# European semester – The N-VA's vision in terms of content

## Introduction

The N-VA is having a very difficult time with the fact that the "*regering van lopende zaken*" (the departing "current affairs" government, with just 30 of the 88 Flemish seats in the Federal Parliament) is planning to submit a multi-annual budget to the European Commission by no later than the end of April without consulting the largest political party in Flanders/Belgium and even without the intention of asking for approval of the budget in Parliament. This "multi-annual budget" is part of the new "European semester", which is actually more comprehensive than a mere multi-annual budget.

### Why a European semester?

The financial crisis hit Europe hard. In addition, it appears that some countries in the euro area are not very disciplined in terms of budgets. This is bringing the euro and the currency union in danger, which has potentially dramatic consequences for the entire European economy. The understanding that the currency union must therefore also be supported by an economic union has been gradually growing. This is not limited to controlling free market forces, but will also from now on be placing strict rules on budgetary and macro-economic policy so that the various euro countries can grow closer to one another and so that disastrous debt crises like the ones in Greece and Portugal can be avoided.

### What is a European semester?

1. A new budgetary framework for the Member States with increased focus on debt reduction, pressure to decrease the government deficit and improved enforcement with a strict sanctions system.
2. The new EU 2020 strategy for social-economic reforms and with a view to smart, sustainable, inclusive growth.

### Why is this called the "European semester"?

- The European Commission analyses the European economy in January, listing all the constraints and indicating issues that the Member States must give priority to in the coming year.
- After discussions at the Council of Ministers level and in the European Parliament, the traditional Spring Summit approves these policy priorities. This is what took place this year at the recent Summit on 24 March 2011.

- Immediately thereafter, the Member States must, by the end of April, submit a Stability Programme (for the budget component) and a Reform Programme to the Commission.
- In June, the Commission will publish specific country recommendations based on an analysis of the submitted programmes, which will be validated at the Summit in June.
- The "European semester" ends at the start of the summer and the countries can complete and implement their budget and policy cycles.

**Why is this European semester so important?**

1. The "current affairs" government is establishing the major lines of the budgetary policy for the coming four years via the Stability and Growth Pact. The government will also be establishing a number of especially ambitious policy objectives via the Reform Programme, and will therefore determine to a great extent the outlines of the social-economic policy for the coming four years. It should be obvious that this is not a "current affair" and that the current government cannot just do as it pleases. Should it still do this, then it must have the democratic decency to request the Parliament's trust and ensure that it is a fully-fledged government.

2. Europe is becoming increasingly stricter. One can no longer get away with just a few vaguely formulated objectives that can then simply be ignored, as has so often been the case in the past. Europe will issue public reprimands and even impose sanctions (of more than EUR 700 million) upon us if we do not sufficiently comply with the formulated requirements. The financial markets can also challenge us if our submitted plans lack credibility. That is why it is so astonishing to hear the flippancy in the statements made by some of the people in the current "majority". ("*It's just a few objectives. We'll just adapt them once there's a new government.*")

3. Lastly, this is also very important for politics within Belgium and the distribution of expenses among, on the one hand, the federal level and, on the other, the various federal states (and local administrations). A great many discussions in the context of this European semester are laced with inter-Community issues. This is probably also why the Leterme government wants to keep the N-VA out of this. He apparently prefers to deal with the PS instead of with the N-VA in this case. This is causing us a great deal of concern with regard to the final result.

4. The N-VA is partially involved through its ministers in the Flemish Government because the Reform Programme concerns competences that are often the remit of the federated entities (such as education and R&D). The Flemish Government reached an agreement upon the interpretations of these objectives a few weeks ago, with the N-VA's full support. Unfortunately, people won't listen to us when it comes to federal policy. But this doesn't

stop us from already deciding for ourselves how we're going to think about it. We could then compare our ideas with what the Leterme government will soon be concocting.

**Part I: Stability Pact**

What does Europe say?

