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Recommendation for a

COUNCIL RECOMMENDATION

endorsing the national medium-term fiscal-structural plan of Belgium

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 121 thereof,

Having regard to Regulation (EU) 2024/1263, and in particular Article 17 thereof,

Having regard to the recommendation from the Commission,

Whereas:

GENERAL CONSIDERATIONS

(1) A reformed EU economic governance framework entered into force on 30 April 2024. Regulation (EU) 2024/1263 of the European Parliament and of the Council on the effective coordination of economic policies and on multilateral budgetary surveillance,[1] together with the amended Regulation (EC) No 1467/97 on the implementation of the excessive deficit procedure,[2] and the amended Council Directive 2011/85/EU on the budgetary frameworks of Member States[3] are the core elements of the reformed EU economic governance framework. The framework aims at ensuring public debt sustainability and sustainable and inclusive growth through reforms and investments. It promotes national ownership and has a medium-term focus, combined with an effective and coherent enforcement of the rules.

(2) The national medium-term fiscal-structural plans, that Member States submit to the Council and to the Commission, are at the centre of the new economic governance framework. The plans are to deliver on two objectives: i) ensuring that, by the end of the adjustment period, general government debt is on a plausibly downward trajectory, or stays at prudent levels, and that the government deficit is brought and maintained below the reference value of 3% of GDP over the medium term, and ii) ensuring the delivery of reforms and investments responding to the main challenges identified in the context of the European Semester and addressing the common priorities of the EU. To that end, each plan is to present a medium-term commitment to a net expenditure[4] path, which effectively establishes a budgetary constraint for the

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1 Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (OJ L, 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj).

2 Council Regulation (EU) 2024/1264 of 29 April 2024 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L, 2024/1264, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1264/oj).

3 Council Directive (EU) 2024/1265 of 29 April 2024 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (OJ L, 2024/1265, 30.4.2024, ELI: http://data.europa.eu/eli/dir/2024/1265/oj).

4 Net expenditure as defined in Article 2 of Regulation (EU) 2024/1263, namely government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on Union

duration of the plan, covering four or five years (depending on the regular term of legislature in a Member State). In addition, the plan is to explain how the Member State will ensure the delivery of reforms and investments responding to the main challenges identified in the context of the European Semester, in particular in the country-specific recommendations (CSRs) (including those pertaining to the macroeconomic imbalances procedure (MIP), if applicable), and how the Member State will address the common priorities of the Union. The period for fiscal adjustment is of four years, which may be extended by up to three years if the Member State commits to delivering a set of relevant reforms and investments that satisfies the criteria set out in Regulation (EU) 2024/1263.

(3) Following the submission of the plan, the Commission is to assess whether it complies with the requirements of Regulation (EU) 2024/1263.

(4) Upon a recommendation from the Commission, the Council is to then adopt a recommendation to set the net expenditure path of the Member State concerned and, where applicable, endorse the set of reform and investment commitments underpinning an extension of the fiscal adjustment period.

CONSIDERATIONS CONCERNING THE NATIONAL MEDIUM-TERM FISCAL-STRUCTURAL PLAN OF BELGIUM

(5) On 18 March 2025, Belgium submitted its national medium-term fiscal-structural plan to the Council and to the Commission. The submission took place following an extension of the deadline as set out in Article 36 of Regulation (EU) 2024/1263, as agreed with the Commission to give Belgium the possibility to present a plan based on a solid political commitment of the newly appointed federal government.

Process prior to the submission of the plan

(6) On 5 February 2025 the Commission sent, according to Article 9 of Regulation (EU) 2024/1263, the reference trajectory[5] to Belgium. The Commission published the reference trajectory on 19 March 2025[6]. The reference trajectory is risk-based and ensures that, by the end of the fiscal adjustment period and in the absence of further budgetary measures beyond the adjustment period, general government debt is on a plausibly downward trajectory or stays at prudent levels over the medium term, and the general government deficit is brought below 3% of GDP over the adjustment

programmes fully matched by revenue from Union funds, (iv) national expenditure on co-financing of programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure and (vi) one-offs and other temporary measures.

5 The prior guidance transmitted by the Commission to the Member States and Economic and Financial Committee includes trajectories without, and with, an extension of the adjustment period (covering 4 and 7 years, respectively). It also includes the main initial conditions and underlying assumptions used in the European Commission’s medium-term government debt projection framework. The reference trajectory was calculated on the basis of the methodology described in the European Commission’s Debt Sustainability Monitor 2023 (https://economy-finance.ec.europa.eu/publications/debt-sustainability-monitor-2023_en). It is based on the European Commission 2024 Autumn Forecast and its medium-term extension up to 2034, and long-term GDP growth and ageing costs are in line with the joint European Commission-Council 2024 Ageing Report (https://economy-finance.ec.europa.eu/publications/2024-ageing-report-economic-and-budgetary-projections-eu-member-states-2022-2070_en).

6 Belgium: prior guidance tables (https://economy-finance.ec.europa.eu/document/download/a785a06d-962e-4366-9024-e80643258ac5_en?filename=Commission_prior_guidance-belgium_en.pdf&prefLang=sl)

period and maintained below that reference value over the medium term. The medium term is defined as the ten-year period after the end of the adjustment period. In accordance with Articles 6, point (d), 7 and 8 of Regulation (EU) 2024/1263, the reference trajectory is also consistent with the deficit benchmark, the debt sustainability safeguard and the deficit resilience safeguard.

