



European Construction Sector Observatory

Country profile **Belgium**

November 2020



In a nutshell

Over the 2010-2019 period, the Belgian GDP increased by 13.5%, totalling EUR 443.6 billion in 2019. This also represents a 1.5% annual growth in comparison to the 2018 levels.

The Belgian economy performed moderately in 2019, primarily due to weaker domestic demand and fewer net exports, coupled with modest private consumption growth.

Correspondingly, the **number of enterprises** in the broad construction sector increased by 19.3% over the 2010-2019 period, totalling 183,217 in 2019. With regards to sub-sectors, the largest incline was reported by the real estate activities (+31.5%) sub-sector, followed by the narrow construction (+17.9%) and the architectural and engineering activities (+11.8%) sub-sectors over the same reference period.

Number of enterprises in the real estate activities sub-sector between 2010 and 2019

↑ 31.5%

Likewise, the **volume index of production** in the broad construction sector marginally increased by 2.8% over the 2015-2019 period, mainly driven by a 12.9% increase in the production of construction of civil engineering, partially offsetting a 0.1% increase in the production of construction of buildings in the same timeframe.

Total **turnover** in the Belgian broad construction sector increased to EUR 111.4 billion in 2017 and further to EUR 139.0 billion in 2019. This represented an incline of 67.6% since 2010 and was primarily driven by growth in two sub sectors – the narrow construction (+92.6%) and the real

estate activities (+47.9%) sub-sectors over the 2010-2019 period.

Turnover in the narrow construction sub-sector between 2010 and 2019

↑ 92.6%

Similarly, the **gross operating rate** of the Belgian broad construction sector, an indicator of the sector's profitability, stood at 14.6% in 2017¹, in line with its 2010 level of 14.5% (and lower than the EU-27 average of 16.6%). The real estate activities sub-sector remained the most profitable (40.7%), followed by the architectural and engineering activities (13.8%), narrow construction (10.5%) and manufacturing (10.0%) sub-sectors in 2017².

With regards to employment, there were 509,172 **persons employed** in the Belgian broad construction sector in 2019, registering an increase of 12.6% since 2010. This was primarily driven by an increase of 35.7%, 13.2% and 12.6% in the real estate activities, narrow construction and the architectural and engineering activities sub-sectors respectively, offsetting the 13.4% decline in the manufacturing sub-sector between 2010 and 2019.

Employment in the real estate activities sub-sector between 2010 and 2019

↑ 35.7%

The Belgian government has launched numerous initiatives to promote and develop the construction sector.

Since 2019, the government approved a new lease-to-own arrangement in public housing, as well as a new housing and energy bonus scheme. A new "Housing Emergency Plan" for social housing is also being formulated to provide affordable social housing to 15,000 households.

Additionally, under the **Regional Housing Plan and the Habitat Alliance**, the government is leading the sustainable renovation of existing housing stock in addition to the construction of 6,400 new housing units.

In relation to **infrastructure development**, the Belgian government has initiated various projects such as the construction of a regional express network (RER) around Brussels, a second rail access to the port of Antwerp, additional tracks between Ghent and Bruges, as well as Bruges and Zeebrugge. Another noteworthy example is the on-going modernisation of the Brussels-Luxembourg track. The federal rail investment strategy has been set out in the *SNCB/Infrabel's* Multiannual Investment Plan 2018-2020, as well as in the Multiannual Strategic Investment Plan 2018-2031, amounting EUR 4.2 billion and EUR 1.2 billion, respectively.

At the regional level, the government of the Brussels-Capital Region has extended the Multiannual Investment Plan for Public Transport until 2028, involving investment of more than EUR 6.0 billion for the three main transportation

modes: metro, tram and bus. The Flanders region is also adopting an integrated investment programme called "Geïntegreerd Investeringsprogramma" (GIP), involving a total investment of EUR 1.9 billion in mobility and public works.

While these initiatives will contribute to the growth of the broad construction sector, the latter faces two **major challenges**. Firstly, the construction sector suffers from **late payments**, which has been worsened due to the outbreak of COVID-19. As a result, according to the European Payment Report 2020, about one-fifth of SME respondents expect late payments to cause a liquidity crunch. Secondly, the on-going **shortage of skilled workers**, along with a skills mismatch for existing roles, continues to be a major concern for the sector.

Despite the onset of COVID-19 epidemic, the Belgian construction sector has a **positive outlook** in the medium and long term. After over-coming some short disruptions resulting from the lockdown in 2020, the sector is expected to grow from 2021 onwards. Investments in the construction and infrastructure sector are expected to rise in the coming months driven by increased federal government support for developing new social housing stock while renovating existing building stock.

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Key figures

Construction market

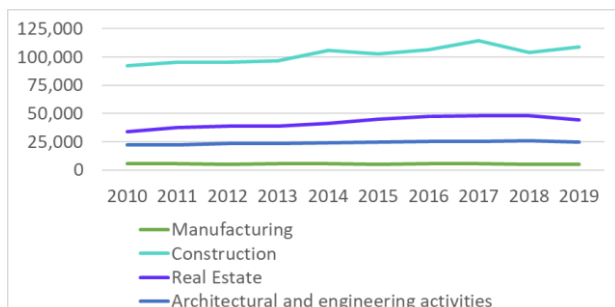
The **number of enterprises** in the broad construction sector in Belgium totalled 183,217 in 2019³ (Figure 1), with the narrow construction sub-sector accounting for 59.3% of total firms, followed by the real estate activities sub-sector (24.3%). Overall, the number of enterprises in the broad construction sector increased by 19.3% over the 2010-2019 period, mostly driven by growth in the real estate activities (+31.5%) sub-sector, followed by the narrow construction (+17.9%) as well as the architectural and engineering activities (+11.8%) sub-sectors. In contrast, the number of companies in the manufacturing sub-sector dropped marginally by 2.3% over the same reference period.

Number of enterprises in the real estate activities sub-sector between 2010 and 2019

↑ 31.5%

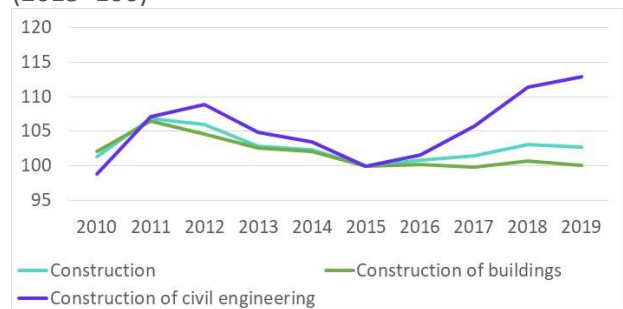
The **volume index of production in the broad construction sector** slightly increased by 2.8% over the 2015-2019 period, primarily driven by a 12.9% increase in the production of construction of civil engineering, as well as a 0.1% increase in the production of construction of buildings over the same reference period.

Figure 1: Number of enterprises in the Belgian broad construction sector between 2010 and 2019



Source: Eurostat, 2020.

Figure 2: Volume index of production in the Belgian construction sector over 2010-2019 (2015=100)



Source: Eurostat, 2020.

The **total value added at factor cost**⁴ of the broad construction sector amounted to EUR 36.1 billion in 2019⁵, representing a 42.4% increase as compared to the 2010 level of EUR 25.4 billion. The narrow construction sub-sector contributed the highest with a 64.5% share of the total⁶ (EUR 23.3 billion), followed by the real estate activities (EUR 6.0 billion, i.e. 16.6% of the total), the manufacturing (EUR 4.1 billion, i.e. 11.3% of the total) and the architectural and engineering activities (EUR 2.7 billion, 7.6% of the total) sub-sectors.

The **share of gross value added** of the narrow construction and the real estate activities sub-sector in GDP amounted to 4.8% and 8.3% in 2019, as compared to 4.9% and 7.5% in 2010, respectively. (Figure 3).

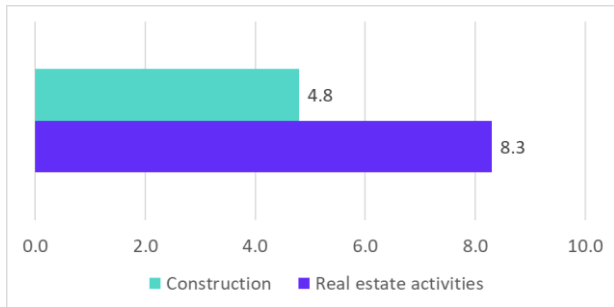
Total value added of the broad construction sector between 2010 and 2019

↑ 42.4%

Belgium is statistically divided into eleven NUTS-2 regions with *Prov. Antwerp*, *Prov. Oost-Vlaanderen* and *Prov. West-Vlaanderen* together accounting for 52.4% of the total gross regional value added in the narrow construction sub-sector in 2018. Likewise, *Brussels Hoofdstedelijk Gewest*, *Prov. Antwerp* and *Prov. Oost-Vlaanderen* together made up 44.2% of the total gross regional value

added in the real estate activities sub-sector in 2018⁷.

Figure 3: Gross value added as a share of GDP in the Belgian broad construction sector in 2019⁸ (%)



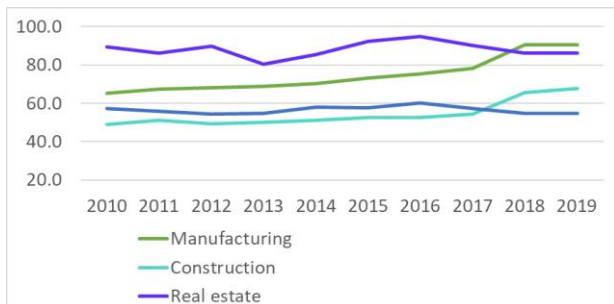
Source: Eurostat, 2020.

Productivity

Overall, the **apparent labour productivity**⁹ in the Belgian broad construction sector increased from EUR 56,123 in 2010¹⁰ to EUR 62,221 in 2017¹¹ (+10.9%), well above the EU-27 average of EUR 50,079. This increase in apparent labour productivity is reflected across all construction sub-sectors. In fact, the largest inclines were witnessed in the narrow construction (+38.8%) and manufacturing (+38.6%) sub-sectors, growing from EUR 48,800 and EUR 65,249 in 2010 to EUR 67,717 and EUR 90,403 in 2019, respectively. In contrast, the architectural and engineering activities, as well as the real estate activities sub-sectors, reported a decline of 4.0% and 3.6%, from EUR 57,200 and EUR 89,300 in 2010 to EUR 54,898 and EUR 86,079 in 2019, respectively.

Productivity in the narrow construction sub-sector between 2010 and 2019 ↑ **38.8%**

Figure 4: Labour productivity in the Belgian broad construction sector over 2010-2019 (EUR k)



Source: Eurostat, 2020.

Turnover and profitability

Total **turnover** of the Belgian broad construction stood at EUR 111.4 billion in 2017¹², representing an increase of 34.3% compared to 2010 (EUR 82.9 billion). It further increased to EUR 139.0 billion in 2019¹³, registering a 67.6% incline since 2010. This growth was mainly driven by a 92.6% and 47.9% increase in the narrow construction and the real estate activities sub-sectors over the 2010-2019 period, respectively. The architectural and engineering activities sub-sector also increased by 19.9% over the same reference period. In contrast, the manufacturing sub-sector reported a decline of 11.5% over the 2010-2019 period. Overall, in 2019, 77.7% of the total turnover was generated by the narrow construction sub-sector, followed by the real estate activities (9.2%), the manufacturing (7.4%) and the architectural and engineering activities (5.6%) sub-sectors.

