COMMISSION OF THE EUROPEAN COMMUNITIES

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Regional development programmes
Belgium
1978-1980

REGIONAL POLICY SERIES — 1979

14

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NOTE

It is appropriate first of all to draw the reader's attention to the essentially indicative character of these regional development programmes.

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A. SOCIO-ECONOMIC DEVELOPMENT TRENDS IN BELGIUM, 1960-1977

After the war the economic trend was primarily marked by the absence of proper business cycles with the successive stages of upswing, expansion, boom, crisis, recession and/or depression. In addition, analysis was frequently confined to gauging a prosperity which seemed to be permanent, for it was thought that economic phenomena had been mastered. But this firm belief was seriously brought into question again by the event of 1975.

A more attentive analysis in fact shows that the economic development of most industrialized countries in the post-war years went through a series of up- and down-swings.

Between 1960 and 1977 the Belgian economy thus passed through four economic cycles, and the last of these, starting with the economic low of 1975, presents quite a different picture from the others.

The first three cycles can be defined fairly closely:

Growth cycle (minimum to minimum)	Low	High	Low
1959-1967	1st quarter 1959	1st quarter 1964	3rd quarter 1967
1967-1972	3rd quarter 1967	2nd quarter 1970	3rd quarter 1972
1972-1975	3rd quarter 1972	3rd quarter 1974	4th quarter 1975

The first growth cycle (1959-1967), which was exceptionally long, showed upward and downward phases similar in both duration and profile, each being marked by a period of stabilization. The unprecedented development of industrial investment, and foreign investment in particular, and the increase in the volume of foreign trade as a result of the establishment of the EEC, brought the Belgian economy during the 1959-1967 cycle to a higher level in quantitative terms than that reached in the previous decade. The rise in incomes and the boost this gave to private consumption, especially of consumer durables (cars, electric domestic appliances), also contributed of course, but at a later stage and in relatively marginal fashion when compared to the two factors mentioned earlier. The development of industrial investment gave muscle to the expansion process, since the decisive factors for investment were medium-term considerations (particularly in 1961, with the advent of foreign investors seeking to penetrate the European market) rather than the prospects of immediate returns.

The tendency to invest was affected only slightly by the fact that demand grew less strongly, as was repeatedly the case.

Investment capital was largely employed to develop production capacity. The long growth stage was not interrupted by any monetary or financial problems.

The rate of increase of consumer prices was very moderate until the beginning of 1963, and then rose rapidly (at an average of 4% a year) until the first half of 1966 when the Government decided to apply a general freeze for three months. Rises in the index were deferred until the summer of 1967.

The second growth cycle ran from the third quarter of 1967 to the third quarter of 1972, so lasting barely five years. Its high may be placed in the second quarter of 1970, followed by a two-year slowdown to the second quarter of 1972.

Around mid-1969 the favourable trend of foreign demand, the development of foreign investment and, from the end of 1968 onwards, the increasingly noticeable growth in consumption in fact led to saturation of the production capacity. The preponderance of demand over supply from then on caused actual growth to fall and prices and wages to rise.

The balance between supply and demand was gradually restored by the boom in private investment, which offset the fall in exports; this fall to some extent preceded the high point in the cycle (second quarter of 1970).

A slackening of demand both abroad and in the domestic market, caused by fresh uncertainty following international monetary developments (suspension of dollar convertibility on 15 August 1971, Washington monetary agreements in December 1971), somewhat worsened the psychological climate in business circles. The improvement in economic conditions in Europe allowed rapid economic recovery at the end of the third quarter of 1972, with a peak in the first quarter of 1974 after the abrupt rise in oil prices in late 1973.

Subsequently, however, the economy was rapidly affected by the accelerated rundown of accumulated speculative stocks in the middle of the cyclical upswing.

The prospect of a severe and lengthy recession, for long disregarded, was clear.

During the third quarter of 1975 the downswing reached its lowest point and this was followed at the end of the yaer by a slight recovery as a result of necessary readjustments, supported by increase in public investment and expenditure of households, which had earlier been inhibited by the unfavourable prospects for prices and employment. But this improvement did not last long and was not very intensive; a drop in activity was noted by the third quarter of 1976, in fact, followed by a very slight improvement in early 1977.

The Belgian economy has probably entered a period of basic change and restructuring of the balance of forces that has been obtained until now. These changes could in fact be observed back in the last cycle, 1972-1975. The last ten years, unlike the preceding decade, have been characterized by phenomena whose structural nature will become increasingly clear as the period proceeds.

The rate of price increase, which rose steadily until the end of 1974 and stabilized at a high level in 1975 (11.8%), subsequently fell back in 1976 and 1977. This shows that strong inflationary forces with an essentially. structural component are at work in the economy, at both national and international level.

During the same cycle (1972-1975) increasing unemployment was noted. From 1964 onwards the difference between the cyclical minimum level of unemployment and the maximum level in the subsequent cycle decreased, while the actual minimum total of unemployment rose from cycle to cycle.

The serious disproportion caused by the high level of unemployment over the last three years may be attributed to the increase in the working population - partly because more women are taking jobs - while fewer jobs are being created.

The 1975 recession and the subsequent slack conditions have demonstrated the obsolete nature of some plant and the poor products of a considerable part of Belgium's traditional industries.

For the whole of the period under consideration (1960-1976) there was average annual growth of 4.6% (market prices, at 1970 prices) in gross domestic product, 4.2% in private consumption, 4.6% in domestic gross fixed capital formation and 8.3% in exports of goods and services. Excluding the recent crisis years (1975 and 1976), these figures show a slight increase: GDP 4.9%, private consumption 4.3%, domestic gross fixed capital formation 5.3%, and exports of goods and services 9.1%.

Exports of goods and services thus acted as a catalyst in Belgium's marked development in the 1960s.

Privite consumption and investment, although playing a less noticeable role, have sometimes gone beyond the stage simply of supporting the economy.

B. NATIONAL POLITICAL OPTIONS

The present Government's options on the economic policy side were defined in the statement made to Parliament on 7 June 1977. This statement presented findings which are met by a number of options.

Belgium, with its open and vulnerable economy, is threatened with comparative impoverishment as a result of the international redistribution of labour. This impoverishment stems initially from the unavoidable scarity of a number of raw materials and vital goods whose prices have risen sharply on the world market. As a result the Government will pursue a provident policy on energy and raw materials.

A second cause of this potential impoverishment lies in the transfer of all kinds of economic activities to other countries and other parts of the world. As a result a substantial part of Belgium's business sector will be restructured and converted, while seeking to avoid any protectionism. It is thus necessary to redirect industrial policy as quickly as possible towards sectors with high added value and a high technology content.

Essential foundations for this are contractual planning, adaptation and restructuring of firms, and in particular the development of small and medium-sized undertakings, as well as an effective export policy in this respect.

Anti-inflation policy, resting chiefly on monetary policy, control of public finances and cost and price restraint, will seek to hold down inflation with its harmful consequences for employment. In this connection, budget stabilization is one of the primary concerns of the Government.

The most painful and intolerable form of social impoverishment is undoubtedly unemployment. The latter arises from the economic crisis and from two previously unknown phenomena - more women, and a large number of young people, entering the labour market.

To achieve full employment, Belgium's mixed economy requires simultaneous intervention by the private and public sectors, which must contribute on an equal footing and on identical terms of competition to bolstering and renovating the industrial framework.

In addition, it is not simply a matter of increasing the quantity of goods produced, but rather of enhancing the quality of life. Efforts will be made to secure a greater and fairer chance of complete human development, in the broad sense, and social progress, so that each individual can use his potential to the full. This will entail improving the circumstances of life of the least privileged, aligning social provisions on actual levels of prosperity, removing injustices, and raising minimum standards of living. The reorganization of the economy will give a continuing impetus to the establishment of a more humane world.

The Government has also stated its intention of granting the regions wider powers, and hence greater responsability, with regard to economic policy. The installation in each region of a Council with powers over all regional matters of financial management, covering economic expansion and many other spheres besides, is one of the Government's foremost concerns. The importance attached to the individuality of the regions is in fact reflected in the composition of the Government, with the appointment of three Ministers each responsible for the affairs of one of the regions, and the three Secretaries of State for Regional Economy placed under the Minister of Economic Affairs.

C. THE REGIONAL DEVELOPMENT PROGRAMMES

C.1. General observations

The bill to approve the 1976-1980 Plan came before Parliament on 7 December 1976 (1976-1977 session). The majority agreement was to adjust the 1976-1980 Plan. To implement this agreement the Plan Office prepared an adjusted draft plan, which was ready by mid November 1977. It was in fact presented to the three Ministerial Commitees for Regional Affairs. The Ministerial Committee for Flemish Affairs approved the draft, but the Ministerial Committee for Walloon Affairs has not yet taken a decision.

At the time this approval was reached, the document in question had to be thoroughly revised on account of a series of major decisions taken or announced by the Government, on the new industrial policy, the plan to stimulate small and medium-sized firms, the national programme of major infrastructual works, the plan to counter unemployment, and the stabilization of public finances. The options decided or pending have to be dovetailed with the adjusted 1976-1980 Plan.

For these reasons the Government decided on 10 March 1978 to make the said revision in a memorandum on general policy 1979-1980. This will clearly describe the main lines of Government operations in the period 1979-1980.

These circumstances taken as a whole led the Belgian Government to request the EEC authorities to suspend their examination of the regional development programmes submitted for approval so that a new document, taking the most recent developments into account, could be presented.

C.2. The legislation on economic expansion

In the postwar years Belgium did not undergo the same economic development as its neighbors. Flanders, which was incompletely industrialized, had a particularly high rate of employment, while the Walloon economy was depressed by the closures of coal mines without the prospect of alternative industry.

In order to remove the disparities between the regions and to secure satisfactory economic growth for each, taking account of their individual characters, the Belgian Parliament of that period voted the legislation on economic expansion, consisting of a general Act (17 July 1959) and a regional Act (18 July 1959). This was the first appearance of the concept of development areas.

The Acts on regional economic expansion were passed on 18 July 1959, 14 July 1966 and 30 December 1970.

The Act of 18 July 1959 designated the zones on the basis of four structural criteria: structural unemployment, a high rate of emigration, substantial commuting, and reconversion problems entailing loss of income. The assistance available under the Act is the same as in the general Act of 17 July 1959, but it can be provided more easily and on more advantageous terms in the development zones defined by the above criteria.

The Act of 14 July 1966 extended the benefits in the Act of 18 July 1959 to mining and agricultural areas where fundamental structural and sectoral changes are anticipated. It also extended the assistance granted under the earlier Act: capital grants for rapid establishment of industrial activities, higher write-off rates, lower taxation on non-exempt profits.

The Act of 30 December 1970 established a new framework for implementation of regional policy. New criteria were set for the development zones: current and foreseeable structural shortage of employment (unemployment, potential labour supply, permanent emigration or commuting, ect.), current or impending decline of major economic activities in the zone, abnormally low standard of living, stagnant economic development (Art. II, 1.2.).

A regional allowance may be granted for operations taking place in development zones which contribute directly to the setting up, extension, conversion or modernization of industrial or trading firms, public services, or undertakings in the service sector with impact on economic expansion and whose objects cover commercial or tourism activities, management and organization techniques, engineering, research and development. It does not matter whether the operations in question are carried out by the firms themselves or by other persons or public or private corporate bodies, provided that they meet the general economic interest.

Employment grants are made to small and medium-sized undertakings to promote job-generating investment, while the conventional incentives for investment are enhanced (assistance in the form of interest subsidies, allowances, lower rates of interest, etc.). Assistance for the tertiary sector has also been extended.

In addition, the Act provides that undertakings must comply with economic planning measures as a result of the contractual link that it institutes between them and the authorities - contracts which aim at improving the administration of firms, contracts for promoting technology and for reconversion or restructuring of firms, and technical development contracts, i.e. agreements between the State and firms which wish to execute multi-year programmes of technological and industrial and/or commercial development (research, development of new processes or products) (Art. 22, 1, 2 and 3).

C.3. <u>The development areas</u>

A number of considerations set out in the chapter devoted to socio-economic analysis, and the lack of statistical data below district level, have led to the choise of composite priority blocs made up of the development zones which can call upon ERDF under the decision of 26 April 1972.

These blocs are in fact characterized by a series of unfavourable socio-economic circumstances: concentration of industrial activities threatened with decline, low scale of new industrialization, high rate of unemployment, income below the national average, etc.

In addition, one of these blocs (South Luxembourg) is marked by an unbalanced structure of economic activity; predominance of agriculture and absence of new industrialization, combined with a cutback in current industrial activity (iron and steel).

It goes without saying that unless the socio-economic analysis, for purely material reasons, covers units which extend beyond the zones themselves, the presentation of projects under the present regional development programme will be confined to those zones.

Moreover, projects which are located in some qualifying zones but are not included in the blocs as established because of their limited scope or outlying position, can also be proposed to ERDF, as supplements to the Regional Development Plan with no reference to the location of the projects.

At the same time a reservation should be noted concerning agricultural infrastructure projects with a regional aim. The backward agricultural zones defined in the 1975 directive overlap only to a limited extent with the priority blocs. It is thus clear that proposed projects must be located in recognized development zones, but need not fall within a priority bloc in order to qualify for assistance.

As a general comment, it is important to note that the criteria used in the current regional programme for selecting development areas in no way rule out a redefinition of these zones in line with the provisions of the Treaty of Rome.

Geographical location

Attached are a number of maps indicating the blocs taken into consideration in both the regions.

The blocs in Wallonia are made as follows: the Western Bloc comprising the districts of Mons, Soignies, Charleroi and Namur, the Eastern Bloc comprising the districts of Liège, Verviers and Huy, and the Southern Bloc comprising the districts of Arlon, Virton and Neufchâteau.

In Flanders the blocs are Westhoek, comprising the districts of Veurne, Ypres, Diksmuide and Tielt, Middengebied (East Flanders) comprising the districts of Eeklo and Oudenaarde and extending over a number of areas in the district of Aalst, and Limburg-Kempen, covering the entire province of Limburg, the district of Turnhout, and the cantons of Aarschot and Diest in the district of Louvain.

D. THE CONSTITUTIONAL INSTITUTIONS

By the Constitution of 7 February 1831 Belgium became a constitutional monarchy. It so remains, but the internal organization has substantially changed in the course of time. The changes have particularly taken the form on both the political or economic side and the cultural or regional side, of increasing consideration for specific features in all these fields.

