C/2026/3914

1.9.2026

COUNCIL RECOMMENDATION

of 10 July 2026

on the economic, social, employment, structural and budgetary policies of Belgium

(C/2026/3914)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 121(2) and 148(4) thereof,

Having regard to Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 ([1]), and in particular Article 3(3) thereof,

Having regard to Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances ([2]), and in particular Article 6(1) thereof,

Having regard to the recommendation of the European Commission,

Having regard to the resolutions of the European Parliament,

Having regard to the conclusions of the European Council,

Having regard to the opinion of the Employment Committee,

Having regard to the opinion of the Economic and Financial Committee,

Having regard to the opinion of the Social Protection Committee,

Having regard to the opinion of the Economic Policy Committee,

Whereas:

(1) Regulation (EU) 2024/1263 specifies the objectives of the economic governance framework, which aims at promoting sound and sustainable public finances, sustainable and inclusive growth and resilience through reforms and investments, as well as preventing excessive government deficits. The Regulation stipulates that the Council and the Commission conduct multilateral surveillance in the context of the European Semester in accordance with the objectives and requirements set out in the Treaty on the Functioning of the European Union (TFEU). The European Semester includes, in particular, the formulation and the surveillance of the implementation of country-specific recommendations.

(2) On 25 November 2025, on the basis of Regulation (EU) No 1176/2011, the Commission adopted the 2026 Alert Mechanism Report, in which it did not identify Belgium as one of the Member States for which an in-depth review would be needed. The Commission also adopted a recommendation for a Council recommendation on the economic policy of the euro area ([3]), a recommendation for a Council recommendation on human capital in the European Union, and a proposal for the 2026 Joint Employment Report, which analyses the implementation of the Employment Guidelines and the principles of the European Pillar of Social Rights. The Council adopted the Recommendation on the economic policy of the euro area ([4]) on 21 April 2026, and the Joint Employment Report, and the recommendation on human capital on 9 March 2026.

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

([2]) Regulation (EU) 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances (OJ L 306, 23.11.2011, p. 25, ELI: http://data.europa.eu/eli/reg/2011/1176/oj).

([3]) OJ C, C/2026/2434, 28.4.2026, ELI: http://data.europa.eu/eli/C/2026/2434/oj.

([4]) OJ C, C/2026/2434, 28.4.2026, ELI: http://data.europa.eu/eli/C/2026/2434/oj.

(3) On 29 January 2025, the Commission published the Competitiveness Compass, a strategic framework that aims to boost the Union's global competitiveness over the next five years. It identifies the three transformational imperatives of innovation, decarbonisation and competitiveness, and security as critical pillars for sustainable economic growth. Since its publication, the Competitiveness Compass has informed the work of the European Semester, ensuring that EU Member States' economic policies are consistent with the EU's strategic objectives, creating a unified approach to economic governance that fosters sustainable growth, innovation and resilience across the Union.

(4) In 2026, the European Semester for economic policy coordination continues to develop alongside the final stage of Recovery and Resilience Facility (RRF) implementation ([5]). Recovery and resilience plans (RRPs), along with cohesion policy funding, have been essential for delivering on the policy priorities under the European Semester, as the plans were required to effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations issued in recent cycles, and programmes funded by the European cohesion policy were required to take country-specific recommendations into account. As the RRF approaches the end of its lifetime, it remains essential to sustain and build on the reforms and investments supported and implemented under the RRF, in particular those that contribute to addressing challenges identified in the country-specific recommendations.

(5) On 3 June 2026, the Commission published the 2026 country report for Belgium. It assessed Belgium's progress in addressing the 2025 country-specific recommendations and took stock of Belgium's implementation of the RRP. On the basis of that analysis, the country report identified the most pressing challenges Belgium is facing. It also assessed Belgium's progress in implementing the European Pillar of Social Rights and in achieving the Union headline targets on employment, skills and poverty and social exclusion reduction, as well as progress in achieving the United Nations Sustainable Development Goals.

