

# BELGIUM

## 1. Introduction


Belgium ranks among the most attractive countries for small and medium-sized enterprises (SMEs). While SMEs benefit from easy access to finance and the ease of doing cross border business, access to skilled workers and the complexity of administrative procedures remain a challenge.

In 2020, the Belgian government put in place many measures for SMEs to help them keep their businesses alive and retain employees during the COVID-19 pandemic. Despite the help provided, value added was severely affected (dropping by 9.5% in 2020<sup>1</sup>) particularly due to the general decrease in demand caused by a series of lockdowns, while employment remained static (0.2 % growth<sup>2</sup>)<sup>3</sup>. Among the most affected sectors were *accommodation and food services*, with value added and employment dropping by 59.0% and 8.4%, respectively, and the *administrative and support services* sector, with value added and employment falling by 14.7% and 2.8%, respectively.

For 2021, SME value added is expected to grow by 5.0%, while employment is forecast to fall by 1.6%. Overall, SME value added and employment are expected to remain at 5.0% and 1.4% below their respective 2019 levels in 2021.

SMEs play a particularly important role in Belgium. They generated 60.9% of total value added and provided 65.3% of employment in the 'non-financial business economy' in 2020. This was slightly higher than the respective EU averages of 53.0% for SME value added and 65.2% for SME employment. Overall SME productivity, measured as value added per person employed, was EUR 75 100, 87.8% higher than the EU average. Belgian SMEs employed approximately 3.0 people on average, roughly 0.7 employees fewer than the EU average.

Figure 1: Number of enterprises, persons employed and value added in 2020



	Number of enterprises			Number of persons employed			Value added		
	Belgium		EU-27	Belgium		EU-27	Belgium		EU-27
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
<b>Micro</b>	616 088	95.1%	93.3%	1 017 241	33.9%	29.6%	50.6	20.9%	18.7%
<b>Small</b>	26 699	4.1%	5.7%	523 378	17.4%	19.7%	32.1	13.3%	17%
<b>Medium-sized</b>	4 099	0.6%	0.9%	418 424	13.9%	15.8%	64.4	26.6%	17.3%
<b>SMEs</b>	<b>646 886</b>	<b>99.8 %</b>	<b>99.8%</b>	<b>1 959 043</b>	<b>65.3 %</b>	<b>65.3%</b>	<b>147.2</b>	<b>60.9 %</b>	<b>53%</b>
<b>Large</b>	985	0.2%	0.2%	1 040 934	34.7%	34.8%	94.6	39.1%	47%
<b>Total</b>	<b>647 871</b>	<b>100%</b>	<b>100 %</b>	<b>2 999 977</b>	<b>100%</b>	<b>100%</b>	<b>241.8</b>	<b>100%</b>	<b>100%</b>

Source: These are estimates for 2020 produced by DIW Econ, based on 2008-2018 figures from the Structural Business Statistics Database as well as provisional data for 2019-2020 from the National Accounts Database and the Short-Term Business Statistics Database (Eurostat). The data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The following size-class definitions are applied: micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed).

## 2. Key strengths

### Belgian SMEs are strong exporters

For Belgian SMEs, exporting and doing business across borders is considered easy. The administrative procedures and regulations in Belgium support SMEs in achieving their internationalisation objectives. In addition, the relatively small size of the country's market and its central location in Europe also contribute to the internationalisation of Belgian SMEs.

The cost of exporting, which can reach up to USD 170 in neighbouring countries, is close to zero in Belgium<sup>4</sup>. This is a strong indicator of the country's willingness to favour SME exports. The number of SMEs exporting internationally is slightly higher in Belgium compared to most other EU countries. In Belgium, the percentage of SMEs with extra-EU exports (10.0%) and extra-EU imports (14.4%) is higher than the EU average of 9.7% and 11.4%, respectively<sup>5</sup>.

According to the Global Competitiveness Report 2019 of the World Economic Forum, Belgium ranks 7th concerning favourable trade tariffs, but 113th when it comes to the complexity of those tariffs.

### SMEs in Belgium have good access to financing opportunities

Belgium performs well in terms of access to finance for its SMEs. On the Global Competitiveness Index, it scores at 4.5 on a scale from 1 to 7 (best) regarding SMEs' access to finance. The country is ranked among the best performers worldwide in this category, coming 30th out of the 141 countries evaluated in the Global Competitiveness Report 2019<sup>6</sup>.

