



## Federal Council for Sustainable Development (FRDO-CFDD)

### Opinion on the federal government's recovery policy

1. **Requested by the Prime Minister Herman Van Rompuy and the Minister for Energy Paul Magnette**
  - **Approved by the General Meeting of the FRDO-CFDD of 27 March 2009**
  - **Prepared by the working group on Strategies for Sustainable Development, enlarged with members of other working Groups**
  - **The original language of this advice is Dutch**

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#### Context of the advice

- [a] Since the end of last year the Belgian economy has, like that of the other EU Member States and other countries, been in the doldrums. The financial crisis also affected the real economy. A declining demand and financial problems are putting companies in difficulties and as a result, unemployment is rising. The National Bank forecasts that the economy will shrink further this year, while the state of government finances is not all that rosy either.
- [b] To deal with this crisis, on December 11<sup>th</sup> the federal government drew up a "recovery plan," geared to "restoring confidence in the short term and providing greater security in the long term." This plan comprises four axis: 1) tackling the financial crisis, 2) strengthening sustainable socio-economic levers and investments in the environment, 3) the competitiveness of businesses, employment and a good social climate, and 4) the sustainable overhaul of government finances.
- [c] The government is at present reflecting on new measures to stimulate the economy. Against this background, the prime minister together with the minister responsible for the environment and energy, has asked the FRDO-CFDD for advice on sustainable aspects for a recovery policy. More specifically, the council has been asked to make a "number of



concrete proposals for measures relating to the federal government's recovery policy" (prime minister's letter of 12 March 2009).

- [d] The FRDO-CFDD appreciates this request for advice, but would like to point out that such exercise is not obvious. It is no easy matter to draw up proposals that are limited to the federal competence, that have an impact on the economic recovery in the short term, and that have a restricted budgetary impact, in view of the scarce resources at the government's disposal. This task is all the more difficult as the proposals also must be viewed in a long-term sustainable development vision. Furthermore, it is not possible to draw up proposals within such a short period (two weeks). The FRDO-CFDD will therefore have to limit itself to a few considerations and suggestions, and develop its point of view further at its annual forum in autumn, which will also be devoted to a "Sustainable New Deal" (see § 5).

### ***Orienting the recovery policy***

- [1] The FRDO-CFDD notes that at this time we are facing different crises, ranging from the economic and financial crisis, over the environmental crisis (climate, energy, biodiversity, ...) and a social crisis (world poverty). The council believes that these crises, both in our country as well as at the EU and world level, call for an integrated policy response, where short-term measures become part of a long-term vision. It makes no sense to propose today policy solutions for economic recovery in the short term which will entail even greater problems in the future. For instance, it makes no sense to scale down the EU goals for energy efficiency, renewable energy and greenhouse gas reduction at this time, because any short-term benefits they may yield will be undone in the medium and long-term by the costs that climate changes will entail. The council therefore calls for retaining the "20-20-20" goals.
- [2] Conversely, a long-term vision that integrates the three dimensions of sustainable development must give direction to the recovery policy for the short term. Various countries adopted support measures for various sectors in recent months. The FRDO-CFDD thinks that there are opportunities for such measures to combine the quick wins that they can produce on the economic front with benefits on the ecological and social front.
- [3] As regards the recovery policy, the FRDO-CFDD believes that the government must henceforth opt for measures that encourage sustainable consumption. To this end, it calls for the use of government resources especially to make energy conservation cheaper: during periods of peaking energy prices, the government can make an effort to keep the energy bill of the less favoured segments of society within limits, but as a rule, helping to make homes and other buildings more energy efficient is a more sustainable solution in the long run. The council therefore asks to invest more in the encouragement measures for rational energy use, especially for more disadvantaged groups. In this way, the goals of the economic and social policy can be integrated with energy and climate objectives.<sup>1</sup>

### ***A stimulus for our economy***

- [4] The FRDO-CFDD believes that a long-term vision on the sustainable development of our society must not only orient the short-term recovery policy, but must also be an important stimulus for this recovery policy. Aiming for a low-carbon economy that makes frugal use of energy and raw materials can contribute to relaunch our economy today.
- [5] The council is therefore calling for a sustainable new deal: a structural and collective response to the economic and financial crisis that reviews our production and consumption by taking into account ecological challenges, social justice and a healthy economy.<sup>2</sup> It concerns a comprehensive transition process involving both governmental authorities and

<sup>1</sup> Cf. FRDO-CFDD 2005a08 § 33



actors, that cannot be achieved in the short term. It is moreover necessary to broach policy responses for today by starting from this vision. Because decisions that we take now regarding infrastructure, housing and energy supply will condition our social choices for decades, because of the life span of such projects and the direct and indirect consequences of investments.