(6) On 20 June 2025, the Council, upon the assessment and recommendation of the Commission, adopted a Recommendation endorsing the national medium-term fiscal-structural plan of Belgium ([6]). The plan covers the period from 2025 until 2029 and presents a fiscal adjustment spread over seven years. The Council recommended the following maximum growth rates of net expenditure: 3,6 % in 2025, 2,5 % in 2026, 2,5 % in 2027, 2,1 % in 2028 and 2,1 % in 2029, which correspond to the maximum cumulative growth rates calculated by reference to the base year of 2024 of 3,6 % in 2025, 6,1 % in 2026, 8,8 % in 2027, 11,1 % in 2028 and 13,4 % in 2029. For the years 2025-2029, these maximum growth rates of net expenditure coincide with the corrective path, as recommended by the Council under Article 126(7) TFEU on 20 June 2025, with a view to bringing an end to the situation of an excessive deficit ([7]). Based on the Commission's assessment on effective action of 3 June 2026 ([8]), the excessive deficit procedure for Belgium is held in abeyance.

([5]) Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17, ELI: http://data.europa.eu/eli/reg/2021/241/oj).

([6]) Council Recommendation of 20 June 2025 endorsing the national medium-term fiscal-structural plan of Belgium (OJ C, C/2025/3698, 20.8.2025, ELI: http://data.europa.eu/eli/C/2025/3698/oj).

([7]) Council Recommendation with a view to bringing an end to the situation of an excessive deficit in Belgium, adopted on 20 June 2025. All documents related to the excessive deficit procedure of Belgium can be found at: https://economy-finance.ec.europa.eu/economic-governance-framework/stability-and-growth-pact/corrective-arm-excessive-deficit-procedure/excessive-deficit-procedures-overview/Belgium_en.

([8]) Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of Regions and the European Investment Bank, 2026 European Semester – Spring Package, COM(2026) 200 final.

(7) Russia's war of aggression against Ukraine and its repercussions constitute an existential challenge for the European Union. The Commission has invited Member States to request the activation of the national escape clause of the Stability and Growth Pact in a coordinated manner to support the EU efforts to achieve a rapid and significant increase in defence spending ([9]) and this proposal was welcomed by the European Council of 6 March 2025. Following the request of Belgium, on 8 July 2025 the Council, upon a recommendation from the Commission, adopted a Recommendation allowing Belgium to deviate from the recommended maximum growth rates of net expenditure ([10]). The period when the national escape clause is activated (2025-2028) allows Belgium to reprioritise government expenditure or increase government revenue so that lastingly higher defence expenditure would not endanger fiscal sustainability in the medium term.

(8) On 30 April 2026, Belgium submitted its 2026 Annual Progress Report ([11]) on adherence to the recommended maximum growth rates of net expenditure, the implementation of the set of reforms and investments underpinning the extension of the adjustment period and the implementation of reforms and investments responding to the main challenges identified in the European Semester country-specific recommendations. The Annual Progress Report also reflects Belgium's biannual reporting on the progress made in implementing its recovery and resilience plan in accordance with Article 27 of Regulation (EU) 2021/241. The report on action taken under the excessive deficit procedure is integrated in the Annual Progress Report.

(9) Real GDP growth in 2025 was 1,0 % and HICP inflation stood at 3,0 %. The Commission Spring 2026 Forecast projects real GDP to grow by 0,7 % in 2026 and 0,9 % in 2027, and HICP inflation to stand at 3,4 % in 2026 and 2,6 % in 2027.

(10) Based on data provided by Eurostat ([12]), Belgium's general government deficit increased from 4,4 % of GDP in 2024 to 5,2 % of GDP in 2025. The increase in the deficit in 2025 mainly reflects lower direct tax revenues, especially from corporations, and higher expenditure on defence. Based on policy measures known by the cut-off date of the forecast, the Commission Spring 2026 Forecast projects a deficit of 5,2 % of GDP in 2026 and of 5,4 % of GDP in 2027. Despite consolidation measures to contain current spending and a cumulative net expenditure growth below the recommended maximum, the deficit in 2026 is only expected to stabilise due to weak economic growth and increasing interest payments. The increase of the deficit in 2027 mainly reflects higher expenditure on defence and interest payments.