Start-ups in Belgium benefit from this ease of access to funding. For example, Brussels ranks among the top 'ecosystems' when it comes to total early-stage funding (EUR 310.3 million)<sup>7</sup>. Moreover, the country encourages direct investments into SMEs, providing tax shelters for investments in a start-up or in a scale-up company. The possible tax reduction can be between 30% and 45% of the amount invested in a small start-up (depending on the type of business) or up to 25% of the amount invested in a small business that is rapidly growing<sup>8</sup>.

### **SMEs benefit from a positive business climate in Belgium**

The SME Business Climate Index ranks Belgium sixth out of the most attractive countries for SMEs, among the 13 countries analysed in this study (Canada, Hong Kong, United States, the Netherlands, Singapore, Belgium, United Kingdom, Germany, Poland, Ireland, France, Slovakia and Czechia). According to this analysis, Belgium performs strongly in the 'export opportunities' and 'financing' dimensions and is ranked seventh in 'tax policy'. However, in terms of 'labour market flexibility', 'competition' and 'red tape', it performs worse than many of the other countries analysed. Nevertheless, this study shows that, in Belgium, an SME encounters fewer constraints than a larger company does<sup>9</sup>.

The 2019 KOF Index, which measures the openness of a country by assessing the economic, political and social dimensions of globalisation, ranked Belgium third worldwide, just behind the Netherlands<sup>10</sup>. EU countries occupy 19 positions within the top 30.

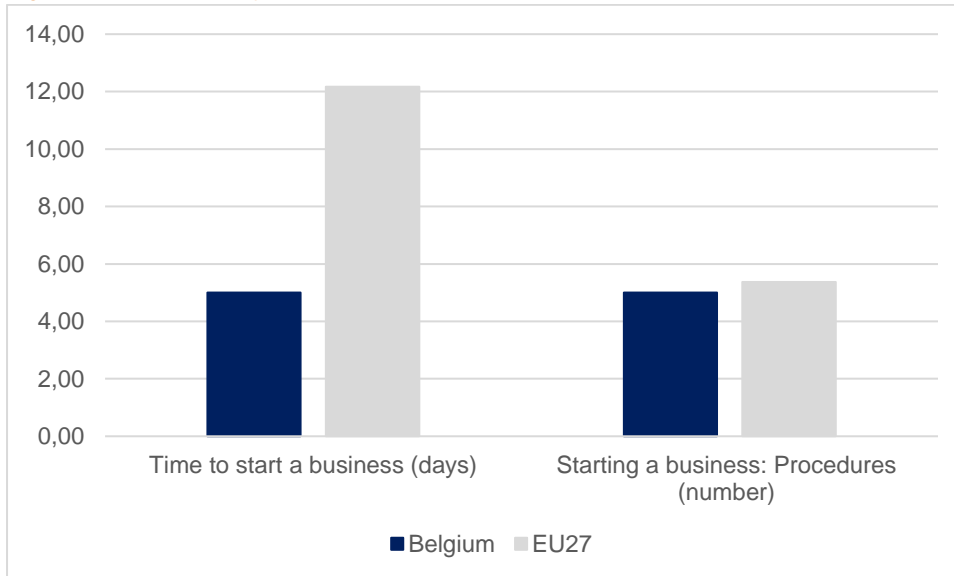
Belgium ranked 18th on the 2020 Global Talent Competitiveness Index (GTCI)<sup>11</sup>. The report, published annually, ranks 125 countries according to their ability to develop, attract and retain talent<sup>12</sup>.

An amendment to the law against late payments in commercial transactions<sup>13</sup> (*'Lutte contre le retard de paiement dans les transactions commerciales'*) entered into force mid-2020. Under the amendment, the payment period for commercial transactions is limited to a maximum of 60 days if the debtor is a large company and its creditor is an SME, therefore offering better protection to SMEs<sup>14</sup>. This should further strengthen the attractive business climate in the country.

Regarding the administrative burden associated with government regulation, Belgium performs below the EU average, reaching 3.1, against the EU average of 3.4 (on a 1-7 scale, 1 being the worst and 7 the best)<sup>15</sup>. In this area, Belgium ranks 94th worldwide out of 141 countries.