The reference trajectory of Belgium sets out that, based on the Commission's assumptions and assuming a 7-year adjustment period, net expenditure should not grow by more than the values provided in Table 1. This corresponds to average net expenditure growth of 2.5% over both the adjustment period (2025-2031) and the period covered by the plan (2025-2029).

Table 1: Reference trajectory provided by the Commission to Belgium on 5 February 2025

	2025	2026	2027	2028	2029	2030	2031	Average 2025-2029	Average 2025-2031
Maximum net expenditure growth (annual, %)	3.0	2.6	2.6	2.2	2.2	2.4	2.4	2.5	2.5

Source: Commission's calculations.

(7) In line with Article 12 of Regulation (EU) 2024/1263, Belgium and the Commission engaged in a technical dialogue between December 2024 and March 2025. The dialogue centred on the net expenditure path envisaged by Belgium and its underlying assumptions (in particular the envisaged annual fiscal effort and the GDP deflator figure for 2025), the envisaged set of reform and investment commitments to underpin an extension of the adjustment period including pension, tax and labour market reforms, as well as the envisaged delivery of reforms and investments responding to the main challenges identified in the context of the European Semester and the common priorities of the Union in a fair green and digital transition, social and economic resilience, energy security and the build-up of defence capabilities.

(8) The plan does not report on a consultation process with relevant national stakeholders, including social partners, prior to submission.

Other related processes

(9) On 26 July 2024, the Council established the existence of an excessive deficit in Belgium due to non-compliance with the deficit criterion.[7]

(10) On 21 January 2025, the Council adopted a Recommendation under Article 126(7) TFEU with a view to bringing an end to the situation of an excessive deficit in Belgium.[8] In the absence of a national medium-term fiscal-structural plan endorsed by the Council, the recommended corrective net expenditure path reflected the methodology used for the reference trajectory, with a fiscal adjustment of four years and based on available data. In addition, the Council established the deadline of 30 April 2025 for Belgium to take effective action and present the necessary measures

[7] OJ L, 1.8.2024, ELI: Decision - EU - 2024/2125 - EN - EUR-Lex

[8] Council Recommendation 5032/25 EDP Belgium

together with its 2025 annual progress report, to be submitted to the Commission in accordance with Article 21 of Regulation (EU) 2024/1263. In the Recommendation under Article 126(7) of 21 January 2025 the Council indicated (recital 16) that upon submission of the national medium-term fiscal-structural plan by Belgium, its assessment by the Commission and endorsement by the Council, a new corrective net expenditure path could be recommended by the Council.

On [8 July 2025], together with the present Recommendation endorsing the national medium-term fiscal-structural plan, the Council [adopted], upon a Commission recommendation, a revised Council Recommendation under Article 126(7) TFEU with a view to bringing an end to the situation of an excessive government deficit into Belgium. The adoption of these two recommendations, which is tailored to, and justified by, the transition to the new economic governance framework, ensures consistency between the recommended adjustment paths.

(11) On 30 April 2025, Belgium submitted its Draft Budgetary Plan for the year 2025. The Commission [adopted] an Opinion on this Draft Budgetary Plan on [4 June 2025].[9]

(12) On 30 April 2025, Belgium requested the activation of the national escape clause to accommodate higher defence spending, in accordance with Article 26 (1) of Regulation (EU) 2024/1263.

(13) On 21 October 2024, the Council addressed to Belgium a series of country-specific recommendations (CSRs) in the context of the European Semester.[10]

SUMMARY OF THE PLAN AND THE COMMISSION'S ASSESSMENT OF THEREOF

(14) In line with Article 16 of Regulation (EU) 2024/1263, the Commission assessed the plan as follows:

Macroeconomic and fiscal situation and outlook

(15) Economic activity in Belgium grew by 1.0% in 2024, driven mainly by robust private consumption. According to the European Commission Spring 2025 Forecast, growth in economic activity is expected to slow down to 0.8% in 2025, driven by moderate domestic demand and decreasing exports. In 2026, real GDP is set to increase by 0.9%, as investment is projected to accelerate, and exports to increase supported by the expected improvement of the external environment. Over the forecast horizon (i.e., 2025-2026), potential GDP in Belgium is expected to decelerate, from 1.7% growth rate in 2024 to 1.3% in 2026, driven by the softening of the labour contribution to potential growth. The unemployment rate stood at 5.7% in 2024, and is projected by the Commission to amount to 6.1% in 2025 and 5.8% in 2026. Inflation (GDP deflator) is projected to increase from 1.9% in 2024 to 2.8% in 2025 and to reach 2.1% in 2026.

(16) Regarding fiscal developments, in 2024 Belgium's general government deficit increased to 4.5% of GDP. According to the European Commission Spring 2025 Forecast, it is set to reach 5.4% of GDP in 2025 and, on a no-policy change basis, to

[9] European Commission Opinion of [4 June 2025] on the 2025 Draft Budgetary Plan of Belgium.

[10] Council Recommendation on the economic, budgetary, employment and structural policies of Belgium, C/2024/6808, OJ C, 29.11.2024, p.8.

increase to 5.5% of GDP in 2026. The European Commission Spring 2025 Forecast includes Belgium's (draft) budgets for 2025 that the federal and the federated entities proposed to the respective parliaments in 2024 and 2025. General government debt was 104.7% of GDP at end-2024. According to the European Commission Spring 2025 Forecast, the debt ratio is expected to increase to 107.1% of GDP at end-2025. It is projected to increase further to 109.8% of GDP at the end of 2026. The fiscal forecast by the Commission does not consider the policy commitments in the medium-term plan as such until they are underpinned by credibly announced and sufficiently specified concrete policy measures.