- Reduce the budget deficit to less than 3% of the GDP (with balance as the permanent objective; margin of 3% is only for anti-cyclical policy, not for structural deficit)
- Rises in expenditures may not exceed the economic growth of the GDP
- Reduce the national debt to less than 60% of GDP
- Countries with excessive national debt must eliminate 1/20$^{th}$ of the difference by 60% every year: for Belgium, this means a debt reduction of approximately EUR 20 billion in the next 3 years!
- Naming and shaming countries that find themselves in the danger zone (with the risk of the financial markets reacting). It is primarily the countries with excessive debts that will be closely monitored and which will be expected to make the greatest efforts in the coming years ("frontloading" principal)
- As from 2014, sanctions of 0.2% of GDP are possible if the objectives are not complied with (this would mean approximately EUR 700 million for Belgium)
- The other macro-economic inequalities must also be dealt with (trade balance, competitiveness, current accounts, etc.)

What is Belgium doing?

- The Leterme government especially prides itself on favourable figures in the budget deficit with which it *stabilises* the debt ratio, while Europe more strongly emphasises the *reduction* of the national debt. As far as debt is concerned, only Greece and Italy are doing worse than Belgium. And when there is occasional unease on the financial markets, it is initially due to the excessive national debt. Yesterday was the first time that Leterme spoke about debt reduction. Moving an objective up the agenda is one thing, but explaining how you are going to achieve this is something completely different. Leterme says that he is "simply" adopting the recommendations made by the "Hoge Raad voor Financiën" (HRF - High Council of Finances). In no way is this politically neutral, however: see below.

- 2011 Budget
    - The Leterme government benefitted, both in 2010 and 2011, from the improved economic market trend (increased tax yields) and the still low interest on debt.
    - The expenditures have still continued to rise ever higher and even faster than economic growth. There was even apparently some extra room for a number of social gifts.

- Saving money is supposedly difficult in current affairs, but making extra expenditures is apparently still okay.

The objective is to limit the budget deficit to 2.8% in 2012, and to reach a budgetary balance in 2015 => BUT: the High Council of Finances (HRF) is based on an entity I[1] deficit of 1% in 2015 and an entity II[2] surplus of 1.2%. Furthermore, the HRF states that entity II must put in almost as much effort (1.5%) in terms of the primary balance (without interest charges) as entity I (1.7%)! This must be done while entity II only makes up a third of the total public sector. A further 80% of the efforts made within entity II are by Flanders. In 2015, the HRF is requesting a Flemish surplus of approximately EUR 2.5 billion euros, while it is allowing Brussels to still register a deficit of EUR 200 million.

The distribution of efforts to be made within Belgium was therefore incorrectly calculated by the HRF and is totally unacceptable to the N-VA. The real debate isn't about which objective we bring to the fore with regard to Europe because that is what Europe is dictating to us. The real debate is about the internal distribution of costs within Belgium. And that is what Leterme is not discussing in any language, while there is a tacit plea for inroads to be made in the Flemish budget.

- The necessary reorganisation is partly placed on the federated entities and the local administrations (see also Central Planning Bureau document with the 80/20 rule):
  - Unfair: historically, it has always been the federal level that has lived above its means
  - Unwise: precisely those competences (infrastructure, education, R&D, energy, employment, entrepreneurship, etc.), in which we must intelligently invest are at federated entity level, while it is precisely those spending competences that, according to Europe, must be cut back for savings at the federal level.

- The current affairs government can go to the Parliament with urgent problems (IPA, 2011 budget, Libya). To date, the N-VA has always taken a constructive position in this regard. However, we have noted the Leterme government does NOT want to go to the Parliament with the multi-annual budget. Does this mean that general parliamentary support isn't required for a thorough reorganisation plan up to 2015? Nevertheless, Europe still expects a serious plan. If this is not given a powerful interpretation, then Belgium risks strict reprimands when the EU formulates its recommendations in June, with possible consequences for the financial markets.

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[1] Entity I = federal government + social security

[2] Entity II = Regions, Communities, Provinces and Municipalities

What does the N-VA want?

1. We are surprised at the way in which the Leterme government is trying to minimise the European semester and its impact on Belgium. This time, it's serious in Europe. We at the N-VA are rejoicing at Europe's stricter approach. This external pressure is, in this country, often the only way to seriously reorganise and implement a number of reforms. Much of what Europe recommends, as it happens, dovetails nicely with the N-VA's programme (see e.g. the provisions of the 2011 European Growth Analysis and the Euro Plus Pact 2020).