According to the World Bank's 2020 Doing Business report, in Belgium 5 calendar days and 5 procedures are required to set up a business (against an EU average of 12.17 days and 5.37 procedures).

Figure 2: Number of days and procedures required to start a business

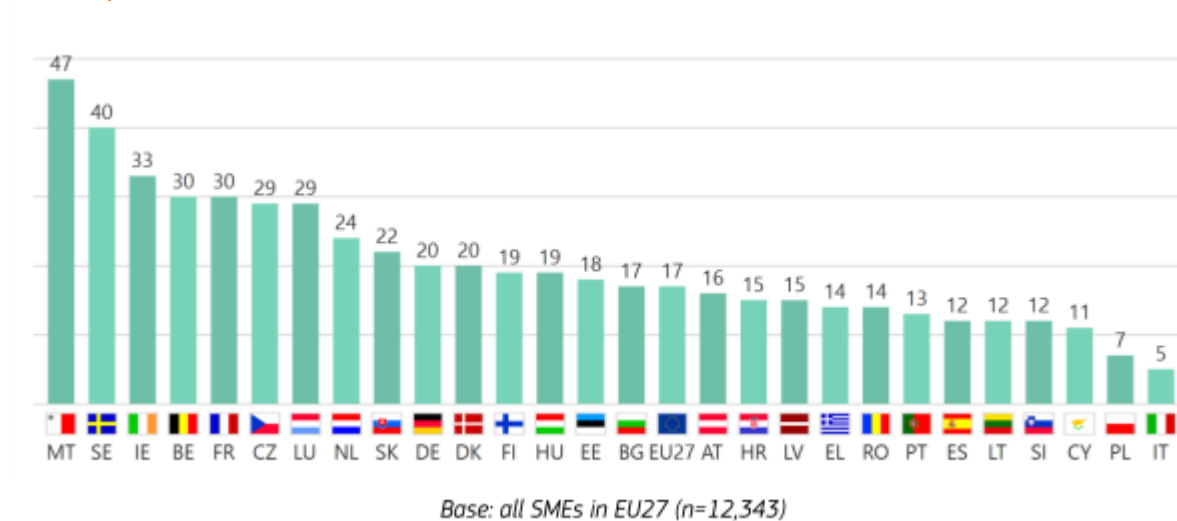


Source: World Bank Doing Business, 2020<sup>16</sup>

### 3. Key challenges

#### Access to talent remains a recurring problem for SMEs

Figure 3: % of SMEs that believe a lack of appropriate skills – including managerial skills – poses the biggest problem for their enterprise



Source: Flash Eurobarometer 428 'Businesses' attitudes towards corruption in the EU', 2019<sup>17</sup>

SMEs are encountering difficulties in hiring staff with the appropriate profiles for their business activities<sup>18</sup>. 50% of the Belgian SMEs admit to having to adapt the criteria of their talent search because they do not find the right profiles for their job vacancies. Access to talent is often identified as the main problem for companies that wish to scale up<sup>19</sup>.

In addition, the lack of labour flexibility and high salary costs remain issues for SMEs in the country. According to an analysis from the Institut Economique Molinari in 2019<sup>20</sup>, Belgium ranked third among European countries regarding the cost to an employer of EUR 1 net to an employee. For

every euro that an employee earns, an employer needed to pay out EUR 2.01. Belgium has taken some action in this area. Two major initiatives have been implemented over recent years, concerning the reduction of employers' costs and the drop in employees' income tax, thereby increasing workers' take-home pay<sup>21</sup>.