- [ 6 ] A new deal for a low-carbon and energy-efficient economy presupposes a policy geared to promote eco-innovation in our country at different levels. The FRDO-CFDD has already called, in different opinions, for an integrated and comprehensive approach to eco-innovation in our country, especially under the new Lisbon strategy. In this regard, the council proposed that a committee be set up, composed of, in addition to the governmental authorities concerned, the different social actors as well. In his recent opinion on the preliminary plan for Products, the council underscored action 3 of this plan for the establishment of a National Committee on Eco-Innovation, which will define and monitor a national ETAP.<sup>3</sup> It is important for this committee to start with a SWOT analysis of eco-innovation in our country, in order to be able to chart both opportunities and choking points, and hence objectives, actions and an timetable for implementation.<sup>4</sup>
- [ 7 ] Such an eco-innovation approach will require coordination of the initiatives at the federal and regional levels. Furthermore, such a “vertical policy coordination” or cooperation between federal and regional governments is an absolute necessity for other recovery measures too. The FRDO-CFDD has already indicated in various opinions that it is not merely a matter of taking stock of federal and regional initiatives, but also of identifying gaps and overlaps among the different approaches. The FRDO-CFDD has already called for a “national” approach in an advice on the Lisbon strategy, one that consists of identifying “good practices” which can be expanded to all levels, as well as of defining policy gaps or missing links at different levels that can be filled by other authorities at different levels. The council repeats that an effective and efficient policy in various domains requires that governmental authorities apply, in addition to the principle of subsidiarity, the mutual assistance principle, i.e. there must be greater preparedness to coordinate policy at the different political as well as official levels, instead of limiting oneself to delineating one’s own competences and defending that territory.<sup>5</sup>

### **Recommendations for additional measures:**

#### **Lending and financing**

- [ 8 ] The FRDO-CFDD has noted that because of the financial crisis, financing problems have risen for a number of capital-intensive projects which are financed chiefly by bank consortia. An example consists of offshore wind farms, but other projects are also possible. The FRDO-CFDD asks that the government provide a guarantee for such investment projects that are economically viable and relevant for society,<sup>6</sup> so that they can find the necessary financing again.

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<sup>2</sup> Cf. FRDO-CFDD “Advice on the priorities for the Belgian Presidency” and FRDO-CFDD “Advice on the National Climate Plan” 2009a03.

<sup>3</sup> The *Environmental Technologies Action Plan* (ETAP) was approved by the European spring summit of 25-26 March 2004 on the proposal of the Commission (COM(2004)38 of 28/1/2004). Cf. Also the Commission’s ETAP website: [http://ec.europa.eu/environment/etap/index\\_en.htm](http://ec.europa.eu/environment/etap/index_en.htm)

<sup>4</sup> Cf. FRDO-CFDD 2009a01 § 8

<sup>5</sup> Cf. FRDO-CFDD 2003a09 §5 and FRDO-CFDD 2006a10

<sup>6</sup> Positive in at least two dimensions of sustainable development, without endangering the third dimension.



