

Interim opinion on the strategic directions of the draft Recovery and Resilience Plan

Referral

- §1. On 12 January 2021, Mr Dermine, State Secretary for Economic Recovery and Strategic Investments, asked the Central Economic Council (CRB-CCE) and the Federal Council for Sustainable Development (FRDO-CFDD) for their opinion on the strategic directions of the draft Recovery and Resilience Plan (RRP).
- §2. This request for an opinion forms part of the European process whereby Belgium, like every Member State of the European Union, must submit its Recovery and Resilience Plan (RRP) to the European Commission by 30 April 2021 in order to benefit from the Recovery and Resilience Facility. When preparing the RRP, the European Commission states that it is "essential that Member States engage in a broad policy dialogue involving the social partners and all other stakeholders in the development of their recovery and resilience plans. National ownership will be essential for the satisfactory implementation of the Facility and for ensuring lasting success at national level as well as credibility at European level"¹. The RRP should also include a summary of this consultation process in order to be duly substantiated and justified.
- §3. To begin the work, the CRB-CCE and the FRDO-CFDD respectively² delivered an own-initiative initial contribution to the RRP to Mr Thomas Dermine, Secretary of State for Economic Recovery and Strategic Investments.
- §4. Then, at the federal level, Mr Dermine launched the consultation with the CRB-CCE and the FRDO-CFDD with a first meeting on 7 December 2020. He then held hearings on 6, 7 and 12 January 2021 on each of the five pillars³ of the RRP to inform Council members of the general components (i.e. a set of investment projects with the same objective) that should be part of the RRP. The Councils met on 18 and 26 January and on 2, 5 and 8 February to draw up this opinion, which was approved by the CRB-CCE plenary session on 16 February and by the FRDO-CFDD General Assembly on 18 February 2021.

1 Introduction

- §5. In addition to the short-term actions of governments to stem the COVID-19 epidemic, maintain employment, support struggling businesses and protect more vulnerable populations, it is crucial to revive the economy and make our country more prosperous, more resilient and greener over the long term, which requires massive investment, among other things.
- §6. The Recovery and Resilience Facility, governed by the [European Green Deal](#), has four general objectives: promoting the economic, social and territorial cohesion of the European Union; strengthening economic and social resilience; mitigating the social and economic impact of the crisis; and supporting ecological transition and digital transformation.

¹ Conclusions of the September 2020 "2021 Annual Strategy for Sustainable Growth" communication.

²CRB-CCE, [Principles for an effective and efficient recovery policy](#) (24.11.2020) and FRDO-CFDD, Opinion on the Recovery Policy of the Federal Government, 2020a07, 3.06.2020 and Opinion on the Recovery Plan of the Federal Government, 2020a10, 23.10.2020.

³ Pillar 1: Climate, sustainability and innovation; Pillar 2: Digital transformation; Pillar 3: Mobility; Pillar 4: Social and living together; Pillar 5: Productivity