D.1. Institutional organization, independent of the 1970 revision of the Constitution

There is a long-standing division into nine provinces. Each province has a Provincial Council, whose members are elected by universal adult suffrage in accordance with the Constitution, and a permanent deputation. Under the Constitution the provinces have sole jurisdiction over matters of provincial interest, and their decisions are subject to the royal consent.[1] The division of the provinces into municipalities is also of long standing, but has been changing for some time through a process of mergers.

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[1] Act of 30 April 1836 (Provinces Act), Articles 86 and 87.

The municipal unions and federations are responsible for coordinating municipal activities, and some of the powers which lay earlier with the municipalities have been transferred to them, particularly in the areas of economic expansion, town and physical planning, etc. but this development has not always yielded the results that were anticipated.

The Act of 15 July 1970 concerning the organization of planning and economic decentralization set up a Regional Economic Council (GER) and one or more Regional Development Companies (GOM) for each region.

The Regional Economic Council examines the specific economic problems of the region, and has advisory powers on regional development. The Regional Development Companies provide the Council with the information it requires for its duties, and undertake certain industrial activities. The initiative for establishing GOMs lies with the Provincial Councils, and the area within which they can operate is defined by royal decree proposed by the Council of Ministers on the basis of a reasoned proposal by the relevant GER. These two bodies (GOMs and GERs) operate with grants, charged initially to the budget of the Ministry of Economic Affairs but borne since 1974 by the Ministry of Regional Affairs.

The Act of 1 August 1974 postdated the 1970 revision of the Constitution, but although stated to be issued in preparation for the application of Article 107(4) it cannot be regarded as an extension of this process. It set up a Ministerial Committee for Regional Affairs (MCGA) for each region, under the chairmanship of the minister responsible for the affairs of that region, to consider draft legislation of solely regional concern, coordinate regional policy, and act in an advisory capacity in this field.

The Act also enumerates the matters warrenting different policies at regional level.

Control over these matters was assigned to the Ministerial Committees for Regional Affairs, and more specifically to a number of Secretaries of State.[1]

D.2. Institutional organization resulting from the 1970 revision of the Constitution

The revised Article 107(4) of the Constitution divides Belgium into three regions: Flanders, Wallonia and Brussels. It establishes institutions for each region, composed of elected representatives; the powers of these institutions are to be defined by statute. Steps are currently being taken to implement this article, but are being hampered by the special majority requirement embodied in the last subsection of Article 107(4).[2]

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[1] Royal Decree of 10 March 1975. For further details, see Chapter V of this document.

[2] A majority of each language group in each chamber, a majority of representatives present in each group and overall a majority of not less than two-thirds of votes cast.

Moreover, the division of Belgium into three cultural cummunities[1] has led to cultural institutions being set up for each cummunity. The members of the Chambers, divided into Dutch and French language groups, form the Councils for the Dutch and French cultural communities respectively.[2] The Constitution gives them jurisdiction to issue decrees regulating predominantly cultural matters, taken in a very broad sense (cultural affairs, education, cooperation between the cultural communities at national and international level, use of languages in particular areas).[3]

The Council of the German Cultural Community, set up a little later than the others,[4] is governed by somewhat different rules. Its twenty-five members are elected by universal adult suffrage by the electors in the German language areas. Its powers are the same as for the other two Councils.

These organizational arrangements for 'cultural' affairs are thus the greatest innovation resulting from the 1970 revision of the Constitution. Unlike the other innovations mentioned above, they cannot be regarded as the outcome of a clear process of decentralization.

D.3. Institutional reform

Under a community and regional pact[5] the Constitution, de lege ferenda, sanctions the principle of the political decentralization of a number of matters to the communities and regions, which will then have powers at the same level as the State with regard to the closely defined matters for which they have sole jurisdiction.

For matters not included in the lists of items coming under their sole jurisdiction, the central government and the regional authority have concurrent but not contradictory jurisdiction. A Court of Arbitration is also established to settle conflicts between national legislation, cultural decrees and regional orders.

The organization of these respective powers is described below.

D.3.1. At national level

D.3.1.1. House of Representatives

The House continues to comprise national representatives elected by universal suffrage; it has sole jurisdiction over matters reserved to the legislation

[1] Revised Article 3(3) of the Constitution.

[2] Act of 3 July 1971.

[3] Act of 21 July .

[4] Act of 10 July 1973.

[5] Government statement of 7 July 1977, supplemented by Government statement of 28 February 1978.

under the revised Constitution: foreign affairs (excluding cultural matters), defence, justice, internal and economic affairs (apart from matters assigned to the regions), finance, public works and communications (excluding tourism), social security in the broad sense, health policy and the administrative status of the public service.

D.3.1.2. Senate

The Senate is composed of the members of the Community Councils (cf. infra); it is competent for revision of the Constitution and for enactments requiring a special majority. It also considers basic legislation (public, civil, commercial, penal and tax law).

D.3.1.3. Executive power naturally remains with the national government without change of competence, unless there are material reasons otherwise.

D.3.2. At community level

D.3.2.1. There will be Dutch and French Community Councils, each composed of the members of the three regional councils according to their respective language communities (cf. infra). The Council of the German Community is composed as described earlier.

They regulate matters within their jurisdiction by decree, each in its respective sphere. Apart from the matters listed above, which also fall within the scope of the cultural councils, their jurisdiction covers health care (clinics, hospitals, preventive medicine and home care), material, social, psychological, moral and food assistance to individuals and families, youth care and teacher training.

D.3.2.2. In each community the implementation of cultural decrees is in the hands of a four-man executive board, appointed by the Council and jointly responsible to the latter. The administrative services for cultural affairs have been reorganized into Dutch and French language sections.

The implementation of decrees for the German language community is the responsibility of the executive bureau of the subregion (cf. infra).

Cultural matters are funded from an overall appropriation.

D.3.3. At regional level

D.3.3.1. The members of the regional councils are elected by universal suffrage in their respective regions.

In their respective spheres they issue orders to regulate the matters within their jurisdiction, viz.:

(1) establishment and organization of the services, institutions and undertakings coming under their region;

(2) the budget of their region;

(3) bond issues or loans, subject to the approval of the Minister of Finance;

(4) criteria for apportioning the region's share of municipal and provincial funds;

(5) physical planning;

(6) protection of nature;

(7) woods, shooting, fishing and bird-trapping;

(8) town planning, renovation of urban centres and consolidation of abandoned industrial sites;

(9) land policy, including the status, role and powers of alienation of the land authorities;

(10) housing, including slum clearance and, with regard to subsidized dwellings, forms of aid, types of dwelling, financing and terms of sale or lease to be applied by public housing companies;

(11) regional economic expansion, including the regional aspects of industry and energy policy (industrial initiatives by public bodies, regional planning, investment, plant and material, prospection for investors, assistance to small and mediumsized firms) and the operation and control of the Regional Economic Councils, Development Companies and Investment Companies;

(12) conditions for exploitation of natural resources;

(13) with regard to the production of drinking water:
- (a) ensuring adequate water tables, defining catchment and protection zones for ground water, and issuing the relevant permits. If the tables cover more than one region, an interregional agreement is required;
- (b) permits to extract water;
- (c) management of companies operating major hydraulic works;
- (d) establishing and subsidizing infrastructure for processing and transporting drinking water, excluding major hydraulic works;

(14) distribution of water, with the exception of technical regulations on drinking water, quality and control levels for processing, and standard water tariffs;

(15) purification of waste water, with the exception of general and sectoral conditions for the discharge of waste water, production standards, setting the basis of calculation for national tariffs for purification of domestic and industrial waste water, and setting the level of grants to industrial concerns;

(16) non-navigable watercourses;

(17) agricultural hydraulics;

(18) placement of workers by government and private bodies;

(19) subsidizing wages of workers who are difficult to place;

(20) rationalization and coordination of intercommunal unions;

(21) general supervision of subordinate authorities, with the exception of bodies under special supervision;

(22) subsidizing provincial, municipal and assimilated works;

(23) consolidation of real estate and reapportionment;

(24) regulations on drainage and processing of solid waste;

(25) basic or outline plans for major infrastructures.

D.3.3.2. Implementation of regional orders will be in the hands of seven-man regional executive boards appointed by the Regional Councils from among their members. Each regional executive will be responsible for executing the orders approved by its Regional Council and for any duties assigned to it by the legislature or the Government.

The administrative services dealing with regionalized matters will be transferred to the respective regions.

Each region has to fund its budget via:

(a) its own non-fiscal revenue;

(b) a grant, to be statutorily adjusted each year in line with increases in the national budget;

(c) additionally, any rebates from the yield of certain taxes, and regional taxation;

(d) loans or bond issues by the region.

D.3.4. At subregional level

The division of the country into provinces remains, although a few border adjustments may be made, but when the decision is taken to transfer all the present political powers of the provinces their present political organs will be dissolved.

Provincial powers will be devolved upon the municipalities and the subregions.

Subregional bodies will in fact be set up to exercise the executive powers to be delegated by the municipalities on the one hand and the region, the community or the State on the other. There will be thirteen such bodies in Wallonia (including one for the German-speaking areas), eleven in Flanders and one in Brussels; their territorial boundaries, establishment and operation will be determined by the final regionalization act.

They will be democratically established on a municipal basis, in conjunction with the drive to rationalize and coordinate the intercommunal associations, but they will have no normative powers.

Annex 1

THE DIFFERENT METHODS USED IN THE CENTRE TWO REGIONAL DEVELOPMENT PROGRAMMES TO CALCULATE THE EMPLOYMENT SHORTFALL

The methodological differences between the two Belgian regional development programmes can be explained by the fact that, for each region, the separate competent regional authorities have adopted the method used.

The method employed in the Flemish programme is as follows:

(i) The figure for the labour force in June 1977 is projected forward to 1980 and the increase calculated.

(ii) The unemployment figure for June 1978 is added to that for the other categories of job-seekers (unemployed taken on by the public authorities, etc.); 60% of this total are taken to be structural job-seekers (figure decided by the Flemish Regional Economic Council).

(iii) The increase in the labour force plus the number of structural job-seekers is the expected employment shortfall.

The procedure adopted in the Walloon programme is as follows:

(i) The figure for the labour force is projected forward to 1980, taking particular account of changes in the percentage of children attending school.

(ii) A neutral projection of employment, adjusted to take account of expected redundancies in some industries, is made.

(iii) The difference between the figure for the resident labour force and the number of jobs available in the district of residence gives the employment shortfall, the ideal assumption being that the demand for employment should be met within the district of residence.

General comments

Figures for the expected job shortfall by 1980 cannot be provided for the actual development areas, since their territorial limits do not correspond with available data.

Annex 2

FUTURE USES OF ERDF RESOURCES

The question of whether and how the principle of vertical additionality is to be applied to ERDF funds during the 1978-80 planning period has still to be examined at various levels and in the light of the changes to be made to existing budgetary procedures.

In this connection, the Ministerial Committees for Regional Affairs will probably be required later to decide on the implementing arrangements and the criteria to be applied if 'topping-up' is adopted, each for its own region.

It would then also be necessary to amend the Law on the ways and means budget, stipulating that funds from the ERDF should be paid to the Economic Expansion and Regional Redevelopment Funds in accordance with the principle of 'global' additionality.

The reference made in the Walloon Regional Development Programme to the possibility of applying the principle of vertical additionality was conditional, since, as stated above, decisions have still to be taken. The outlining of the criteria which may be applied in the event of 'topping-up' has also therefore no more than a purely indicative value.

Annex 3

THE TEXTILE AND CLOTHING INDUSTRY[1]

1. Employment

In 1953, the textile and clothing industry (including leather goods and footwear) in Belgium employed 251 060 persons (source: National Social Security Agency). This figure had fallen to 188 449 by 1974 (i.e. by 62 611 over a period of 21 years) and to 164 328 by 1976.

The number of employers also fell sharply: from 3 929 in 1953 to 1 745 in 1974 in the textile sector and from 7 819 in 1953 to 3 670 in 1974 in the clothing sector.

Whereas in 1965 the textile industry employed about 6.2% of the Belgian labour force, it now accounts for only 5.4%.

This trend is an accurate reflection of the situation throughout the Community, where almost 700 000 jobs have been lost since 1958.

Between 1963 and 1974, the industrialized countries lost a sizeable proportion of the world market to developing countries and, more especially, to state-trading countries. In the textile sector, the industrialized countries' share was thus reduced from 53.4% in 1963 to 48.4% in 1974. In the clothing sector, the corresponding percentages are 62.2% and 49.5%. It is noticeable that the EEC countries were hardest hit, whereas the United States' share of the market in textile products remained pratically stable (17.6% in 1963 compared with 17.3% in 1974).

The textile industry generally is highly labour-intensive. The proportion of female labour is very high, particularly in the clothing industry, where it increased from 74.2% in 1953 to 90.4% in 1973.

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1 Sources: Ministry of Economic Affairs, 'Werkgelegenheid voor 185 000' (185 000 jobs): an economic study carried out by a university working party led by Professor van Waterschoot - November 1976.

2. Contribution to output volume

The textile and clothing industry accounts for between 3% and 4% of the total output of the Belgian economy. However, although the clothing sector's share has remained practically stable at 1%, that of the textile sector has fallen from 3% to about 2% since 1966.

	Textile sector's contribution to gross domestic product	Clothing sector's contribution to gross domestic product
1966	2.8%	1.2%
1970	2.4%	1.1%
1974	2.1%	1.2%

At the present time, the textile and clothing industry accounts for a little less than 10% of total industrial output. The following table shows that this share of total industrial output is also tending to fall.

	Textile and clothing industry's share of industrial production	Textile sector's share	Clothing sector's share
1966	12.8%	9.0%	3.8%
1970	10.5%	7.1%	3.4%
1974	9.7%	6.3%	3.4%

The clothing sector's contribution to industrial output scarcely varied during the period 1966-1974. The textile sector's contribution, on the other hand, fell from about 9% in 1966 to about 6% in 1974.

3. Demand for Belgian textile products

Demand for Belgian textile products can be broken down into three main categories: external demand, demand from Belgian households or consumption by private households and national demand for intermediate products.