- [9] Specifically as regards wind farms, in addition to a sufficiently creditworthy guarantee by the government for such projects, a summary procedure is required for the necessary permits. The completion of these projects in the short term is important for economic and social reasons, and corresponds to the commitments our country has undertaken regarding renewable energy (13% of renewable energy by 2020). In this connection, the FRDO-CFDD calls on the government to provide guarantees and facilities for connecting the North Sea wind energy network to the inland distribution system. As in all such projects, maximum use must here be made of European funds available for that purpose.
- [10] In its recovery plan of 18 December, the federal government proposed a number of measures to facilitate access to credit for companies and private individuals. One of these concerns the expansion of the Starter Fund, the financing branch of the Participation Fund. This fund can expand its lending to SMEs through a public debenture loan of €300 million. The FRDO-CFDD asks that this fund should also develop specific know-how in eco-innovation and energy efficiency, so as to be able to provide financial and expertise support to SMEs active in this field.
- [11] As regards in particular the financing of energy saving investments, there are initiatives already at the federal and regional level to make loans cheaper. In its recovery plan, for instance, the federal government announced an interest rate and a tax cut for green loans. Similarly, the “Energy Cost Reduction Fund” plays an important role here for most needs, and the council appreciates the decision in the recovery plan to increase the resources of this Fund by €200 million. In a recent advice, the council also underscored the proposal in the draft third sustainable development plan and the “Spring of the Environment”<sup>7</sup> to coordinate this (federal) fund better with the (regional) housing funds, expand their effect on energy-frugal and ecological construction, and to make these funds better known.<sup>8</sup>
- [12] This would moreover enlarge the scope of the “third investors’ system,” on which the Energy Cost Reduction Fund relies. The council believes that this system of pre-financing sustainable government and re-employment schemes<sup>9</sup> must be strongly bolstered in the current economic context, because it can constitute an important stimulus for demand while reliance on government funds can remain limited. The federal government has taken an important step in regard to the third-party financing with the establishment of the Federal Energy Service Company (Fedesco). On 16 January 2009, the council of ministers decided to increase the funds of the Fedesco in connection with the recovery plan, while an agreement had been reached on 23 October 2008 that Fedesco would submit a multi-year investment plan to the government, via a management contract, for energy savings in government buildings.
- [13] The FRDO-CFDD believes that the government must make a special effort to develop the third investors’ system further through a network of energy service providers who carry out energy renovation works in the housing market. This approach would be useful in particular among less well off households who live in what are normally not energy-efficient dwellings, because it requires no pre-financing of the investments.

### ***Sustainable construction and occupation***

<sup>7</sup> Cf. [http://www.lentevanhethleefmilieu.be/de\\_workshops/klimaat\\_en\\_energie/resultaten](http://www.lentevanhethleefmilieu.be/de_workshops/klimaat_en_energie/resultaten)

<sup>8</sup> Cf. FRDO-CFDD 2009a01 § 25. In the meantime, on 13 March instant, the council of ministers altered the articles of association of the Energy Cost Reduction Fund to guarantee greater involvement by the regions.

<sup>9</sup> The “third investor” is a person or a company that assumes the pre-financing of the energy-saving works carried out by a service provider at the customer. The third investor gets his investment paid back over a certain period by the lowering of the customer’s energy bill, thanks to the energy savings carried out. Cf. <http://www.presscenter.org/archive/20090116/e0324779e0f255821fb820bfbdcea15/?lang=nl>



- [14] As regards the housing of the government services, the FRDO-CFDD appreciates the additional efforts that the government has planned via Fedesco. The council asks for vigilance to ensure that this ambitious plan is actually implemented in the coming years. The government can and indeed must set a good example for energy efficient and sustainable housing. In this connection, the board also proposed that the Buildings Agency should draw up and apply ambitious certification criteria for the energy performance of public buildings for all its transactions (purchase, rental, selling, letting), and report thereon via the ICDO.<sup>10</sup> These energy performances must be monitored through, e.g. the EMAS certification system, for which the FRDO-CFDD has recently called to be introduced as a matter of urgency in all federal public services and federal semi-public institutions.<sup>11</sup>
- [15] The council also underscores the conclusion of the “Spring of the Environment,” that the government should gradually for new government buildings introduce also a passive standard and, for renovation, the low-energy standard.<sup>12</sup> The council moreover believes that this should apply also to social housing in our country. This is a regional competency, but the goal of social housing must be promoted also via the federal policy on large cities, combined with the goal of building and renovating for maximum energy efficiency and sustainability.
- [16] In this field of sustainable construction, the federal government announced, in its first recovery plan, that it would set up an “employment and environment alliance” together with sub-entities, the social partners and the construction sector, and thus take measures “to continue to stimulate investments in the green economy.” The FRDO-CFDD calls for this intention to be given concrete form rapidly. In its recent advice on the Plan, the FRDO-CFDD points out that the German “alliance for employment and the environment” can serve as a source of inspiration to bring together governmental authorities and actors on an ambitious project to encourage sustainable construction and energy-saving renovations. Existing initiatives in our own country can also be put to good use, such as the Sustainable Construction and Occupation project (known by the Dutch acronym DUWOBO), which was launched in Flanders at the end of 2004, and which led to a “transition agenda” in November 2007.<sup>13</sup>
- [17] An “environment-employment” alliance can ensure growth in what are known as “green jobs” (in such areas as energy efficiency, renewable energy, sustainable and recycled materials). The FRDO-CFDD has already underscored the importance of this in several advices. In its recent advice on the draft of the third federal plan on sustainable development, it underscored the action to create jobs for risk groups in the environmental protection and energy-saving sector, and asked that the measure be given more concrete form, in particular by supporting, from the federal level, initiatives such as the “energiesnoeiers”<sup>14</sup> [energy trimmers] and “les tuteurs d’énergie” [energy tutors] in the Walloon Region.
- [18] In this connection, the council stressed that in order to create jobs in general in energy-saving, renovation, and ecological construction, an effort will be needed on the training and