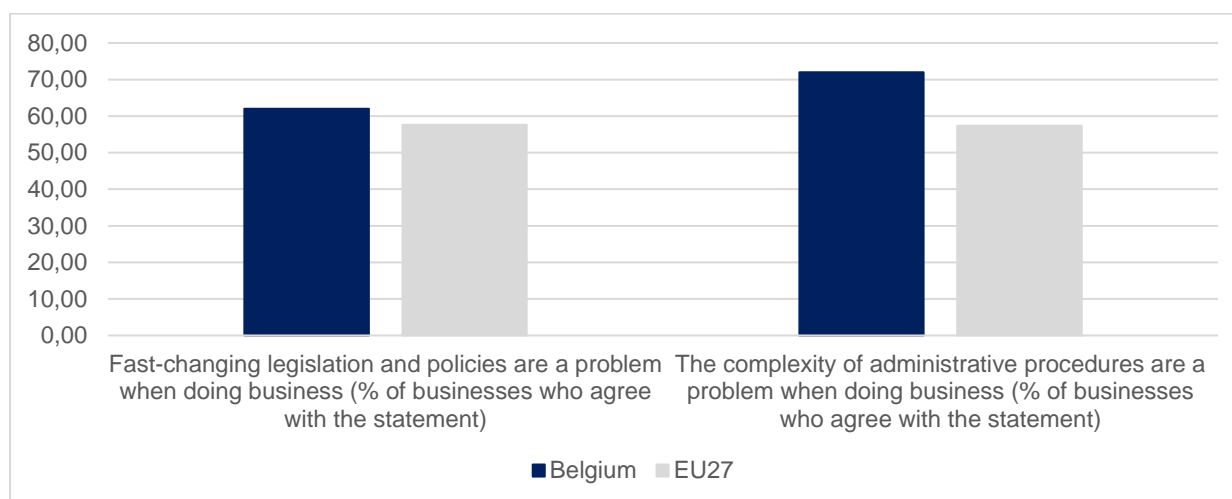
### Lack of an inclusive entrepreneurship environment

While administrative burden has been decreasing, it still remains relatively high for SMEs in Belgium<sup>22</sup>. The country is divided into three regions (Flanders, Brussels, and Wallonia) and three communities, (the Flemish-, French- and German-speaking Communities). Regions have authority in different areas, and policies for SMEs are mostly handled at regional level.

While Belgium has undertaken noticeable efforts to help SMEs access information (such as the online business platforms 1819.be and 1890.be), according to the Organisation for Economic Co-operation and Development's (OECD) 2018 report, Belgium has room for improvement to develop a more inclusive entrepreneurship environment<sup>23 24</sup>. Inclusive entrepreneurship policies aim to offer all people an equal opportunity to create a sustainable business, whatever their social group. Among the key targets of inclusive entrepreneurship policies and programmes are women, young people, older people, the unemployed, migrants and people with disabilities, who all continue to face challenges in the labour market and are under-represented or disadvantaged in entrepreneurship activities.

The OECD's report also recommends that Belgium increases awareness about ongoing initiatives and encourages its regions to share good practices. This would help entrepreneurs to navigate the policy environment more easily. Another current issue in Belgium is the high percentage of SMEs that highlight the complexity of administrative procedures as a problem for doing business – 75% – against the EU average of 60%<sup>25</sup>.

*Figure 4: Percentage of businesses that consider fast-changing legislation and policies a problem when doing business and percentage of businesses that consider the complexity of administrative procedures a problem when doing business*



Source: Flash Eurobarometer 428 'Businesses' attitudes towards corruption in the EU', 2019<sup>26</sup>

## The COVID-19 crisis has worsened SMEs' liquidity problems in Belgium

The COVID-19 crisis has exacerbated SMEs' liquidity issues. In April 2020, the decrease in companies' turnover<sup>27</sup> was on average 34%<sup>28</sup>, and around 31% of the SMEs in the country were identified as possibly not surviving the crisis<sup>29</sup>. The COVID-19 crisis has worsened the situation and numbers now indicate that, on the longer term, a third of SMEs in Belgium could disappear due to financial difficulties<sup>30</sup>. The Economic Risk Management Group<sup>31</sup>'s February 2021 dashboard<sup>32</sup> indicates that many companies face liquidity problems. The share of SMEs<sup>33</sup> that need additional capital injections or loans within a maximum of 6 months to meet their financial obligations ranges from 7% for the medium-sized to 30% for the micro companies and self-employed. This rate is even higher within the hardest-hit industries. In a country where over 99% of the companies subject to VAT are SMEs<sup>34</sup>, it is crucial that their liquidity problems be addressed.