Turnover in the narrow construction sub-sector between 2010 and 2019 ↑ **92.6%**

The **gross operating surplus** of the broad construction sector amounted to EUR 16.3 billion in 2017¹⁴, a 35.0% and 2.6% increase compared to 2010 and 2016, respectively. In terms of sub-sectors, the largest increase was reported by the real estate activities (+50.5%), followed by the narrow construction (+31.2%) and the manufacturing (+26.9%) sub-sectors over the 2010-2017 period. In parallel, the architectural and engineering activities sub-sector experienced a smaller increase of 10.8% over the same reference period.

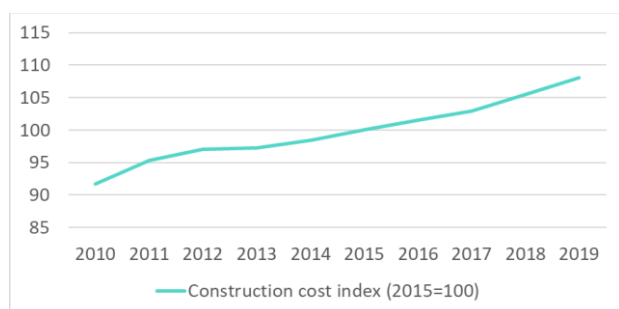
Gross operating surplus of the real estate activities sub-sector between 2010 and 2017 ↑ **50.5%**

At the same time, the **gross operating rate**¹⁵ of the Belgian broad construction sector¹⁶, which is an indicator of the sector's profitability, stood at 14.6% in 2017¹⁷, in line with its 2010 level of 14.5% and below the EU-27 average of 16.6%. In terms of sub-sectors, the real estate activities sub-sector remained the most profitable, with a gross operating rate of 40.7%, slightly below its 2010 rate of 44.9%. Similarly, the architectural and engineering activities sub-sector registered a gross

operating rate of 13.8%, lower than its 2010 level of 18.2%. In contrast, the narrow construction, as well as the manufacturing sub-sector, reported a gross operating rate of 10.5% and 10.0% in 2017¹⁸, slightly above their 2010 levels of 10.4% and 9.8%, respectively.

The construction cost index has been on an increasing trend since 2010. In fact, over the 2015-2019 period, the construction cost index increased by 8.1% (Figure 5).

Figure 5: Construction cost index between 2010 and 2019 (2015=100)



Source: Eurostat, 2020.

Employment

In 2019¹⁹, there were 509,172 **persons employed** in the Belgian broad construction sector, representing an increase of 12.6% since 2010 (452,285 persons). Most of these persons were employed in the narrow construction sub-sector (+67.6%). The real estate activities, the architectural and engineering activities and the manufacturing sub-sectors accounted for 13.7% (69,512 persons), 9.8% (49,959 persons) and 8.9% (45,335 persons) of the total employed in the broad sector in 2019, respectively (Figure 6).

Employment in the real estate activities sub-sector increased by 35.7% over the 2010-2019²⁰ period, followed by the narrow construction (+13.2%), as well as the architectural and engineering activities (+12.6%) sub-sectors, respectively. In contrast, the manufacturing sub-sector reported a decrease of 13.4% over the same reference period.

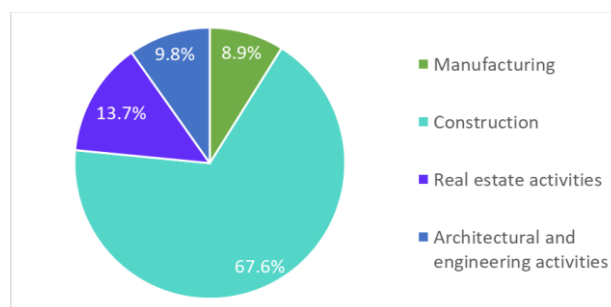
Employment in the real estate activities sub-sector between 2010 and 2019 **↑ 35.7%**

In terms of employment by **specific occupation**, the biggest drop in the narrow construction sub-sector between 2010 and 2019 was registered for

elementary occupations (-39.3%), while professionals recorded the largest increase of 39.4% over the same reference period. With regards to the real estate activities sub-sector, the largest incline was seen in technicians and associate professionals (+156.3%), followed by professionals (+65.2%). On the other hand, the demand for managers decreased by 3.1% over the 2010-2019 period. Lastly, in the case of the manufacturing sub-sector, service and sales workers reported the largest increase of 50.8% over the 2010-2019 period. In contrast, the number of persons employed in elementary occupations declined by 46.1% over the same reference period.

Number of technicians and associate professionals in the real estate activities sub-sector between 2010 and 2019 **↑ 156.3%**

Figure 6: Percentage of people employed per construction sub-sectors in Belgium in 2019



Source: Eurostat, 2020.

The share of **self-employed persons** in the general economy working in the narrow construction sub-sector increased from 14.3% in 2010 to 15.3% in 2019, slightly above the EU-27 average of 11.9%. In the real estate activities sub-sector, the share of self-employed workers stood at 1.9% in 2019, marginally above its 2010 level (1.2%) as well as the EU-27 average of 1.4%.

In parallel, **full time** as well as **part-time employment** registered an increase in both the narrow construction (+4.5% full time and +18.6% part-time) and the real estate activities (+74.1% full time and +76.5% part-time) sub-sectors over the 2010-2019 period.

Part-time employment in the real estate activities sub-sector between 2010 and 2019

 **76.5%**

Belgium is divided into eleven NUTS-2 statistical regions with *Brussels Hoofdstedelijk Gewest* region registering an increase of 10.6% in the number of persons employed in the narrow construction sector over the 2010-2018²¹ period. *Prov. Luxembourg (BE)* reported the largest growth in

the number of people employed in the real estate activities (+66.7%) sub-sector for the above referred to period. Overall, in 2018, *Prov. Antwerp*, *Prov. Oost-Vlaanderen* and *Prov. West-Vlaanderen* together accounted for 46.7% of the total number of persons employed in the narrow construction sub-sector. Similarly, *Brussels Hoofdstedelijk Gewest*, *Prov. Antwerp* as well as *Prov. West-Vlaanderen* made up 50.2% of the total number of persons employed in the real estate activities sub-sector in 2018.

2

Macroeconomic indicators

Economic development

After witnessing a robust growth over the 2014-2018 period, Belgian economic growth slowed down in 2019, primarily due to weaker domestic demand and net exports, coupled with moderate private consumption growth.



In 2019, Belgian GDP amounted to EUR 443.6 billion, representing an increase of 13.5% and 1.5% as compared to 2010 (EUR 390.7 billion) and 2018 (EUR 437.6 billion) levels, respectively.

In 2019, Belgian **potential GDP** amounted to EUR 439.7 billion, resulting in a positive output gap of 0.9%. This gap indicates that the Belgian economy tends to overwork its resources, with actual outputs exceeding full capacity output. In parallel, the **inflation rate** has been increasing over the 2015-2019 period, reaching 7.8% in 2019. This increase is partly due to rise in the prices of services and non-energy industrial goods²².

Demography and employment

The Belgian unemployment rate decreased from 7.0% in 2010 to 4.6% in 2019, reaching its lowest level since 2000. This is also well below the EU-27 average of 6.0 in 2019²³.

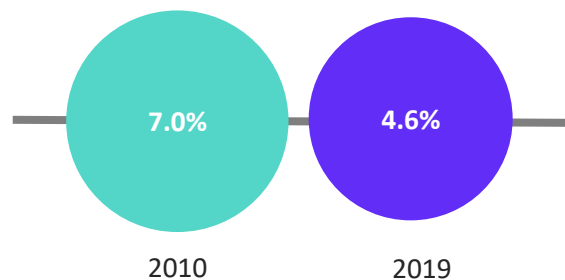
Similarly, youth unemployment (below the age of 25) decreased from 22.4% in 2010 to 14.2% in 2019. This is also slightly below the EU-27 average of 15.1%²⁴.

In 2019, the **total population** of Belgium amounted to 11.5 million. This is projected to further increase by 2.6% to 11.8 million in 2030 and by 4.1% to 11.9 million in 2050, respectively. This trend is supported by the positive **net migration rate**, totalling 87,024 in 2019.

In 2019, the **working age population** made up 64.2% of the total Belgian population, marginally

below the EU-27 average of 64.6%. By 2050, it is expected to decrease to 58.7%, slightly above the EU-27 average of 56.8%. In parallel, the proportion of elderly people (over 65 years old) is expected to increase from 18.9% in 2019 to 26.3% of the total population in 2050. This is still lower than the EU-27 average of 29.5% in 2050. In line with the elderly population growth, the demand for elderly persons' infrastructures (hospitals, care homes, access infrastructure) will also continue to rise gradually in the medium and long-term, providing potential opportunities for the construction sector.

Unemployment rate in Belgium in 2010 and 2019



Public finance

In 2019, **general government expenditure** represented 52.2% of GDP, marginally lower than the 2010 levels (53.9%) but well above the EU-27 average of 46.7%. The **general government deficit** amounted to 1.9% of GDP in 2019, higher as compared to the EU-27 average of 0.6%, but within the 3.0% threshold of the EU's Stability and Growth Pact (SGP). Lastly, **general government gross debt** amounted to 98.6% of total GDP as compared to the EU-27 average of 77.8%. This represents a continuous decline since 2014 when it stood at 107.0%.

Since 2019, Belgium's fiscal deficit has deteriorated primarily due to a decrease in government revenue followed by an increase in its fiscal expenditure²⁵.

Entrepreneurship and access to finance



As per the Global Competitiveness Report 2019 by the World Economic Forum, Belgium ranked 30th out of 141 economies in terms of financing of SMEs²⁶.

According to the 2019 Global Competitiveness Report, Belgium ranked 23rd in terms of market capitalisation as a percentage of GDP, 31st with regards to venture capital availability and 50th as to domestic credit to private sector. With regards to entrepreneurship, Belgium ranked 9th in terms of willingness to delegate authority, 28th as to companies embracing disruptive ideas, 36th with regards to growth of innovative companies and 97th in terms of attitudes towards entrepreneurial risk²⁷.

As per the 2019 Small Business Act (SBA) Fact Sheet, Belgium's overall score on "Access to finance" is well above the EU-28²⁸ average, with seven out of ten indicators above the EU-28²⁹ average. In fact, Belgium is considered the best

performer in access to finance among all EU Member States^{30,31}.

During the 2018-2019 period, some significant measures were implemented by the government to boost access to finance and entrepreneurship within the country³²:

- **Cofinancing+**, launched by PMV/z (*Participatiemaatschappij Vlaanderen voor zelfstandige ondernemers*) in November 2018, aimed at providing co-financing to existing companies of up to four times their own capital, with a minimum of EUR 350,000 and a maximum of EUR 700,000,
- a new grant agreement with non-profit organisation "*BAN Vlaanderen*" in January 2019, connecting SMEs with individuals looking to invest their personal capital, thereby acting as a marketplace for companies and potential investors,
- reduced social security contributions for start-ups from April 2018 onwards (during their first year), aimed at reducing the social burden on self-employed people.

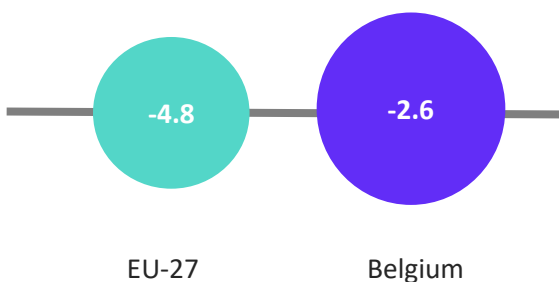
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Key economic drivers of the construction sector

Business confidence

Over the 2010-2019 period, both the consumer confidence indicator as well as the industry confidence indicator deteriorated considerably. The **consumer confidence indicator** stood at -10.8 in 2019, well below its 2010 level of -6.4 as well as the EU-27 average of -6.2. Similarly, the **industry confidence indicator** also decreased from -5.5 in 2010 to -7.6 in 2019, below the EU-27 average of 5.1. In contrast, the **construction confidence indicator** increased over the years, going from -11.7 in 2010 to -2.6 in 2019, which is above the EU-27 average of -4.8.