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<sup>10</sup> Cf. FRDO-CFDD 2009a01 § 42

<sup>11</sup> Cf. FRDO-CFDD 2008a03 § 43

<sup>12</sup> Cf. FRDO-CFDD 2008a03 §§ 41-43

<sup>13</sup> Cf. <http://www.lne.be/themas/duurzaam-bouwen-en-wonen/algemeen/transitiemanagement-duwobo/transitiemanagement-duurzaam-wonen-en-bouwen> , § 30 of FRDO-CFDD 2007a12 and § 41 of FRDO-CFDD 2009a01

<sup>14</sup> Energy trimmers are long-term employment seekers who have undergone summary training and are carrying out energy scans and implementing energy-saving measures in dwellings through an “Energy-trimming company” in the community-based economy.



further training front. The study entitled “Climate change and employment”<sup>15</sup> has in particular shown that a climate policy need not necessary be negative for employment, and can even have a slightly positive effect, but that there will be shifts of jobs – in particular in the construction, energy, and transport sector. New qualifications will be required of workers, which will in turn make investments in education and vocational training a priority. For a more detailed treatment of this topic and related aspects, the council refers to the Central Economic Council (CRB-CCE) and the National Labour Council (CNT-NAR), which are preparing an advice on “green jobs.”

[19] Finally, in connection with the instruments for sustainable construction, the council noted that, in December 2008, the federal government announced a partial reduction of the VAT for newly constructed dwellings (from 21% to 6% for the first €50,000 bracket) as part of its recovery plan.<sup>16</sup> There are also plans to lower VAT for public social housing from 12% to 6%. The council believes *“that it would be useful, in a sustainable development approach, to modulate tax cuts as much as possible in future measures on this front, in accordance with the energy value of the dwelling, in order to promote more the low-energy and passive standard.”*<sup>17</sup>

### **Sustainable public procurement**

[20] The FRDO-CFDD believes that the government must stimulate sustainable consumption and production through public procurement. This will moreover help to bring innovative products on the market. The council would like to point out that the new EUSDS has set its sights on having the EU average of green public procurement correspond, by 2010, to that of the best-performing states in 2006. Our country will have some catch-up work to do, as Belgium is anything but a frontrunner on green public procurement. A study conducted in 2006 to the order of the European Commission has shown that our country takes the least account of green public procurement criteria of the 18 EU Member States studied. The transposition of the European directives on public procurement in Belgian legislation makes a broader application of sustainable development criteria possible, and the relevant EU policy and approach in other countries (benchmarking) can provide input in this respect. As the FRDO-CFDD wrote in recent studies on the matter, coordination of the policy of the various governmental authorities in our country will be needed here too: a national sustainable public procurement plan must be drawn up as a matter of urgency.<sup>18</sup>

[21] As to public procurement criteria, due care must be taken so that there is no discrimination against secondary materials. Where environmentally feasible from the technical perspective, product standards must be adapted accordingly so as to obtain a level playing field for secondary raw materials. Public invitations to tender must, under sustainable material management, authorise the use of secondary materials when these are sufficiently efficient from the technical and environmental perspective. The FRDO-CFDD believes that catch-up work will be needed in general to provide structural stimulation for both the supply for and demand of secondary raw materials in an initial phase. These raw materials general extra employment locally, whereas primary raw materials are imported for the most part.

### **Taxation**

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<sup>15</sup> Study conducted at the request of the European Commission in 2007 by the European Trade Union Confederation (ETUC), the Social Development Agency (SDA), Syndex, the Wuppertal Institute and ISTAS: see <http://www.etuc.org/a/3676>

<sup>16</sup> See [http://www.belgium.be/nl/binaries/herstelplan\\_tcm117-29600.pdf](http://www.belgium.be/nl/binaries/herstelplan_tcm117-29600.pdf)

<sup>17</sup> FRDO-CFDD 2009a01 “Advice on the Products Plan 2009-2012” § 44

<sup>18</sup> Cf. FRDO-CFDD 2008a05: Advice on the draft federal plan for sustainable public procurement