	1965	1970	1970/1965
External demand	48%	54%	+ 12.5%
Consumption by households	25%	26%	+ 4.0%
Demand for intermediate products	27%	20%	- 26.0%
	100%	100%	

The percentage shares of these three components in the total output of the Belgian textile industry in 1965 and 1970 are shown in the following picture.

It can be seen that, since 1965, the percentage accounted for by external demand - i.e. by exports - increased by about 13% and that, of this external demand, the share of exports to other EEC countries also increased.

	1965	1970	1970/1965
Exports to EEC countries	74%	79%	+ 6.8%
Exports to non-EEC countries	26%	21%	- 19.2%
	100%	100%	

Taking the textile sector as a whole, exports to the EEC increased by about 7%.

The EEC countries are Belgium's main trading partners. In 1972, they accounted for 79% of Belgian exports and for rather more than 79% of its imports.

During the period 1964-1974, imports of clothing practically quintupled.

4. Recent redundancy trends

Period		Men	Women	Total	Overall total	Percentage increase over previous year
June 1974	Textiles	1 740	2 931	4 671	10 403	
	Clothing	523	5 209	5 732		
June 1975	Textiles	3 131	5 625	8 756	20 025	92.5
	Clothing	752	10 877	11 269		
June 1976	Textiles	3 413	7 679	11 092	28 050	55.1
	Clothing	876	16 082	16 958		
June 1977	Textiles	3 716	9 910	13 626	36 426	17.3
	Clothing	947	21 853	22 800		
June 1978	Textiles	4 017	11 038	15 055	39 094	7.3
	Clothing	915	23 124	24 039		

Source: National Employment Agency (ONEM).

Within four years, unemployment has increased by 163% in the textile sector and by 319% in the clothing sector. A particular cause for concern is that 87% of the redundancies affected women.

5. Changes in the textile industry's production index

(1964 = 100)

1970	:	107.7	1974	:	108.6
1971	:	113.3	1975	:	92.6
1972	:	114.2	1976	:	104.3
1973	:	114.1	1977	:	90.8

Source: National Statistical Institute (INS).

Compared with the previous year, textile production in 1977 fell by 13% to a level 2% lower than that in 1975, which was a crisis year.

According to business surveys carried out by the National Bank of Belgium, a third of the industry's capacity was idle at the beginning of 1978.

6. Employment outlook

The study 'Werkgelegenheid voor 185 000' (185 000 jobs) contains forecasts for employment on the assumption that the rate of real increase of value added over the period 1970-1974 (i.e. 1.4% per annum) will be maintained. Under this hypothesis, job losses during the period 1972-1978 would total, in gross figures, 30 000 in the textile industry and 5 000 in the clothing industry.

Taking into account the indirect activities which would disappear, some 50 000 jobs are likely to be threatened during this period.

The study concludes that on the worst hypothesis (i.e. where the whole industry surrenders to defeatism), this figure would be reached even more quickly.

This hypothesis seems to have been all too well founded, since for the period 1974-1977 alone 38 000 jobs have already been lost in the textile and clothing industry.

7. Apparent causes of the crisis in the textile industry

The following main reasons can be advanced to explain the decline in the textile industry:

(i) the sharp increase in imports at abnormally low prices from state-trading and Asian countries;

(ii) the ineffectiveness of quota restrictions;

(iii) increased production costs;

(iv) aid to the textile industry in some countries;

(v) the technical and commercial shortcomings of firms - the fact that they are too small.

The problems facing the Belgian textile industry necessitate short- and medium-term solutions.

8. Measures to be taken

The plan for safeguarding the textile industry has already been referred to in the Regional Development Programmes. A number of measures covering imports, exports, financial aid, rationalization and specialization of production have already been described there.

The Minister for Economic Affairs now plans to publish for the textile industry a 5-year plan which would take the form of an extension of the safeguard plan. A thorough examination of the industry would also be undertaken and specialist advisory bodies asked to make a complete diagnosis.

The 5-year plan will form part of industrial policy and will have to be very practical: an analysis and diagnosis will have to be made of sectors, subsectors and, possibly, individual firms. As the textile industry is made up of very varied sectors and branches, the analysis will have to be adapted to deal with spinning mills, weaving factories, etc.

This 5-year plan and the proposed examination of the textile industry will have to be constructive. The social partners would be consulted as to aims and implementing arrangements.

Annex 4

MEMORANDUM ON THE MAIN LINES OF THE RESTRUCTURING PLAN FOR THE STEEL INDUSTRY

1. Preamble

(a) The Belgian steel industry needs to be restructured as a matter of urgency:

- so as to allow coastal and inland producers to carry out the productivity investment needed to increase their competitiveness at European and world level;
- so as to allow steel-producing firms to adapt properly to European steel policy and qualify for ECSC support along with the other countries;
- so as to enable financial restructuring to be carried out by 31 December.

(b) The task of restructuring the industry includes all aspects of the problem, whether industrial, financial or welfare. It also extends to conversion schemes in the steel-producing areas concerned.

(c) The preconditions for any government intervention in the steel industry are:

- implementation of the restructuring plan;
- an increase in productivity;
- simplification of financial and industrial structures;
- improved links between the marketing companies and the steel producers;
- provision of full information for workers and their involvement in decision-making.

(d) All the provisions and procedures of the restructuring plan (industrial, commercial, financial, banking and management aspects) will be decided on by agreement between the parties concerned, particularly where the government is involved (directly or indirectly).

(e) The various modernization and conversion programmes will be financed by means of:

- aid granted by the EEC;
- loans from the National Industrial Credit Corporation (SNCI) and other financial institutions;

- capital contributions from the National Investment Corporation (SNI) and the Regional Investment Corporations (SRI);
- private-sector funding of conversion schemes;
- various forms of assistance under the central government budget.

2. Industrial Aspects

(a) As regards industrial structure, the plan is based on three steel groups:

- the Cockerill group (excluding the Marchienne plant which will be taken over by the Triangle group);
- the Arbed group (Luxembourg and Saar) and the steel plants in the Charleroi area (the Triangle group plus Marchienne plant);
- Sidmar;
- the 'independent' steel producers group (Boël, Clabecq, Fabrique de Fer).

(b) The short-term restructuring scheme (1978-80) drawn up with the help of MacKinsey will be put into effect immediately.

(c) The investment plan, as set out in the document[1] sent to the participants in the tripartite meeting held on 20 May (Plan IA, IB and II), has been confirmed. It will be implemented under the management of the National Planning and Supervisory Committee (Comité National de Planification et de Contrôle) on the basis of profitability criteria determined by reference to the general objectives for steel laid down by the ECSC.

3. Financial aspects

(a) The financial aspects of the restructuring plan are as follows:

- renewable five-year programmes;
- conversion of loan charges (medium and long-term) into convertible debentures held by the government;
- due dates for payments to suppliers of capital goods will be extented for five years (to be negotiated by the producers);
- interest-free loans for redundancies;
- covering of working capital by convertible debentures subscribed to on behalf of the government;
- assistance from the APS (Actionnaires Privés Stables) in financing investment through a financing company, or any other arrangement enabling calls to be made on Belgian and European capital markets;
- minority holding by the government in the steel-producing firms.

[1] see 'Summary table' at the end of this annex.

(b) The task of managing the government holdings will be divided between the National Investment Corporation and the Regional Investment Corporations on a fifty-fifty basis.

4. Welfare aspects

The restructuring plan will entail large-scale redundancies of manual workers and salaried employees between 1978 and 1980. These redundancies are essential if the position of the steel-producing firms is to be restored and future employment consolidated.

At the joint negotiations held in June, the level of redundancies was set at 85% of the upper limit of the range suggested in the MacKinsey study, updated to 22 June 1978 (i.e. 4 675 manual workers and 1 380 salaried employees), and two protocols in respect of manual workers and salaried employees were concluded, stipulating that:

- reductions in working hours will be carried out in two phases: from 40 to 39 hours per week on 1 November 1978, and from 39 to 38 hours per week on 1 July 1979; this last concession will be granted only if a number of productivity conditions are fulfilled;
- redundancy payments will have to be made only if the figure of 85% of the MacKinsey range cannot be achieved by early retirement from the age of 55;
- manual workers will be covered by the National Labour Agreement No 17 (Convention Nationale du Travail No 17) which lays down the right to an allowance, over and above unemployment benefits, equal to half the difference between the maximum net reference pay and the amount of unemployment benefits received. There will in addition be a monthly payment of BFRs 2 500 up to the age of 59 and BFRs 1 250 from the age of 60;
- for salaried employees aged 55 and above, redundancy notice may be reduced to six months, with the net income under the early retirement scheme varying in accordance with the reference salary;
- manual workers of 58 years of age may opt for 'early retirement on welfare grounds' which will make them eligible for benefits under National Labour Agreement No 17, without extras.

5. Conversion Aspects

(a) Industrial conversion in the steel-producing areas concerned will be stimulated by granting a right to assistance (BFRs 500 000 per job) from the Industrial Renovation Fund (set up under the Law of 5 August 1978 on economic and budgetary reforms, notified to the Commission of the European Communities on 27 July 1978) and from the regional appropriations of the Economic Expansion Fund, and by applying the Laws on expansion to industrial conversion schemes (two-thirds national - one-third regional). Responsability for the conversion schemes will lie with the regions. The funds will be made available to each regional authority concerned on the basis of redundancies since 1 January 1976.

(b) It is proposed that the Regional Investment Corporations should set up joint conversion corporations or agencies in the steel-producing areas

(Centre, Charleroi, Ghent, Liège, and South Luxembourg). However, each region will have final responsibility for ensuring that conversion schemes are in the best interest of the steel-producing areas and fit in with their specific problems.

6. National Planning and Supervisory Committee

A National Planning and Supervisory Committee is to be set up. Its Chairman will be a prominent personality from the public sector, and the representatives of the Ministry of Economic Affairs and the Ministry of Finance will have a right of veto on it.

The Committee will be made up of two sections:

(a) A planning section, which will consist of the Chairman, representatives of the steel-producing firms (in proportion to the public/private split of ownership), two representatives of the 'Groupement des Hauts-Fourneaux' representatives of the Ministry of Economic Affairs, the Ministry of Finance and the Ministerial Committees on Regional Affairs, and a delegate from the Commission of the European Communities, who will attend the meetings as an observer.

The main tasks of the planning section will be to lay down priorities in the investment area, to determine the optimum level of investment for the steel industry as a whole (in terms of volume and timing), to decide on the details of the restructuring plan, to encourage a joint purchasing policy for raw materials and to promote productivity.

(b) A supervisory section, which will consist of the planning section and the trade union organizations, on a parity basis, and which will have wide-ranging responsibility for giving opinions and making recommendations on all questions dealt with by the planning section and on back-up measures in the welfare area.

In addition, the supervisory section will be:

- informed before decisions are implemented and will be asked to help in preparing them;
- briefed on all forms of aid to firms;
- kept up to date on government steel policy.

Supervisory arrangements will also be made in each steel-producing area, through the establishment of Steel Area Committees, made up of the works councils (Conseils d'entreprise) and the various producers in each area and including permanent private shareholders, public shareholders and trade union delegates from the area. The Committees will receive the full range of appropriate information and will keep an eye on how restructuring in their respective areas fits in with national planning.

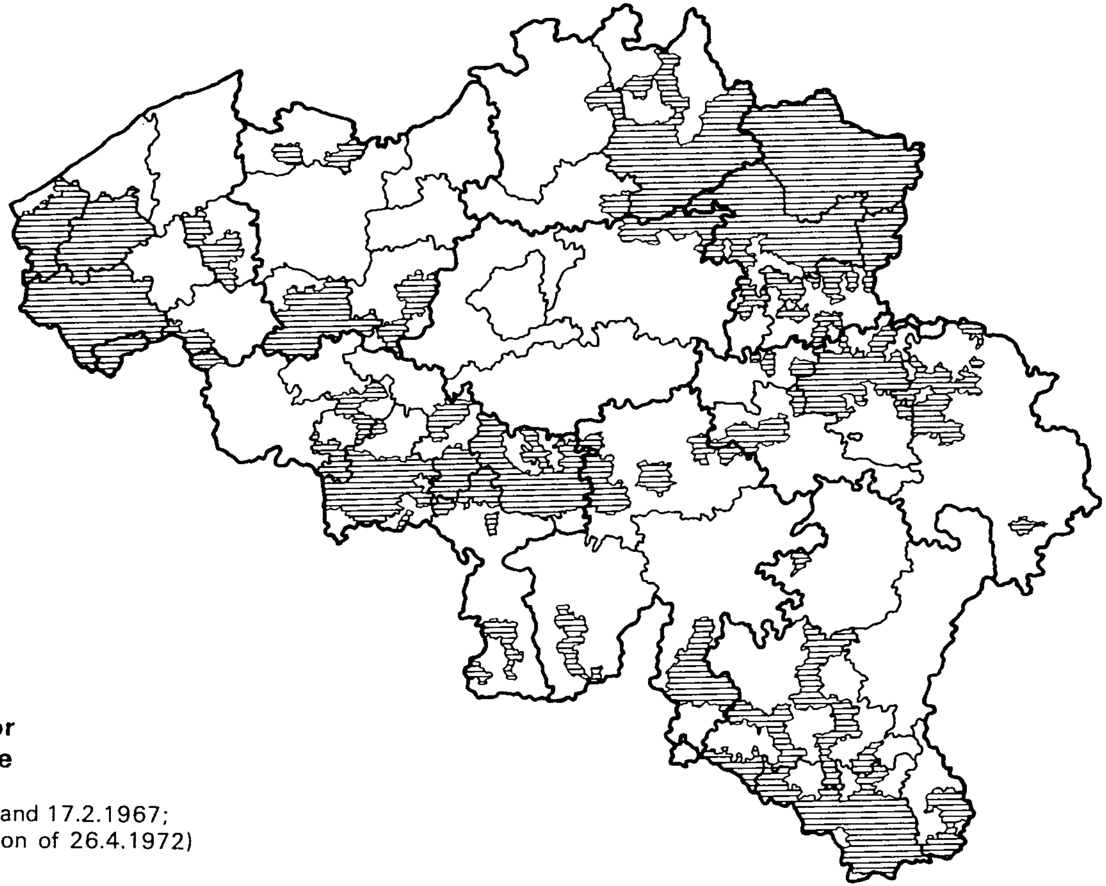
Summary table

New investments

(in BFR 1977)