Construction confidence indicator in 2019



The Belgian **investment ratio** increased from 21.7% to 24.3% in 2019, well above the EU-27 average of 21.7% in 2019.

Likewise, **investment per worker** in the broad construction sector increased by 14.7%, from EUR 114,810 in 2010 to EUR 131,733 in 2017³³. In terms of sub-sectors, investment per worker in the real estate activities sub-sector increased by 23.8%, from EUR 73,000 in 2010 to EUR 90,400 in 2017³⁴. In contrast, investment per worker in the narrow construction sub-sector decreased by

27.7%, from EUR 15,900 in 2010 to EUR 11,500 in 2017³⁵.

Investment per worker in the narrow construction sub-sector between 2010 and 2017³⁶

↓ 27.7%

Domestic sales

The ranking of the top five **most domestically sold** construction products in Belgium in 2019 remained almost same as 2010 except for “Windows, French windows, etc. (group 162311)” being replaced by “Other structures and parts (group 251123)”. The value of domestic sales has generally increased for the majority of products between 2010 and 2019, most notably for “Bridges and bridge-sections, etc. (group 251121)” (+91.5%), followed by “Pallets, box pallets, etc. (group 162411)” (+51.7%) and “Other structures and parts (group 251123)” (+51.4%). Conversely, the largest drop was witnessed in “Articles of cement, etc. (group 236919)” (-57.1%).

The **top five most domestically sold** construction products are presented in Table 1, including a comparison with the most sold in the EU-27. These represented almost 60.0% of total domestic construction product sales in 2019.

Table 1: Five most domestically sold construction products in Belgium and in the EU in 2019

Belgium				EU-27
	Product	Value (EUR m)	Share in construction product domestic sales (%)	Product
1	Other structures and parts (group	836.0	14.8	Other structures and parts (group

Belgium			EU-27	
	Product	Value (EUR m)	Share in construction product domestic sales (%)	Product
	251123)			251123)
2	Prefabricated structural components (group 236112)	774.0	13.7	Doors, windows and their frames (group 251210)
3	Doors, windows and their frames (group 251210)	720.1	12.8	Ready mixed concrete (group 236310)
4	Ready mixed concrete (group 236310)	631.5	11.2	Prefabricated buildings of metal (group 251110)
5	Prefabricated buildings of metal (group 251110)	417.7	7.4	Prefabricated structural components (group 236112)

Source: PRODCOM, 2020.

Export of construction-related products and services

The ranking of the five **most exported products** has seen notable changes in recent years with the addition of “Fibreboard of wood, etc. (group 162115)”, “Other structures and parts (group 251123)” and “Particle board (group 162112)” since 2010. The value of exports has generally increased, most notably for “Towers and lattice masts, etc. (group 251122)” (+1,375.6%), followed by “Plaster products for construction purposes (group 236210)” (+490.8%) and “Tableware and kitchenware, of wood (group 162912)” (+182.4%). Conversely, the largest decrease was registered in the categories “Builders' joinery and carpentry, etc. (group 162319)” (-43.6%) and “Other worked ornamental, etc. (group 237012)” (-32.2%).

The **top five most exported** construction products from Belgium and the EU-27 are summarised in Table 2. Together, these made up 42.6% of all construction product exports in 2019.

Table 2: Five most exported construction products in Belgium and in the EU in 2019

Belgium			EU-27	
	Product	Value (EUR m)	Share in construction product export sales (%)	Product
1	Fibreboard of wood, etc. (group 162115)	544.5	14.7	Ceramic tiles and flags (group 233110)
2	Other structures and parts (group 251123)	446.0	12.0	Other structures and parts (group 251123)
3	Prefabricated structural components (group 236112)	220.8	5.9	Fibreboard of wood, etc. (group 162115)
4	Particle board (group 162112)	207.5	5.6	Doors, windows and their frames (group 251210)
5	Portland cement, aluminous cement, etc. (group 235112)	164.0	4.4	Marble, travertine, alabaster, etc. (group 257011)

Source: PRODCOM, 2020.

In terms of the **cross-border provision of construction services**³⁷, Belgium exported EUR 2.6 billion worldwide in 2018³⁸, 22.4% higher compared to the 2010 value (EUR 2.2 billion). This included EUR 1.8 billion of exports to the EU-27 Member States (i.e. 67.7% of exports), highlighting the importance of EU Single Market for the country. In parallel, Belgium imported a total of EUR 3.2 billion in construction services in 2018³⁹, registering a considerable growth of 85.5% as compared to its 2010 level (EUR 1.7 billion). This included imports from EU-27 countries amounting to EUR 2.4 billion in 2018⁴⁰ (i.e. 74.1% of imports). Belgium, thus, experienced a **trade deficit** of EUR 533.0 million in 2018⁴¹.

Access to finance in the construction sector

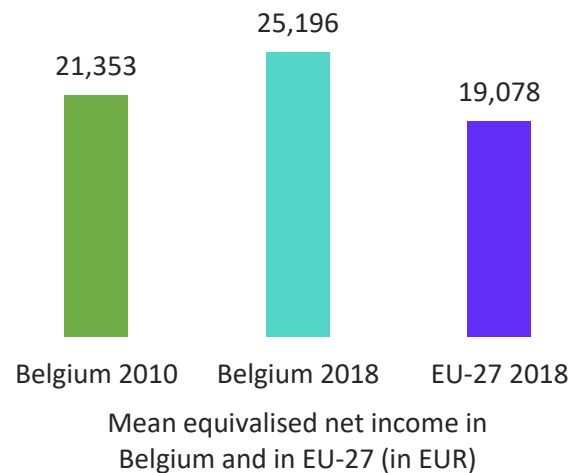
According to the Survey on the Access to Finance of Enterprises (SAFE) 2019 results, an average of 7.9% of the Belgian respondent SMEs consider “access to finance” as the most important issue, in line with the EU-28⁴² average of 7.2%⁴³.

As per the EIB Investment Survey 2019, almost 85.0% of the firms in the Belgian construction sector reported investing adequately in their business as compared to their needs (against an EU average of 79.0%). However, according to the same survey, 37.0% of the firms in the construction sector considered “availability of finance” as a long-term barrier. Additionally, half of the Belgian construction sector firms’ investment needs were met through internal financing while about 40.0% were being covered through external financing sources. Almost half of the external financing in the construction sector has been funded through bank loans, slightly lower as compared to the EU average of 58.0%. Conversely, 11.0% of Belgian construction sector firms were likely to be financially constrained as compared to the EU average of 5.0%. All in all, these indicators highlight that access to finance is one of the issues preventing the construction sector from expanding and investing in its (sustainable) growth⁴⁴.

Access to housing

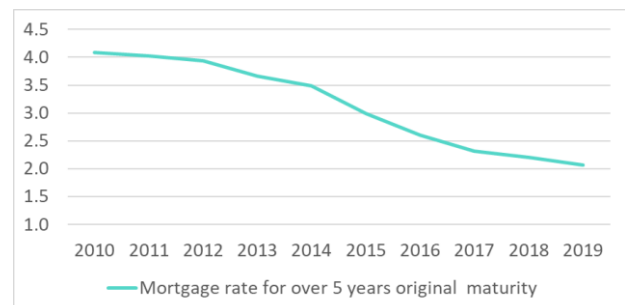
The **number of households** in Belgium experienced a slight increase of 3.6%, from 4,622,400 in 2010 to 4,787,700 in 2019. The share of the **total population living in cities and greater cities** marginally increased from 27.2% in 2010 to 27.6% in 2018⁴⁵. The share of the **total population living in intermediate urbanised areas** also increased from 41.5% in 2010 to 53.7% in 2018.

The **mean equivalised net income** increased by 18.0%, from EUR 21,353 in 2010 to EUR 25,196 in 2018⁴⁶, well above the EU-27 average of EUR 19,078.



Moreover, housing loans to households picked up considerably, with total **outstanding residential loans** increasing by 52.4%, from EUR 172.0 billion in 2010 to EUR 246.5 billion in 2018⁴⁷. This increase in residential loans is partly supported by the declining **interest rates on mortgages**, currently standing at 2.1% in 2019 as compared to 4.1% in 2010 (Figure 7).

Figure 7: Mortgage rates for loans for over 5 years original maturity (%) between 2010 and 2019



Source: European Central Bank, 2020.

The **house price index** for total dwellings moderately increased by 13.8% over the 2015-2019 period, mostly driven by a 14.8% and 13.3% increase in price indices of new dwellings and existing dwellings over the same reference period, respectively (Figure 8). This increase in house prices is partially due to the overvaluation of the Belgian residential real estate market⁴⁸.

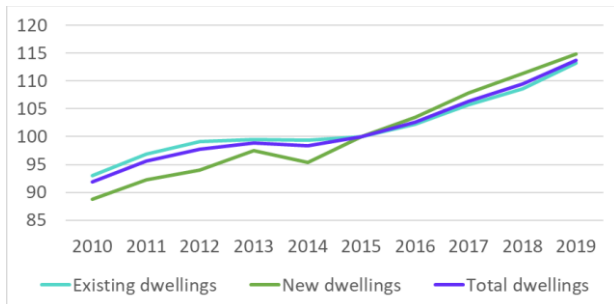
House price index for new dwellings between 2015 and 2019



14.8%

With the onset of COVID-19 pandemic, the Belgian housing market witnessed a significant drop in house prices, especially in the Q1 2020. However, as lockdown restrictions were removed and property market stabilised, house prices also improved. In fact, the annual inflation rate for house prices was 4.5% in Q2 2020, as compared to 3.5% in Q1 2020. Additionally, house price index increased by 1.4% in Q2 2020 in comparison to Q1 2020⁴⁹.

Figure 8: House price index in Belgium between 2010 and 2019 (2015=100)



Source: Eurostat, 2020.

Social housing continues to be a concern, especially in the case of the private rental market with 8.6% of the Belgian population spending about 40.0% or more of their household income on housing. Nonetheless, this is still lower than the 10.4% EU average⁵⁰.

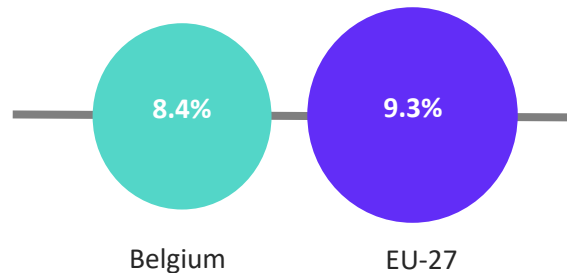
Likewise, obtaining a building permit continues to be difficult and involves long delays, particularly with regards to the renovation of Belgium’s existing housing stock. Correspondingly, the number of new residential construction **building permits** issued for **new buildings** and **new dwellings** increased by 0.7% and 10.7%, from 27,292 and 50,545 in 2010 to 27,487 and 55,938 in 2019, respectively. In the case of non-residential constructions, the number of new buildings permits issued increased by 36.8%, from 4,753 in 2010 to 6,500 in 2019. In contrast, the number of building permits issued for **residential and non-residential renovations** decreased by 3.2% and 29.8%, from 28,888 and 5,252 in 2010 to 27,951 and 3,689 in 2019⁵¹.