- §7. The five strategic pillars that make up the Belgian Recovery and Resilience Plan - namely, (1) climate, sustainability and innovation, (2) digital transformation, (3) mobility and public works, (4) social and living together, and (5) productivity - must contribute to the four objectives mentioned above.
- §8. The RRP is part of a series of different long-term strategies that form the basis of EU policies. As defined in the European Regulation establishing a Recovery and Resilience Facility (European Recovery Fund), "At Union level, the European Semester of economic policy coordination ('European Semester')⁴, including the principles of the European Pillar of Social Rights, is the framework to identify national reform priorities and monitor their implementation. In addition to measures to strengthen competitiveness, growth potential and the sustainability of public finances, reforms based on solidarity, integration, social justice and a fair distribution of wealth should also be addressed, with the aim of creating quality jobs and sustainable growth, ensuring equal opportunities and access to social protection, protecting vulnerable groups and improving the standard of living of all citizens. Member States develop their own national multiannual investment strategies in support of these reforms, also taking into account the Paris Agreement, the national energy and climate plans adopted in the framework of the Governance of the Energy Union, the Just Transition Plans and the Youth Guarantee Implementation Plans, as well as the United Nations Sustainable Development Goals. Those strategies are presented alongside the National Reform Programmes that Member States submit each year, as a way to outline and coordinate priority investment projects to be supported by national and/or Union funding."
- §9. As part of the European Commission's Recovery and Resilience Strategy, Member States need to plan reforms and investments that support climate transition and digital transformation. The European framework thus states that each National Recovery and Resilience Plan (NRRP) must ensure:
- that at least 37% of investment expenditure and planned reforms support climate objectives. In addition, all investments and reforms must respect the principle of "do no significant harm" to the environment;
 - that at least 20% of investment expenditure and reforms support digital transformation.
- §10. The European Commission will assess Belgium's plan on the basis of criteria laid down in the European Regulation. The questions are whether the plan will effectively address the challenges identified in the European Semester⁵, whether it contributes to strengthening the Member State's growth potential, economic and social resilience and economic, social and territorial cohesion, whether it includes measures relevant to the ecological transition and digital transformation and whether the cost estimate provided by the Member State is reasonable, plausible and proportionate to the expected impact on the economy and the climate goals.

2 General Considerations

- §11. In general, the Councils approve the choice of the five pillars and the direction proposed by the draft plan submitted to them for opinion.

⁴ Compromise text of the European Parliament and the Council of 21 December 2020. Council of the European Union, Proposal for a Regulation of the European Parliament and of the Council establishing a Recovery and Resilience Facility, Brussels, 21 December 2020 (OR. en) 14310/20 ECOFIN LIMIT 1202 REGIO 292 CADREFIN 483 CODEC 1413

⁵ Council Recommendation on the National Reform Programme of Belgium for 2019 and embodying the Council Opinion on the Stability Programme of Belgium for 2019, COM(2019) 501 final, 5 June 2019, and Council Recommendation on the National Reform Programme of Belgium for 2020 and embodying the Council Opinion on the Stability Programme of Belgium for 2020, COM(2020) 501 final, 20 May 2020.

§12. However, the Councils regret that few of the components of the five pillars improving the resilience of our country are envisaged in the draft RRP.

2.1. Stakeholder involvement

§13. The Councils are being consulted as foreseen by the European Commission, but they very much regret that the consultation on the draft RRP was started extremely late⁶, which greatly hampered their work. Moreover, at the time of writing this opinion, very little information had been provided on the concrete projects submitted by the various authorities and on the selection criteria (other than those imposed by the European Commission) for the projects for the final plan.

§14. The Councils also consider that stakeholder consultation by the federated entities has rarely been satisfactory, and regret that it has not even been organised by some of them.

§15. The Councils therefore call for sufficient transparency in the subsequent prioritisation process of the concrete investment projects and ask to be consulted on these projects before they are presented to the European Commission.

§16. Similarly, the Councils request that stakeholders be involved in the implementation of the plan where relevant.

2.2. Need for an ambitious, coherent and coordinated plan between levels of government

§17. The Councils believe that the draft RRP under preparation only partly fills a lag in investment in Belgium and should partially help to move the Belgian economy and our society towards being a prosperous, inclusive and sustainable society. However, the stimulus policy cannot be limited to this plan; additional investment efforts are needed to stimulate recovery, on the one hand, and eliminate historical investment deficits, on the other. The size of the RRP investment package is significant, but an amount equivalent to an average of 0.2% of GDP per year in additional investment between 2021 and 2026 will not be sufficient. The Councils are calling for a structural increase in public investment to 4% of GDP per year by 2030 and are prepared to issue opinions on this. The challenge is to adopt measures to foster long-term economic transformation, leading to a more sustainable, fair and resilient system for future generations⁷.