Category		Steel producing area	Company	Total (BFR million)
Short term restructuring	I_A	Centre	Clabecq Boel	1 420
		Charleroi	TMM HS Marchienne	4 130
		Ghent	Sidmar	3 615
		Liège	Cockerill Tube Meuse	5 071
		Genk	ALZ	1 840
		Total I_A :		16 076
	I_B	Centre	Clabecq Fafer + Boel	525
		Liège	Cockerill	9 255
		Total I_B :		9 780
	Total $I_A + I_B$:			25 856
Modest recovery of market	II	Centre	Clabecq Boel	2 535
		Charleroi	TMM HS Marchienne	7 950
		Ghent	Sidmar	7 490
		Liège	Cockerill	13 800
		Genk	ALZ	1 150
		Total II :		32 925

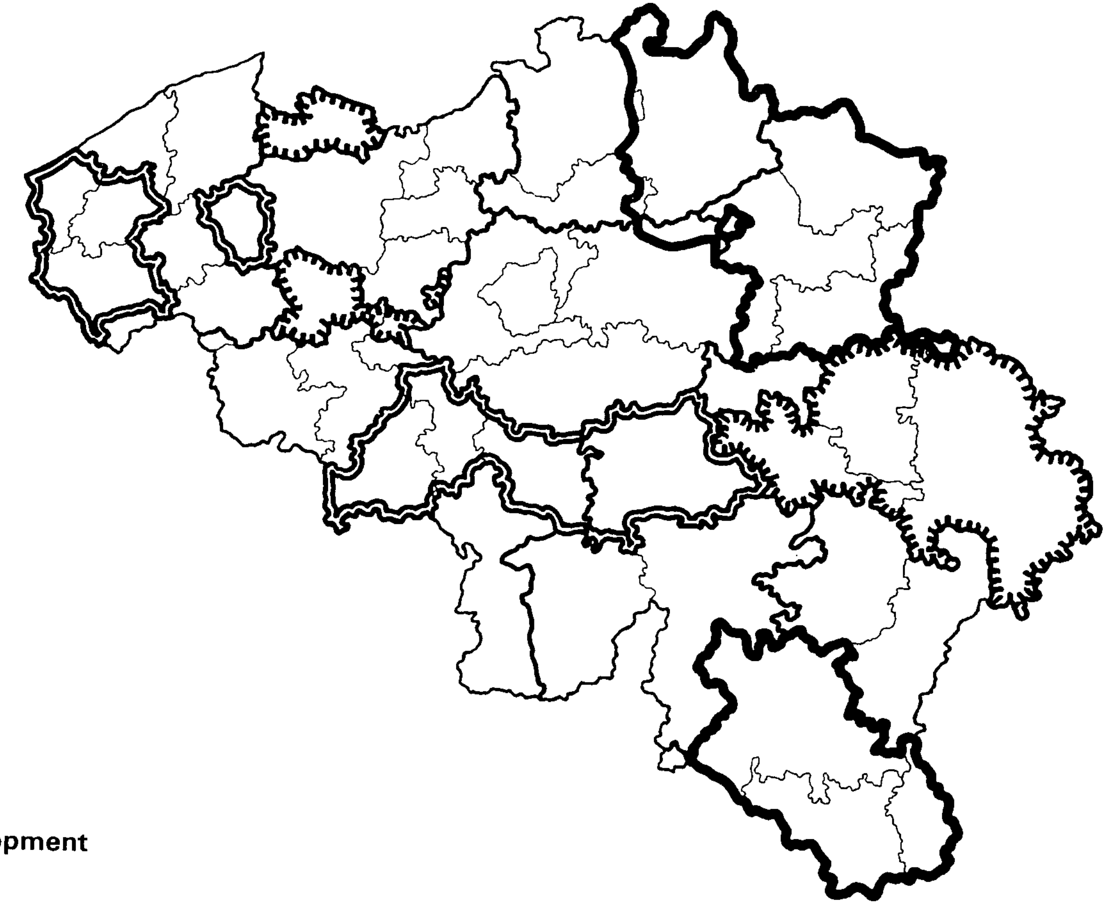
MAP 1



Zones eligible for ERDF Assistance

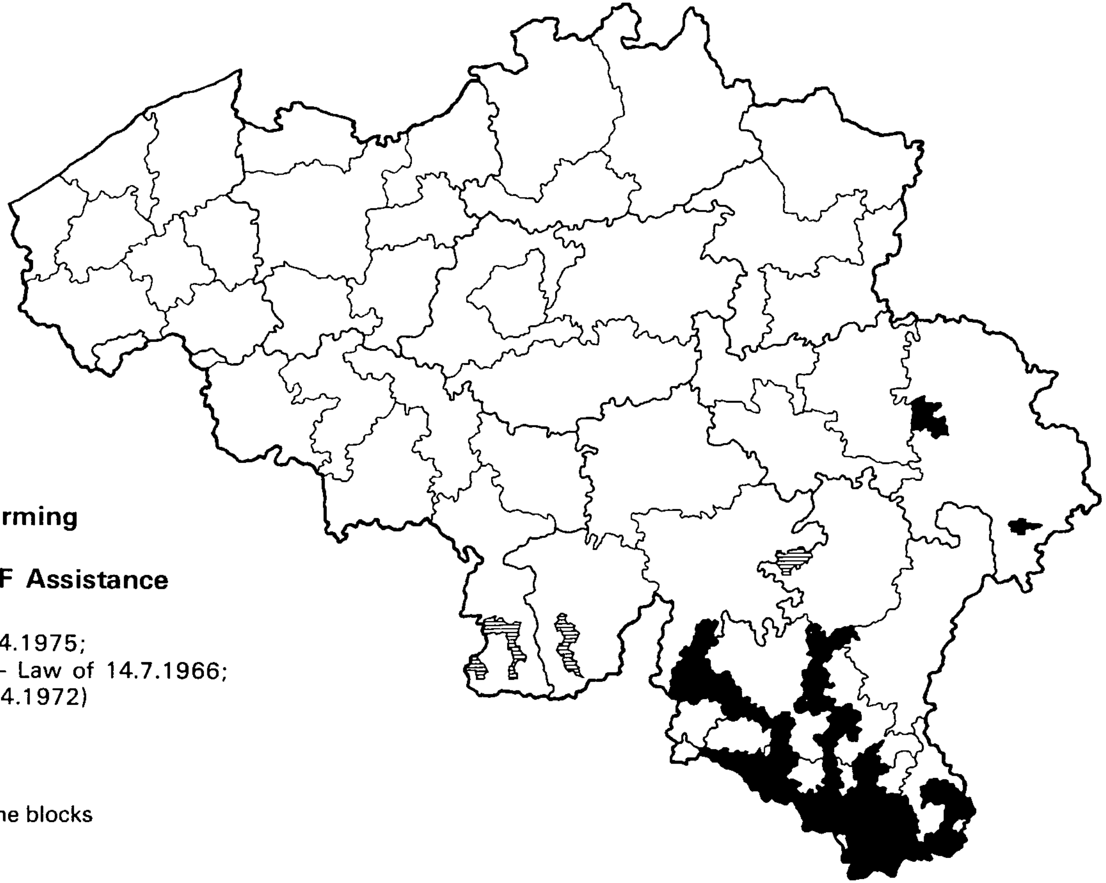
(R.O. of 27.11.1959 and 17.2.1967; Commission's Decision of 26.4.1972)

MAP 2



Blocks of development

MAP 3



Less-favoured farming areas and zones eligible for ERDF Assistance

(EEC Directive of 28.4.1975;
Law of 18.7.1959 – Law of 14.7.1966;
EEC Decision of 26.4.1972)

inside } the blocks
outside } the blocks

Regional development programme

Flanders
1978 -1980

Detailed index

Chapter I

ECONOMIC AND SOCIAL ANALYSIS

A. STRUCTURAL ANALYSIS

A.1. Population

On 31 December 1961 the Flemish region had 5 063 974 inhabitants. On 31 December 1976 the figure was 5 565 991, signifying an increase of 10% during the period 1961-1976. Flanders thus accounts for 56.7% of the Belgian population (9 823 302) and 2.2% of the population of the EEC (258.5 million).

An examination of population components indicates that between 1961 and 1976 total growth fell from 7.84 to 3.06 per thousand although this is still higher than the Belgian average of 1.03 per thousand.

This rather slow growth is a result of a fall in the birth rate from 18.85 in 1961 to 12.41 per thousand in 1976. As a result, Flanders and Belgium are now among the regions of the EEC with the lowest birth rates (1975, in per thousand: Flanders 12.1, Belgium 12.2, Luxembourg 11.2, Federal Republic of Germany 9.7). The migration difference varied (an emigration surplus of 0.85 per thousand in 1961 compared with an immigration surplus of 1.48 per thousand in 1976). The mortality rate was 10.16 per thousand in 1961 and 10.83 per thousand in 1976.

Flanders in itself does not show uniform development. The growth figures differ from province to province, from 9.46 per thousand in Limburg to -0.15 per thousand in East Flanders.

The subdivision according to age-groups indicates a fall in the proportion of younger people (0-14 years) in the total population from 25% in 1961 to 21% in 1980, an increase in the population of working age (15-64) from 64% in 1961 to 66% in 1980, and an increase in the older members of the population (65 and over) from 11% in 1961 to 13% in 1980.

Taking into account the various components, the population forecasts for 1975-1980 can be subdivided as follows (figures in thousands):

- growth 1975 - 1980
  - natural growth: 66.3

- migration difference
  internal: 43.6
  foreign: 32.1
- total growth: 142.0

- population 1980: 5 716.1

It is significant for the overall birth trend that the 'population explosion' which took place in the province of Limburg in past decades, as a result of the high birth rate there, ended a few years ago and the birth rate although still the highest, is gradually approaching the level of other districts.

The working population increased from 1974.6 thousand in 1961 to 2043.8 thousand in 1970. It amounted to 2257.8 in 1975 and 2287.4 in 1976.

A.2. Employment

In order to gain a clear view of the development of employment in the various categories in the medium term it is best to consider its course during the 1960s, since the Social Security Department subsequently classified the categories on a different basis.

During the period 1961-1970 employment fell in the primary sector in Flanders by 57 773 (from 9.6% to 5.9% of total employment).

Employment in the secondary sector increased by 48 138 (from 48.2% to 48.5%); this does not, however, mean that each subsector experienced growth. Employment in the sectors of mining and textiles fell sharply, while metals and chemicals increased greatly.

The most important growth in relation to employment was found in the tertiary sector. In 1970, 794 845 persons were employed in this sector in Flanders, or 45.6% (1961: 42.2%). Over a period of nine years the increase in employment amounted to 95 745 persons, or an average of 10 638 per year.

On 31 December 1976 the division according to categories of employees covered by social security in Flanders and in the country as a whole presented the following picture:

	Flanders	Whole country
Primary sector		
- Agriculture, forestry, fisheries	8 115	12 377
Secondary sector		
- energy and water supply	40 319	66 195
- minerals not sources of energy and derivatives, chemicals	110 986	241 382
- industry	483 544	735 753
- building	137 012	250 295

	Flanders	Whole country
Tertiary sector		
- commerce, hotels and catering, repair firms	194 661	420 962
- transport and communications	105 267	190 787
- banking, credit and insurance, rentals	61 506	191 032
- other services (government, miscellaneous private sector)	396 573	870 918
TOTAL	1 537 983	2 979 701

The percentages are as follows:

	Flanders	Whole country
Primary sector	0.5%	0.4%
Secondary sector	50.2%	43.4%
Tertiary sector	49.3%	56.2%

Source: Social Security Department.

Sectors in regression

As mentioned above, employment in the primary sector in Flanders fell by 57 773 between 1961 and 1970. Of the 100 000 agricultural undertakings in Flanders in 1960, 3 000 a year on average disappeared in the past decade. The number of Managers or firms fell in 1975 to about 58 000, a number which will further decrease to 42 000 by 1980. This means a constant disappearance of older heads of firms and a consistently lower intake of younger ones. (Source: Regional Economic Council for Flanders).

Employment in mining (Kempen) fell from about 40 000 during the beginning of the 1950s to about 18 000 at present. (Source: Administration of Mining).

The number of employees covered by social security in the textile and clothing industry fell in Flanders from 160 000 in 1960 to 154 000 in 1972, and to about 124 000 in 1976. (Source: Social Security Department). A further fall in employment is expected in this sector.

The districts where employment is based principally on the presence of textile and ready-made clothing firms can be seen from the following table on employment in textiles and clothing.

Employment in Textiles and Clothing (incl. Footwear)

(Position at 30 June 1976)

Districts	Textiles and clothing (incl. footwear)	Total employment in industry (incl. building)	Textiles and clothing (incl. footwear as % of total employment in industry (incl. building)
Antwerp	3 312	144 724	2.29
Mechelen	1 762	41 380	4.26
Turnhout	5 137	57 222	8.98
Halle-Vilvoorde	2 434	38 476	4.16
Louvain	3 041	32 079	9.48
Bruges	2 094	33 507	6.25
Diksmuide	641	3 716	17.25
Ypres	2 616	12 313	21.25
Courtrai	24 583	57 101	43.05
Ostend	929	8 591	10.81
Roeselare	5 081	26 827	18.94
Tielt	4 490	11 771	38.14
Veurne	578	3 911	14.78
Aalst	11 633	29 856	38.96
Oudenaarde	10 811	18 243	59.25
Dendermonde	8 973	23 026	38.97
Eeklo	1 692	7 132	23.66
Ghent	14 137	72 430	19.52
Sint-Niklaas	10 855	30 111	36.05
Hasselt	3 559	65 010	5.47
Maaseik	3 343	22 920	14.59
Tongeren	2 472	15 641	15.80
FLEMISH DISTRICTS	124 173	776 009	16.00
BELGIUM	164 328	1 308 583	12.56

Source: Social Security Dept.

A.3. Gross domestic product

The gross domestic product at factor cost in Flanders in 1974 amounted at current prices to BFR 1 037 800 million or 55.6% of that for the country as a whole.[1]

The relative share of the Flemish part of Belgium in the country's gross domestic product rose from 51.6% in 1966 to 53.8% in 1970.

During the period 1970-1974 the average annual percentage increase of the regional product at current prices was 14.2% in Flanders, compared with an average increase for the whole country of 13.3%.