Net expenditure path and main macroeconomic assumptions in the plan

(17) Belgium's national medium-term fiscal-structural plan covers the period 2025-2029 and presents a fiscal adjustment over seven years.

(18) The plan contains the information required by Article 13 of Regulation (EU) 2024/1263, with the exception of information on consultations of national parliaments and the consultation required by Article 13(g)(vi) of Regulation (EU) 2024/1263.

(19) The plan commits to the net expenditure path indicated in Table 2, corresponding to average net expenditure growth of 2.6% over the years 2025-2029. In addition, Belgium commits to a set of reforms and investments with a view to extending the adjustment period to 7 years (2025-2031), over which the average net expenditure growth is planned to be 2.5%.

The average net expenditure growth reported in the plan over the adjustment period (2025-2031) is equal to the average net expenditure growth in the reference trajectory transmitted by the Commission on 5 February 2025.

The plan assumes potential GDP growth to decrease to 1.2% in 2029 (from 1.7% in 2024). In addition, the plan expects the growth rate of the GDP deflator to decrease to 2.1% in 2028 (from 2.7% in 2024), before increasing to 2.2% in 2029.

Table 2: Net expenditure path and main assumptions in Belgium's plan

								Extension of the adjustment period	
	2025	2026	2027	2028	2029	2030	2031	Average over the period of validity of the plan 2025-2029	Average over the adjustment period 2025 – 2031
Net expenditure growth (annual, %)	3.6	2.5	2.5	2.1	2.1	2.3	2.4	2.6	2.5
Net expenditure growth	3.6.	6.1	8.8	11.1	13.4	16.0	18.8	n.a.	n.a.

(cumulative, from base year 2024[11], %)									
Potential GDP growth (%)	1.6	1.4	1.4	1.2	1.2	1.1	1.1	1.4	1.3
Inflation (GDP deflator growth) (%)	2.5	2.1	2.1	2.1	2.2	2.2	2.2	2.3	2.3

Source: Medium-term fiscal-structural plan of Belgium and Commission calculations

Implications of the plan's net expenditure commitments for general government debt

(20) If the net expenditure path committed to in the plan and the underlying assumptions materialise, general government debt-to-GDP ratio would increase by 3.9 percentage points by 2027, starting from the level of 2024[12], according to the projected change in gross debt in the plan during this period, before declining by 3.0 percentage points by the end of the adjustment period (2031), as per the following table. The persistence of relatively high deficits in the first years of the adjustment period prevent the debt-to-GDP ratio from reducing by 2031. Nevertheless, over the medium term (i.e. until 2041), the general government debt is expected to gradually decrease reaching 87.6% of GDP by 2041.

Table 3: General government debt and balance developments in Belgium's plan

	2024*	2025**	2026	2027	2028	2029	2030	2031	2041
Government debt (% of GDP)	103.4	105.1	107.0	107.3	107.3	106.7	105.6	104.0	87.6
Government balance (% of GDP)	-4.6	-4.7	-4.6	-4.1	-3.5	-3.0	-2.5	-2.0	-1.8

* Eurostat validated data for 2024: debt 104.7%, balance -4.5%.
** Eurostat EDP notification: planned balance -5.2% in 2025.

Source: Medium-term fiscal-structural plan of Belgium

Thus, according to the plan, the general government debt ratio would be put on a downward path by the end of the adjustment period (2031). This is plausible as, based on the plan's assumptions, debt is projected to decline over the ten years following the adjustment period under all deterministic stress tests of the Commission's Debt Sustainability Analysis, and the stochastic projections indicate that debt would decline with a sufficiently high probability.

The higher outturn data for government debt in 2024 (104.7% of GDP) raises the debt level but is not expected to change the trajectory of the adjustment path for the

11 The cumulative growth rates are calculated by reference to the base year 2024, because the 2024 outturn data was available during the assessment phase.

12 2024 outturn data of government debt is 104.7% of GDP according to Eurostat (gov_10q_ggdebt) which is higher than the figure in the plan (103.4%; see table 3).

government debt. The deficit at 4.5% in 2024 turned out 0.1% lower than in the plan.

Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the requirement for debt as set out in Articles 6, point (a), and 16(2) of Regulation (EU) 2024/1263.

Implications of the plan's net expenditure commitments for the general government balance

(21) Based on the plan's net expenditure path and assumptions, the general government deficit would stand at 4.6% of GDP in 2024 and progressively decline to 3.0% in 2029 and to 2.0% at the end of the adjustment period (2031).

Thus, according to the plan, the general government balance would not exceed the 3% of GDP reference value at the end of the adjustment period (2031).

In addition, in the ten years following the adjustment period (until 2041), the government deficit would not exceed 3% of GDP.

Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the requirement for the deficit as set out in Articles 6, point (b), and 16(2) of Regulation (EU) 2024/1263.