2. Don't look for cheap success by only focussing on the budget deficit. The fact that this deficit is not increasing and is lower than that in many other countries should be obvious when you're the country with the 3rd highest rate of debt in all of Europe. Reducing the national debt must then also be the number one priority. And this will require radical reforms, especially considering the increasingly higher costs of aging, for which this country is insufficiently prepared. Europe is requiring that we reduce 1/20th of the national debt that is higher than the allowable 60% every year: this must be the most important key objective. The population knows that savings cuts are coming and that there is pressure from Europe. This momentum must be seized in order to quickly and structurally implement the much-needed measures.

3. For the N-VA, it is essential that a collaboration agreement is once again reached between the various governments in this country, in which they ALL commit to bringing the budget into balance as quickly as possible, and by 2015 at the latest. The federal budget cannot be overlooked in this regard either. The brightest kid in the class (Flanders) cannot become the victim of an irresponsible expenditure policy implemented by the other governments within Belgium. Registering surpluses in order to allow other governments to throw away money is not an option.

4. If Flanders, thanks to the enormous savings that it has made in recent years (8% of the total Flemish budget), can get an additional budgetary margin in the near future, then this must be used for intelligent investments in economic growth. The federated entities are the level par excellence in which investments should be made, in infrastructure, R&D and innovation, education, renewable energy, etc. If we do not invest in these areas, then we are doing the exact opposite of what Europe has advised.

5. As far as the N-VA is concerned, the reorganisation operation must focus on the expenditures side. Given the already exorbitant tax pressure, it is not acceptable to go looking for new sources of income. As soon as a budgetary equilibrium has been reached, ALL governments

within this country must additionally insure that their expenditures do not grow more quickly than inflation.

6. Europe is also requesting that we reduce macro-economic imbalances. Most notable in Belgium is how our trade performances have experienced a structural decline (despite a slight increase over the past two years). The N-VA wants to strengthen the export position of our companies by primarily reducing our high labour costs handicap in comparison to our neighbouring countries. Despite the law on competitiveness, our salaries have increased by more than 5% since 1997 in comparison to our neighbouring countries (on top of the already existing handicap). Therefore, the message is to reduce the costs for labour and to moderate wages. Otherwise, we risk pricing our jobs out of the market, with an increased unemployment rate as a result.

7. If ALL governments must break even by 2015, then this not only applies to the federated entities and the federal level, but to the local administrations as well, in all the Regions! There are currently no figures to indicate that the local administrations in Flanders are experiencing a deficit, despite the suggestive statements made by certain people in this respect. Whether or not this is the same for the local administrations in Brussels and Wallonia still remains to be seen. The N-VA is therefore requesting a breakdown of figures for the local administrations by Region; this is the only way that every competent government can effectively play its role. Furthermore, the ESA[3] approach may not result in local investments being compromised. The calculation and standardisation of the ESA accounts receivable balance for the local administrations must also be done by region (and not for every individual municipality/city) and per municipal term (and not annually).

8. An institution must be appointed for the permanent monitoring of the measures and results for all governments within Belgium with a view to achieving the agreed upon objectives. This must be an institution in which all governments are fully represented. The HRF is probably the most appropriate organisation, considering that it was already thoroughly reformed during the 1988 federal reform and by the Special Financing Law of January 1989, granting it a limited delegation of the federated entities.

[3] ESA: European System of Accounts

**Part II: EU 2020 Reform Programme**

According to the current state of affairs, the target figures are presently distributed within Belgium as follows (although negotiations are still underway):

| | EU target for 2020 | BE target for 2020 | Flemish target for 2020 | Flanders (now) |
|---|---|---|---|---|
| Employment | 75% | 73.2% | 76% | 71.8% (2010) |
| R&D | 3% | 3% | 3% | 2.12% (2010) |
| Emissions | -20% | -15% (non-ETS compared to 2005) | - | |
| Renewable energy | 20% | 13% | - | 2.9% in final usage (2009) |
| Energy efficiency | 20% | 18% | At least 9% lower in 2016 | |
| Early school leavers | 10% | 9.5% | 5.2% | 8.6% (2009) |
| Tertiary education | 40% | 47% | 47.8% | 43.1% (2009) |
| Poverty | -20 million | -380,000 | -280,000 (-30%) | 14.7% (2009) |

**Employment**

What does Europe say?