Number of building permits for new residential dwellings between 2010 and 2019 **↑ 10.7%**

Number of permits for non-residential renovations between 2010 and 2019 **↓ 29.8%**

Historically, Belgium has been characterised by a relatively high preference for home ownership. Over the 2010-2018⁵² period, the **home ownership** rate in Belgium has remained above 70.0%, being at 72.3% in 2018 (slightly higher as compared to EU-27 average of 69.9%). This rate further increased to 79.2% (higher than EU-27 average of 74.0%) for the population earning **above 60.0% of the median equivalised income**⁵³ whereas it substantially declined to 37.5% (well below the EU-27 average of 49.8%) for the population earning below 60.0% of the median equivalised income. Belgium’s **overcrowding rate**⁵⁴ stood at 8.1%⁵⁵ in 2019, considerably below the EU-27 average of 17.1%. The **severe housing deprivation rate**⁵⁶ stood at 2.6% in 2019, below the EU-27 average of 4.0%. Lastly, the **housing cost overburden rate**⁵⁷ stood at 8.4% in 2019, marginally below the EU-27 average of 9.3%.

Housing cost overburden rate in 2019



Infrastructure



According to the 2019 Global Competitiveness Report, Belgium ranked 14th out of 141 economies in terms of its overall infrastructure quality⁵⁸.

Broadly, Belgium ranked 16th with regards to its transport infrastructure. More specifically, Belgium ranked 4th among the 141 economies in terms of its railroad density, 9th for the efficiency of its seaport services and 19th with regards to the efficiency of its air transport services.

Further, Belgium ranked 21st in terms of road connectivity, 36th in relation to the efficiency of its train services, 42nd with regards to its airport connectivity and 56th for the quality of its road infrastructure. Nevertheless, Belgium has one of


the highest densities of road networks in the EU, reaching 58.0 km per 1,000 km² in 2018⁵⁹. In order to improve the quality of the general infrastructure, the regions have implemented their own infrastructure investment plans.

4


Key issues and barriers in the construction sector

Company failure

Over the 2010-2017⁶⁰ period, the number of **company deaths** in the real estate activities sub-sector increased by 49.3%, from 511 in 2010 to 763 in 2017⁶¹. Similarly, the number of company deaths in the architectural and engineering activities and the narrow construction sub-sectors increased by 40.5% and 32.5%, from 642 and 2,718 in 2010 to 902 and 3,600 in 2017⁶², respectively.

Company deaths in the real estate activities sub-sector between 2010 and 2017⁶³  **49.3%**

Similarly, the number of **company births** in the real estate activities sub-sector increased by 35.0%, from 1,404 in 2010 to 1,896 in 2017. Likewise, the narrow construction and the architectural and engineering activities sub-sectors experienced increases of 15.9% and 6.9%, from 6,882 and 1,626 in 2010 to 7,977 and 1,739 in 2017⁶⁴, respectively.

Company births in the real estate activities sub-sector between 2010 and 2017⁶⁵  **35.0%**

Over the 2010-2019 period, the number of bankruptcies in Belgium increased by 10.7%, from 9,570 in 2010 to 10,598 in 2019. In fact, over the January 2020-August 2020 period, 832 and 99 bankruptcies had already been registered in the narrow construction and real estate activities sub-sectors, respectively^{66,67}.

Trade credit

In 2019, Belgium reported an increased use of trade credit with 50.0% of the total value of Belgian respondents' B2B sales made through the use of credit, well above the 2018 levels of 32.1%.

However, this is lower as compared to the Western European average of 60.4%⁶⁸.

According to the SAFE 2019, 33.9% of Belgian respondent SMEs considered trade credit as a relevant source of financing, slightly higher as compared to the EU-28⁶⁹ average of 31.0% in 2019⁷⁰.

Almost 19.4% of Belgian SMEs applied for trade credit in the last six months of 2019, well below the EU-28⁷¹ average of 31.7%. Likewise, only 12.2% of the respondent SMEs obtained trade credit from their business partners in the last six months, compared to 16.7% in the EU-28. Additionally, out of all the respondents who applied and negotiated trade credit financing, 77.6% of respondents received everything (against the EU-28⁷² average of 73.5%), while 4.9% of respondents got rejected (against the EU-28⁷³ average of 1.7%). 63.9% of Belgian respondents did not consider it relevant for their enterprise, slightly lower as compared to the EU-28⁷⁴ average of 66.6%. As per the survey, 62.2% of Belgian respondent firms believed that the availability of trade credit will remain unchanged in the future, slightly below the EU-28⁷⁵ average of 64.7%⁷⁶.

Late payment



According to the European Payment Report 2020, about 20.0% of the Belgian respondent firms expect late payments to have a high impact on their liquidity. Nonetheless, this is considerably below the EU average of 45.0%⁷⁷.

As per the report, about 38.0% Belgian respondent firms in the general economy have agreed to accept longer payment terms to maintain client relationships, substantially lower than the 69.0% EU average⁷⁸.

In 2019, 78.0% of Belgian respondent firms offered longer payment duration averaging 31 days from invoicing, as compared to 26 days in 2018⁷⁹.

Late payment continued to be a critical issue for Belgium respondents. To safeguard their interests against defaulting customers, the Belgian respondent firms use various credit management techniques including dunning (outstanding invoice reminders – by 29.0% of the respondents) activities, credit assessment of prospective buyers (by 23.0% of the respondents) and provisioning for potential bad debts (by 18.0% of the respondents)⁸⁰.

Despite improvements in payment practices from B2B customers resulting in increased timely payments (65.0% of total invoices in 2019 paid on time as compared to 56.0% in 2018), the resulting increase in overdue invoice has been insignificant (52 days in 2019 as compared to 54 days in 2018). In fact, about 31.3% of the total B2B invoice value issued by Belgium respondents remained unpaid at its due date, slightly above the Western Europe average of 28.9%⁸¹.

About 24.0% of Belgian respondents (against the Western European average of 20.0%) required additional funding from external sources to meet their liquidity issues stemming from the untimely payment of invoices. Moreover, about 2.0% of the total value of B2B receivables in 2019 was uncollectable, higher than 1.0% as compared to 2018⁸².

Sector wise, Belgian respondents from the construction sector provided the longest payment terms of 35 days from invoicing to their B2B customers⁸³.

In terms of good payment practices, the construction sector is among the lowest performing sectors in the Belgian economy with only 35.9% of enterprises in the sector in 2019 making payments by the due date. In contrast, the number of firms paying after over 90 days past the due date stood at 1.6% in 2019⁸⁴.

Furthermore, the **Late Payment Directive** was transposed through the Act of 22 November 2013, ensuring that businesses, including SMEs, are safeguarded against payment delays by adding minimum debt-recovery processing compensation and increased interest penalties for late payments. The Directive also stipulates that payment terms should be set at 30 days if not otherwise specified in the contract. For B2B transactions, the two parties could also agree on payment terms of up to 60 days or longer, provided that the agreement is not unfair to the creditor⁸⁵.

Recently, the Belgian government has been actively taking steps to address late payment issues, particularly those affecting SMEs. For instance, in May 2019, the Belgian government amended **the law of 2nd August 2002** related to late payment in commercial transactions. As such, enforceable from April 2020, the maximum payment terms between SMEs and larger enterprises cannot exceed 60 days⁸⁶.

Time and cost of obtaining building permits and licenses

According to the World Bank Doing Business 2020 Report, Belgium ranked 45th out of 190 countries with respect to “**Dealing with construction permits**”⁸⁷. In 2019, ten procedures were required to complete the formalities to build a warehouse⁸⁸, slightly below the OECD high-income average of 12.7. However, the time needed to complete them totalled 212 days, considerably above the OECD high-income average of 152.3 (Table 3). The cost of completing the formalities to build a warehouse represented 0.9% of the total value of the warehouse, notably below the OECD high-income average of 1.5%.

Table 3: Construction procedures timing and costs in Belgium

Procedure	Time to complete	Associated costs
Obtain a recent proof of land ownership	7 days	EUR 75
Obtain clearance from the Fire Department	14 days	EUR 880
Request building permit from the Municipality	110 days	EUR 780
Inform Municipality of commencement of work	1 day	No charge
Receive on-site inspection from Fire Department after construction	1 day	No charge
Inform Municipality of the	1 day	No charge

completion of construction		
File application and receive an inspection by the Cadastre upon completion of construction	1 day	No charge
Apply for water and sewage connection	1 day	No charge
Receive inspection for water and sewage on construction site	1 day	No charge
Obtain water and sewage connection	75 days	EUR 16,602

Source: Doing Business overview for Belgium, Word Bank, 2020.

Skills shortage

In 2019, there were 10,658 **job vacancies** in the Belgian narrow construction sub-sector and 808 vacancies in the real estate activities sub-sector. This represented a significant increase of 94.2% and 266.3% as compared to 2013⁸⁹ levels, respectively. The **job vacancy rate** for both the narrow construction as well as the real estate activities sub-sectors increased from 2.6% and 1.5% in 2013 to 4.9% and 3.3% in 2019, respectively.

Job vacancies in the real estate activities sub-sector between 2013 and 2019

 **266.3%**

Over the 2011⁹⁰-2019 period, **adult participation in education and training** in the broad construction sector decreased. In the case of the real estate activities sub-sector, the adult participation rate decreased from 13.3% in 2011 to 8.6% in 2019. In contrast, the adult participation rate in the narrow construction sub-sector marginally increased from 4.0% in 2010 to 5.1% in 2019.

In parallel, the **number of tertiary students** enrolled in engineering, manufacturing and construction decreased by 15.9% from 11,243 in 2010 to 13,031 in 2018⁹¹. 3,394 tertiary students were enrolled in architecture and building in 2018, representing a slight increase of 6.1% as compared to 2010 level of 3,200 students.

Labour shortages continue to be an ongoing concern for Belgium with the country facing an annual scarcity of about 20,000 construction workers every year⁹².

Finding appropriate skills in the broad construction sector, in addition to recruiting qualified personnel, is one of the greatest challenges of the

sector. The highest scarcity relates to professions such as trained technical personnel with a highly technical degree, engineers, project managers, and mathematicians. Additionally, the construction sector needs plasterers, painters, plumbers, bricklayers, carpenters, scaffolders, roofers, tile layers, building site workers, electricians and mechanics⁹³. To mitigate the increasing number of workers leaving the profession, the number of new recruitments will need to increase from a baseline of 24,150 in 2012 to 24,900 in 2030⁹⁴.

Sector and sub-sector specific issues

Material efficiency and waste management

In 2018⁹⁵, Belgium reported a total of 22.6 million tonnes of **construction and demolition waste (CDW)**, representing a growth of 34.4% as compared to the 2010 level (16.9 million tonnes). Of the 2018 total, 22.6 million tonnes (i.e. 94.8%) were non-hazardous, with the remaining 1.2 million tonnes (i.e. 5.2%) being hazardous waste^{96,97}.

With regards to waste management, Belgium is one of the best performers in the EU. It has already achieved its EU 2020 municipal waste recycling target. However, different regions follow separate collection rates with Flanders and Wallonia (70.0%) performing much better compared to Brussels (43.0%). Nonetheless, the Belgian government has launched several initiatives to promote resource efficiency and the adoption of the circular economy. For instance, Flanders has launched new Green Deals on circular purchasing and circular construction and the Circular Flanders hub⁹⁸. Similarly, Wallonia has launched three competitiveness clusters to create a common platform for plastic recycling along with a Green Deal for circular purchasing⁹⁹.

Waste prevention and sustainable recovery, being an important aspect of effective waste management, the Flanders region has introduced requirements to pre-identify the types and quantities of materials present in a non-residential buildings up for demolition so as to enable the identification and recycling of hazardous waste¹⁰⁰. At the same time, following the traceability system of the non-profit independent demolition management organization Tracimat can result in a

“certificate of selective demolition”¹⁰¹. Furthermore, sectoral implementation plans were introduced for CDW. The Public Waste Agency of Flanders (OVAM) has developed a policy to make Flanders asbestos-safe by 2040¹⁰². An asbestos inventory will be mandatory in 2022 when selling a building¹⁰³.