Time profile of the fiscal adjustment

(22) The time profile of the fiscal adjustment, measured as the annual change in the structural primary balance, as described in the plan, is backloaded from 2025 to 2026-2030 compared to the linear path referred to as a rule under Article 6, point (c), of Regulation (EU) 2024/1263. In the first year of the plan (2025), the improvement in the structural primary balance is half of the effort underlying the reference trajectory (0.25% of GDP instead of 0.5%). This is explained in the plan by the federal government having taken office on 3 February 2025, delaying the implementation of fiscal consolidation measures, which therefore affect only part of 2025. For the following years, Belgium commits to a more ambitious primary structural balance adjustment compared to the reference trajectory to compensate for the lower effort in 2025. Correspondingly, the backloading of the adjustment explains the higher net expenditure growth in 2025 in the plan in comparison to the Commission's prior guidance (3.6% against 3.0%). At the same time, because of the stronger adjustment in the following years, the net expenditure growth is lower (by 0.1 percentage points) in the plan over the period 2026-2030, resulting in an identical average net expenditure growth over the adjustment period in the plan and in the Commission's prior guidance. Overall, the fiscal adjustment over the first five years of the plan remains proportional to the total effort over the entire adjustment period.

Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the no-backloading safeguard clause set out in Article 6, point (c) of Regulation (EU) 2024/1263.

Table 4: Structural primary balance developments in Belgium's plan

	2024	2025	2026	2027	2028	2029	2030	2031

Structural primary balance (% of GDP)	-2.0	-1.8	-1.2	-0.7	0.0	0.6	1.1	1.6
Change in structural primary balance (pps.)	n.a.	0.2	0.6	0.6	0.6	0.6	0.5	0.5

Source: Medium-term fiscal-structural plan of Belgium.

Consistency of the plan with the excessive deficit procedure

(23) The net expenditure path set out in the plan is in line with the requirements under the excessive deficit procedure (in particular with the minimum annual structural adjustment established as a benchmark in Article 3(4), third subparagraph of Council Regulation (EC) 1467/97), after considering that the lower adjustment in 2025 is fully compensated by a higher adjustment in subsequent years.

Consistency of the plan with the deficit resilience safeguard

(24) The requirement of the preventive arm set out in Article 8 of Regulation (EU) 2024/1263 regarding the deficit resilience safeguard, which aims to provide a common margin relative to the deficit reference value of 3% of GDP, applies to Belgium as of 2030, as the deficit is planned to be below 3% of GDP as of 2029.

In 2030 and 2031, in accordance with Article 8 of Regulation (EU) 2024/1263, the annual adjustment in the structural primary balance should therefore not be less than 0.25% of GDP if the structural deficit remained above 1.5% of GDP in the preceding year, to achieve a common resilience margin in structural terms of 1.5% of GDP. The fiscal adjustment that results from the plan's policy commitments and macroeconomic assumptions exceeds 0.25% of GDP in 2030 and 2031. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the deficit resilience safeguard.

Consistency of the plan with the debt sustainability safeguard

(25) In accordance with Article 7 of Regulation (EU) 2024/1263, as general government debt will be above 90% of GDP over the adjustment period according to the plan, the debt ratio is required to decline by at least 1.0 percentage point on average per year until it falls below 90%, after which it should decline by at least 0.5 percentage points on average. The average decline is calculated over the period 2030-2031, i.e. starting in the year in which the excessive deficit procedure would be abrogated according to the plan, and amounts to 1.6 percentage points. Therefore, based on the plan's policy commitments and macroeconomic assumptions, the net expenditure path put forward in the plan is consistent with the debt sustainability safeguard.

Macroeconomic assumptions of the plan

(26) The plan is based on a set of assumptions that is in line with the Commission's assumptions transmitted to Belgium on 5 February 2025. It takes into account additional available information compared to the reference trajectory and includes

accordingly an updated assumption for the GDP deflator of 2025. The assessment also takes into account the release of outturn data for 2024 after the submission of the plan, which shifts the base year of the recommendation to 2024. The updated assumption and the shift do not affect the average annual net expenditure growth over the adjustment period.

Fiscal strategy of the plan

(27) According to the indicative fiscal strategy in the plan, the commitments on net expenditure will be mainly delivered through expenditure restraint but also discretionary revenue increases. The plan states that 2/3 of the fiscal consolidation effort over the plan period is coming from structural reforms in the labour market (limitation of unemployment benefits) and pension reform (introduction of a bonus/malus system, harmonisation of different pension regimes to strengthen years worked and pension received, change indexations). In addition, 1/3 of the fiscal effort is assumed to come from other discretionary fiscal measures of which 2/3 on the expenditure side and 1/3 from taxation of the highest income households and other revenue measures.

(28) The specification of the policy measures is to be confirmed or adjusted and quantified in the annual budgets. At the same time, there are risks to the implementation of the indicative fiscal strategy in the plan, which stem from the fact that several structural measures announced by the government have not been fully specified yet. Also, the plan assumes significant positive second-round effects, however not specified in detail, from a labour market participation rate to reach 80% by 2029, which would require a strong increase from current levels. In addition, the implementation of the fiscal consolidation will require a closer and more effective budgetary coordination between the federal and the federated entities than in recent years. This latter risk is expected to be mitigated by the measure on budgetary coordination, which is part of the set of reform and investment commitments underpinning the extension (Annex II).

Set of reform and investment commitments in the plan to underpin an extension of the fiscal adjustment period

In the plan, Belgium commits to 25 reforms and investments, aiming to improve potential growth and fiscal sustainability, to underpin an extension of the fiscal adjustment period from 4 to 7 years. The set of reforms and investments underpinning an extension of the adjustment period is composed of three commitments from the RRP with additional specifications; as well as four new reforms and investments. This includes the following measures (see also Annex II).