(11) Based on the Commission's estimates, the fiscal stance ([13]), which includes both nationally and EU financed expenditure, was contractionary, by 0,3 % of GDP, in 2025. It is projected to be contractionary in both 2026 and 2027, by 0,8 % and 0,6 % of GDP, respectively.

([9]) Communication from the Commission, 'Accommodating increased defence expenditure within the Stability and Growth Pact', Brussels, 19.3.2025, C(2025) 2000 final.

([10]) Council Recommendation of 8 July 2025 allowing Belgium to deviate from the maximum growth rates of net expenditure as set by the Council under Regulation (EU) 2024/1263 (Activation of the national escape clause) (OJ C, C/2025/3960, 20.8.2025, ELI: http://data.europa.eu/eli/C/2025/3960/oj).

([11]) The 2026 Annual Progress Reports are available on: https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/stability-and-growth-pact/preventive-arm/annual-progress-reports_en.

([12]) Eurostat-Euro Indicators, 22 April 2026.

([13]) The fiscal stance is defined as a measure of the annual change in the underlying budgetary position of the general government. It aims to assess the economic impulse stemming from fiscal policies, both those that are nationally financed and those that are financed by the EU budget. The fiscal stance is measured as the difference between (i) the medium-term potential growth and (ii) the change in primary expenditure net of discretionary revenue measures and including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other Union funds.

(12) Based on data provided by Eurostat ([14]), Belgium's general government debt increased from 103,9 % of GDP at the end of 2024 to 107,9 % of GDP at the end of 2025. The increase in the debt ratio in 2025 mainly reflects the high primary deficit (+ 2,9 pps.), a favourable snowball effect (- 1,3 pp.) and a debt-increasing stock-flow adjustment (+ 2,3 pps.). Based on policy measures known at the cut-off date of the forecast, the Commission Spring 2026 Forecast projects the debt-to-GDP ratio to increase to 110,5 % by the end of 2026 and further to 112,8 % by the end of 2027. The increase in the debt ratio in 2026 and 2027 mainly reflects the high primary deficits, while the favourable snowball effect and debt-increasing stock-flow adjustments offset each other.

(13) Based on Eurostat data ([15]), total general government defence expenditure in Belgium amounted to 1,4 % of GDP in 2025, corresponding to an increase of 0,5 percentage points of GDP compared to the reference year 2021. According to the Commission Spring 2026 Forecast, it is projected at 1,6 % of GDP in 2026, corresponding to an increase of 0,7 percentage points of GDP compared to 2021 ([16]).

(14) The Union continues to face risks of energy supply disruptions and elevated price volatility, exacerbated by geopolitical tensions which affect global oil and gas markets. Experience from the 2022–2023 energy crisis has shown that broad and untargeted measures entail large fiscal costs and are socially and economically inefficient. Since the outbreak of the war in the Middle East in February 2026, Belgium adopted fiscal policy measures to mitigate the impact of high energy prices on households ([17]). These include an untargeted measure to compensate for higher fuel costs via a tax credit for firms that increase their mileage allowance for employees and a targeted measure to compensate for higher heating costs of vulnerable households. These measures are expected to end by 1 July 2026. According to the Commission Spring 2026 forecast, the fiscal cost of these measures is projected to amount to less than 0,1 % of GDP in 2026, also if these measures were to be extended until the end of the year.

(15) Based on the Commission's calculations, net expenditure in Belgium grew by 3,7 % in 2025. The net expenditure growth in 2025 is above the recommended maximum growth rate, corresponding to a deviation of 0,1 % of GDP in annual terms. However, the deviation is within the flexibility of the national escape clause, taking into account the increase in defence spending.