Inflation seemingly did not develop differently in the three regions, since the implicit price increase were virtually the same both during the period 1970-1974 and during 1974. With an increase in the gross domestic product over the whole country of 4.2% at 1970 prices, compared with the previous year, the gross regional product of Flanders grew by 4.9% in 1974 at fixed prices. Over the period 1970-1974 the annual average increase amounted to 5.8% for Flanders and 5% for the whole country.

At current prices the added value per inhabitant in 1974 was below the national average of BFR 191 000, amounting to BFR 188 200. At 1970 prices it amounted to BFR 138 400 for Flanders, compared with BFR 140 800 for the whole country.

The economic structure based on the gross added value at factor cost and current prices presented the following picture in Flanders (percentages):

	1970	1974
1. Agriculture	4.9	3.7
2. Extractive industry	1.0	0.9
3. Processing and manufacturing industry	36.0	36.3
4. Building	7.0	6.6
5. Electricity and gas	2.6	3.1
6. Commerce, banks, insurance, buildings (dwellings)	18.1	16.6
7. Transport and communications	9.1	11.6
8. Services	22.1	22.6
Statistical adjustment	- 0.88	- 0.8
	100	100

[1] More recent final figures are not yet available.

The following table shows the development of the sectoral structure in Flanders and in the whole country over a long period.

Sectoral structure of the regions
based on gross added value

Sectors	1955-1958	
	Flanders	Belgium
Primary	11.8	11.9
Secondary	37.2	36.9
Tertiary	51.0	51.2
	100.0	100.0
	1971-1974	
Primary	5.6	5.1
Secondary	45.3	42.1
Tertiary	49.1	52.8
	100.0	100.0

These figures indicate three majcr movements leading to the present economic structure. The primary sector has fallen sharply in relation to the period immediately after the war, the secondary sector has increased greatly, and the share of the tertiary sector has decreased slightly.

During the period 1970-1974 all Flemish provinces (with the exception of Flemish Brabant) increased their share of the overall gross domestic product (see the table for overall GDP which follows).

Antwerp consolidated its traditional leading position by raising its contribution to the overall gross domestic product in 1974 to 18.7%, compared with 18.3% in 1970. Limburg, notwithstanding the highest average rate of growth (8.2%), increased its relative share merely from 5.3% to 5.9% and still has the lowest regional product in Flanders. The average growth in East Flanders during the period 1970-1974 was more substantial than in West Flanders (6% and 5.4% respectively), so that East Flanders' share of GDP also increased to a greater extent than that of West Flanders (from 11.9% to 12.4% and from 10.6% to 10.8% respectively). On the other hand, the relative position of Flemish Brabant remained the same (7.7% in both 1970 and 1974) and its average rate of growth (4.4%) was the lowest in Flanders.

The same trend is noted in the different provinces where average growth of GDP per inhabitant is concerned, but to a lesser extent. This is also the case for the share of each province: Antwerp consolidated its leading position, Limburg made up a considerable part of its leeway, while East and West

Gross domestic product at factor cost

Overall GDP at 1970 prices

	Absolute figures in BFR m.		in %		Average % growth
	1970	1974	1970	1974	1970-1974
Antwerp	207 185	257 366	18.3	18.7	5.6
Limburg	59 568	81 432	5.3	5.9	8.2
East Flanders	135 148	170 518	11.9	12.4	6.0
West Flanders	120 429	148 727	10.6	10.8	5.4
Flemish Brabant	87 022	105 346	7.7	7.7	4.4
FLANDERS	609 352	763 389	53.8	55.5	5.8
WHOLE COUNTRY	1 132 683	1 375 542	100.0	100.0	5.0

Source: NIS Statistical Bulletin, 1976, no 2-3.

Per capita GDP at 1970 prices[1]

	Absolute figures in BFR thousands		As % of national average		Average % growth
	1970	1974	1970	1974	1970-1974
Antwerp	135.4	165.7	115.2	117.7	5.2
Limburg	91.7	120.6	78.04	85.7	7.2
East Flanders	103.3	129.0	87.9	91.6	5.8
West Flanders	114.5	139.2	97.4	98.9	5.0
Flemish Brabant[2]					
FLANDERS	112.8	138.4	96.0	98.3	5.3
WHOLE COUNTRY	117.5	140.8	100.0	100.0	4.7

Source: NIS Statistical Bulletin, 1976, no 2-3.

[1] These statistics measure the gross income created in these regions which, after deduction of depreciation, can be attributed either to persons residing in the region itself or to persons residing in other regions.

[2] Figures not available.

Flanders also improved their relative positions. GDP per inhabitant increased more rapidly in Flanders than in the country as a whole (5.3% and 4.7% respectively) and rose from 96% to 98.3% interms of the national average (see the precedent table for per capita GDP).

According to the estimates of the Ministery of Economic Affairs there was a fall in Flanders' gross domestic product at factor cost in 1975 of 1.6% compared with 1974, while the fall for the whole country was 1.9% compared with the previous year. The fall in the added value of manufacturing industry for the Flemish part of the country was particularly noticeable in the sectors of foodstuffs, textiles, clothing and footwear, wood and furniture, non-metallic minerals, metal processing, and unclassifiable industries, as well as in the sectors of building, electricity and services.

The estimates for 1976 point to 2.3% growth in GDP for the whole country.

A comparison of GDP at market prices (fixed 1970 prices) with the EEC is favourable for Flanders and the whole country.

For 1976, however, Belgium (2.3%) ranks only above the United Kingdom in the EEC, for which growth of 4.3% is expected.

A.4. Exporting

A.4.1. Deliveries to other countries from Flemish provinces and regions[1]

For the Flemish region, deliveries to other countries rose from BFR 120 100 million to BFR 451 200 million over the period 1966-1974, an increase of 275.8%.

When the provinces are ranked by importance of deliveries to other countries, the first place is taken by Antwerp with about a quarter of Belgium's industrial sales in 1974. This province in fact accounts for a higher proportion since the diamond industry, virtually all in Antwerp and with a substantial volume of exports, is not included. East Flanders accounted for 13.5% of total exports, West Flanders for 13% and Limburg for 8.1%.

Belgian industry is increasingly exporting, and so is becoming more dependent on foreign markets. The total value of exports was higher in 1974 than in 1973. In terms of the total value of deliveries, however, the value of exports was lower in 1974 than in 1973 (48.8% against 49.4%). By percentage of output exported, Limburg is the leading province: 63.1% of its output goes abroad. Antwerp sends about half of its output to other countries, the reason being the substantial place which the export-oriented chemical and metal-processing industries occupy in the province's industrial sector.

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1 Agriculture, building, electricity, gas and water, commerce, transport and other services are not included here.

A.4.2. Exports from the Flemish region, by sector[1]

The sectors which made the greatest contribution to exports from the Flemish region in 1974 were metal-processing and shipbuilding (34.5%), rubber and chemicals (22.7%), non-ferrous metals, with iron and steel (9.9%), and textiles (9.1%, over two thirds of this from weaving).

For comparison, the three main branches for the country as a whole are, in descending order, metal-processing and shipbuilding (31.9%), rubber and chemicals (17.2%), and iron and steel (16.7%).

During the period 1966-1974 the proportion of Flemish exports by the rubber and chemicals sector rose from 14.6% to 23.2%. At the same time textiles declined, non-ferrous metals with iron and steel fell from 10.6% to 10%, and metal-processing and shipbuilding from 34.7% to 34.2%.

The sectors in the Flemish region which export a large proportion of their output are non-ferrous metals with iron and steel (78.1%), rubber and chemicals (75.3%), metal processing and shipbuilding (63.3%), and textiles (56.2%).

A.5. Capital investment

A.5.1. Capital investment in industry

Flanders' share of total capital investment varied between 1964 and 1974, with three distinct periods: 1964, when the region received about 50%, 1965-1968, when the figure rose to over 60%, and 1969-1974, when it fell back to 57% to 58% of the total for Belgium. On an index basis the volume of investment in Flanders tripled between 1964 and 1974 (actual prices).

Total capital investment in Flanders and Belgium as a whole[1, 2]

(in millions of Belgian francs)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
Flanders	20200	27711	36095	37251	31679	33497	41298	45857	41626	47677	62750
Belgium	39100	46032	52696	54455	50364	58516	74552	77293	72221	81812	108350

Source: NIS.

[1] Excluding investment by the electricity-gas-water group (approx. 20%).

[2] Undertakings with 20 employees or more.

[1] Agriculture, building, electricity, gas and water, commerce, transport and other services are not included here.

Throughout this periode, the bulk of investment in Flanders was financed from companies' own resources. This form of financing accounted for an average of 67.5% of the total volume of investment between 1964 and 1974.

Flanders' share of total capital investment in Belgium fluctuated throughout this period. In 1964, 49% of all investment was in Flanders; this rose to 55% in 1965 and 66% in 1966. A decline followed: 65% in 1967, 62% in 1968, 57% in 1969 and 56% in 1970. In the final years the Flemish share was more stable: 59% in 1971, 58% in 1972 and 1973, and 57% in 1974.

A.5.2. Location coefficient of capital investment

Walter-Isart location coefficients, calculated for capital investment, indicate the sectors in the region which have received more, the same or less investment for capital goods when compared with the sectors in the reference zone, in this case Belgium as a whole.

Over a period these coefficients indicate the sectors in a given region whose positions have strengthened or declined.

The dominant investment sectors in Flanders are foodstuffs, textiles, clothing and footwear, wood and furniture, and chemicals.

The metal-processing industry is also important, but cannot be properly shown in this table because data are available only for iron, steel, non-ferrous metal processing and shipbuilding as a whole.

Location coefficients of industrial investment in Flanders

	Period 1963-1967	Period 1970-1974
1. Extractive industry	0.39	0.37
2. Foodstuffs	1.05	1.13
3. Textiles	1.19	1.39
4. Clothing and footwear	1.08	1.19
5. Wood and furniture	1.27	1.45
6. Paper, printing, publishing	0.78	0.81
7. Chemicals	1.30	1.20
8. Bricks, ceramics, cement	0.78	0.78
9. Iron, steel, non-ferrous metal processing, shipbuilding	0.94	0.84
10. Other industries not classified	1.04	1.00
11. Building	0.87	0.87

Over the two periods shown, the investment position of foodstuffs, wood and furniture, textiles and clothing and footwear improved. For the last-named sector the investment was largely for restructuring.

A decline is noted in investment in chemicals and in iron, steel, non-ferrous metal processing and shipbuilding as a whole.

A.6. Commuting

Commuting is one of the most important features of socio-economic development in Flanders. According to the 1970 Census, 236 625 persons commute between Flemish districts. There is further commuting to places outside the region: to Brussels (173 691), abroad (39 419), to Wallonia (24 248), and to variable and unknown municipalities of employment (40 697).

Socially unwarranted commuting, i.e. commuting in which the return journey amounts to two hours or more a day by the working population employed outside the community in which it lives amounted in 1970 to 122 000 persons or 6% of the working population living in Flanders.

Socially unwarranted commuting occurs mainly from the following districts:

	In % of the working population
Aalst	16.7
Louvain	12.6
Oudenaarde	11.8
Dendermonde	10.8
Turnhout	6.8
Diksmuide	6.5
Hasselt	5.8
Halle-Vilvoorde	5.8
Mechelen	5.6
Tongeren	5.4

Commuting to places outside the region is for the most part to Brussels. Socially unwarranted commuting from Flanders to Brussels is estimated to involve about 63 000 persons, or 52% of total socially unwarranted commuting in Flanders.

A.7. Income

For the fiscal year 1974 (income for the year 1973) the total net taxable income in Flanders amounted to about BFR 400 thousand million or almost 55% of income for the whole country (see table on income below).

Income

	Total net taxable income in BFR millions	Average taxable income per inhabitant		
		in BFR 1 000	Index in relation to the average for the whole country	
	Fiscal 1974	Fiscal 1974	Fiscal 1964	Fiscal 1974
Antwerp	121 681.6	78.6	104.4	104.6
West Flanders	73 879.2	69.4	84.2	92.4
East Flanders	93 825.8	71.1	86.2	94.7
Limburg	40 408.6	60.4	70.8	80.4
Flemish Brabant	70 881.4	-[a]	-[a]	-[a]
FLANDERS	400 676.6	73.0	90.6	97.2
BELGIUM	731 810.2	75.1	100.0	100.0

Sources: N.I.S.: Statistical Bulletin N°11-12 of 1974 and Fin. Statistics N°10 of 1976.

[a] Figures not available.

The average taxable income per inhabitant was BFR 73 000. Although this lay below the average for the whole country (97.2%), a favourable trend is nevertheless found compared with ten years earlier, when this index was only 90.6%.

Antwerp remains the only Flemish province (Brabant cannot be considered here since figures are not available) where the average income per inhabitant is higher than the average for the whole country (104.6%). Account must nevertheless be taken of the fact that this average is influenced greatly by the concentration of high incomes in the Antwerp conurbation. The other provinces remained below the average for the whole country, in particular the province of Limburg which in 1974 achieved only 80.4% of the average for the whole country. Each of these provinces nevertheless raised its average income position during the previous ten years compared with the average for the country as a whole. The trend in the province of Limburg was particularly favourable with an improvement of almost 10%, but leeway was also made up to a considerable extent in the provinces of East and West Flanders, by 8.5% and 8.2% respectively.

Income Levels

District	Fiscal 1971 Average income per inhabitant	Fiscal 1971 Index Belgium = 100	Fiscal 1974 Index Belgium = 100	Fiscal 1976 Index Belgium = 100
Antwerp	67 600	118.2	115.2	116.0
Mechelen	52 700	92.1	94.5	96.2
Turnhout	46 300	80.9	84.3	86.9
Hasselt	47 200	82.5	85.0	88.8
Maaseik	41 300	72.2	74.6	78.4
Tongeren	42 600	74.5	77.4	79.6
Aalst	49 500	86.5	88.8	91.8
Dendermonde	49 300	86.2	88.1	89.2
Eeklo	48 400	84.6	88.4	89.1
Ghent	58 200	101.7	103.6	102.2
Oudenaarde	48 900	85.5	88.4	88.1
Sint-Niklaas	53 000	92.7	95.6	95.6
Bruges	54 100	94.6	97.7	98.1
Diksmuide	38 500	67.3	75.4	73.6
Ypres	42 100	73.6	78.4	77.9
Courtrai	53 700	93.9	96.8	93.6
Ostend	53 900	94.2	94.7	95.6
Roeslare	50 700	88.6	93.9	91.7
Tielt	45 000	78.7	87.0	83.2
Veurne	49 200	86.0	87.6	87.2
Halle-Vilvoorde	64 700	113.1	113.7	115.3
Louvain	54 300	94.9	97.1	100.7
FLANDERS	54 700	95.6	97.2	98.2
BELGIUM	57 200	100.0	100.0	100.0

Source: N.I.S.