Reform in the area of pensions, aims at improving the financial sustainability of the pension system. This commitment adds to an existing measure in the RRP (notably under Component 4.4, ‘End of career and pensions’). Measures in the plan will strengthen the relationship between work and the acquisition of pension rights, and harmonize pension regimes for employees, civil servants and the self-employed. The government also includes transitional measures for people close to retirement to ease the social impact of the reform. Most of the measures are expected to be adopted by Q4 2025 and implemented in either 2026 or 2027 onwards.

Reform in the area of public expenditure aims to complete spending reviews to improve the efficiency and quality of public spending. This commitment also adds to an existing measure in the RRP (notably under Component 6.1, ‘Spending reviews’).

One important objective of the reform is to provide a plan for the gradual phasing out of subsidies. The expected adoption of this plan is by Q4 2025.

Reforms in the area of the labour market. The plan commits to incentivising work including by limiting unemployment benefits over time, improving work-life balance and flexibility, and reducing long-term sickness, administrative burden and SME's compliance costs. The unemployment benefit reform and the global prevention and reintegration plan for the long-term sick workers are expected to be adopted by Parliament by Q3 2025.

Reforms in the area of taxation aim to lower the tax burden on labour, improve competitiveness and strengthen investments. To make work rewarding, the plan includes an income tax cut for those working, expected to be adopted by Q4 2025 and implemented by Q1 2026. Two measures in the plan will support competitiveness by tempering the wage cost and reducing the electricity transmission tariffs of energy-intensive industries. The financing of this tax reform will stem partly from the broadening of the tax base, including the introduction of a capital gains tax, and is complemented by a reduction in the expenditure on the welfare adjustments of social benefits.

Reforms in the area of competitiveness and business environment. The plan commits to implementing the digitalisation of government services, which is a measure included in the RRP (Component 2.2, 'Public administration'). The reforms also include a plan to increase SMEs' competitiveness and another to reduce administrative burden on firms. These two measures, which are new compared to the RRP, are expected to be adopted by Q4 2025 and implemented by Q1 2026.

Reforms in the area of budgetary coordination. This measure, also new compared to the RRP, aims to improve budget coordination between the different levels of government. The first step is the adaptation of the 2013 cooperation agreement, which is expected to be agreed upon by Q4 2025. The adoption and implementation of the revised cooperation agreement with regions (retroactively) is expected by Q4 2026. The second step is redefining the tasks of the High Council of Finance (independent fiscal institution).

(29) In line with Article 14 (3) of Regulation (EU) 2024/1263, each reform and investment underpinning an extension of the adjustment period is sufficiently detailed, front-loaded, time-bound and verifiable.

(30) The RRP commitments underpinning the extension contain significant reforms and investments aimed at improving fiscal sustainability and enhancing the growth potential of the economy. In addition, Belgium commits to continuing the reform effort over the period covered by the medium-term fiscal-structural plan and maintaining the nationally financed investment levels realised over the period covered by the RRP (see below, Table 5). The commitments will be monitored throughout the implementation of the plan. Accordingly, commitments under the RRP can be taken into account for the extension of the adjustment period as provided by Article 36, point (d), of Regulation (EU) 2024/1263.

(31) The set of reforms and investments underpinning the extension is expected to improve the growth and resilience potential of Belgium's economy in a sustainable manner as required by Article 14(2), point (a) of Regulation (EU) 2024/1263. Belgium's plan does not provide an estimation of the overall expected (potential) growth impact of

the set of reforms and investments underpinning the extension. Such impact is however reported in the plan for some of the reforms, based on analyses by the Federal Planning Bureau (FPB) (an independent fiscal institution) and the Federal Pension Service (FPS). An additional assessment was made by the Federal Planning Bureau using the Commission's QUEST model which estimates a 1.85% higher GDP level by 2040 mainly coming from improved competitiveness and higher employment rate stimulating private consumption. Overall, based on the information provided, the economic strategy behind the set of reforms and investments, including RRP commitments, appears to address previously identified weaknesses in Belgium's growth and resilience potential (e.g. in the European Semester Country Reports). The key areas of intervention concern the pension, labour market, tax and competitiveness reforms, leading towards a higher employment participation rate and investments accompanied by enhanced budgetary coordination and improved efficiency of public spending.

(32) The set of reforms and investments underpinning the extension is expected to support fiscal sustainability as required by Article 14(2), point (b) of Regulation (EU) 2024/1263. The plan does not provide an estimation of the overall expected fiscal impact of the set of reforms and investments underpinning the extension. An additional assessment of the impact was made by the Federal Planning Bureau using the QUEST model which estimates an improvement in the structural government balance of 0.9% of GDP by 2040. The plan however does include a fiscal impact assessment of all planned federal measures for the plan period. According to the projections provided in the plan, the Commission estimates that set of reforms and investments underpinning the extension have an average annual direct deficit-reducing impact of around 0.7% of GDP over the plan period, mainly due to the budgetary impact of the structural reforms of the labour market and pensions (0.4% of GDP), new revenue measures ("broadest shoulders", 0.2% of GDP) and reduced expenditure on social benefits (welfare envelope, 0.2% of GDP), while the labour tax cut has an average budgetary cost (0.2% of GDP). The budgetary cost of the labour tax cut is concentrated in the last year of the plan (0.5% of GDP in 2029), still resulting in a combined budgetary improvement in 2029 of 0.9% of GDP coming from the labour market and pension reforms (0.7% of GDP), new revenue measures (0.3% of GDP) and reduced expenditure on social benefits (0.4% of GDP).