In Brussels, CDW management is a priority of Brussels Environment, the environment and energy administration of the Brussels-Capital Region, given that this type of waste constitutes a third of non-household waste in the region.

Public authorities and private companies are in close cooperation to manage waste.

Climate and energy

Emissions of **greenhouse gases** (carbon monoxide and dioxide, methane and nitrous oxides) from the narrow construction and real estate activities sub-sectors in Belgium amounted to a total of 2.4 million tonnes and 96,806 tonnes in 2018, respectively. Over the 2010-2018 period, emissions by the narrow construction and the real estate activities sub-sectors decreased by 4.2%, and 31.6%, respectively.

5

Innovation in the construction sector

Innovation performance

According to the 2020 European Innovation Scoreboard, Belgium is classified as a Strong Innovator, similar to its rank in 2019¹⁰⁴.

The strongest innovation dimensions of the Belgian innovation system include attractive research systems, as well as linkages and innovators. The country also demonstrated strong performance on innovative SMEs collaborating with others, foreign doctorate students, international scientific co-publications, and enterprises providing ICT training.

Conversely, innovation dimensions in which Belgium's performance was relatively weak include intellectual assets, employment impacts and innovation-friendly environment. The country also scored low on indicators such as opportunity-driven entrepreneurship, employment in fast-growing enterprises of innovative sectors, non-R&D innovation expenditures, and design applications¹⁰⁵.

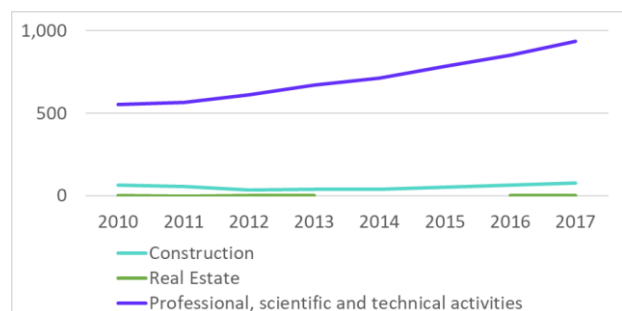
Over the 2007-2018 period, Belgium business R&D intensity increased from 1.9% of GDP in 2007 to 2.8% in 2018, slightly higher compared to the 2018 EU average of 1.4%. In parallel, both business R&D intensity and public R&D intensity also increased from 1.3% and 0.5% in 2007 to 2.0% and 0.8% in 2018¹⁰⁶.

In 2017¹⁰⁷, **Business Enterprise R&D Expenditure (BERD)** in the narrow construction and the real estate activities sub-sectors amounted to EUR 74.4 million and EUR 1.0 million, representing a 16.7% and 35.8% growth compared to its 2010 levels, respectively. Similarly, BERD in the professional, scientific and technical activities sub-sector also significantly increased by 69.8%, from EUR 552.0 million in 2010 to EUR 937.7 million in 2017¹⁰⁸.

BERD expenditure in the professional, scientific and technical activities sub-sector between 2010 and 2017¹⁰⁹

↑ 69.8%

Figure 9: Business enterprise R&D expenditure (BERD) per construction sub-sector in Belgium between 2010 and 2017 (EUR m)¹¹⁰



Source: Eurostat, 2020.

In parallel, **total R&D personnel** (full-time equivalents – FTE)¹¹¹, in the narrow construction and the real estate activities sub-sectors considerably increased by 54.4% and 100.0%, from 513 and 7 in 2010 to 792 and 14 in 2017¹¹². The FTE in the professional, scientific and technical activities sub-sector grew by 80.0%, from 4,167 in 2010 to 7,501 in 2017¹¹³.

In line with the generally moderate developments in BERD and FTE, the number of **construction-related patent applications** has been fluctuating, from 41 in 2010 to 75 in 2019 (+82.9%), and averaging at 59.2 over the 2010-2019 period.

Construction-related patent applications between 2010 and 2019

↑ 82.9%

Moreover, two Belgian construction and materials firms and one Industrial engineering firm ranked within the top 1,000 EU-28 companies by R&D (industrial sector ICB-3D), according to the 2019 EU R&D Scoreboard¹¹⁴.

The Belgian Building Research Institute (*Centre scientifique et technique de la construction* - CSTC), a private research centre founded with the support of the National Federation of Belgian Building Contractors, plays a key role in boosting research and innovation in the construction sector. The statutory members of CSTC include more than 90,000 construction companies in Belgium, which mostly includes SMEs such as general contractors, carpenters, plumbers, glaziers, floorers, roofers, etc. It aims to provide technical support to innovation activities, tailored to the specific needs of construction SMEs. This “technological guidance” is also supported by the Flanders Region, Walloon Region as well as the Brussels-Capital region¹¹⁵. Additionally, CSTC also runs the Centre for Excellence in Sustainable Construction (CESC) in Brussels, aimed at supporting construction companies in the application of new technologies and promoting sustainable buildings and renovation techniques¹¹⁶.

Eco-innovation and digitalisation



As per to the 2019 Eco-Innovation Scoreboard (Eco-IS), Belgium scored 85, well below the EU-28¹¹⁷ average of 100¹¹⁸.

As per the report, while Belgium continued with its eco-innovation development programs, its overall performance when compared against other rapidly progressing EU-28 Member States has been relatively weak. In general, Belgium’s performance in indicators such as eco-innovation input, outputs, resource efficiency outcomes and socio-economic outcomes is in line with the EU-28¹¹⁹ average. In contrast, Belgium scored quite low in relation to the eco-innovation activities indicator. Major drivers of eco-innovation include initiatives promoting zero-waste behaviours and innovation efforts towards a circular economy for sectors including the construction sector¹²⁰.

As per the European Commission Digital Economy and Society Index (DESI) 2020, Belgium ranked 9th out of EU-28 Member States with a 58.7 score, slightly below the EU-28¹²¹ average score of 52.6¹²².

According to the Index, in 2019, Belgium adopted various new strategies and policy goals towards achieving its digital transformation such as

DigitalWallonia4AI, the policy notes 2019 – 2024 of the new Flemish government, etc. in addition to updating its existing policies. Managing digital transformation continues to be a priority policy agenda both at federal and regional level. As such, detailed policies and financial instruments have already been adopted and established to frame as well as promote policy initiatives country-wide¹²³.

Belgian regions have had consistent policy support in the areas of low carbon economies. For instance, Flanders has developed large clusters in the areas of eco-innovation and low carbon technologies. The **Flux50** energy cluster, facilitates coordination and cooperation between energy, IT and building firms to enhance usage of smart energy and transition towards low carbon systems¹²⁴. **EnergyVille** is another cluster focusing on sustainable energy, intelligent energy systems and energy-efficient buildings, among others¹²⁵.

Another Sustainable Energy Cluster TWEED (Technology of Wallonia Energy, Environment and sustainable Development) aims to play a major role in the business development of «sustainable energy» sectors¹²⁶.

Similarly, **EcoBuild**, the cluster for sustainable construction and renovation in Brussels, focuses particularly on energy efficient retrofitting and the circular economy. Another such cluster is **the Cluster Eco Construction of Wallonia** aimed at promoting the use of renewable energies and awareness of the environmental impact of construction projects over their whole lifecycle¹²⁷. Additionally, **GreenWin** is another competitive cluster in Wallonia, which focuses on eco-innovation in green chemistry and sustainable materials. The subsequent application in zero or near zero energy buildings is a major focus area of this cluster¹²⁸.

In order to help the Belgian construction sector to objectify and reduce the environmental impact of buildings, the three Regions have developed the TOTEM tool [Tool to Optimise the Total Environmental impact of Materials]¹²⁹.

Furthermore, the **bilateral Swedish-Belgian Innovation Initiative** (SBII) was launched in October 2017 with the aim of gathering the most technology and R&D-intensive MNES, SMEs, universities and research institutes from both countries and to involve stakeholders for joint

market R&D projects and project funding through Eureka and Eurostars. Key areas of projects are industrial based including the construction sector (especially manufacturing)¹³⁰. Another similar initiative in the same year was signed between Québec and Wallonia being a partnership in the eco-construction sector. The so called **the Framework Convention for the Development of Green Building and Sustainable Architecture**, intends to stimulate scientific exchanges within the eco-construction cluster between two regions and implement coordinated training and research programmes in eco-construction and sustainable development¹³¹.

Belgium has identified digitalisation in the National Pact for Strategic Investment as a priority area for boosting productivity and innovation¹³².

The Belgian federal government has continued to support the digital transformation of organisations within the framework of the **Digital Belgium Action Plan**. The Brussels-Capital Region promotes digital transformation on its territory as part of the **bedigital.brussels strategy**. This strategy is primarily based on three key pillars: the Smart City strategy, the Regional plan for innovation (*Plan régional pour l'innovation / Gewestelijk plan voor innovatie*) and the NextTech plan. Similarly, the

Digital Wallonia 2019-2024 plan was launched in December 2018. It is aimed at financing the digital coverage of key industrial and white zones with a budget of EUR 50.0 million. Other initiatives include the opening of BeCode campuses in Liège and Charleroi, and the implementation of Demos 4.0 to stimulate the development of technologies in companies¹³³.

With the recent reform of the Code on Land Use (CoBAT), Brussels has tightened the administrative deadlines for approving building permit requests. In Flanders, the building permit process is digital since 2018^{134,135}.

As per the EIB 2019 Investment Survey report, 66.0% of Belgian firms have implemented at least one digital technology, either partially or fully. This is higher than the EU-28¹³⁶ average of 58.0%. For construction, the percentage in Belgium comes down to around 52.0%. In terms of specific technologies, construction firms primarily leverage 3D printing, drones, augmented or virtual reality, and the Internet of Things (IoT). The respective penetration (percentage of firms) of such technologies is 20.0%, 30.0%, 7.0% and 32.0% in 2019. The respective number for EU-28 is 11.0%, 21.0%, 12.0% and 26.0% for the same reference period¹³⁷.

6

National and regional regulatory framework

Policy schemes

In Belgium, the **housing policy**, including property taxation and private sector rental regulation, is under the jurisdiction of the Regions, and has traditionally been directed towards supporting home ownership through a generous and favourable fiscal regime. In fact, the Belgian property market is highly decentralised due to the changes the sixth reform of the Belgian state, enabling a shift of responsibilities of housing policy and regulation to a regional level from federal level¹³⁸.

The Belgian taxation system plays an important role in implementing reforms in the housing sector. For instance, The Flanders region continues to follow its policy of reducing tax expenditure with the abolition of housing bonus for new entrants along with a decline in tax rate reduction on service vouchers (from 30.0% to 20.0% per voucher) effective from January 2020¹³⁹.

Similarly, the Walloon region also plans to reform its tax incentives system through a change in its housing voucher initiative. Essentially, the system will provide a bonus on buying a house only if energy saving works are performed. The scheme is primarily being aimed at first-time home buyers¹⁴⁰.

Under its medium-term objective, the Walloon government aims to increase its public housing stock up to 10.0% (i.e.36,298 housing units) of the region's total housing accommodation. As such, the government allowed for the creation of a drawing right for public utility housing investment funds, in addition to the existing proportionate urban planning charges¹⁴¹.

The Walloon government intends to provide a rental allowance for lower income households as

well as develop actions within the Social Real Estate Agencies. As such, it approved a new **lease-to-own arrangement** in public housing in April 2019. Under this policy, the government approved a new mechanism for renting with an option to buy in public housing. The sale price will be determined at the time of the conclusion of the tenancy agreement. The rent paid by the tenant would consist of the usual rental fee and automatic savings agreed between the tenant and the public service housing agency. Furthermore, the government also approved a **new housing and energy bonus** scheme effective from June 2019¹⁴².