- General objective
  - 75% of people between the ages of 20 and 64 must be employed by 2020
- 2011 Growth Survey – priority actions
  - Promote wage moderation
  - Revise indexation clauses
  - Reduce labour costs
  - Increase the retirement age and decrease early retirement
  - Review unemployment benefits, prevent benefit dependency, make it temporary, and conditionally link to training and job searching
  - Combining flexibility and security ("flexicurity")

- The European Commission has criticised the draft of the Belgian Reform Programme concerning employment as being "much too vague and too informal". For example, the Commission requires that our labour tax be reduced and accuses Belgium of having unemployment benefits that have remained at the same level for much too long.

What is Belgium doing?

- In the Belgian Reform Programme draft, the Leterme government has put forward an objective within a range of 71 to 74% in 2020. This kept it below the European objective and made Belgium, ahead of a few countries including Malta and Italy, one of the poorest pupils in the European classroom (least ambition).

- Milquet wants to include a slightly more ambitious objective in the final revision programme, i.e. 73.2% by 2020. According to the National Bank, this would mean an objective of 76% for Flanders, 70% for Wallonia and 68.5% for Brussels. This still keeps us below the European objective, but is still very ambitious with regard to the current situation. Milquet has not, however, received agreements from all of the federated entities. To date, Brussels and Wallonia have refused to relinquish even one objective. Worse still, they are refusing to even include the Flemish objective.

- As concerns the priority actions of the EU:
    - Wage moderation:
        - The Government will keep the automatic indexation of +0.3% of the free pay range in the IPA. In practice, this means at least a 4.2% salary increase in 2011-2012 (and probably even higher considering the current inflation expectations), potentially the highest salary increase in relation to all of our neighbouring countries.
    - Revision of indexation clauses:
        - The Government is not making any changes to the indexation and admits to the unions that it is not even ordering studies on this.
    - Reduction of labour costs:
        - The Government has money for social gifts, but not for the reduction of costs that would create jobs.
    - Increase of the retirement age and decrease of early retirement:
        - Using the IPA, the Government is extending a number of forms of early pre-pension schemes by 2 years and the federal activation policy remains restricted to job applicants under the age of 50 (while Flanders is gradually increasing this to 58).

- Review of unemployment benefits, prevention of benefit dependency, making it temporary, and conditionally linking to training and job searching
  - The Government is not making any changes in this regard: Belgium remains the only country in the world with an unlimited duration for receiving unemployment benefits.
- Combining flexibility and security ("flexicurity"):
  - The Government is unilaterally emphasising in the IPA the increase of social protection and not giving enough attention to the need for more flexibility, upon request from both employees and employers; furthermore, dismissal still remains too expensive and there is no impetus for a new career model that includes stimuli for outplacement or training.

What does the N-VA want?

1. We actually feel that the Belgian objective of 73.2% is too low, but given the actual figures in Brussels and Wallonia, we are prepared to accept this objective, on the condition that Brussels and Wallonia commit to effectively achieving 68.5% and 70% respectively. In other words: the 73.2% will not be achieved because Flanders would be given an even higher objective of 76%.

2. The N-VA believes that Flanders must dare to be ambitious and resolutely begin working towards a higher employment level. This is why we are accepting the objective of 76% (with reference to 72.2% in 2010), whereby we are putting in more effort than Europe is actually requesting from us. This must be possible by ambitiously proceeding with the policy from Flemish Minister Muyters, particularly with a view to the employment of older people.

3. The European Commission rightly warns that Flanders can only intervene using a "carrot" (supervision and training of job applicants), and not the "stick" (stricter supervision of the conditions for benefits, time limits, sanctions of refusal to work, etc.). The N-VA will therefore continue to advocate explicitly for the further regionalisation of the Belgian labour market policy.