(33) The plan states that the total pension reform of the new government is expected to reduce pension expenditure by EUR 2.4 bn in 2029. For the labour market reform, the limitation of unemployment benefits, the stimulation of longer work and the prevention and the reintegration of long-term sick workers are expected to reduce expenditure (EUR 2.7 bn by 2029).[13] For the tax reform no fiscal impact is mentioned in the text but it can be derived from Table 7.1 on federal measures that the labour tax cut reduces revenue by EUR 3.7 bn, which is compensated partly by the 'broadest shoulders' tax increases (EUR 2.3bn) and also by the reduction in expenditure on the welfare envelope (EUR 2.8bn), as explained in the measure description that the costs of the labour tax cuts are more than compensated by the new revenue measures and the reduced welfare envelope.

[13] Table 7.1 states pension and labour market reform sums up to EUR 5.08bn by 2029 minus EUR 2.4bn pension reform equals EUR 2.7bn for the labour market reforms.

In addition, the extension is underpinned by two reforms that are expected to reduce the implementation risk of fiscal consolidation. One reform relates to spending reviews with the objective to improve efficiency and quality of public spending. A second reform aims to improve the budgetary coordination between the federal and federated entities and to redefine the tasks of the High Council of Finance. The redefinition of tasks of the High Council of Finance should go hand in hand with the strengthening of their financial and staff capacity.

These reforms and investments are also included in Annex II.

The table with the federal discretionary measures also includes an estimate for second round effects of EUR 7.9 bn by the end of the plan period. This estimate is based on an increase of the employment participation rate from 72.3% in 2024 to 80%, which is assessed as optimistic and unlikely to be reached by 2029.

(34) The set of reforms and investments underpinning the extension addresses the common priorities of the EU as required by Article 14(2), point (c) of Regulation (EU) 2024/1263. In particular, social and economic resilience, including the European Pillar of Social Rights, would be addressed by the reform of the pension system, the labour tax reduction, the labour market reform including the reintegration of long-term sick workers, the improved efficiency and quality of public spending, the improvement of the budgetary coordination between different levels of government and the simplification of the business environment. The priorities linked to a fair green and digital transition and to energy security would be addressed by the reduction of electricity transmission tariffs for energy-intensive industries and by the digitalisation of government services.

(35) The set of reforms and investments underpinning the extension intends to address the relevant[14] CSRs issued as part of European Semester as required by Article 14(2), point (d) of Regulation (EU) 2024/1263. In particular, the reform of the pension system, the improved efficiency and quality of public spending and the improvement of the budgetary coordination between different levels of government relate to the fiscal structural CSRs in 2024 and 2019. These CSRs requested Belgium to ensure the fiscal sustainability of the pension system, improve the composition and efficiency of public spending and the coordination of fiscal policies by all levels of government. The labour tax reform, the labour market reform including the reintegration of long-term sick and limiting unemployment benefits in time relate to the CSRs in 2019, 2021, 2022, 2023 and 2024, requesting to reform the tax and benefits system to remove disincentives to work. The measure improving the business environment and reducing administrative burden relate to the CSRs in 2019, 2020 and 2024, requesting to improve the business environment and to reduce the regulatory burden and complexity.

[14] CSRs considered ‘relevant’ are recommendations: i) adopted by the Council from 2019 onwards, ii) for which the Member State has not yet made ‘full’ or ‘substantial’ progress in addressing them and are not outdated (assessed as ‘Not Assessed / No Input to Add ’), as assessed in the latest European Semester surveillance exercise (available in CeSaR (europa.eu)), iii) not linked to purely fiscal SGP-related and iv) not covering the same challenge but in a rephrased manner.

(36) The plan ensures that the planned overall level of nationally financed public investment realised on average over the period covered by the RRP is maintained, as required by Article 14(4) of Regulation (EU) 2024/1263.

Table 5: Nationally financed public investment in the plan (% of GDP)

Average level over the period covered by the RRP (2021 to 2026) ([15])	2025	2026	2027	2028	2029	Average over the duration of the plan
2.9	3.2	3.2	3.1	3.0	3.0	3.1

Source: Medium-term fiscal-structural plan of Belgium

(37) Finally, the set of reform and investment commitments underpinning an extension can be regarded as consistent with the commitments in the RRP and the Partnership Agreement agreed under the Multiannual Financial Framework as required by Article 14 of Regulation (EU) 2024/1263. The additional specifications to the pension reform and the spending reviews are consistent with the commitments taken under the RRP.

(38) In conclusion, the set of reforms and investments underpinning the extension of the adjustment period is assessed as fulfilling, taken altogether, the criteria in Article 14 of Regulation (EU) 2024/1263. As a result, the adjustment period can be extended from 4 to 7 years, as put forward in the plan.

Other reform and investment intentions in the plan responding to the main challenges identified in the context of the European Semester and addressing the common priorities of the Union

(39) Besides the set of reforms and investments underpinning an extension of the adjustment period, the plan describes policy commitments concerning other reforms and investments to respond to the main challenges identified in the context of the European Semester, especially the CSRs, and to address the common priorities of the EU. The plan includes 44 reforms and investments, of which 12 are financially supported by the Recovery and Resilience Facility and 1 by the European Regional Development Fund.