- [22] When a dwelling is made more energy efficient, its value goes up, and consequently the cadastral income from it will go up too. However, turning this higher cadastral income into an increase of the advance levy derived from the energy renovation of dwellings would send a wrong signal.<sup>19</sup> The council calls for an adjustment of the advance levy on income derived from real estate in accordance with the energy value of the dwelling, and points in this connection to the line that the CRB-CCE proposed in its advice on energy efficiency in the housing sector, i.e. “to make the advance levy on income derived from real estate inversely proportional to the energy efficiency of a dwelling, without losing sight of the possible repercussions of such a measure on the amount of rent, when the dwelling in question is let.”<sup>20</sup>
- [23] The FRDO-CFDD recently noted that, on 10 March instant, the Council of Economic and Financial Affairs had reached an agreement on the possibility of lowering the VAT for “energy-saving materials and other ecological products and services.” The FRDO-CFDD is calling on our country to urge a relevant concrete decision by the Council in connection with a global consideration of market-based instruments.
- [24] As regards VAT still, there is an exemption today in particular for scrap, paper, glass and plastic recycling industries. Other recycling sectors and the re-use sector cannot qualify for this VAT exemption. For instance, a VAT rate of 21% is applied to compost. The FRDO-CFDD proposes that the existing relevant royal decree be updated and that all existing recycling flows be given equal treatment, taking into account the limited budget margin.
- [25] The FRDO-CFDD is currently working on an opinion on green taxation in connection with sustainable development, and refers to that opinion for more information on the subject. Furthermore, the FRDO-CFDD will this year too draw up an opinion, at the request of Minister Magnette, on an assessment of the support measures for energy efficiency and renewable energy.

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## **Annex 1 Voting members of the general meeting that took part in the voting on this advice**

- 3 of the four chairmen and vice-chairmen:  
T. Rombouts, I. Callens, A. Panneels.
- 5 of the 6 representatives of the non-governmental organisations for environmental protection:  
R. de Schaetzen (Natagora), J. Gilissen (IEB), M. O. Herman (IEW), J. Miller (IEW), J. Turf (Bond Beter Leefmilieu).
- 3 of the 6 representatives of the non-governmental organisations for cooperation for development:  
A. Heyerick (VODO), B. Gloire (Oxfam-Solidarité), N. Van Nuffel (CNCD)
- 1 of the 2 representatives of the non-governmental organisations that protect the interests of consumers:  
Catherine Rousseau (CRIOC)

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<sup>19</sup> In this regard, it was already decided, via the Programme Law of 8 April 2003, to postpone a reassessment of the cadastral income for a period of six years.

<sup>20</sup> Cf. CRB-CCE 2005-1391 p. 15



- 2 of the 6 representatives of workers' organisations:  
D. Van Daele (Fédération Générale du Travail de Belgique), D. Van Oudenhove (ACLVB-CGSLB)
- The 6 representatives of the employers' organisations:  
A. Nachtergaele (Federatie Voedingsindustrie), I. Chaput (Essenscia, M.-L. Semaille (Fédération wallonne de l'agriculture), A. Deplae (Union des Classes Moyennes), P. Vanden Abeele (Unie van Zelfstandige Ondernemers), O. Van der Maren (Fédération des entreprises belges).
- 0 of the 2 representatives of energy generators
- 5 of the 6 representatives from academia:  
M. Carnol (Université de Liège), R. Ceulemans (Universiteit Antwerpen), L. Helsen (Katholieke Universiteit Leuven), D. Lesage (Universiteit Gent), E. Zaccai (Université Libre de Bruxelles)

**Total: 25 of the 38 voting members**

## **Annex 2**

### **Meetings for the preparation of this advice**

The working group on *Strategies for sustainable development*, enlarged with members from other working groups, met on 20 and 24 March to prepare this advice.

## **Annex 3**

### **Participants in the preparation of this advice**

#### **Chairman/Vice-Chairman**

Wim Moesen – (KUL)  
Jan Turf (BBL)

#### **FRDO-CFDD members and their representatives**

Jean Baeten (VBO)  
Esmeralda Borgo (BBL)  
Kristof Debrabandere (BBL)  
Jehan Decrop (CSC)  
Arnaud Deplae (UCM)  
1Pauline De Wouters (IEW)  
2An Heyerick (VODO)  
3Jacqueline Miller (ULB)  
4Christophe Quintard (FGTB)  
5Christian Rousseau (Test-Achats)  
6Geert Vancronenburg (VBO)  
7Jo Vervecken (ABVV)

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#### **FRDO-CFDD Secretariat**

Pieter Decuynaere



Marc Depoortere  
Jan De Smedt  
Koen Moerman