Likewise, providing access to quality affordable housing continues to be a priority for the new Brussels government. Under **the Regional Housing Plan and the Habitat Alliance**, the government is undertaking the sustainable renovation of the existing housing stock in addition to the construction of 6,400 new housing units. This has resulted in an investment of EUR 54.6 million in relation to construction costs¹⁴³.

Belgium's social housing situation has deteriorated over recent years, resulting in long waiting lists for social housing. For instance, in 2018, the number of households on waiting lists exceeded the actual available social housing stock in Brussels¹⁴⁴.

As such, the government made specific provisions for investments in social housing. For instance, the budget for the **fight against homelessness** was increased by EUR 15.0 million in 2020. Additionally, the broader policy is being transitioned from focusing on emergency shelters to reintegration and structural solutions. **"Housing First"** projects will be doubled in capacity by the end of 2020. Moreover, a **"Housing Emergency Plan"** for social

housing is also being formulated to provide an affordable solution to 15,000 households waiting for social housing. In relation to the private rental market currently managing about 6,300 housing units, the government is promoting the development of the social real estate agency sector. A new policy encouraging private landlords to charge reasonable rents from tenants is also being considered¹⁴⁵.

The Flemish government plans to continue investing in social housing and undertake additional initiatives to make social housing climate neutral¹⁴⁶.

As for rental support, the Flemish government grants **rent subsidies** to low-income families moving from a low quality, non-adapted house to a better adapted house rented from the private rental market or from a social letting agency. The rent contribution consists of a monthly rent subsidy, equalling one third of the rent, as well as a one-off move-in premium of three times the amount of the rent subsidy¹⁴⁷.

In June 2018, the Brussels Capital region launched an emergency aid and social housing ordinance, with a view to addressing the issues of homelessness and inadequate housing. Another ordinance passed in December 2018, has introduced a housing allowance in the Brussels-Capital region for all potential tenants of social housing. Similarly, in June 2018, the Walloon region adopted a decree on the rental conditions of social housing¹⁴⁸.

Lastly, in response to the outbreak of the COVID-19 pandemic, the Belgian government introduced various measures to sustain and support the tenant and the housing sector. Evictions have been temporarily disallowed in both the social and private rental markets. Legal evictions have been suspended for the time being. If a rental agreement concludes during the COVID-19 pandemic period, it can be further extended by six months at the tenant's request. Furthermore, the social landlord will be required to review the rent in accordance with the current reduced income level of the tenant (due to COVID-19 impact)¹⁴⁹.

In response to the current epidemic situation, the Flemish government has allowed social rental agencies to offer temporary housing to single persons or households outside of the social housing scheme either directly or via a public authority or welfare organisation. The government has even allowed a deferral of payment of rent guarantee loan to the Flemish Housing Fund in addition to an extension of applications for the Flemish Renovation Premium¹⁵⁰.

Building regulations

In addition to the **Civil Code** and the **Breyne Law**, the **Law of 15 June 2006** constitutes important legislation with regards to the execution of construction works in the public sector. This law defines public procurement contracts and other contracts for the delivery of work, supplies and services¹⁵¹.

As for infrastructure and utilities, these are mainly regulated by the public planning law of the Flemish, Walloon and Brussels-Capital Regions, namely the Flemish Public Planning Code of 15 May 2009 and the Environmental Permit Decree of 25 April 2014 (for the Flemish Region), the Public Planning and Patrimonium Code of 27 November 1997 (for the Walloon Region) and the Brussels Code regarding Public Planning of 9 April 2004 (for the Brussels-Capital Region)¹⁵². In addition to the regional regulations, national laws and building ordinances, there are several widespread but non-compulsory standards used in construction contracts. These include the NBN standards, issued by the Belgian Normalisation Institute (NBN), and the Technical Prescriptions (Prescriptions Techniques – PTVs), normative documents drafted by a qualified technical institute, which confer the BENOR quality mark to construction products or processes¹⁵³.

In 2018, the Brussels Capital Region approved a reform of the Brussels Code of Spatial Planning (BWRO). It includes changes in the procedural deadlines, permits and grants for construction projects in the region¹⁵⁴. The key aspects of **BWRO**, include, among others, a formalisation of a decision period of 75, 90 or 160 days for projects.

The reform also puts a cap of three years after which the building permit expires if it is not executed. Apart from these, the reform also limits the scope of land subdivision permits. It is only required when the site's division requires the construction of a road connecting to an undeveloped parcel of land, specifically intended for residential development. The new rules are expected to protect unaware purchasers of a previously built property, which is in violation of urban planning rules¹⁵⁵.

In the Wallonia region, the **CoDT** legislation, which aimed to simplify some constraining rules and expand planning permission exemptions, came into effect in June 2017. Particularly, the CoDT legislation (territorial development code - *code du développement territorial*) replaces the CWATUP. Some new constructions no longer require permits, including a garage or carport of 40 m² in direct relationship with the service road, the extension of 40 m² of a house to create an additional space, the placement of a shelter, a garden of 20 m² in a courtyard or/and in an agricultural zone¹⁵⁶.

Insurance and liability related regulations

In Belgium, there are two insurance categories, namely insurance related to constructing activities (i.e. civil liability insurance of contractors; professional insurance of architects, experts, engineers) and insurance related to the protection of certain goods (i.e. all risks insurance for the construction site and insurance against decennial liability of contractors and architects following the final acceptance of the works)¹⁵⁷.

Although there is no legal obligation in Belgium to carry any of these types of insurance, architects, health and safety coordinators and expert land surveyors must take out professional liability insurance (as stipulated under the royal ordinance of 25 April 2007, royal ordinance of 27 January 2005 and royal ordinance of 15 December 2005,

respectively¹⁵⁸). Moreover, the General Conditions for Public Procurement Contracts set the obligation for contractors to be covered against industrial accidents and against civil liability in the case of accidents caused by the works to any third party¹⁵⁹. The Belgian government also adopted a new law in 2018 requiring all professionals working in the construction sector (including architects, service providers, etc.) to subscribe a **decennial professional liability insurance** or "**decennial guarantee**". This new liability insurance, already implemented in France, aims to guarantee the repair of damages occurred after the official end of the construction works (i.e. buildings for residential purposes¹⁶⁰). Since 2019 contractors in Belgium can take out an environmental liability insurance that also covers damage caused by asbestos¹⁶¹.

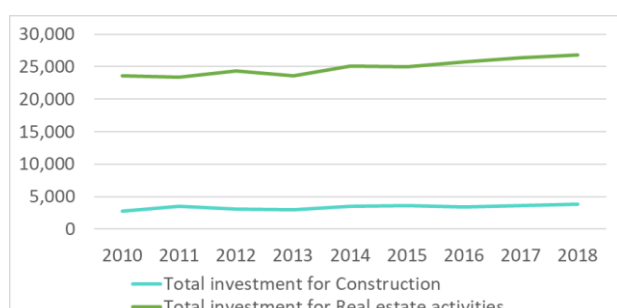
The **Civil Code** is the primary legislation governing the liability regime of parties involved in the construction activity, although the construction contract can also shape liability. Moreover, the **Breyne Law** of 9 July 1971 regulates the sales of completed dwellings or of dwellings in the construction phase, modifying the Civil Code rules in order to ensure greater consumer protection. Thus, the property developer is bound by a duty of performance to deliver the dwelling free of defects. The duration of contractual liability, according to the Civil Code, is 10 years following the date of final acceptance of the works in the case of serious defects that compromise the stability of the building or a major part of the building, and this cannot be modified by the contract. Conversely, liability for ordinary defects is up to 10 years but can be contractually determined by the parties. As for extra-contractual liability, which includes liability towards third parties and clients, legal action must be started within a maximum of five years after identification of the fault¹⁶².

Current status and national strategies to meet Construction 2020 objectives

TO 1 – Investment conditions and volumes

Total investment by the broad construction sector¹⁶³ has shown an increasing trend since 2010. Investment by the narrow construction sub-sector increased by 39.2%, from EUR 2.8 billion in 2010 to EUR 3.8 billion in 2018¹⁶⁴. This was mostly driven by a 65.6% incline in investments in intellectual property, going from EUR 128.9 million to EUR 213.4 million, partially offsetting a 19.9% drop in investments in machinery amounting to EUR 880.5 million in 2018. Likewise, investment in the real estate activities sub-sector increased by 13.3%, from EUR 23.7 billion in 2010 to EUR 26.8 billion in 2018. This was primarily influenced by a 92.4% and 186.0% increase in investments in machinery and investment in intellectual property over the same reference period, amounting to EUR 176.2 million and EUR 57.2 million, respectively.

Figure 10: Investment in the Belgian broad construction sector between 2010 and 2019 (EUR m)



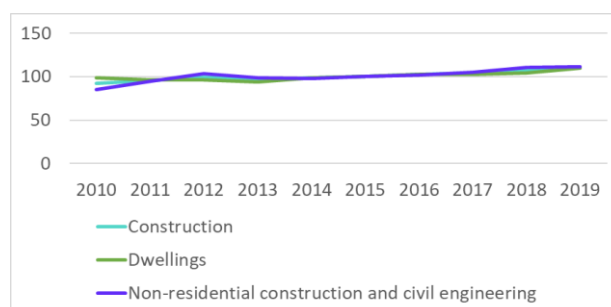
Source: Eurostat, 2020.

The total investment index in the broad construction sub-sector¹⁶⁵ increased by 10.7% over the 2015-2019 period. Investment in dwellings by the whole economy followed a similar trend, rising

by 10.1% in comparison to the 2015 value. Likewise, investment in non-residential construction and civil engineering also increased by 11.5% over 2015-2019. In absolute terms, investment in the construction sector totalled EUR 51.3 billion in 2018¹⁶⁶ with EUR 26.6 billion invested in dwellings and EUR 24.6 billion in non-residential and civil engineering¹⁶⁷ (Figure 11).



Figure 11: Investment index in the Belgian construction sector between 2010 and 2019 (2010=100)



Source: AMECO, 2020.

Total inland infrastructure investments¹⁶⁸ as a share of GDP has been stable since 2010, fluctuating around 0.5% of GDP over the 2010-2017 period, and reaching 0.4% of GDP in 2017¹⁶⁹. Railway and road infrastructures received the largest investments, amounting EUR 0.9 billion and EUR 0.7 billion in 2017¹⁷⁰, respectively. However, while investments in road infrastructure increased substantially by 88.5% over the 2010-2017 period, investments in railway declined by 36.1% over the same reference period. Likewise, investments in air transportation increased

considerably by 287.6%, amounting to EUR 116.3 million in 2017¹⁷¹. In contrast, investments in sea transportation declined by 47.7%, totalling EUR 120.4 million in 2017¹⁷².

Over the 2010-2017 period, **investments in infrastructure maintenance** increased by 47.3%, from EUR 544.0 million in 2010 to EUR 801.3 million in 2017¹⁷³. In particular, railway and road infrastructures were the primary beneficiaries, increasing by 7.5% and 115.7%, amounting to EUR 317.0 million and EUR 396.8 million over the same reference period, respectively. Similarly, investment in inland waterways infrastructure maintenance increased by 34.6%, from EUR 65.0 million in 2010 to EUR 87.5 million in 2017¹⁷⁴.

Overall, there are regional differences in the investment needs and the resultant plans across Belgium. For example, while Flanders prioritises infrastructure investments in mobility, school buildings and welfare, the Walloon region adopted more of a multi-sector investment plan¹⁷⁵.

Mobility is a major challenge across Belgium and a key policy priority across the federal and regional government levels.

This has been taken as a priority across the federal and regional government levels and is addressed in three key categories — investing in infrastructure, investing in clean technology, and adjusting the modal choice. Belgium already has a dense transport network, especially its road and rail network, further complemented by strong port infrastructure. It is also well integrated in European transport networks. In order to maintain and upgrade its network infrastructures, the Belgian government has announced various strategy initiatives.