(16) Based on the Commission's calculations, net expenditure in Belgium is projected to grow by 2,0 % in 2026, and 5,8 % cumulatively over 2025 and 2026. The projected net expenditure growth in 2026 is below the recommended maximum growth rate. When considering 2025 and 2026 together, the projected cumulative growth rate of net expenditure is also below the recommended maximum growth rate.

(17) The recommendation endorsing the medium-term plan of Belgium specifies the set of reforms and investments underpinning the extension of the adjustment period, together with a timeline for their implementation. Taking into account the information provided by Belgium in its Annual Progress Report, the Commission finds that the implementation of the key steps of these reforms and investments that were due by 30 April 2026 seems to be broadly on track. However, some reforms experienced a delay in implementation. Namely, the pension reform was adopted by the Parliament on 28 May 2026. The tax reforms, due in Q1-2026, have been partly implemented and the remaining parts are expected to be finalized by July 2026. The two reforms to improve the budgetary coordination between different levels of government, due in Q4-2025, have been largely agreed at government level and now need to be legislated, which is expected to be completed by the end of 2026. The Commission considers that, overall, Belgium has complied with its commitments in a satisfactory manner ([18]).

([14]) Eurostat-Euro Indicators, 22 April 2026.
([15]) Eurostat, government expenditure by classification of functions of government (COFOG).
([16]) The NATO defence spending definition differs from the COFOG defence definition. Furthermore, there could be differences due to the time of recording of expenditure, in particular military equipment, as the NATO reporting does not follow national accounts rules for the time of recording.
([17]) This reflects the situation at the cut-off date of the Commission's Spring 2026 Forecast (4 May 2026).
([18]) Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of Regions and the European Investment Bank, 2026 European Semester – Spring Package, COM(2026) 200 final.

(18) Belgium faces high fiscal sustainability risks in the medium term and the long term. A comprehensive fiscal strategy is needed to bring public debt on a downward path, while pursuing reforms to strengthen potential growth. Public spending in Belgium stood at 54,2 % of GDP in 2025, among the highest in the EU. Persistently high public expenditure in Belgium, requiring a high overall tax burden, weighs on economic efficiency. Policy action is fragmented across the several government levels (municipalities, provinces, regions and communities, federal level) in Belgium. Their coexistence involves a complex distribution of competences and a risk of duplication, leading to redundant administrative costs, without necessarily improving the quality of public services provided. A lack of effective inter-federal coordination complicates the delivery of certain policies and reforms, leads to inefficiencies in public investment management. As a result, sustainable public finances in Belgium call for decisive action on public spending, in terms of its level, composition and overall efficiency. While the introduction of spending reviews at federal and federated entity level (regions and communities) is a first step to enhance the quality of public spending, further action is needed to channel public resources to more growth-friendly policies. Streamlining government structures, clarifying competences and reinforcing inter-federal coordination could contribute to greater economic efficiency, while providing fiscal space.

(19) According to the Commission's 2024 Ageing Report ([19]), pensions and long-term care expenditure are the main drivers of a projected increase in ageing-related spending of around 5 pps of GDP by 2070, substantially higher than the EU average of 1,4 pps. The ongoing pension reform is expected to reduce the projected increase in pension expenditure by 1,6 pps between 2024 and 2070. However, Belgium would remain one of the countries with the highest public spending on long-term care in the EU, amounting to 2,3 % of GDP in 2022 (EU average 1,7 %). By 2070, long-term care expenditure is projected to increase by 1,7 percentage points of GDP, against an EU average increase of 0,8 percentage points, contributing to increase long-term fiscal sustainability risks. Available data suggest that the share of individuals who are independent or mildly dependent on care and living in residential care facilities was high in the Brussels Region and Wallonia, although it has been decreasing over the last decade. Regions are taking measures to make the use of the different care settings more cost-efficient, although most measures are limited in scope or at an early stage. This suggests room to further improve the cost-efficiency of care, including by strengthening measures to discourage overuse of residential care and improving community-based services.

(20) The systematic, meaningful and timely involvement of local and regional authorities, social partners, civil society and other relevant stakeholders remains essential in order to ensure broad ownership for the successful implementation of the Union's funding instruments, as well as in the context of the European Semester.