§18. The Councils therefore reiterate that the national RRP should be sufficiently ambitious, developed in consultation with stakeholders, and coordinate the measures taken at different levels of government as much as possible in order to maximise their effectiveness. The investments provided for in the plan must be seen in the context of sustainable development and European objectives, helping households and supporting the development, transformation and productivity of our businesses and public services and the development of workers' skills for new jobs.

⁶ Namely, only with the draft RRP received on 12 January 2021.

⁷ See FRDO-CFDD Opinion on the Federal Government Recovery Plan, 2020a10, § [5].

- §19. According to the Councils, investment projects and reforms must form a coherent whole in the sense that they do not contradict each other but rather are mutually reinforcing in terms of the objectives they pursue.
- §20. Coherence between investment projects and the reforms contained in government agreements and still planned is important to the Councils.
- §21. In the same vein, the Councils insist on the need for governance and effective coordination between all levels of government so that an inter-federal plan can be drawn up, in accordance with the desire expressed by the European Commission.
- §22. Lastly, the COVID-19 pandemic has highlighted global interdependence. For the Councils, the recovery and resilience of a small open economy such as Belgium's will therefore also depend on a coordinated European and global approach, the performance of its industrial and services fabric and the conditions in which it operates.

In the context of this global coordination, and considering the interdependence between countries, it is important that European States, including Belgium, fulfil their various commitments to international solidarity, particularly in the context of Agenda 2030 and its 17 SDGs, and ensure that all their policies are consistent with this agenda.

2.3. Significant challenges ahead

- §23. For the Councils, this plan must respond to the main challenges facing society, such as the socio-economic consequences of the COVID-19 pandemic, the financial and social sustainability of social security, problems identified in the labour market, business competitiveness, security of supply, climate change and loss of biodiversity, poverty, technological changes such as digitisation, quality of life for current and future generations, social inclusion, mental health, depletion of resources, etc.
- §24. To do so, this plan must:
- be part of a long-term vision supported by intermediate objectives and an implementation strategy for each of its pillars, including a long-term strategy for public investment;
 - be used to implement sustainable tax and budgetary policies, while paying sufficient attention to the management of risks (health, economic and environmental).
- §25. For the Councils, the governments concerned must clearly state in the RRP that they are opting for a structural process of sustainable development (within a European and global framework) based on the evolution of scientific knowledge. In this respect, the Councils are convinced that the framework of Sustainable Development Goals (SDGs) can be an important lever for the transformation policy, and call on the governments involved to provide the necessary guarantees for this systemic approach through a transparent and coordinated SDG implementation strategy. The Councils recall here the urgency of developing a new Federal Sustainable Development Plan.
- §26. According to the Councils, it is important for the public authorities to point the way forward and, to do so, a clear, coherent and stable regulatory framework is needed to provide investors with the necessary legal certainty. At the same time, this framework must guarantee the fundamental rights of workers and citizens, and the protection of health and the environment, and avoid a negative impact on business vitality.

- §27. The Councils call for a policy of transition towards a climate-neutral society, as part of a global approach, guaranteeing, among other things, a level playing field for businesses, as well as a broad, strategic approach by all levels of government in Belgium, while encouraging proactive initiatives to avoid unfair competition with foreign companies subject to less restrictive legislation in these areas. It must integrate all the sustainable development issues, involve stakeholders to ensure broad societal support and be consistent with the development policy. Finally, it is desirable to promote governance and commercial relations that guarantee a level playing field for companies.
- §28. For the Councils, the RRP should generally guarantee:
- respect for environmental limits and the desire to combat climate change, in accordance with the principle of common but differentiated responsibility;
 - the security of energy supply, both for consumers and for the country as a whole;
 - a high-performing economy, ensuring the competitiveness of our businesses and SMEs;
 - social justice and a just transition, respecting the five pillars: social dialogue, job creation (investment, research and development, innovation), training and skills, respect for human and workers' rights and strong, concerted social protection.
- §29. The Councils believe that the SDGs and the Green Pact for Europe provide an ideal framework in which to integrate stimulus measures⁸. They also stress the cross-cutting nature of the sustainability dimension, beyond the pillar devoted to it in the draft plan.
- §30. The Councils also insist that the RRP should contribute to the achievement of the SDGs and request that governments justify their choice of investments in relation to their contribution to these objectives.
- §31. The Councils also stress that ongoing investments must always pursue the objective of improving the situation for future generations, in particular by increasing human capital through public health and skills development, physical capital such as infrastructure and equipment, patents and knowledge accumulation, and natural capital such as local and global ecosystems.