The federal rail investment strategy has been set out in SNCB/Infrabel's Multiannual Investment Plan 2018-2020, as well as in the Multiannual Strategic Investment Plan 2018-2031, amounting EUR 4.2 billion and EUR 1.2 billion, respectively¹⁷⁶.

Through these projects, the government intends to promote and support a gradual shift in modes of transit from roads to railways, thereby reducing greenhouse gas emissions as well as curtailing congestion in and around Belgium's main urban areas. This included the construction of the regional express network (RER) around Brussels

(expected completion in 2031), the construction of the second rail access to the port of Antwerp (expected completion in 2023), along with the construction of additional tracks between Ghent and Bruges (expected completion in 2024) and Bruges and Zeebrugge (expected completion in 2031). Additionally, this also included the modernisation of the Brussels-Luxembourg track (scheduled completed in 2027)¹⁷⁷.

In the case of sustainable mobility, the Brussels-Capital Region government has extended the Multiannual Investment Plan for Public Transport until 2028. The plan involves the investment of more than EUR 6.0 billion in the three transportation modes: metro, tram and bus. Furthermore, the Brussels government continues to develop its **Regional Mobility Plan (RMP) 2020-2030: Good Move** which includes 50 concrete action plans to achieve the mobility goals¹⁷⁸.

Similarly, the Walloon Region will also adjust its 2019-2024 Mobility and Infrastructures plan with a view to achieve an investment of EUR 2.0 billion by 2025. In fact, from 2021 onwards, EUR 80.0 million will be earmarked each year exclusively for the implementation of additional projects targeting soft and collective mobility. This also involves the implementations of the concept of "cycle motorways" in prime urban areas (Liège, Charleroi, Namur and Mons-Borinage). Another example is the new PEREX centre, inaugurated in April 2019 and involving an investment of EUR 30.0 million. This centre further strengthens the management of Walloon road and waterway infrastructures¹⁷⁹.

Flanders is close to adopting an integrated investment programme called "Geïntegreerd Investeringsprogramma" (GIP), involving a total investment of EUR 1.9 billion in mobility and public works (i.e. public transport, airports, waterways, roads and cycling infrastructure)¹⁸⁰.

Flanders is already participating in the road infrastructure development initiatives for Antwerp, Ghent and Brussels. Correspondingly, the region is heavily dependent on river public transportation with the government planning to fund ferry services carrying passengers to and from Antwerp city. The Flemish government further plans to continue investing in the waterways, particularly in raising the bridges over the Albert Canal, the renewal of the Zeebrugge and Terneuzen locks, the

Sigma Plan and the Seine-Escaut project¹⁸¹.

The Brussels-Capital Region also defined its long-term investment plan 2016-2025 for the regional public transport operator **STIB**, entailing a total investment of EUR 5.2 billion. The objective is to streamline the region's public transport network, extend it and increase its density. The plan aims at investing EUR 900.0 million in trams, buses and depots, as well as car park areas. Additionally, it also entails an investment of EUR 1.4 billion in a metro expansion project. The project will connect the city centre to north of the region, where demand for public transport is expected to go up to 6,000 travellers per hour¹⁸².

In terms of EU Funds dedicated to infrastructure investment, EUR 638.0 million under the **Connecting Europe Facility** (CEF) are allocated to specific projects on strategic transport networks. Additionally, the European Investment Bank (EIB) has dedicated significant funds for infrastructure modernisation in Belgium. For example, in April 2019, the EUR 200.0 million SOFICO - Walloon Waterways & Roads Modernisation project was undertaken as part of the SOFICO 2018-2022 Investment Programme. The project entailed the renewal and enlargement of the Amsin-Neuville inland waterway complex. Additionally, it included the improvement and resurfacing of roads in the Trans-European Transport Network (TEN-T) North Sea-Mediterranean Corridor of Wallonia¹⁸³. The Oosterweel Connection project, too, was signed in April 2019. This entailed a EUR 150.0 million loan agreement between the EIB and the Flemish government. This is a part of a EUR 1.0 billion facility available for Antwerp ring road completion¹⁸⁴.

In 2019, the EIB Group invested almost EUR 687.0 million in infrastructure¹⁸⁵.

In parallel, Belgium has also benefitted from investments from the **European Fund for Strategic Investments** (EFSI). As of September 2020, financing under EFSI amounted to EUR 1.9 billion and is set to trigger additional investments of EUR 10.3 billion. Under the infrastructure and innovation window, 22 projects have been approved, amounting to EUR 1.5 billion and are set to trigger EUR 8.2 billion in total investments. Under the SMEs window, 20 agreements have been approved, involving a total financing of

EUR 427.0 million, and are set to trigger investments of up to EUR 2.9 billion¹⁸⁶.

Renovation spending by Belgian households increased by 59.6%, going from EUR 488.6 million in 2010 to EUR 779.9 million in 2018¹⁸⁷. The share of renovation spending out of the total household's disposable income stood at 0.3% in 2018, well below the EU-27 average of 0.9%.

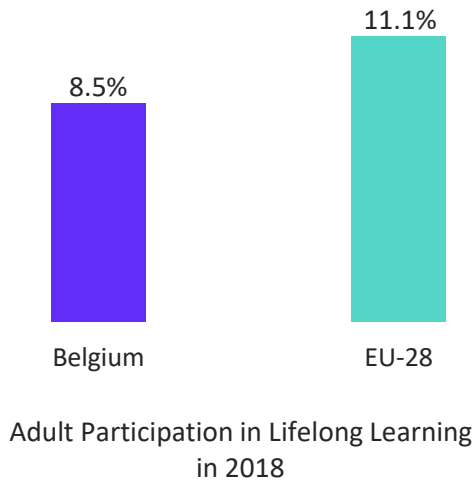
TO 2 – Skills

Although the share of students enrolled in Belgian **vocational education and training (VET)** remains well above the EU average, it is still steadily decreasing over time. For instance, in 2017¹⁸⁸, the number of students in VET was 57.8%, notably above the EU-28¹⁸⁹ average of 47.8%. However, the proportion of students in work-based learning remained at 6.0%, significantly below the EU-28¹⁹⁰ average of 27.0%. Similarly, the **employment rate of recent VET graduates** stood at 76.7%, slightly lower than the EU-28¹⁹¹ average of 79.5%¹⁹².

The Belgian regional governments are taking actions to counteract this development. For instance, from September 2019, the Flemish Community (**BEfl**) implemented reforms at all levels of education. This included dual learning, which was rolled out as optional in mainstream secondary education. The French Community (**BEfr**) is also planning to implement school reforms in the areas of governance, teacher education and extended common curriculum from September 2020. Similarly, the Walloon region also approved a renovation and development plan for IFAPME training centres to become centres of excellence in dual learning. The region conducted an awareness drive among prospective employers by signing an agreement with 21 sectoral federations and sector funds in August 2018¹⁹³. Furthermore, the Paritarian Commission of Construction (*Commission Paritaire de la Construction*) launched the **Construction Professional Training Fund** (*Fonds de Formation professionnelle de la Construction- FFC*), active in the Brussels Region. The Fund is dedicated to improving and promoting the training of future as well as existing construction professionals¹⁹⁴.

Correspondingly, Belgium's overall **participation in lifelong adult learning** is lower than the EU-28¹⁹⁵ average (8.5% in 2018 versus 11.1% in the EU-28). Adult participation in education and training in the

narrow construction sub-sector stood at 5.1% in 2019 as compared to the EU-27 average of 8.7%. Similarly, adult participation in education and training in real estate activities stood at 8.6% for 2019 as compared to the EU-27 average of 16.4%.



In order to improve adult participation in learning, BEfr has reduced enrolment costs for unemployed and disadvantaged groups. It also intends to further reform training incentives for workers. In fact, by September 2019, vouchers were issued to compensate the employer as well as the employee in training. Despite having almost 21.8% of adults without an upper-secondary qualification (in line with the EU-28¹⁹⁶ average), the employment rates of these adults remained one of the lowest in the EU region, highlighting Belgium’s need to prioritise upskilling and reskilling initiatives for such a select group¹⁹⁷.

In addition to attracting young people, specific action has been taken to target women and attract them to the construction sector. The portal **“Femmes de metier”** is dedicated to the recruitment of women, who are interested in a career in the construction sector¹⁹⁸. The portal offers information on specific training and includes testimonials of women working in construction.

On social media the campaign **“#werfze”** has been launched in 2020 to promote the construction industry among young people to demonstrate that the construction industry is an innovative and forward-looking sector

Additionally, certain institutions like IFAPME, in Belgium, in addition to others in countries like Germany, France, Italy and Portugal, have tied up with Spain’s Labour Foundation for Construction

and Madrid Employment Agency to work on an initiative called **“Women Can Build”**, promoting equality for women in vocational training and jobs in construction sector¹⁹⁹.

TO 3 – Resource efficiency / Sustainable construction

The Belgian government is dedicated to making building renovation and energy efficiency a regional priority objective, with the intention to achieve carbon neutrality for its entire building stock by 2050. As such, the Belgian government aims to insulate and renovate 250,000 housing units along with 2,500 public buildings and schools through a third-party investor mechanism and soft loans²⁰⁰.

The Belgian government also intends to form an **“Employment-Environment-Renovation”** alliance to stimulate demand for renovating the existing building stock and develop the necessary skills required in the sectors of renovation, sustainable construction, eco-construction and natural insulation²⁰¹.

Additionally, the amended **housing and energy bonuses** (Primes Habitation) was implemented in June 2019. The amendment simplified procedures to make bonuses more accessible. Further, under the Walloon Investment Plan, the government released an additional EUR 12.5 million in May 2019, to improve the energy performance of public housing²⁰².

In 2018, the Federal government approved the **Belgian Interfederal Energy Pact**. While one of the most prominent points in the Pact is the closure of Belgium’s nuclear power plants by the year 2025, it also involves provisions on energy efficiency. However, there have been several setbacks to the pact, with some stakeholders questioning the viability of nuclear power phase out by 2025²⁰³. Meanwhile, the **Energy Union Governance Regulation**, which was adopted in Belgium in 2018, requires the country to prepare a detailed national plan for the 2021-2030 period, focussing on its energy and climate strategy. The plan will notably involve provisions on energy efficiency, the decarbonisation of the economy and research and innovation²⁰⁴.

Belgium is fully committed to completely phasing out nuclear energy by 2025. The country is implementing various initiatives to diversify its energy sources and supply from third countries. In order to ensure electricity supply following the phase-out, Belgium is planning to introduce a capacity remuneration mechanism²⁰⁵.

In line with the “Solarclick” programme, Brussels has been investing in photovoltaic systems in public buildings. This programme is expected to run till end-2020. Furthermore, Belgium has also adopted specific policies aimed at the renovation of buildings. In fact, Brussels adopted its long-term renovation strategy in April 2019²⁰⁶. It plans to raise the energy performance of its buildings by 2050 through reduction of the environmental impact of existing buildings. The objective is to achieve an average primary energy of 100kWh/m²/year for the residential sector while shifting towards energy-neutral buildings in the case of tertiary sectors²⁰⁷.

Energy efficiency and building renovation policy in the Walloon Region is defined under the fourth axis of the Walloon government’s strategic economic restructuring plan, the Marshall Plan 4.0. Out of the total budget of EUR 2.9 billion, Axis 4 on the support of efficiency, energy transition and the circular economy has a budget of EUR 1.1 billion²⁰⁸. Moreover, the Walloon government has already adopted the **Decree on the energy efficiency of buildings (PEB)**, introducing an amendment to the calculation method for the energy performance of non-residential buildings and enforcing new energy efficiency standards for new constructions and system requirements for renovation²⁰⁹.