(21) The implementation of cohesion policy programmes, which encompass the European Regional Development Fund (ERDF), the Just Transition Fund (JTF) and the European Social Fund Plus (ESF+) in Belgium, has been progressing well especially in terms of project selection. However, it is important to step up efforts to ensure the swift delivery of selected projects, notably to accelerate spending at the beneficiary level, while maximising their impact on the ground. Belgium is already taking action under its cohesion policy programmes to boost competitiveness and growth. At the same time, Belgium needs to accelerate the implementation of the JTF as resources are due for disbursement by the end of 2026. It is essential to ensure that the new investments identified by Belgium in its mid-term review of the cohesion policy funds, notably those linked to the five priorities identified in the Mid-Term Review Regulation ([20]), are deployed rapidly and effectively.

([19]) European Commission and Economic Policy Committee, 2024 Ageing report, available at: https://economy-finance.ec.europa.eu/publications/2024-ageing-report-economic-and-budgetary-projections-eu-member-states-2022-2070_en.

([20]) Regulation (EU) 2025/1914 of the European Parliament and of the Council of 18 September 2025 amending Regulations (EU) 2021/1058 and (EU) 2021/1056 as regards specific measures to address strategic challenges in the context of the mid-term review.

(22) Belgium faces several challenges related to innovation, the business environment, the regulatory and administrative burden and complexity, regulatory restrictions in the service sector, the decarbonisation of industry and transport, the roll-out of renewables, fossil fuel subsidies, water quality and excessive nitrogen deposition, labour shortages and skills mismatches, the integration of disadvantaged groups into the labour market, the education system and the teaching profession.

(23) Despite simplification initiatives taken by all levels of government, a high regulatory burden and a high level of administrative complexity continue to impair Belgium's business environment. Moreover, a more systematic use of impact assessments and a better access to data would improve the quality of policy making. The administrative burden on firms is heavy, particularly regarding employment regulation, social security and operational costs. Companies that need to manage multiple regional systems or need to obtain business permits for the development of their activity face significant constraints. Permits are handled by federal, regional, and local authorities, which makes the process complex, fragmented, and costly. This is particularly the case for building permits, negatively impacting the construction sector and leading to housing shortages and delays in infrastructure projects. The lack of resources and inefficiency of the justice system which translates in chronic backlog and slow procedures also continues to challenge the business sector. Moreover, restrictions in some regulated professions remain high, which could hinder cross-border business activity or create entry barriers for firms. Strict regulations or other barriers to entry also apply for cross-border provision of services, like the retail sector and in the energy sector, which may limit competition.

(24) Belgium has one of the lowest levels of business dynamism in the EU ([21]). While the share of new firms in Belgium is on par with neighbouring countries, the share of high-growth businesses (scale-ups) is well below the EU average (0,25 % vs 0,79 %). Barriers that prevent Belgian start-ups from scaling up include high labour costs and size-dependent tax relief ([22]). Among those, the first-hire subsidy was found not to be effective to boost sustainable job creation and special tax features for small and medium-sized enterprises (SMEs) (e.g. reduced corporate income tax rate) were found to encourage entrepreneurs to incorporate and convert labour income into capital income ('management companies'). Difficult access to finance during the scale-up phase may also prevent businesses from growing. This is particularly the case as markets for venture and growth capital are not broadly developed. Harmonising tax rules for all investment types (including for immovable property investments, pension products, savings accounts, securities accounts) could incentivise equity investments.