To deal with the aftermath of the COVID-19 crisis, three major policy plans were produced in Belgium, one for each region, in order to support SMEs. Wallonia implemented the 'Get Up Wallonia' plan<sup>35</sup>, Flanders developed the recovery plan 'Vlaamse Veerkracht' ('Flemish resilience')<sup>36</sup> and the Brussels region implemented the 'Recovery and redeployment plan' ('Plan de relance et de redéploiement')<sup>37</sup>. Moreover, specific measures to address liquidity issues have been taken at both national and regional level, e.g. direct and indirect financial aid, loans and guarantees as well as several tax deferrals for SMEs. In addition, the country's easy access to finance for SMEs in general and start-ups in particular could help mitigate the liquidity issues.

## 4. Other key SME-related brief insights



### GREEN TRANSITION OF SMEs

In Belgium, there is support for the green transition of SMEs, e.g. through the launch of the 'Industry of the Future' programme in Wallonia<sup>38</sup>. Its aim is to increase the competitiveness of manufacturing companies, create new niches of digital innovation within the current areas of specialisation of Walloon industry, unite initiatives and players in order to achieve a critical mass at European level, and relocate and recreate industrial activity, therefore increasing employment. In addition, the launch of 'the Industry of tomorrow: Green, Human and Smart' in Brussels<sup>39</sup>, encourages academia and industries to collaborate in order to maintain a strong, sustainable and circular industrial base – an essential factor for prosperity.



### SOCIAL ASPECTS OF SUSTAINABILITY

The City of Brussels is currently developing a municipal plan for sustainable development<sup>40</sup>. The Brussels-Capital Region also developed 'Be Circular' – the regional programme for achieving a circular economy, launched in 2016, for the 2016-2020 period<sup>41</sup>. In 2020, Wallonia launched the circular Wallonia strategy<sup>42</sup>.

In 2019, Belgium introduced paternity leave and childbirth leave for self-employed workers<sup>43</sup>.



### DIGITALISATION OF SMEs

While Belgium is ranked ninth in the Digital Economy and Society Index<sup>44</sup>, the digitalisation of SMEs remains a challenge, the main obstacle being the SMEs' lack of awareness of the possibilities offered by digitalisation. Moreover, Belgium is lagging behind in terms of 5G readiness.

In 2019, a report 'AI4Belgium' was published as an initial step towards introducing an ambitious national artificial intelligence strategy<sup>45</sup>. The

report outlines Belgium's eagerness to seize this technological opportunity.



## MARKET ACCESS

In 2020, Wallonia introduced the 'Development and growth' entrepreneurial mentoring system ('Dispositif mentorat entrepreneurial "développement et croissance"'). This entrepreneurial mentoring system connects two entrepreneurs that are at different levels of development. An experienced entrepreneur who has successfully grown their business shares their experience with a less experienced entrepreneur<sup>46</sup>.

In 2020, Flanders introduced the public contract for support services for entrepreneurs and SMEs. This initiative aims to provide entrepreneurs and companies with support and coaching<sup>47</sup>.

The Brussels region introduced the '1819 Bus'. The objective of this initiative is to relocate the 1819 business platform to different districts of the capital, in order to reach out to different audiences by organising one-day events based around a converted bus (entertainment, games, speed coaching, visits to local shops, etc.)<sup>48</sup>.