From 2020 onwards, roof, walls and floor insulation will also be included in the minimum roof insulation standard set by the Flanders government, to further enhance energy efficiency and prohibit poor energy performance in the renovation, sale and renting out of dwellings.

These insulation requirements are mandatory for the renting out of apartments or single houses in residential buildings. Failure to meet the minimum insulation requirement attracts penalty points. As such, the building will be deemed illegal for renting out if the penalty points crosses the threshold of 15²¹⁰.

The **Flemish Housing Rental Decree (Woninghuurdecreet)** came into force in January 2019, encompassing a specific provision on energy-saving investments for rented houses and dwellings. Additionally, there are provisions for penalty points for roof insulation standards and achievement of double-glazing standards. Specifically, from January 2023 onwards, the absence of double glazing will make dwellings considered unfit for use²¹¹.

Furthermore, the Walloon government introduced several loan schemes to support renovation and energy saving in dwellings. In 2017, the Walloon government adopted a new strategy **“Walloon Strategy for the 2050 energy renovation of buildings”** (*“Stratégie wallonne pour la rénovation énergétique 2050 des bâtiments”*), which targeted the renovation of more than one million dwellings in Wallonia by 2050²¹².

As for the Brussels Capital Region, the **Energy Premium scheme** is also in place, focusing on three categories of priority measures for energy efficiency in buildings, namely audits, insulation and heat (heating and solar water heating)²¹³. The region also offers homeowners the **Housing Renovation Premium (Prime à la rénovation de l’habitat)**, which covers 30.0-70.0% of the costs of the renovation works, up to a maximum of EUR 35,000, depending on the income of the beneficiary and the location of the dwelling. Eligible interventions include those related to improving the stability of the building; roofing; installation of electricity and heating systems; sewage connection; acoustic and thermal insulation; adaptations of living space; and accessibility works for people with handicaps²¹⁴.

For the Flemish Region à large scale of **housing and energy bonuses** are adopted and will be increased in 2021. Anyone who invests in energy saving as a private individual is rewarded with a lot of financial support. Support is provided from different levels: the federal government, the Flemish government, the provincial government. In addition, most benefits can be accumulated. In this way the investment costs are limited²¹⁵.

TO 4 – Single Market

According to the 2020 EU Single Market Scoreboard, Belgium performed in line with the EU average. Notably, it performed better in metrics such as Transposition of Law, EU Pilot, e-Curtis and Your Europe²¹⁶.

In relation to 2020 EU Single Market Scoreboard metrics, Belgium performed below average in terms of SOLVIT²¹⁷.

As per the 2019 SBA Fact Sheet, Belgium scored well above the EU average, notably in terms of SMEs with intra-EU imports and exports of goods, intra-EU online exporters as well as easy market access for new and growing firms. Correspondingly, the country scored slightly above the EU average in terms of market access for new and growing firms without being unfairly blocked by established firms. Nonetheless, Belgium can further improve its performance under a number of single market directives not yet transposed, average transposition delay for overdue directives, number of pending infringement proceedings and public contracts secured abroad by SMEs²¹⁸.

Nevertheless, as regards to the international equivalence of **voluntary certification schemes**, the German SCC (Safety Certificate Contractors) scheme is mutually recognised by the Dutch-Belgian VCA (*Veiligheid Gezondheid en Milieu Checklist Aannemers*) - a certification for occupational safety. The requirements of the **SCC/VCA** are coordinated between four countries, namely Germany, Austria, Belgium and the Netherlands²¹⁹.

Finally, regarding the implementation of **Eurocodes**, all Eurocode Parts are published as National Standards and are available in both French and Flemish. Moreover, Belgium published National Annexes to all Eurocode Parts, and no other National Standards are used in parallel. Although their use is voluntary, six Eurocode Parts are compulsory for fire-resistant design. Furthermore, although no special provisions exist for their enforcement in Public Procurement, Eurocodes are included as a referenced standard for public procurement contracts, particularly for larger infrastructure works²²⁰.

TO 5 – International competitiveness

According to the 2019 Global Competitiveness Index, Belgium ranked 22nd out of 141 economies in terms of its performance²²¹.

In terms of **trade openness**, out of 141 economies, Belgium ranked 7th with regards to trade tariff percentage, 14th with respect to border clearance efficiency and 74th in relation to prevalence of non-tariff barriers, while 113th when it comes to complexity of tariffs²²².

With regards to the **internationalisation of construction SMEs**, the export value of all construction-related projects in Belgium stood at EUR 3.7 billion in 2019, representing a slight increase of 7.8% compared to its 2010 level of EUR 3.4 billion. Belgium's share of exports of all construction-related products in 2019 stood at 62.0% of the total production value, considerably above the EU-27 average of 11.4% for the same reference period.

Exports value of all construction-related products between 2010 and 2019

 **7.8%**

In the context of **inward FATS (Foreign affiliates statistics)**²²³, value added at factor cost in the narrow construction and the real estate activities sub-sector decreased by 19.0% between 2010 and 2017²²⁴. Similarly, turnover in the narrow construction sub-sector declined by 11.4% over the 2010-2017 period. In contrast, value added at factor cost as well as turnover in the real estate activities sub-sector increased by 45.3% and 25.1% over the same reference period. Correspondingly, turnover in the narrow construction sub-sector²²⁵, in terms of **outward FATS**²²⁶, increased substantially by 1,257.1% between 2011²²⁷ and 2017²²⁸.

Conversely, Belgium performed in line with the EU-28²²⁹ average in relation to **internationalisation**. As per the 2019 SBA Fact Sheet, Belgium performed better than the EU average in four indicators including involvement of trade community, formalities - automation as well as SMEs with extra-EU exports and imports of goods.

With regards to the remaining five indicators, the country performed well below the EU average, particularly in terms of formalities - procedure, border agency cooperation, information availability and extra-EU online exporters²³⁰.

Various agencies and government bodies provide support to SMEs for export and internationalisation activities. These include the Belgian export credit agency *Ducroire*, which is now a part of a broader credit insurance group called ***Credendo***²³¹. It insures companies and banks against political and commercial risks associated with international commercial transactions, namely involving capital goods and industrial projects, as well as contracted works and services. For the realisation of construction projects in third countries, *Credendo* covers the construction

entrepreneur against the risks associated with the contract as well as risks of non-payment from the employer²³². *Credendo* provides both direct financing as well as financial guarantees²³³.

Similarly, **Brussels Invest & Export**, the foreign trade and investment agency of the Brussels-Capital Region, also promotes the internationalisation of the Brussels economy. While supporting Brussels' companies operating in foreign markets, it also seeks to attract foreign companies to Brussels and to provide them with support when establishing their business in the Region. It also offers advice, market intelligence, training programmes as well as business missions in cooperation with the Belgian Foreign Trade Agency, with the construction sector being a key target²³⁴.

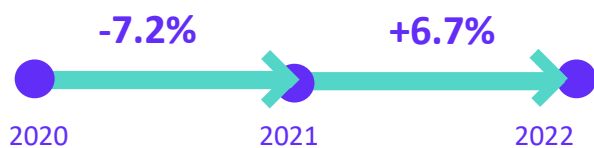
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Outlook

Over the 2020-2022 period, Belgian GDP is forecast to decrease by 0.9%, primarily due to subdued world trade growth resulting in weaker export performance and slower investment pace, partially offset by moderate domestic demand.

Belgian **GDP** is forecasted to decrease by 7.2% in 2020 and then increase by 6.7% in 2021, totalling EUR 411.8 billion in 2021.

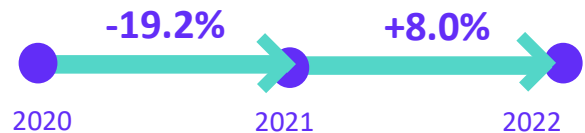
Expected GDP growth between 2020-2022



Likewise, the **volume index of production** in the broad construction sector is estimated to decline by 17.3 index points (ip) in 2020, mainly due to a 16.7 ip and 19.1 ip decline in the construction of buildings and civil engineering sub-sectors in 2020, respectively. In contrast, the volume index of production in the broad construction sector is expected to increase by 14.9 ip in 2021, mostly driven by a similar rise in the construction of buildings and civil engineering sub-sectors by 14.2 ip and 16.9 ip over the same period, respectively. Moreover, the **total value added of the broad construction sector** is expected to drop by 18.3% in 2020 before increasing by 9.8% in 2021. Likewise, the **turnover of the broad construction sector** is estimated to decline by 17.8% in 2020 and then rise by 11.7% in 2021.

Similarly, the **number of persons employed** in the broad construction sector is also expected to decrease by 19.2% to 411,595 in 2020 and later increase by 8.0%, reaching 444,518 in 2021. The major part of this decline in 2020 is anticipated to come from the manufacturing (-21.8%), the real estate activities (-21.2%) and the narrow construction (-18.9%) sub-sectors.

Number of persons employed in the broad construction sector between 2020 and 2022



The Belgian government is already implementing several measures to address the shortage of social **housing** stock in the country. The government has already approved the formulation of a new “**Housing Emergency Plan**” to provide affordable social housing to 15,000 households. The government is also leading the sustainable renovation of the existing housing stock in addition to the construction of 6,400 new units under the Regional Housing Plan and the Alliance Habitat.

With regards to **non-residential construction and infrastructure** investments, the country has numerous roads and railways development projects in the pipeline including the regional express network (RER) around Brussels, the second rail access to the port of Antwerp, modernisation of Brussels-Luxembourg track, etc. Moreover, in its federal rail investment strategy, Belgium has set out an investment plan totalling EUR 4.2 billion and EUR 1.2 billion under SNCB/Infrabel’s Multiannual Investment Plan 2018-2020 and Multiannual Strategic Investment Plan 2018-2031, respectively.

In conclusion, the Belgian broad construction sector is forecasted to witness a sharp deceleration in 2020, followed by moderate growth and a market correction from 2021 onwards. Despite the quick resumption of existing projects along with initiation of new construction assignments after the lockdown, the sector continues to face challenges in the existing economic environment.

References

- 1 Data for subsequent years unavailable
 2 Ibidem.
- 3 Please note that this 2019 data is a nowcast - please refer to the methodology notes for further details.
 4 Please note that the share of each sub-sector in the value added of the broad construction sector should not be compared to the shares of the Gross Value Added in the GDP, since the GDP also includes taxes and excludes subsidies.
 5 Please note that this 2019 data is a nowcast - please refer to the methodology notes for further details.
 6 Please note that the share of each sub-sector in the value added of the broad construction sector should not be compared to the shares of the Gross Value Added in the GDP, since the GDP also includes taxes and excludes subsidies.
 7 *Data for subsequent years unavailable*
 8 Data unavailable for the manufacturing and architectural and engineering activities in 2019.
 9 Apparent labour productivity refers to the gross value added per person employed
 10 No data available for 2010 for the productivity in the broad construction sector.
 11 No data available for subsequent years for the productivity in the broad construction sector.
 12 Ibidem.
 13 Please note that this 2019 data is a nowcast - please refer to the methodology notes for further details.
 14 Data for subsequent years unavailable
 15 The gross operating rate is the ratio of gross operating surplus to turnover, and is an indicator of profitability
 16 Ibidem.
 17 Data for subsequent years unavailable
 18 Ibidem.
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 32 European Commission, 2019 SBA Fact Sheet, Belgium, 2019.
 33 https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review_en
 34 Data for subsequent years unavailable
 35 Ibidem.
 36 Ibidem.
 37 Ibidem.
 According to Eurostat, construction services comprises Construction Abroad (code 250) and Construction in the Compiling Economy (code 251). They do not include architectural services, or engineering services.
 38 Data for subsequent years unavailable
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 42 As the EU-27 average data was not available, the EU-28 average was used for comparative purposes.
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