(25) Although Belgium ranks as one of the EU's innovation leaders and has a high level of R&D intensity (3,36 % of GDP in 2024, among the highest in the EU), Belgian R&D activity is concentrated in a few industries and large companies, with several barriers hindering the diffusion of innovation throughout the economy. Moreover, in Wallonia the impact of R&D investment on employment and the economy remains limited due to fragmented business support and insufficient economic diversification, although some ongoing reforms may reverse the trend. High levels of R&D tax relief fail to reach companies with the highest growth potential. Stronger performance in innovation and sustained productivity growth would require increasing the spread of innovation across sectors and firms. Studies ([23]) show that there is scope for improving the efficiency and effectiveness of public support for research and innovation, in particular in avoiding crowding-out effects and in better allocating resources to high-growth businesses. Moreover, the low rate of job mobility in Belgium, which may be due to factors such as high seniority pay and low pay transparency, also limits the spread of innovation to the rest of the economy.

([21]) National Bank of Belgium, Competitiveness scoreboard indicators, 2024 report.
([22]) Bijnens, G. (2025) Reigniting growth: trends and challenges for business dynamism in Belgium. NBB Economic Review.
([23]) OECD (2021a) R&D Tax Incentives: Belgium, 2020. Schoonackers, R. (2020) Tax incentives for R&D: Are they effective? NBB Economic Review and OECD (2024), OECD Economic Surveys: Belgium 2024.

(26) While low-carbon electricity supply (nuclear and renewables) continues to increase, Belgium remains highly dependent on fossil fuel imports (67,1 % of Belgium's energy mix). Energy efficiency improvements were insufficient in 2024 to continue the downward trend of Belgium's final energy consumption observed since 2019. This is mainly due to the increasing energy consumption and emissions of the transport sector. More ambitious policy action is also needed to decarbonise the building stock, including social housing, which accounts for 33 % of national energy consumption. Renovation measures made residential energy consumption fall, but not enough to meet long-term renovation targets.

(27) High electricity costs hinder the further decarbonisation of the economy and in particular the manufacturing sector. After taxes and levies ([24]), electricity costs almost four times more per unit than gas for industries, which is one of the highest ratios in the EU and hinders the switch from fossil fuels to electricity. While the government plans to lower excise duties on electricity, effective policy action is needed to incentivise industries to shift to cleaner energy. Carbon contracts for difference and green public procurement could contribute to derisking investment and further incentivize industries to decarbonise. Fostering circular economy practices could also help reduce industrial energy demand and dependency on imports of critical raw materials. Moreover, investing in energy infrastructure and low-carbon technologies would support the decarbonisation of carbon-intensive and hard-to-abate industries, notably in Wallonia and in Flanders, including around the port of Antwerp, while preserving competitiveness.

(28) The roll-out of renewables in Belgium, although reaching a record of 34,7 % of electricity generation in 2025, is still held back by insufficient grid capacity, which became the main challenge in Belgium's energy transition. While several infrastructure projects are planned to reinforce the electricity grid, progress on key connections is slow, particularly due to stalled decision-making in Wallonia and permitting issues. Accelerating the upgrade of grid infrastructure and speeding up permit-granting procedures would promote the deployment of renewables. In addition, adjusting legal frameworks to boost investment in electricity storage and demand-side response, and facilitating energy sharing by incentivizing smart meter deployment in Brussels and Wallonia, could increase the flexibility of energy consumption and entail energy efficiency gains.

(29) Belgium's rising final energy consumption is mainly due to the increasing energy consumption and emissions of the transport sector, in particular of international aviation, maritime and road freight sectors ([25]). Rail transport remains an insufficiently attractive option, both for passenger and freight transport, and the number of passenger cars has steadily increased leading to high congestion costs. The share of electric cars of total car sales has recently plateaued, possibly due to the lack of charging infrastructure in Wallonia. Stepping up energy efficiency improvements, supporting electrification and the production and deployment of sustainable fuels for aviation and maritime sectors, could accelerate the decarbonisation of the transport sector. Moreover, differentiated road charging for all types of vehicles, further investment in public transport – beyond investments included in Belgium's Recovery and Resilience Plan – and promoting car sharing and active mobility would make transport more sustainable.

([24]) Taxes and levies cover value added taxes, excise duties, federal energy contribution, offshore surcharge, charges linked to security of supply and capacity mechanisms, green certificates, CHP levies, public service obligation charges, renewable support levies, social tariff financing, energy efficiency oblitation costs.