(40) Concerning the common priority of a fair green and digital transition, including the climate objectives set out in Regulation (EU) 2021/1119, the plan includes 20 reforms and investments. Related to 2022 and 2023 CSRs to reduce the overall reliance on fossil fuels, step up energy efficiency improvements and the reduction of fossil fuel use in buildings, and further stimulate the decarbonisation of industry, the plan includes measures such as increasing the VAT rate on certain fossil fuels (federal level), further grants and loans for energy-efficient housing renovation (included in the Recovery and Resilience Facility), shifting charges from electricity to fossil fuels, developing an industrial climate transition plan (Flanders), investing in the energy-efficient renovation of public buildings and in a research platform on the green transition (included in the Recovery and Resilience Facility) (French Community). Related to 2019, 2022, 2023 and 2024 CSRs on soft mobility and to increase the use

[15] It is assumed and accepted that the two periods will overlap. The requirement to maintain the level of investment is intended to apply to the years after the end of the lifetime of the Recovery and Resilience Facility.

and supply of low emission transport, relevant measures concern the investment in cycling infrastructure and public transport in Flanders (included in the RRF), as well as reforming vehicle taxation and investing in the Trans-European Transport Network (TEN-T) and the renovation of bridges in Wallonia. The measures in the plan related to the priority of digital transition include a digital strategy for higher education and the digitalisation of childcare management in the French Community (included in the RRF) and investments in the digitalisation and cybersecurity of SMEs in Flanders. The plan does not include other reforms and investments aimed to address the 2019, 2020, 2022, 2023 and 2024 CSRs at other government levels and on upgrading rail infrastructure, investing in the circular economy and facilitating energy sharing.

(41) Concerning the common priority of social and economic resilience, including the European Pillar of Social Rights, the plan includes 16 reforms and investments related to the 2019 CSR on the fiscal sustainability of public finances, such as the review of revenues and expenses and improving long-term care in Flanders, as well as investing in health prevention in Wallonia. Related to CSRs in 2019, 2022, 2023 and 2024 to address labour shortages and skills mismatches, the plan includes measures to reform the social benefit system (federal level), to strengthen the activation of job seekers and to better align job seekers competences to labour market needs (supported by the European Regional Development Fund) (Flanders), to reform employment policy (Wallonia), to invest in early childcare in Flanders and Wallonia. Related to CSRs in 2019, 2022, 2023 and 2024 to improve the education and training systems, the plan includes measures to reform the basic curriculum and strengthen language knowledge in the Flemish education system and to fight against school drop out in the French Community (included in the RRF). Related to CSRs in 2019 and 2024 to reduce the regulatory and administrative burden for companies, the plan includes measures to simplify the business environment in Flanders. The plan does not include other reforms and investments aimed to address the 2019, 2022, 2023 and 2024 CSRs at other government levels as well as on making the long-term care system more cost-effective and strengthening the teacher profession.

(42) Concerning the common priority of energy security, the plan includes three measures, such as the study and development of small nuclear reactors (SMRs) and further research on nuclear capacity. Related to 2022 and 2023 CSR to accelerate the deployment of renewable energies and related grid infrastructure, the plan includes measures such as further streamlining permitting procedures in Flanders. The plan does not include other reforms and investments aimed to address the 2022 and 2023 CSRs at other government levels.

(43) Concerning the common priority of defence capabilities, the plan includes three measures to reach the objectives of its strategic defence plan STAR (Security/Service, Technology, Ambition, Resilience) in view of enhancing defence policy and strengthening its defence capabilities beyond the NATO norm. The plan also includes innovation support targeted to defence industry in Flanders.

(44) The plan provides information on the consistency and, where appropriate, complementarity, with the cohesion policy funds and Belgium’s RRP. The plan underlines that all the government entities commit to implementing the RRP in line with the country specific recommendations. In addition, the Flemish region states its commitment to implement the projects of the cohesion policy for 2021-2027.

(45) The plan provides an overview of the public investment needs of Belgium related to the common priorities of the EU.

In relation to the fair green and digital transition, the plan highlights the need to invest in renewable energy, the rail network and cybersecurity.

In relation to social and economic resilience, the plan refers to investment needs to reform the pension system and to encourage Belgians to engage in entrepreneurial activities by providing an attractive environment with as few barriers as possible.

In relation to energy security, the plan highlights the need for Belgium to strengthen the security of its energy equipment, by investing in research and in its electrical grid to make it more robust.

In relation to building up defence capabilities, the plan highlights Belgium's ambition to comply with the NATO commitments.

Conclusion of the Commission's assessment

(46) Overall, the Commission is of the view that Belgium's plan fulfils the requirements of Regulation (EU) 2024/1263.

OVERALL CONCLUSION

(47) In accordance with Article 17 of Regulation (EU) 2024/1263, the net expenditure path as set in the plan should be recommended by the Council to Belgium, and the set of reforms and investments underpinning the extension of the adjustment period to 7 years should be endorsed.

HEREBY RECOMMENDS that BELGIUM:

(1) Ensure that net expenditure growth does not exceed the maxima established in Annex I to this Recommendation.

(2) Implement the set of reforms and investments that underpins the extension of the fiscal adjustment period to 7 years, as established in Annex II to this Recommendation, by the indicated deadlines.

In addition, the Council invites Belgium to ensure the delivery of other reforms and investments responding to the main challenges identified in the context of the European Semester, in particular in the country-specific recommendations, and addressing the common priorities of the Union.

ANNEX I

Maximum growth rates of net expenditure

(annual and cumulative growth rates, in nominal terms)

Belgium

Years		2025	2026	2027	2028	2029
Growth rates (%)	Annual	3.6	2.5	2.5	2.1	2.1
	Cumulative (*)	3.6	6.1	8.8	11.1	13.4

(*) The cumulative growth rates are calculated by reference to the base year of 2024. The cumulative growth rates are used in the annual monitoring of ex-post compliance in the control account.