4. As concerns the priority actions of the EU, we note that what Europe is requesting is very similar to the N-VA's social-economic programme:
   - Wage moderation:
     - The N-VA demands strict compliance with the 1996 law on competitiveness until our salaries are once more at the level of our neighbouring countries.

- The N-VA wants the government to take corrective macro-economic measures if the basic-wage rate is exceeded (e.g. sectoral CLAs that do not respect the basic-wage rate, do not make a binding declaration).

- Revision of indexation clauses:
  - The N-VA wants the upcoming government to develop an “intelligent” salary indexation in order to protect our competitiveness.
- Reduce labour costs:
  - The N-VA wants free space to be generated by limiting expenditures and any higher than expected economic growth to be partly invested in a reduction of the labour costs, particularly for the lowest wage brackets (job effect).
  - The N-VA no longer wants to finance the child allowance and health care with contributions levied on the income from employment.
- Increase the retirement age and decrease early retirement:
  - The N-VA wants the effective retirement age (currently 60 years old) to be raised to (approximately) 65 years of age. Thus not an increase of the official retirement age to 67, but rather an effective career of 40 to 45 years.
  - All (early) pre-pension schemes must be gradually phased out with respect for the acquired rights.
- Review of unemployment benefits, prevention of benefit dependency, making it temporary, and conditionally linking to training and job searching
  - The N-VA wants increased benefits, but that are degressive in nature and for a limited period (2 years).
  - In order to better align the rights and obligations of job applicants, the federated entities must be responsible for supervising, inspecting, sanctioning and paying the unemployed. It is essential that the Regions become responsible for this.
- Combining flexibility and security (“flexicurity”):
  - The N-VA is advocating a true modernisation of labour legislation in the direction that Europe establishes: employment security must be key instead of job security; increased labour mobility; life-long learning; a liveable combination of work and family; and the continued deployment of (older) employees.
  - The N-VA wants to relieve the poverty of (often single) women through employment and the creation of their own social security rights.

**Poverty**

What does Europe say?

- 20 million less people must be at risk of poverty in Europe by 2020 (this is a reduction of 17%).
- For Europe, the poverty policy must be linked to the employment policy: a job as the best remedy to poverty.

What is Belgium doing?

- By 2020, Belgium wants to have 380,000 less people living in poverty and risking exclusion compared to 2,194,000 in 2008 (i.e. a reduction of 17%).

What does the N-VA want?

1. The N-VA supports the more ambitious Flemish objective of reducing the number of people living in poverty by 30% (i.e. 280,000 less people living in poverty, just in Flanders, or more than 75% of the Belgian objective).
2. The N-VA also emphasises the link between poverty and employment. The high ambitions concerning poverty are consistent with our high ambitions concerning employment (combating poverty through activation and accountability). We note that the French-speakers are pertinently refusing to make this link, despite Europe's request to do so.
3. The N-VA wants to approach the issue of poverty among women in a structural fashion. For example, the N-VA's proposal to "split the current pension provision" aims to grant anyone reaching age 65 and who has worked him/herself or whose spouse has worked a personal right to a pension. The amount of this retirement would bring both the own employment income as well as the partner's into account.

**Energy**

What does Europe say?

- By 2020, a reduction of 20% in energy consumption (efficiency), a 20% reduction in emissions and a 20% provision of renewable energy (10% specifically within the transport sector).
- Cost-effective access to energy is essential.

What is Belgium doing?

- Europe has already turned two objectives into national targets: 13% renewable energy and 15% fewer emissions. The Belgian objective concerning energy savings is currently set at 18%. Wallonia and Brussels want to enforce the full 20% from Europe in every Region (top down). Flanders wants to make this a bottom up operation based on the available potential and has reached a lower percentage.
- A further distribution of the objectives among the Regions has also not been established yet. Wallonia wants a distribution based on economic capacity, while Flanders wants to focus more on the potential. Brussels is hoping for preferential treatment.
- As far as the priority actions are concerned:
  - Renewable energy: there is a system involving green energy certificates (with rather perverse effects) at the federal and Flemish level + the use of biofuels is stimulated by mandatory additives and exemption from excise duties for a specific quota.
  - Restriction of greenhouse gas emissions: an integrated policy has still not been developed. Reference is made to the 2013-2020 climate policy plan that still has to be drafted.
  - Energy efficiency: an integrated policy has still not been developed. Reference is made to the Energy Efficiency Action Plan that must be submitted in June 2011.
  - Cost effective access to energy: the opening up of the energy market was implemented, although the market to date is still very much concentrated in the hands of a single dominant player. The Government is not making any changes to the high gas and electricity prices. The move away from nuclear energy has not been revised.