3 General criteria for selecting projects

- §32. The Councils insist first of all on the additionality of expenditure, because the financial resources received from the European Union must not lead to a reduction in national structural investment expenditure or to catching up, but on the contrary must be added to public expenditure. The aim is to use European funds only for non-recurring projects and/or those that would not have been launched (or launched on a smaller scale) without the help of these funds since, without additionality, recovery will not take place.
- §33. According to the Councils, for budgetary and efficiency reasons, limited resources should be used where they have the greatest positive economic, social and environmental impact (the greatest multiplier and leverage effect). Investments must have a significant knock-on effect for the rest of the economy and its resilience.

⁸ See FRDO-CFDD Opinion on the Federal Government Recovery Policy, 2020a07, § [6].

- §34. The Councils therefore insist on the need to avoid windfall and bounce-back effects and the "sprinkling" of resources over multiple disparate projects with no cohesion between them.
- §35. The Councils also stress the need to apply the principles of "do no significant harm" and "leave no one behind".
- §36. The Councils also call for attention to the principle of non-discrimination⁹.
- §37. The Councils call for particular attention to be paid to SMEs in investment projects.
- §38. The Councils also call for consideration to be given to young people, who have been particularly affected by the crisis and are struggling to enter the labour market. Action must also be taken to assist them in the area of mental health.

The Councils consider education and training¹⁰ of paramount importance for every pillar of the RRP. In particular, they are working to reduce labour market mismatches, guarantee labour market opportunities, develop and broaden career opportunities during this transition, facilitate activation and professional mobility within and between sectors, contribute to reducing labour market shortages and have an emancipating role for each citizen beyond the labour market (democracy, welfare, civic participation, arts and culture, etc.). Particular attention should be paid to target groups that are far removed from the labour market and to the promotion of training and sandwich education. The social partners are privileged partners in this field and it is therefore vitally important that they be involved in the practical elaboration and implementation of training projects.

- §39. The Councils insist that regular and public monitoring of the commitments announced in the RRP be carried out in a transparent manner, involving in particular the Federal Planning Bureau and all stakeholders, including the social partners. To this end, as prescribed by the European Commission, they call for the setting of precise targets and intermediate milestones for each measure, which will ensure the implementation of the RRP and allow the plan to be adjusted if necessary in the light of new developments¹¹. The Councils also call for the public, transparent monitoring and evaluation of projects and measures in order to assess their social, economic and environmental impacts, taking particular account of all the principles set out *above*.
- §40. The Councils also call for transparency on the methodology that the Federal Planning Bureau (FPB) will use for this impact analysis of measures and projects, as well as on the results of this analysis.

The Councils ask the FPB to present its methodology to them before the evaluation process starts and to present its results before publication.

⁹ Discrimination that could take place on the basis of 19 criteria: alleged race, skin colour, nationality, descent, national or ethnic origin, disability, philosophical or religious beliefs, sexual orientation, age, wealth, civil status, political and trade union convictions, state of health, physical or genetic characteristics, birth, social origin, sex and language.

¹⁰ See "Principles for an effective and efficient recovery policy" doc CRB-CCE 2020-2289,

¹¹ CRB-CCE, [Opinion on the Annual Report of the National Productivity Council](#), (CRB-CCE 2020-2250).