- 
- <sup>1</sup> Average decline in EU Member States was 7.6%.
- <sup>2</sup> Average decline in EU Member States was 1.7%.
- <sup>3</sup> The data for 2020 are estimates produced by DIW Econ, based on 2008-2018 figures from the Structural Business Statistics Database as well as provisional data for 2019-2020 from the National Accounts Database and the Short-Term Business Statistics Database (EUROSTAT).
- <sup>4</sup> Euler Hermes (2019), *Business climate: Which country is the best in class for SMEs?* Available at: [https://www.eulerhermes.com/content/dam/onemarketing/ehndbx/eulerhermes\\_com/en\\_gl/erd/publications/pdf/20191114-TheView-BusinessClimateSME.pdf](https://www.eulerhermes.com/content/dam/onemarketing/ehndbx/eulerhermes_com/en_gl/erd/publications/pdf/20191114-TheView-BusinessClimateSME.pdf)
- <sup>5</sup> Comext, International trade by enterprise characteristics (2017). Available at: <http://epp.eurostat.ec.europa.eu/newxtweb/setupdimselecion.do>, <http://ec.europa.eu/eurostat/web/structural-business-statistics/data/database>
- <sup>6</sup> World Economic Forum (2019), The Global Competitiveness Report, available at: [http://www3.weforum.org/docs/WEF\\_TheGlobalCompetitivenessReport2019.pdf](http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf)
- <sup>7</sup> Startup Genome (2020), Rankings 2020: *Top 100 Emerging Ecosystems*, available at: <https://startupgenome.com/article/rankings-top-100-emerging>
- <sup>8</sup> Service Public Fédéral Finance, *Investir dans une petite entreprise (tax shelter start-up / scale-up)*. Available at: [https://finances.belgium.be/fr/particuliers/avantages\\_fiscaux/investir-dans-petite-entreprise-tax-shelter-start-up-scale-up](https://finances.belgium.be/fr/particuliers/avantages_fiscaux/investir-dans-petite-entreprise-tax-shelter-start-up-scale-up)
- <sup>9</sup> See Note 4.
- <sup>10</sup> ETH Zurich (2020), KOF Globalisation Index, available at: <https://kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-globalisation-index.html>
- <sup>11</sup> INSEAD (2019), The Global Talent Competitiveness Index. Available at: <https://www.insead.edu/sites/default/files/assets/dept/globalindices/docs/GTCI-2019-Report.pdf>
- <sup>12</sup> INSEAD (2020), 2020 Global Talent Competitiveness Index. Available at: <https://gtcistudy.com/introduction/>
- <sup>13</sup> Transposition of EU DIRECTIVE 2011/7/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 16 February 2011 on combating late payment in commercial transactions.
- <sup>14</sup> Loi modifiant la loi du 2 août 2002 concernant la lutte contre le retard de paiement dans les transactions commerciales (28 May 2019). Entry into force 29 April 2020. [http://www.ejustice.just.fgov.be/cgi\\_loi/change\\_lg.pl?language=fr&la=F&table\\_name=loi&cn=2019052816](http://www.ejustice.just.fgov.be/cgi_loi/change_lg.pl?language=fr&la=F&table_name=loi&cn=2019052816)
- <sup>15</sup> See Note 6.
- <sup>16</sup> World Bank Doing Business (2020), available at: <http://www.doingbusiness.org/>
- <sup>17</sup> Ibid.
- <sup>18</sup> Sdworx (2019), *PME: à la recherche de la perle rare sur le marché de l'emploi*, available at: <https://www.sdworx.be/fr-be/presse/2019/2019-11-19-pme-a-la-recherche-de-la-perle-rare-sur-le-marche-de-l-emploi>
- <sup>19</sup> OECD, (2018), *Enabling SMEs to scale up*, Available at: <https://www.oecd.org/cfe/smes/ministerial/documents/2018-SME-Ministerial-Conference-Plenary-Session-1.pdf>
- <sup>20</sup> Institut Economique Molinari (2019), *The Tax Burden of Typical Workers in the EU 28—2019*, available at: [https://www.institutmolinari.org/wp-content/uploads/sites/17/2019/07/tax\\_burden\\_EU\\_2019.pdf](https://www.institutmolinari.org/wp-content/uploads/sites/17/2019/07/tax_burden_EU_2019.pdf)
- <sup>21</sup> Ibid.
- <sup>22</sup> Global Competitiveness Report 2018-2019 [http://www3.weforum.org/docs/GCR2018/GCI\\_4.0\\_2018\\_Dataset.xlsx](http://www3.weforum.org/docs/GCR2018/GCI_4.0_2018_Dataset.xlsx)
- <sup>23</sup> OECD, (2018), Inclusive Entrepreneurship Policies: Country Assessment Notes. Available at: <https://www.oecd.org/cfe/smes/BELGIUM-IE-Country-Note-2018.pdf>
- <sup>24</sup> The 2020 edition is available at <https://www.oecd.org/cfe/leed/Belgium-IE-2020.pdf>
- <sup>25</sup> Flash Eurobarometer 428 "Businesses' attitudes towards corruption in the EU", 2019. Available at: <https://data.europa.eu/euodp/data/dataset/>
- <sup>26</sup> Ibid.
- <sup>27</sup> Taking into account the weight of the sectors in the Belgian economy
- <sup>28</sup> Banque nationale de Belgique, (2020), Les lourdes conséquences de la crise du coronavirus sur les entreprises belges induisent un report massif des investissements. Available at: <https://www.nbb.be/fr/articles/les-lourdes-conssequences-de-la-crise-du-coronavirus-sur-les-entreprises-belges-induisent-un>
- <sup>29</sup> See Note 28.
- <sup>30</sup> See Note 28.
- <sup>31</sup> <https://www.nbb.be/en/faq/what-economic-risk-management-group-ermg> - On 19 March 2020 the BE Government set up the Economic Risk Management Group (ERMG) in order to analyse and combat the economic consequences of the Covid crisis.
- <sup>32</sup> <https://www.nbb.be/doc/ts/other/ermg/20210224-dashboard.pdf>
- <sup>33</sup> Based on staff headcount.
- <sup>34</sup> [Statbel](#), l'office belge de statistique (BeStat).
- <sup>35</sup> Gouvernement de Wallonie (2019), *Get up Wallonia!* Available at: <https://gouvernement.wallonie.be/files/%255BNote%20du%20Gouvernement%20de%20Wallonie%255D%20-%20Get%20up%20Wallonia%20!.pdf>
- <sup>36</sup> Flanders, Department of Foreign affairs (2020), *Minister-president presents recovery plan 'Flemish resilience'*. Available at: <https://www.fdfa.be/en/news/minister-president-presents-recovery-plan-flemish-resilience>
- <sup>37</sup> Gouvernement de la région Bruxelles-Capitale (2020), *Le Gouvernement bruxellois présente son plan de relance et de redéploiement pour faire face à la crise Covid-19*. Available at: [https://rudivervoort.brussels/news/\\_le-gouvernement-](https://rudivervoort.brussels/news/_le-gouvernement-)