([25]) EU transport in figures: Statistical pocketbook 2024.

(30) The Belgian authorities ([26]) estimated federal direct fossil fuel subsidies to amount to 2,4 % of GDP in 2022, of which many without phase-out plan before 2030. In particular, fossil fuel subsidies that neither tackle energy poverty in a targeted way nor genuine energy security concerns, hinder electrification and are not crucial to industrial competitiveness, could be considered a phase-out priority. Fossil fuel subsidies such as reduced excise duties on professional diesel, company fuel cards and reduced VAT on gas are economically inefficient and perpetuate reliance on fossil fuels. Reduced excise duties on heating oil and gas lower their cost compared to electricity, which hinders the switch to greener heating systems and holds back the energy renovation of buildings. Since Belgium risks failing to meet its renovation and energy efficiency targets for 2030, stepping up investment in energy renovations and complementing investment with policy reforms to shift the incentives to energy renovation and low-carbon heating solutions – while safeguarding equity – would help accelerate the energy transition. While a shift from excise duties from electricity to fossil fuels for households has been announced, it is uncertain if this shift will be sufficient to change the relative prices of electricity and fossil fuels quickly enough to meet the 2030 targets.

(31) Water quality and nature degradation are a challenge, as most water bodies in Belgium are affected by diffuse pollution sources. Intensive agriculture, in particular livestock farming, releases large volumes of air, soil and water pollutants. While measures were taken electricity production, the metal sector and chemicals production also continue to cause pollution. Declining levels of biodiversity put at risk economic sectors that are highly dependent on ecosystem services. Nature-based solutions are key to building climate resilience and to shielding the economy from the impacts of extreme weather events. While the Flemish government adopted a revised seventh nitrates action programme, further action is needed to reduce excessive nitrogen depositions and to make farming more sustainable.

(32) Belgium has a low employment rate (72,8 % against 76,1 % in the EU on average) and employment rates vary greatly between regions. The labour market participation of disadvantaged groups, i.e. people with a migrant background, a low-education level, older people and people with disabilities is low. In 2025 Belgium has adopted major labour market reforms, including restricting the duration of unemployment benefits to two years. However, their impact will depend on the effectiveness of accompanying labour activation policies. Moreover, there is scope to improve the effectiveness of measures to help integrate disadvantaged groups into the labour market and to improve the efficiency of regional public employment services. This should also help tackle the high rate of persons in (quasi-) jobless households and address differences in labour market outcomes across regions and groups. At the same time, although steadily declining over 2025, the job vacancy rate in Belgium remains firmly above the EU average (3,8 % against 2,1 % in 2025). Labour and skills shortages remain particularly high in the services sector, as well as in professional, scientific and technical sectors, and sectors like healthcare, construction and ICT, all of which are important for future competitiveness, including the green and digital transition. Upskilling and reskilling could reduce skills mismatches, but adult participation in education or training is low (AES: 34,9 % in 2022; EU: 39,5 %), in particular in disadvantaged groups.

(33) In light of the crucial role of human capital in enhancing the Union's competitiveness and strategic autonomy, in 2026 the Council recommended that Member States take action to urgently address human capital-related structural challenges in the areas of skills, education and training, which hamper competitiveness. The 2026 country-specific recommendations addressed to Belgium can contribute to the implementation of the Council Recommendation on human capital in the Union.

([26]) FPS Finance (2024), Inventory of federal fossil-fuel subsidies.