What does the N-VA want?

1. In general terms, the N-VA is advocating a total turnaround in our energy policy. The present situation is dramatic, both for private individuals and for companies. Energy costs are much higher here than in our neighbouring countries. In addition to our labour costs handicap, the expensive energy costs are one of the most important factors to be detrimental to our economy. Given the dramatic situation, the mismanagement and the wrong choices that have been made in the last decades, it will take many years to realise the radical turnaround.

2. The intra-Belgian distribution of the objectives must take place transparently and properly, taking into account the regional potential that is determined based on land use, population density, the type of economic activity, etc. A requirement enforced upon a Region must be feasible in a practical manner. This is where the solidarity in Belgium could work the other way round for once, but this time it's Wallonia and Brussels who are not playing along. For the time being, they are refusing to include higher objectives.

3. In order to be able to implement a coherent and long-term energy policy, the N-VA is advocating the regionalisation of all energy competences, such as offshore wind energy, rates, electricity generating policy, etc.

4. Initial focus on energy efficiency: the greenest and cheapest energy is the energy that isn't being used.

5. The development of our renewable energy generation must be done realistically and cost efficiently.
   a. The N-VA is advocating for the amendment of the support measures for offshore wind farms, whereby the electricity pricing evolution and technological developments are taken into account.
   b. The Flemish system for green energy certificates must also be thoroughly reformed. Technology-specific support with the correct charging through of costs to the electricity consumer and a guarantee of steady income for the electricity generator aligned with electricity pricing and technological evolutions are essential in this regard.
   c. In addition, the N-VA also wants a structural support mechanism for green heating and residual heat consumption given the great deal of potential here.
   d. The possibility of achieving the objectives via cooperation mechanisms must be kept open.

6. The energy supply must be ensured, both now and in the future.
   a. Getting rid of nuclear energy without having an alternative is unthinkable for the N-VA.
   b. Continued research, and in particular a clear cost-benefit analysis, is necessary in order to determine the composition of our future energy mix. This may not drag on endlessly; a decision must finally be worked towards and result in a concrete long-term action plan.

7. Energy bills must remain affordable.
   a. The N-VA first of all wants better market forces with more players and better market supervision.
   b. In addition to the review of the green energy certification system, the N-VA is also advocating for an assessment of the Flemish public service obligations and the federal contribution.
   c. By more efficiently developing and managing the energy networks.

**R&D (Research & Development)**

What does Europe say?

- 3% of GDP must be spent on R&D by 2020: 1% by the public sector and 2% by the private sector.
- Belgium isn't scoring too badly yet, but it is still coming in behind a small group of countries that are considered to be leaders in innovation. Our strong points are our universities and the innovations within SMEs and their cooperation connections. Our weak points are our expenditures for R&D, the number of patent applications and the marketing/valorisation of the investments in R&D. In other words: not only are we investing too little, we are also utilising the resources with insufficient efficiency.

What is Belgium doing?

- The Leterme Government hopes to be spending 3% on R&D by 2020, as required by Europe.

What does the N-VA want?

1. Of course the N-VA feels that investments in R&D and innovation are critical. The goal of 3% of the GDP spent on R&D is a logical choice. However, these investments cannot be unilaterally expected to come from the public sector. Industry must also contribute, which is precisely why the multiplier effects of governmental investments are important: every additional euro that the government invests must create leverage for industrial partners.