---

bruxellois-presente-son-plan-de-relance-et-de-redeployement-pour-faire-face-a-la-crise-covid-19/

<sup>38</sup> Digitalwallonia.be (2020), *Industrie du Futur. La Wallonie a de l'ambition*, available at: <https://www.digitalwallonia.be/fr/publications/idf2020>

<sup>39</sup> Innoviris.be, (2020), Joint R&D Project (The Industry of Tomorrow: Green, Human & Smart), available at: <https://innoviris.brussels/joint-rd-project-industry-tomorrow-green-human-smart>

<sup>40</sup> [https://www.brussels.be/thecityinthemaking?\\_ga=2.43213478.2009520746.1614259649-970173913.1613381433](https://www.brussels.be/thecityinthemaking?_ga=2.43213478.2009520746.1614259649-970173913.1613381433)

<sup>41</sup> environnement.brussels, available at: <https://environnement.brussels/thematiques/transition-de-leconomie/be-circular-programme-regional-deconomie-circulaire>

<sup>42</sup> Wallonie.be (2020), *La Wallonie en route vers une économie circulaire*, available at: <http://economiecirculaire.wallonie.be/>

<sup>43</sup> Loi instaurant un congé de paternité et de naissance en faveur des travailleurs indépendants, Avril 2019, available at: [http://www.ejustice.just.fgov.be/cgi\\_loi/change\\_lg.pl?language=fr&la=F&table\\_name=loi&cn=2019040720](http://www.ejustice.just.fgov.be/cgi_loi/change_lg.pl?language=fr&la=F&table_name=loi&cn=2019040720)

<sup>44</sup> European Commission, (2020), The Digital Economy and Society Index (DESI), available at: <https://ec.europa.eu/digital-single-market/en/digital-economy-and-society-index-desi>

<sup>45</sup> AI4Belgium.be (2020), AI4Belgium, available at: [https://www.ai4belgium.be/wp-content/uploads/2019/04/rapport\\_fr.pdf](https://www.ai4belgium.be/wp-content/uploads/2019/04/rapport_fr.pdf)

<sup>46</sup> 1890, *Le mentorat entrepreneurial*, available at: [www.mentoratentrepreneurial.sowalfin.be](http://www.mentoratentrepreneurial.sowalfin.be)

<sup>47</sup> Vlaanderen, Agentschap Innoveren & Ondernemen (June 2020), Bazooka aan begeleiding voor Vlaamse ondernemingen, available at: <https://www.vlaio.be/nl/nieuws/bazooka-aan-begeleiding-voor-vlaamse-ondernemingen>

<sup>48</sup> 1819.brussels, *Entreprendre à Bruxelles plus simple quand on est bien guidé*. Available at: <https://1819.brussels/>