Data for the fiscal year 1976 have recently become available and show that the index for Flanders is 98.2 (Belgium as a whole = 100).

There is a noteworthy decline in the average income per inhabitant for 1976 as against 1974 in Westhoek (Veurne from 87.6 to 87.2, Ypres from 78.4 to 77.9, Diksmuide from 75.4 to 73.6 and Tielt from 87 to 83.2), Oudenaarde (from 88.4 to 88.1), Roeselare (from 93.9 to 91.7), and Courtrai (from 96.8 to 93.6).

A.8. The development of branches of industry

The structure of industry in Flanders has so far been oriented too strongly towards branches of industry with decreasing and stagnating employment. Various subregion of Flanders still show a very weak economic structure.

A policy directed to supporting the growth sectors is now more necessary than ever because of:

(a) the marked growth in the labour supply up to 1980;

(b) the change in world trade as a result of new specializations and the increased cost of spesific factors of production (energy, raw materials, loan capital, labour);

(c) the new international division of labour to which developing countries are laying claim;

(d) agreements entered into by the EEC with Third World countries.

The less favourable sectoral structure of the economy in the Flanders region appears from the substantial proportion of activities in which no growth in employment may be expected during the period 1975-1980.[1]

1. Categories in which a reduction of employment is expected:
   (a) Primary sector: agriculture, forestry and fisheries;
   (b) Secondary sector: extraction and fabrication of non-metallic minerals, means of transport, tabacco, textiles, leather, footwear and clothing, paper, miscellaneous.

2. Categories in which a stabilization of employment is expected:
   (a) Secondary sector: solid fuels and coke ovens, petroleum refineries, electricity, gas, heat and water, extraction and initial processing of metals, metal products, precision engineering and the optical industry, food, drink, wood and wooden furniture, printing, building;
   (b) Tertiary sector: repairing, transport and communications.

3. Categories in which a growth of employment may be expected:
   (a) Secondary sector: chemical industry, machinery, electrical engineering, rubber and plastics;
   (b) Tertiary sector: commerce, hotels, restaurants, cafés, banks and insurance, services, education, miscellaneous services.

[1] Source: Plan Office. This analysis was prepared prior to the present economic crisis.

B. ANALYSIS OF THE ECONOMIC SITUATION

B.1. Industrial production

The wide range of industry in Flanders has not saved the Flemish region from being severely affected by the economic recession. The high degree of dependence on foreign markets has in fact made the Flemish economy most sensitive to the slack and uncertain conditions of external trade.

After the recession of 1975 a resumption of economic activity was noted during most of 1976. But the trend again slackened in the second quarter of 1977 and by the end of that year the index of industrial production in Flanders showed signs of a further depression.

It is most probably because of the important metal-processing sector, which can count on taking in orders in advance, that the economic situation of industry in Flanders was not excessively unfavourable in 1977. However, this has not prevented a severe slump in the textile industry, which is heavily located in Flanders, particularly in the development areas. In addition, the uncertain conditions in the chemical industry, a considerable factor in Flanders, were not considered to merit the necessary aid that could earlier be relied upon.

B.2. Unemployment and closures

Unemployment, which grew systematically in the three regions of the country, increased particularly in Flanders. At the same time, the rise in the rate of female unemployment was the highest in Belgium. This reflects the specific nature of the most important industrial sectors particularly affected by the crisis, viz., the textile and clothing industries in Flanders, which employ a high proportion of women.

As in the country as a whole, the degree of unemployment among young people (under 25) is also very high. Unemployment among the under 25s in Flanders rose by 18.4% in 1977 over 1976; the rise in 1976 over 1975 was 7%. This is an indication both of the population structure in the lower age groups and the working population, and of the difficulties encountered by the Flemish economy in 1977 after the signs of an upward trend in 1976.

Confirmation of the above is.furnished by the statistics on closures of firms and the ensuing redundancies. The number of closures rose by 28.1% in 1977 for the country as a whole, but by 38.9% in Flanders. The total of redundancies increased far more sharply in Flanders (6%) than for the whole of Belgium (1.9%). The largest number of closures were in textiles and clothing but also in the important sector of metal construction, mechanical engineering and electricity.

Further details concerning industrial production, unemployment and closures are given below.

Industrial production

General index of industrial production
(excluding building - quarterly values)

(1970 = 100)

		Flanders		Belgium	
		Gross index[1]	Variation %[2]	Gross index[1]	Variation %[2]
1976	I	126.2	2.2	116.8	1.7
	II	133.4	12.5	123.5	11.2
	III	118.3	9.1	107.0	10.4
	IV	136.1	11.9	122.1	8.2
1977	I	135.6	7.4	121.3	3.9
	II	136.6	2.4	123.5	0.0
	III	118.4	0.1	104.4	-2.4
	IV	133.0	-2.3	119.3	-2.3

[1] calendar-adjusted.
[2] % variation over the same quarter in the previous year.

Unemployment

Rate of unemployment[1]

Years	Flanders			Whole country		
	Men	Women	Total	Men	Women	Total
1970	2.4	3.3	2.6	2.5	4.3	3.0
1971	2.4	3.2	2.6	2.4	3.9	2.9
1972	2.9	4.0	3.2	2.9	4.6	3.4
1973	2.6	4.9	3.3	2.8	5.5	3.6
1974	2.7	6.1	3.7	2.8	6.7	4.0
1975	4.7	11.2	6.7	4.8	10.8	6.7
1976	5.1	15.8	8.5	5.5	14.8	8.6
1977	5.5	18.8	9.9	6.5	18.8	10.7

[1] Number of totally unemployed qualifying for unemployment benefit in relation to the number of those insured against unemployment. 1970 to 1977 inclusive: monthly averages.
Source: Employment Dept. (RVA).

The trend in the rate of unemployment in Flanders and the country as a whole from 1970 is shown in the table.

During the period 1970-1977 the rate of unemployment increased from 2.6% to 9.9%. The continuous annual increase in this percentage during this period points to the partly structural character of unemployment in Flanders. This aspect also appears in the figures for the country as a whole.

Particularly striking is the growth in the rate of female unemployment, from 3.3% to 18.8%.

The following points are at the same time characteristic: the high number of young unemployed, 34% of the totally unemployed qualifying for unemployment benefit being younger than 25 (for the whole country the figure is 32%), and the high degree of unemployment in the clothing, textile, footwear and leather, paper and food, and furniture and glass sectors.

Unemployment among young people in Flanders - end of September 1977

	Absolute figures			In % of the total of unemployed qualifying for unemployment benefit
	Under 20	From 20 to 25	Total	Under 25
Women	8 389	25 805	34 194	38%
Men	3 958	8 909	12 867	26%
TOTAL	12 347	34 714	47 061	34%

Source: Employment Dept. (RVA).

Over the period 1975-1980 the working population under 25 will increase from 533 000 to 555 600 (a rise of 4.2% compared with 5.8% for the total working population). The proportion of this group in the total working population will, as a result, fall from 23.3% to 22.9%.

The trend in the rate of total unemployment per regional office in Flanders during the period 1972-1976 is given in the table below.

It appears from this that there are substantial differences among the various Flemish regions in the extent and development of unemployment.

Development was particularly unfavourable in the Regional Office of Turnhout (where it rose from 3.4% to 11.6%), the province of Limburg (from 4.7% to 12.4%), the Regional Office of Louvain (from 3.3% to 9.4%), the Regional Office of Dendermonde (from 3.6% to 9.3%), the Regional Office of Ghent (from 2.7% to 7.8%) and the Regional Office of Aalst and Oudenaarde (from 4% to 9.1%).

Rate of total unemployment

Monthly average

Regional Offices	Totally unemployed qualifying for unemployment benefit[1]					
	Men		Women		Total	
	1972	1976	1972	1976	1972	1976
Antwerp + Boom	2.3	4.6	3.9	12.6	2.9	7.0
Mechelen	2.7	4.4	4.3	16.6	3.3	8.1
Turnhout	3.4	5.4	3.9	26.0	3.4	11.6
Louvain	2.8	5.1	4.5	17.7	3.3	9.4
Ypres	5.1	6.2	3.1	10.7	4.2	7.6
Bruges	4.2	6.9	4.7	13.5	4.3	9.1
Courtrai	0.6	2.7	0.5	8.3	0.6	4.5
Ostend	6.2	8.0	6.1	15.0	6.2	10.2
Roeselare	1.8	3.4	2.1	12.0	1.9	6.4
Aalst-Oudenaarde	3.6	6.0	4.7	14.4	4.0	9.1
Dendermonde	3.4	5.7	4.1	16.8	3.6	9.3
Ghent	2.4	5.3	3.2	13.3	2.7	7.9
Sint-Niklaas	2.8	4.2	2.5	13.0	2.7	6.9
Hasselt+Tongeren	4.0	5.9	6.7	26.3	4.7	12.4
FLANDERS	2.9	5.1	4.0	15.8	3.2	8.5
BELGIUM	3.2	3.5	5.1	14.8	3.7	8.6

Source: Department of Employment (RVA).

[1] Basis: Totally unemployed qualifying for unemployment benefit registered at the end of the month and seeking employment, as a % of the number insured against unemployment.

The rates of unemployment were worst in the following regional offices: the province of Limburg (the Regional Offices of Hasselt and Tongeren) with an unemployment percentage of 14.8%, the highest in Belgium - Limburg also has the greatest female unemployment (33.4%) - Turnhout with an overall rate of 14% and a female unemployment rate of 34%, Ostend with 12.1%, Dendermonde with 10.9%, Aalst and Oudenaarde with 10.8%, Louvain with 10.7%, and Bruges with 10.5%. (See following table: Rate of total unemployment - September 1977).

Rate of total unemployment

September 1977

Regional Offices	Totally unemployed qualifying for unemployment benefit[1]		
	Men	Women	Total
Antwerp + Boom	4.3	13.8	7.2
Mechelen	4.7	20.3	9.4
Turnhout	5.3	34.0	14.0
Louvain	5.0	21.9	10.7
Ypres	6.9	17.9	10.5
Bruges	6.7	16.8	10.0
Courtrai	3.1	11.7	5.9
Ostend	8.5	20.3	12.1
Roeselare	3.1	14.9	4.9
Aalst + Oudenaarde	6.7	14.4	10.8
Dendermonde	6.2	25.0	10.9
Ghent	5.5	16.4	9.0
Sint-Niklaas	9.0	15.6	8.2
Hasselt + Tongeren	6.1	33.4	14.8
FLANDERS	5.2	19.7	9.8
BELGIUM	5.8	17.4	9.7

Source: Department of Employment (RVA)

[1]Basis: totally unemployed qualifying for unemployment benefit registered at the end of the month and seeking employment, as a % of the number insured against unemployment.

Closures of firms and redundancies

During the period 1974-1976 1 005 firms were closed in Flanders, as a result of which about 34 864 persons were made redundant. This means that 51% of closures and 47% of redundancies in the whole country were in Flanders.

	1974		1975		1976	
	Clos.	Redund.	Clos.	Redund.	Clos.	Redund.
Antwerp	76	2 710	93	3 849	60 + 88[a]	3 551
West Flanders	49	1 263	62	2 504	58 + 36[a]	2 529
East Flanders	47	1 657	87	3 094	69 + 36[a]	2 267
Limburg	25	1 102	53	3 262	36 + 20[a]	2 178
Flemish Brabant	31	1 836	39	2 132	25 + 15[a]	920
FLANDERS	228	8 568	334	14 841	248 + 195[a]	11 455
BELGIUM	430	21 937	584	25 460	474 + 467[a]	27 041

Source: R.V.A. and General Economic Inspectorate.

[a] Firms for which the exact number of redundancies is not known. It is known merely that they employed fewer than 20 persons.

Closures of firms and redundancies - 1977

	Closures	Redundancies
Antwerp	55 + 146[a]	2 626
West Flanders	64 + 50[a]	1 613
East Flanders	69 + 52[a]	3 287
Limburg	38 + 57[a]	1 632
Flemish Brabant	29 + 26[a]	1 080
FLANDERS	255 + 331[a]	10 238
BELGIUM	448 + 706	24 023

Source: R.V.A. and General Economic Inspectorate.

[a] See note of preceding table.

C. THE DEVELOPMENT AREAS

C.1. Limburg-Kempen

The Limburg-Kempen development area is situated in north-eastern Flanders. For institutional purposes it falls into three parts: the province of Limburg, the district of Turnhout, and an extension to the cantons of Diest and Aarschot (north-eastern part of the district of Louvain).

The population of this development area was 1 145 894 at 31 December 1976, or 20.6% of the Flemish population and 11.7% of the Belgian population. The area is 4 170 km^2, or 30.9% of Flanders and 13.7% of Belgium.

The three parts mentioned above are grouped as a single development unit on account of their common socio-economic features, viz., population explosion since the second world war, decline for the coal-mining industry and a substantial fall in agricultural employment, underdeveloped industrial and tertiary sectors, high rate of unemployment, commuting to work, and low income per inhabitant compared to the rest of Flanders and the country as a whole.

As a result of the regional development policy, Limburg-Kempen made good part of this leeway in the 1960s and at the start of the 1970s.

A substantial amount of ground has still to be made up, however, especially since the most recent economic crisis threatens to erase the results achieved under the regional policy.

This can be seen from an examination of the anticipated development in the period 1978-1980. A population rise of 37 127 is forecast, and a structural unemployment component of 27 603 persons. As a result, and assuming that present short-term unemployment is absorbed by improved economic conditions, employment will have to be found for 64 730 people in the period 1978-1980.

A more detailed socio-economic analysis is given below. It is divided in two sections for the Limburg-Kempen development unit, since the statistical data are only available separately.

C.1.1. Limburg

C.1.1.1. Population

Total population

Between 1961 and 1977 the total population of Limburg rose from 571 896 to 692 127, an increase of 22% as against an increase of 7% for the country as a whole. The rate of growth in Limburg was approximately 3 times above that for the country as a whole.