ANNEX II

Set of reforms and investments that underpins an extension of the adjustment period to 7 years

	Main objective	Description and timing of key steps	Monitoring indicator(s)
Pension reform (Adding to RRP measure R-4.07)	Improve the financial sustainability of the pension system	By Q4 2025, delivery of milestones C44-R-407-M157 and C44-R-407-M158 of Belgium's RRP, notably by permanently reducing the projected increase in public pension spending by at least 0.3% of GDP by 2029 and by at least 1.0% of GDP by 2040, compared to the 2024 Ageing Report projections, while ensuring that the overall impact of the pension reform between 2029 and 2070 will not result in debt cumulation. By Q1 2027, entry into force of legislation including on the following measures (i) Actuarial neutrality (abolishing current bonus and introducing bonus/malus system) (ii) Reduction of assimilated periods in pension calculation (iii) Phasing out of preferential schemes for civil servants (iv) Extinction of sickness pension (v) Limited indexation of civil servants' high pensions (vi) Harmonization of career requirements for early retirement By Q4 2029, delivery of an impact assessment of the pension reform.	Satisfactory fulfilment of milestones C44-R-407-M157 and C44-R-407-M158 of Belgium's RRP. Delivery of the impact assessment of the pension reform by the Federal Planning Bureau.
Spending reviews	Adopt compulsory saving targets for	By Q4 2026, complete spending reviews in the areas	Satisfactory fulfilment of

(Adding to RRP measure R-6)	the years 2026-2029	of a) fossil fuel subsidies and of b) the withholding tax exemption for R&D work, overtime and night/shift work. As of Q4 2026, delivery of an annual impact assessment report explaining the permanent overall reduction of annual expenditure of at least 0.1% of GDP in 2026, and as of Q4 2029 of at least 0.3% in 2029, compared with the expenditure projections at unchanged policies.	milestones C61-R-6-M207 of Belgium's RRP. Completion of spending reviews by the Federal authorities in the areas of a) fossil fuel subsidies and of b) the withholding tax exemption for R&D work, overtime and night/shift work. Delivery of an annual impact assessment explaining the achievement of a permanent reduction of annual expenditure up to 2029 compared with the expenditure projections at unchanged policies.
Labour market reform (new measure)	Strengthen incentives to work and reduce long-term sickness	By Q4 2025, entry into force of legislation which permanently decreases general government expenditure on unemployment benefits and long-term sickness leave by at least 0.3% of GDP per year from 2027 by: (i) limiting unemployment benefits to maximum two years (ii) reducing long-term sickness by requiring employers to contribute to the payment of incapacity benefits and by increasing accountability for employees and doctors. By Q2 2027, delivery of an impact assessment justifying the permanent reduction of 0.3% of GDP in expenditure on unemployment benefits and	Entry into force of legislation to reduce unemployment benefits and long-term sickness. Delivery of an impact assessment showing the permanent reduction of expenditure on unemployment benefits and long-term sickness leave.

		long-term sickness leave, compared to the expenditure projections at unchanged policies.	
Tax reform (new measure)	Increase labour market participation by reducing the tax burden on labour and removing tax expenditure	By Q1 2026, entry into force of legislation which reduces the tax burden for those active on the labour market, totalling a cumulative 0.5% of GDP in 2029 including by: (i) increasing the personal tax-free allowance for earned income (ii) reforming the special social security contribution By Q1 2026, entry into force of legislation which finances the labour tax reduction of 0.5% of GDP in 2029 by: (i) removing tax expenditure, including: ▪ abolishing the tax reduction for unemployment benefits ▪ limiting the 'marital quotient' (ii) increasing capital related taxes, including: ▪ introducing of a 10% capital gains tax on realized capital gains. ▪ abolishing the tax deductibility of mortgage interest for secondary residences. (iii) limiting the welfare envelope. Delivery by Q2 2029 of an impact assessment justifying the 0.5% of GDP budgetary impact of the combined measures of the tax reform, compared to unchanged policies.	Entry into force of a law to reform labour taxation. Entry into force of a law introducing capital gains tax. Adoption of a decision limiting the welfare envelope. Delivery by Q2 2029 of an impact assessment justifying the budgetary impact of the combined measures of the tax reform.
Budgetary coordination	Implement effective	By Q4 2025, entry into force of legislation to ensure:	Entry into force and effective

(new measure)	budgetary coordination between the federal and federated entities	(i) effective budgetary coordination between the federal and federated entities. (ii) Redefining the tasks and enhancing the financial and staff capacity of the High Council of Finance. By Q4 2026, entry into force of legislation to ensure effective budgetary coordination between the federal and federated entities by setting multiannual budgetary targets for all entities.	implementation of adapted 2013 cooperation agreement to ensure effective budgetary coordination between the federal and federated entities. Adoption of a Royal Decree redefining the tasks of the Section Public Sector Borrowing Requirement of the High Council of Finance.
Business environment and regulation (new measure)	Improve the business environment by simplifying regulation and reducing administrative burden	By Q4 2025, entry into force of legislation and adoption of measures to improve the business environment by: (i) reducing the administrative burden for companies. (ii) simplify procedures to improve access by SME's to public procurement. (iii) an SME plan with a specific focus on start-ups to reduce cost of doing business	Entry into force of legislation and adoption of measures to improve the business environment. Delivery of the SME plan.

Done at Brussels,

For the Council
The President