnection point (Germany). Commissioning date: 2017
(**Belgium, Germany**)

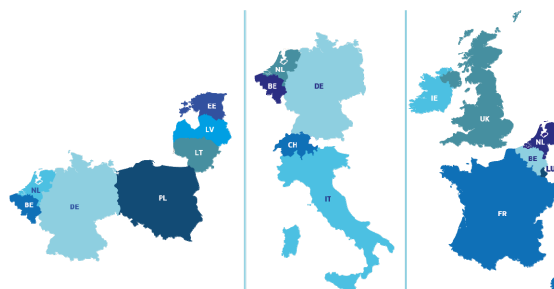


Transport interconnections

Connecting Europe Facility: "North Sea - Baltic" core network corridor (**Estonia, Latvia, Lithuania, Poland, Germany, The Netherlands, Belgium**), including Rail freight corridor "North Sea - Baltic" by November 2015

Connecting Europe Facility: "Rhine - Alpine" core network corridor (**The Netherlands, Belgium, Germany, Switzerland, Italy**)

Connecting Europe Facility "North Sea - Mediterranean" core network corridor (**Ireland, UK, The Netherlands, Belgium, Luxembourg, France**)



Technological interconnections

Targeting the set-up of new manufacturing capacities of electronic chips in Europe: under preparation for a submission to the Commission in 2015
(**France, Germany, UK, The Netherlands, Belgium, Austria, Italy, Finland, Ireland**)