Births, deaths and migration

(per thousand of the population)

	Limburg		Belgium	
	1961	1976	1961	1976
Birth rate	24.6	14.9	17.3	12.2
Death rate	7.6	7.6	11.6	12.1
Migration balance	- 4.3	+ 2.2	- 0.2	+ 0.9
Total increase	13.7	+ 9.5	+ 5.5	+ 1.0

Population structure

The figures of the 1970 census show the high proportion of young people in the population of Limburg.

	Limburg	Belgium
0 to 14	30.1%	23.6%
15 to 64	62.3%	63 %
65 and over	7.6%	13.4%

C.1.1.2. Labour market

Working population

The total working population resident in Limburg was approximately 256 300 in 1975 (177 500 men and 78 800 women). 77.4% of the men and 38.8% of the women were in employment.

Employment

Overall employment in the province of Limburg in the middle of 1976 was 208 280 (171 293 salaried employees and 36 987 self-employed).

The number of persons employed in agriculture fell from 20 403 in 1962 to 8 405 in 1976 and 8 071 in 1977.

Salaried employment in the private sector in Limburg increased from 82 410 at the end of June 1960 to approximately 144 834 at the end of June 1976.

The number of jobs in industry rose from 18 957 in 1960 to 64 896 in 1976, i.e., an increase of 45 939 posts. Over 55% of this industrial expansion took place in the metal-processing sector (an increase of 25 268 jobs). The clothing

Salaried employment (excluding Government Service and Education) by sector in the period 1960-1976 in Limburg

Sectors	30 June 1960 (Total)	30 June 1976			Variation 1960-1976 (Total)
		Men	Women	Total	
Agriculture	1 267	632	131	763	- 504
Energy[1]	40 404	21 011	138	21 149	- 19 255
Industry	(18 957)	45 248	19 658	(64 896)	+ 45 939
- Metal extraction, initial processing (casting, drawing	2 962	2 982	125	3 107	+ 145
- Extraction and processing of non-metal minerals	1 308	3 743	144	3 887	+ 2 579
- Chemicals	2 026	3 195	588	3 783	+ 1 757
- Metal-processing	4 779	22 882	7 165	30 047	+ 25 268
- Food-Drink-Tabacco	3 136	3 828	1 864	5 692	+ 2 556
- Textiles, Clothing Footwear	1 460	1 248	8 173	9 421	+ 7 961
- Wood, Paper, Printing	2 111	4 942	867	5 809	+ 3 698
- Rubber & Plastics	1 058	2 221	614	2 835	+ 1 777
- Others	117	207	126	333	+ 216
Building	10 736	17 119	407	17 526	+ 6 790
Tertiary[2]	(11 046)	23 522	16 978	40 500	+ 29 454
TOTAL	82 410	107 532	37 302	144 834	+ 62 424

Source: Social Security Dept. annual reports.

[1] Electricity in 1960 excluding inter-municipality power authorities.

[2] Excluding employees in government service and education, apprentices, and domestic staff.

sector, which at present is facing structural problems, also increased strongly (by 7 961).

Employment in the building sector increased substantially, from 10 736 to 17 526.

In the tertiary sector (excluding government service and education) there were 40 500 employees at 30 June 1976, 29 454 more than in 1960. When government service and education is included, the number of salaried employees was 171 293.

Salaried employment in industry fell from the end of 1974 onwards and at 31 March 1977 accounted for 63 967 jobs. The table below summarizes employment in this sector.

Sector	Men	Women	Total	Percent
Extraction and initial processing of metals and non-metal minerals	6 903	290	7 193	11.2
Chemicals	3 338	574	3 912	6.1
Metal-processing	23 049	6 575	29 624	46.3
Food-Drink-Tobacco	3 772	1 839	5 611	8.8
Textiles	561	244	805	1.3
Clothing and Footwear	642	7 156	7 798	12.2
Wood, paper and printing	5 072	908	5 980	9.4
Rubber and plastics	2 158	558	2 716	4.2
Others	184	144	328	0.5
TOTAL	45 679	18 288	63 967	100.-

Labour surplus

With a working population of 256 300 people in 1976 and 208 300 people in employment, the labour surplus was 48 000. This surplus was composed of 25 000 wholly unemployed persons and a balance of 23 000 people commuting to work outside the area.

Commuting

About 10 000 people commute into the area to work and about 33 000 people commute to work elsewhere, chiefly to the Netherlands (11 000) and the provinces of Liège (7 000), Brabant (5 700) and Antwerp (4 600).

Unemployment

Since the beginning of the 1970s, unemployment has risen consistently. In September 1971 5 139 people were unemployed; in September 1977 the figure had risen to 26 170, an increase of more than 500%.

The trend in the rate of unemployment, together with the other parts of the Limburg-Kempen area, was accordingly the most unfavourable for the province of Limburg, rising from 4.7% in 1972 (Flanders 3.2%, Belgium 3.7%) to 14.6% in 1977 (Flanders 9.2%, Belgium 10.7%). Female unemployment in particular assumed alarming proportions: 1972 - 6.7%, 1977 - 31.6% (Flanders 17.5% Belgium 18.9%).

Further note should be taken of the substantial proportion of young people (under 25) in the total of unemployed persons, i.e. 39% as against 34% in Flanders and 32% in Belgium as a whole.

C.1.1.3. Incomes

Taxable income per inhabitant in 1964 was some 20% below the average for Flanders and almost a 30% under the average for Belgium as a whole.

Since then part of the leeway has been made up, largely due to the development policy for the problem area of Limburg. In 1974 incomes still stood 17% below the average for Flanders and almost 20% below the average for Belgium.

Although the poor income situation has been partly eliminated, considerable leeway has still to be made up.

C.1.2. District of Turnhout

C.1.2.1. Population

Total population

Between 1961 and 1976 the population rose from 299 261 to 347 188 (increase of 16%, increase for Belgium as a whole 6.9%).

Births, deaths and migration

(per thousand of the population)

	Turnhout		Flanders		Belgium	
	1961	1976	1961	1976	1961	1976
Birth rate	23.8	13.5		12.6	17.3	12.2
Death rate	7.8	8.1		10.2	11.6	12.1
Migration balance[1]	- .7	+ 2.0		+ 1.0	- 0.2	+ 0.9
Total increase	+ 15.2	+ 7.4		+ 3.4	+ 5.5	+ 1.0

[1] Until 1973 the migration balance was consistently negative. Since then there has been a positive balance.

Population Structure

The data in the 1970 census show the youthful population structure in this district:

0 to 14	:	30 %
15 to 64	:	61.5%
65 and over	:	8.5%

C.1.2.2. Labour market

Working population

The total working population stood at approximately 136 000 in 1975 (94 800 men and 41 200 women). The rate of employment was 87% and 46%.

Employment

The total number of persons in employment, both employees and self-employed, was 114 116 in 1975. The primary sector accounted for 5.4% of total employment. The secondary sector accounted for 54.8%, and the tertiary sector 39.8%.

The number of persons employed in agriculture fell from 11 599 in 1962 to 4 871 in 1976 and 4 817 in 1977.

The number of salaried employees increased from 50 029 in 1961 to 92 384 in 1976.

The number of persons employed in industry rose from 33 246 in 1961 to 47 647 in 1976. By sectors the increase went chiefly to the electronics industry, and metal construction and machines. The problem sectors were the diamond industry (employment falling from 15 000 in 1961 to 12 000 in 1975), and ready-made clothing.

Employment in the building sector rose from 6 782 to 9 575.

The tertiary sector accounted for 34 698 employees at 30 June 1976, as against 9 373 in 1961. However, the tertiary sector remained less developed than in the remainder of Flanders or in Belgium as a whole.

Labour surplus

With a working population of 136 000 and total employment of 114 000, there is a labour surplus of 22 000.

The labour surplus is made up of 7 000 fully unemployed persons and a balance of 15 000 people commuting to work outside the area.

Commuting

Of the balance of the 15 000 people commuting to work outside the area, 8 500 (6.8% of the working population) are engaged in socially unjustified commuting.

Unemployment

Since the beginning of the 1970s, unemployment has risen consistently: 1970 - 2 349, 1973 - 2 973, 1977 - 13 105. This represents an increase of over 500%. The particularly unfavourable trend meant that the district of Turnhout together with the province of Limburg experienced the most unfavourable unemployment position in Flanders and the rate of unemployment was far above the average for Belgium as a whole (1977 - Turnhout 14.3%, Flanders 9.2%, Belgium 10.7%).

Female unemployment in this area, as in the province of Limburg, is the highest in Belgium at 31.6%.

C.1.2.3. Incomes

The taxable income per inhabitant in 1964 was 22% below the average for Flanders and 30% below the average for Belgium.

Since then part of this leeway has been made up, largely due to the development policy in the area. But in 1974 incomes were still 14% below the average for Flanders and 16% below the average for the country.

The poor income situation was thus partly rectified in the preceding 10 years (1964-1974). However, a considerable leeway still has to be made good.

C.1.3. Cantons of Aarschot and Diest

Population

Population at 31 December 1976: 106 579.

Annual rate of growth

(per thousand of the population)

	1970-1975	1976
Aarschot	+ 3.5	- 2.6
Diest	+ 1.1	- 0.3

Total employment

	1960		1968	
	Men	Women	Men	Women
Aarschot	1 502	557	2 135	1 478
Diest	2 584	1 167	3 045	1 527

Source: Social Security Dept.

Subregional changes in employment
in Flemish Brabant 1974-1976

	Employment				% Changes 1974-1976	
	Total		Industry		Total	Industry
	1974	1976	1974	1976		
Aarschot	6 202	6 339	2 691	2 372	+ 2.2	- 11.8
Diest	10 356	10 111	3 297	2 491	- 2.4	- 24.4

Incomes 1976

Aarschot : BFR 93 900, i.e. 13% below the average for Belgium as a whole.
Diest : BFR 94 100, i.e. 12% below the average for Belgium as a whole.

C.2. Westhoek

C.2.1. General observations

The Westhoek development area is situated in the extreme west of Flanders and covers the following districts of the province of West Flanders: Veurne, Diksmuide, Ypres and Tielt. Although the last-named district is not strictly connected to the first three, it may be regarded as part of the Westhoek area on account of a large number of similar socio-economic indicators.

The population of this development area is 283 970, or 5.1% of the Flemish population and 2.9% of the population of Belgium. It covers an area of 1 516 km^2, or 11.2% of Flanders and 5% of Belgium.

For a long period Westhoek had no share of the industrialization taking place in the country and was regarded as an agricultural area with low income per inhabitant as compared with the rest of Flanders and the country as a whole. The shortage of employment led to emigration, commuting over long distances, work across the frontier in France, and unemployment.

The regional development policy has slowly helped to improve the socio-economic situation, to begin to develop the secondary and tertiary sectors, and make up some part of the leeway.

A considerable number of problems are still outstanding, however, and the most recent economic crisis has meant that the favourable factors that were to be noted in the 1960s are again receding.

In the period 1978-1980, a problem of employment will arise for 6 892 persons (3 442 through an increase in working population, and 3 450 structurally unemployed), on the assumption that short-term unemployed will be absorbed as the result of an improvement in economic conditions.

C.2.2. Detailed analysis

C.2.2.1. Population

1961 : 282 431

1970 : 284 909

1976 : 283 970

The trend between 1961 and 1970 was unfavourable, an increase of only 0.9% as against 5% for the country as a whole. The bulk of natural growth is dissipated by emigration.

1961-1970 : natural growth : + 13 877
migration difference : - 11 399

During the period 1970-1976 the trend was still more unfavourable, a fall of 0.3% as against a rise of 1.8% for Belgium as a whole.

Migration difference :	Diksmuide	: - 3.7%
	Ypres	: - 4.0%
	Veurne	: Approx. 0
	Tielt	: - 1.0%
	Belgium	: + 1.2%

Migration has an unfavourable effect on age structure; the middle age-group (working population) withdraws, with negative results for the natural growth rate.

C.2.2.2. Employment

At 31 December 1970 (census results) the working population and employment stood as follows:

	Working population (living in the area)	Employment
Men	73 033	55 906
Women	28 210	23 428
TOTAL	101 243	79 334

The rates of employment were also highly unfavourable:

- Diksmuide : 67.3
- Ypres : 74.5
- Tielt : 81.7
- Veurne : 87.6

Agriculture has a considerable share of total employment, amounting to about 20% in 1970.

Over the period 1962-1976 some 10 000 jobs were lost in agriculture. This regression, which affected over 1 000 jobs a year until around 1964, has since proceeded at an annual rate about 500 jobs.

Employment in Westhoek

(Social Security Dept.)

	1961	1970	1976
Agriculture	2 169	861	811
Industrial concerns	14 452	21 855	24 002
Building	5 519	7 140	7 712
Tertiary sector (excl. government service)	3 938	6 572	10 268
Government service and others	1 935	13 512	15 566
TOTAL	27 983	49 941	58 356

Source: Social Security Dept.

Industrial employment

30 June 1976

Power and water	290
Non-energy producing minerals and derivatives, chemicals	1 046
Metal-processing, precision machinery and optical industry	5 798
Food - Drink	3 287
Textiles, clothing, footwear and leather	8 449
Wood and furniture	3 801
Paper	113
Printing	329
Rubber and plastics	579
Tobacco	139
Others	169
TOTAL	24 000

Source: Social Security Dept.

It can be seen that the problem sector of textiles and clothing accounts for the largest share (35%) of industrial employment.

The shortage of employment leads to unemployment and socially unwarranted commuting.

Rate of unemployment in June 1977:

- Diksmuide : 8.4%
- Ypres : 8.8%
- Tielt : 5.6%
- Veurne : 9.5%

Male unemployment in particular is high in relation to the national average:

- Diksmuide : 5.8%
- Ypres : 5.7%
- Tielt : 2.7%
- Veurne : 8.1%

as against the national average of 5.4%.

Commuting

The commuting balance is heavily unfavourable. At 31 December 1970 there was a negative balance of 5 277 people.

C.2.2.3. Average income per inhabitant

The unfavourable situation outlined above is amply reflected where incomes are concerned.

Average income as % of national average

	1964	1974	1976
Diksmuide	59.1	73.4	73.6
Ypres	68.2	78.4	77.9
Tielt	69.6	87.0	83.2
Veurne	83.7	87.6	87.2
FLANDERS	90.8	97.2	98.2
BELGIUM	100.0	100.0	100.0

Although part of the leeway has been made up in recent years, there is still a considerable difference between the average for the area and for Flanders and the country as a whole.