2. How we will achieve the 3% standard?
    a. As far as the N-VA is concerned, clear choices must be made in order to concentrate government funds in the relevant research domains, which include health care, pharmacy, biomedicine and chemistry; ICT and high technology sectors; materials research and nanotechnology (including manufacturing industries); logistics, transport and mobility; energy and the environment. We must be careful when dealing with the often unilateral attention in the public's opinion of "greening" so that other leading sectors (such as pharmacy and chemistry) do not get repressed.
    b. It is not really up to the government to make all of the choices for R&D and innovation on its own. Determining a number of leading sectors and clusters is one thing; listening to the demand side is another. Stimulating R&D and innovation is, according to the N-VA, a policy process that is primarily demand-driven.
    c. The N-VA also wants to see the innovation instrumentarium rationalised and a greater synergy between the existing institutions must be aimed for. Our companies need more efficiency and less regulations and red tape. This is why the N-VA is advocating the implementation of a "compensation rule": before a new fund or a

new structure can be set up, another element of the existing innovation instrumentarium must be discarded or evaluated beforehand.

3. In addition to the input, the N-VA pays just as much – and in fact even more – attention to the output side and result-oriented indicators. The valorisation, commercialisation and marketing of our research results must be the key concepts. R&D funds must stimulate cooperation with innovative spin-offs and companies. Knowledge and educational institutions, research centres and companies must also optimise their cooperations through cluster forming within the leading domains and innovative partnerships.

4. More generally, the N-VA believes that Flanders must become more involved in international structures and funds. For example, only 4% of the start-up funds from the European Research Council were granted to Belgian researchers. This is in and of itself an average score, were it not for the fact that our neighbours, the Netherlands, France and Germany, received 9%, 13% and 11% respectively of the available funding.

5. Innovation is not limited to the debate on new products. Many companies are innovative players and know how to successfully integrate into the small niche markets using creativity and relatively limited R&D budgets. In this sense, there is more to this than the one-sided idea that innovation is only relevant to innovating products. Being innovative also involves the development of new and innovative services, business models, organisational structures and marketing strategies.

6. Lastly, with regard to the division of competences concerning R&D, the following must be added:
    a. The development of an efficient innovation and research policy at the regional level requires initiatives that do not just concern subsidies. Via further regionalisation, the N-VA wishes to see the federated entities also being given a fiscal lever. Researchers can be attracted with fiscally favourable measures, their mobility can be improved, and more effort can be put into valorisation and patent applications.
    b. Scientific policy must also be regionalised. It is only in this way that the contract negotiations can be better aligned with the regional R&D policy and the applicable policy accents and leading sectors.

**Education**

What does Europe say?

- The number of early school leavers must be less than 10% by 2020,
- and more than 40% of young people must obtain a higher education degree by 2020.
- Furthermore, at least 15% of the professionally active population must regularly follow training courses (life-long learning) by 2020.
- With a view to a rigorous budget consolidation, education is also important. Europe is calling for efforts to be made in wage moderation, in increasing the retirement age and reducing early retirement.

What is Belgium doing?

- Education is almost entirely a competence of the Communities. In Flanders, we already comply with 2 of the 3 objectives that Europe is requiring us to meet: there are 8.6% early school leavers in Flanders, and 43.1% of the young adults in Flanders have completed a higher education degree programme. However, we score badly concerning life-long learning, with barely 7.4%.

What does the N-VA want?

1. Concerning early school leavers, the N-VA wants Flanders to do even better than it is now, even if we have already achieved the European objective. It is our ambition to limit this amount to no more than 5% by 2020. Naturally, the quality of the schooling must also be monitored at the same time.
2. The N-VA also wants to raise the bar a bit higher with regard to the number of young adults in Flanders with a higher education diploma. We want to raise this number from 43.1% to at least 47.8% by 2020. Continued democratisation cannot, however, be an excuse for a loss in quality.
3. There is an urgent need for changes to the mentality in Flanders within the context of life-long learning. The N-VA supports the European objective of 15% by 2020, even if the gap is substantial. This is very much needed nonetheless if we want to fill vacancies within the shortage professions and guide the unemployed to another job/sector.
4. With regard to the educational budget aspect: considering that education is a domain par excellence in which investments have to be made, we do not want to make any cuts that are too drastic here. The by definition scarce resources must also be utilised as efficiently as possible within education. This is why we are advocating for a thorough assessment of the effective results of the resources utilised for special purposes or target groups.