(34) Children and young people's educational performance in basic skills (literacy, mathematics and science) in all three Communities (Flemish, French and German) is on a long-term decline, as evidenced by international assessments. While the Flemish and French Communities are implementing large-scale curricula reforms focusing on basic skills, educational gaps related to socio-economic and migration status persist and are exacerbated by early streaming into different educational tracks and grade repetition. Increasing work-based learning could improve labour market relevance of medium-level vocational education and training (VET). Increasing enrolment in science, technology, engineering and mathematics (STEM) and information and communications technology (ICT) fields at all levels, in particular of female students, could contribute to meeting labour market demand. Measures to address teacher shortages are being implemented, but teachers in Belgium continue to face barriers to engage in impactful professional learning and feel undervalued by society. Public spending on education is one of the highest in the EU, representing 4,4 % of GDP for pre-primary, primary and secondary education. This may be related to lower student-to-teacher ratios in each Community and by a comparatively higher level of grade repetition and a relatively lower statutory teaching time. ([27]) Tackling the segmentation of the education system may increase spending efficiency and address structural challenges.

(35) In view of the close interlinkages between the economies of euro-area Member States and their collective contribution to the functioning of the economic and monetary union, in 2026 the Council recommended that the euro-area Member States take action, including through their RRPs, to implement the 2026 Recommendation on the economic policy of the euro area. For Belgium, the recommendations (1) helps implement the first and the second recommendation on the euro area, recommendation (2) helps implement the fourth recommendation on the euro area, recommendation (3) helps implement the seventh and nineth recommendations on the euro area, recommendation (4) helps implement the seventh recommendation on the euro area and the recommendation (5) help implement the fifth recommendation on the euro area.

HEREBY RECOMMENDS that Belgium take action in 2026 and 2027 to:

1. Continue adhering to the maximum growth rates of net expenditure recommended by the Council on 20 June 2025, with a view to bringing an end to the situation of an excessive deficit, while making use of the flexibility under the national escape clause activated by the Council. Reinforce overall defence and security spending and readiness, while ensuring debt sustainability and spending efficiency, as well as gradually adapting the budget to sustain structurally higher defence spending. Ensure that measures taken to mitigate the impact of the hike in energy prices are temporary, targeted at protecting vulnerable households or at addressing the needs of energy-intensive firms, preserve incentives for energy savings and that their fiscal cost is compatible with the commitments under the EU fiscal framework. Continue to implement the set of reforms and investments underpinning the extended adjustment period as recommended by the Council on 20 June 2025. Improve the efficiency of public spending, streamline government structures and reinforce inter-federal coordination. Make the long-term care system more cost-effective, while keeping access to care and services affordable.

2. Ensure continuity of reforms and investments implemented under the Recovery and Resilience Facility. Step up efforts to implement cohesion policy programmes building, where appropriate, on the reallocation to strategic priorities agreed in the context of the mid-term review and the flexibilities provided in the cohesion policy framework available.

3. Simplify and improve regulation, reduce administrative burden, including by streamlining permitting procedures and by removing regulatory barriers in services, to improve the business environment and business dynamics, while addressing regional challenges. Increase innovation diffusion, by targeting R&D public support to companies with the highest growth potential and by fostering the job mobility of workers, and facilitate access to finance for scale-ups.

([27]) OECD (2024), *Education at a Glance 2024: OECD Indicators*, OECD Publishing, Paris, How much time do teachers spend teaching and working?: Education at a Glance 2024 | OECD.

4. Reduce overall reliance on fossil fuels, including by improving energy efficiency of buildings and by further incentivising industry to decarbonise. Take measures to increase the use and supply of sustainable transport and tackle road congestion. Accelerate the upgrade of grid infrastructure and the roll-out of renewable energies, by further streamlining permitting procedures, while addressing regional challenges, and promote demand-side flexibility and storage. Phase out fossil fuel subsidies, in particular in the transport and heating sector, including by shifting excise duties from electricity to fossil fuels. Take further action on sustainable agriculture by improving water quality and by reducing excessive nitrogen deposition.

5. Address labour shortages and skills mismatches. Strengthen the effectiveness and targeting of active labour market policies to further integrate disadvantaged groups into the labour market and to address regional disparities. Improve the performance and equity of the education and training systems and enhance their labour market relevance, in particular in ICT and STEM fields. Continue reforms to strengthen the teaching profession by developing more flexible and attractive career paths and training for teachers.

Done at Brussels, 10 July 2026.

For the Council

The President

S. HARRIS