A comparison of the 1974 and 1976 figures in fact indicates that the favourable trend has halted and that average income has in fact fallen back in relative terms.

C.3. Middengebied (East Flanders)

The 'Middengebied-East Flanders' development area considered below consists of the district of Oudenaarde with an extension to the district of Aalst, and the district of Eeklo.

The area had a population of 199 603 at 31 December 1976 (3.6% of the Flemish population and 2% of the population of Belgium). The area is 752 Km^2 (5.6% of Flanders and 2.5% of the whole country). For the period 1978-1980 employment will be required for 12 805 people.

The two areas are not closely connected geographically and apart from some socio-economic similarities there are a number of differences; they are accordingly discussed separately below.

C.3.1. Oudenaarde

This development area is situated in the south of the province of East Flanders and contains the district of Oudenaarde and a few municipalities in the district of Aalst.

The population at 31 December 1976 was 112 547. The area is 419 Km^2.

It bears all the characteristics of a development area : infrastructure extended in recent years but still inadequate, drop in employment in agriculture, industry concentrated almost entirely in one sector - clothing and textiles - which is in decline, and a tertiary sector at a low level of development. The socio-economic consequences are large-scale commuting to work, unemployment, low incomes, and emigration.

C.3.1.1. Population

1961	:	114 211
1970	:	113 185
31-12-76	:	111 908

Variation

(per thousand of the population)

	Oudenaarde		Belgium	
	1961	1976	1961	1976
Birth rate	16	11.4	17.3	12.2
Death rate	11	13.4	11.6	12.1
Migration balance	- 2	- 1.2	- 0.2	+ 0.9
Overall variation	3	- 3.2	+ 5.5	+ 1.0

C.3.1.2. Employment

	1961	1970
Working population living in the area	47 513	44 561
Working in the area	39 245	35 316

The rates of employment were also unfavourable, 82.6% in 1961 and only 79.3% in 1970.

During the period 1962-1977 the number of permanent employees in the primary sector fell from 5 752 in 1962 to 2 360 in 1976 and 2 274 in 1977, an overall reduction of 3 478 jobs.

Figures for employees insured under the social security scheme are as follows:

Employment in Oudenaarde

	1961	1970	1976
Agriculture	195	153	114
Industrial concerns	18 063	16 948	15 529
Building	1 908	2 420	2 716
Tertiary sector (excl. government service	1 151	2 038	3 216
Government service and others	837	5 160	6 253
TOTAL	22 154	26 719	27 828

Source:Social Security Dept.

Industrial employment
30 June 1976

Power and water	411
Non-energy producing minerals and derivatives, chemicals	263
Metal-processing, precision machinery and optical industry	1 515
Food - drink	1 228
Textiles, clothing, footwear and leather	10 888
Wood and furniture	531
Paper	56
Printing	115
Rubber and plastics	450
Others	72
TOTAL	15 529

Source: Social Security Dept.

These figures indicate that employment in industry fell in both periods, 1961-1970 and 1970-1976. This fall was the result of the regression in the textile and clothing sectors, which account for 70% of employment in industry. Between 1961 and 1976, 5 000 jobs were lost in the textile and clothing sectors.

Expansion in other industrial concerns was insufficient to contain this regression.

The level of development of the tertiary sector is still low in comparison to total employment. The most important increase was the growth of employment in the public sector.

The results of this unfavourable labour situation are clear.

Commuting

The district of Oudenaarde has the highest rate of socially unwarranted commuting in Flanders, after the districts of Aalst and Louvain, with 11.8% of the working population commuting to work with a daily return journey of 2 hours or more.

Employment

Unemployment rose from 4% in 1972 to 10.7% in 1977 (regional office for Aalst and Oudenaarde); the rate of male unemployment was 6.8%, and the rate of female unemployment 17.3%.

C.3.1.3. Average income per inhabitant

Average income as % of national average

	1964	1974	1976
Oudenaarde	79.0	88.4	88.1
Flanders	90.8	97.2	98.2
Belgium	100.0	100.0	100.0

Source: N.I.S.

Average income per inhabitant, which was 79% of the national average income in 1974, stood at 88.4% in 1974 and 88.1% in 1976.

The negative situation has been partly eliminated, but substantial leeway still has to be made up.

C.3.2. Eeklo

This development area is situated in the north of the province of East Flanders and comprises the district of Eeklo.

The population was 87 695 at 31 December 1976, and the area is 333 Km^2.

The area is generally characterized by a lack of local employment for the working population, an undiversified industrial sector, population stability, and low income.

C.3.2.1. Population

1961	:	81 571
1970	:	85 764
31-12-76	:	87 695

Variation

(per thousand of the population)

	Eeklo		Belgium	
	1961	1976	1961	1976
Birth rate	18	12.6	17.3	12.2
Death rate	11	11.4	11.6	12.1
Migration difference	- 5	+ 2.6	- 0.2	+ 0.9
Overall variation	+ 2	+ 3.8	+ 5.5	+ 1.0

C.3.2.2. Employment

	1961	1970
Working population living in the area	32 294	31 682
Working in the area	24 147	22 235

The rates of employment were thus negative: 74.8% in 1961 and only 70.2% in 1970.

During the period 1962-1977 the number of people permanently employed in the primary sector fell from 6 078 to 2 561 in 1976 and 2 201 in 1977, a reduction of 3 876 jobs.

The number of employees insured under the social security scheme was as follows:

Employment in Eeklo

	1961	1970	1976
Agriculture	619	274	208
Industrial concerns	7 494	6 274	5 551
Building	1 310	2 095	1 601
Tertiary sector (Excl. government service)	857	1 447	2 187
Government service and others	598	3 362	4 761
TOTAL	10 878	13 719	14 308

Source: Social Security Dept.

Industrial employment

30 June 1976

Power and water	247
Non-energy producing minerals and derivatives, chemicals	339
Metal-processing, precision machinery and optical industry	530
Food - drink	1 442
Textiles, clothing, footwear and leather	1 692
Wood and furniture	1 209
Paper	-
Printing	68
Rubber and plastics	17
Others	7
TOTAL	5 551

Source: Social Security Dept.

Industrial employment thus fell during both periods, 1961-1970 and 1970-1976.

The industrial structure is not very diversified and consists chiefly of textiles and clothing, food and drink, and wood and furniture.

The textile and clothing sector is in regression and no rise in employment is expected in the food and drink and wood and furniture sectors.

Between 1970 and 1976 employment in the building sector fell, and the tertiary sector appears to be under-developed.

The most important rise in employment occurred in the public sector.

The working population thus resorts in the first instance to commuting.

The rate of unemployment rose from 2.9% in 1973 to 8.7% in 1977.

C.3.2.3. Average income per inhabitant

Average income as % of national average

	1964	1974	1976
Eeklo	72.3	88.4	89.0
Flanders	90.8	97.2	98.2
Belgium	100.0	100.0	100.0

Source: N.I.S.

D. MAIN POINTS OF IMBALANCE AND THEIR CAUSES

After the second world war Flanders was afflicted by very heavy unemployment. Between 1950 and 1960 the rate of unemployment was always twice as high as in the rest of the country. A further feature in Flanders was a very large number of commuters and seasonal workers, not to mention the very numerous people who emigrated from Flanders to other areas.

This circumstance was coupled with low wage levels in most Flemish areas and an inefficient use of manpower which in commerce and agriculture to some extent assumed the form of hidden unemployment. Together with strong population expansion, these factors depressed the average standard of living.

The provinces of Limburg and West Flanders in particular were severely affected since their economy was based on agriculture and on a number of sectors which were declining, i.e., the textile industry in West Flanders and coal mining in Limburg.

From the 1960s a major change took place in economic and social conditions in Flanders. The change can be ascribed to favourable international economic trends, the Common Market, favourable geophysical conditions, the quantitative and qualitative human resources available, and government policy, both in the field of infrastructure and of legislation for expansion.

Investment within the framework of the legislation for regional expansion was directed to the development areas, where a substantial number of jobs were created. Stress was laid on diversification of activities, in particular in the various sectors of the metal-processing industry, the chemical industry, petrochemicals, and the foodstuffs industry. The industrial areas also contributed to these results to a large extent since they provide investment support for setting up new industries or for expanding existing firms, as well as for extending the communications infrastructure.

The latest economic crisis has nevertheless put an end to the upswing experienced by the Flemish economy since the 1960s.

The main points of imbalance with which Flanders now has to contend are summarized below.

D.1. The employment problem

The most acute socio-economic problem with which Flanders has at present to contend, and with which it will also have to come to terms in the future, is undoubtedly the high level of unemployment.

This is the result of the economic crisis and of the considerable and constant rise in the working population. There is also an important structural element in unemployment. Textiles in particular, as well as the paper, glass and furniture industries, are having to contend with serious difficulties.

D.2. Regional differences

The economic and social position is characterized by a number of regional differences which render pursuit of a regional economic policy necessary.

These differences and their causes have been considered earlier in this chapter.

D.3. The problem of the quality of life

During the first half of this decade the investment effort was directed principally towards the economic infrastructure.

Problems concerning the quality of life were not always given the necessary attention. As a result, Flanders is now confronted with the need to improve the domestic, working, and living environment. On the one hand, it is a question of the need to adapt the 'framework of life', which covers such matters as housing, town planning, renovation of city centres, pollution of the environment and the provision of open spaces, and on the other hand of the need to extend 'social provision' which covers such matters as hospitals, care for the aged, and culture.

D.4. Population trend and physical planning

The population trend in Flanders is characterized by a fall in the birth rate as a result of which the natural increase has dropped to virtually zero. In

1961 the natural increase was 8.69%; in 1976 it was only 1.85%.

The high density of population in the Flemish area has caused a number of physical planning problems. In implementing the Act of 29 March 1962, relating to the organization of town planning and physical planning, 25 regional plans were set up, but these still remain almost wholly unrealized.

E. RESULTS OF PAST ACTION

E.1. Legislation for regional economic expansion

E.1.1. Flanders

During the period 1970-1977 investment worth BFR 156.8 thousand million was aided within the framework of the legislation for regional expansion in Flanders.

The cost to the State of legislation for regional expansion in Flanders during this period amounted to BFR 17.7 thousand million. These investments created 88 989 jobs.

As far as the distribution per sector is concerned, the results of the legislation for regional expansion (period 1959-1977) were greatest, on the investment side, in chemicals and metal-processing with BFR 56.9 thousand million and 53.5 thousand million respectively. The effects for employment were greatest in metal-processing and textiles, where 74 610 and 31 714 jobs respectively were created.

The cost to the State was highest in metal-processing and chemicals, each sector taking BFR 5.8 thousand million. The metal sector took 4 thousand million, and textiles 2.5 thousand million.

The legislation for regional economic expansion made it possible to set up 819 new factories in Flanders during the period 1959-1977; 583 of these were Belgian and 236 were of foreign origin or were financed jointly by Belgian and foreign capital.

Of the total of BFR 227.5 thousand million in aided investment, BFR 81 thousand million was for new undertakings: BFR 22 thousand million went for Belgian projects and BFR 59.1 thousand million for those of foreign or joint Belgian and foreign origin.

The jobs created as a result of these new plants totalled 73 079, of which 33 803 were in the Belgian projects and 39 276 in the foreign or mixed projects.

It appears from an analysis by the Cabinet for the Flemish Regional Economy concerning the real value of proposed job creation that the newly created industrial employment is real, but is offset to a very large extent by a reduction of employees in existing firms and sectors. The net effect of the application of the expansion legislation on employment appeared to be greatest in the recently industrialized regions.

E.1.2. In the development areas (period 1959-1977)

(a) Limburg-Kempen

Aided investment: BFR 89 090 million
Cost to State: BFR 11 059 million
Jobs created by aided investment: 69 259

(b) Westhoek

Aided investment: BFR 10 733 million
Cost to State: BFR 1 229 million
Jobs created by aided investment: 13 691

(c) Middengebied (East Flanders)

Aided investment: BFR 11 096 million
Cost to State: BFR 1 140 million
Jobs created by aided investment: 9 443

E.2. Industrial areas

E.2.1. Flanders

On 31 December 1976 there were 125 recognized industrial areas in Flanders with a total area of 15 009 hectares, 7 186 hectares or 48% of which were available. Employment in firms in the industrial areas amounted to about 121 700 persons. When the known investment programmes are concluded about 140 000 jobs are envisaged.

On 31 December 1969 there were 66 recognized industrial areas in Flanders with a total area of 9 843 hectares, 5 664 of which were available. Employment in firms then amounted to 51 400 persons.

Payments by the Ministry of Public Works for the period 1969-1977 amounted to BFR 4.1 thousand million for infrastructure works in the industrial areas in Flanders.

Expenditure in 1975, 1976 and 1977 was three times more than that in 1969, 1970 and 1971.

E.2.2. In the development areas

(a) Limburg-Kempen

The Limburg-Kempen development region has the largest area of recognized industrial areas, with 7 274 hectares on 40 sites. Employment in firms on these sites covers 54 337 persons (1969 : 19 sites, area of 4 667 hectares, 26 804 jobs). The cost to the State of infrastructure work on these industrial areas was BFR 2.4 thousand million (1969-1977)[1].

(b) Westhoek

Westhoek has 8 industrial sites with a combined area of 771 hectares; the firms there employ 5 528 persons (1969: 6 sites, area of 637 hectares, 1 136 jobs). Cost of infrastructure work: BFR 502 million (1969-1977).

(c) Middengebied (East Flanders)

Middengebied has 10 industrial sites with a combined area of 628 hectares; the firms there employ 5 932 persons (1969: 9 sites, area of 457 hectares, 4 033 jobs). Cost of infrastructure work: BFR 241 million (1969-1977).

E.3. Major infrastructure works

E.3.1. Flanders

It is a difficult task to present an accurate picture of government efforts to develop the major infrastructure, because the roads, railways and waterways which go to make up that infrastructure do not cease at the beginning or end of a specific region. Expenditure is consequently sometimes difficult to split between Flanders, Wallonia and Brussels.

It also happens that the financial burden is borne by more than one authority.

Since information covering a relatively long period is required in order to obtain a clear picture, it is almost impossible to arrive at precise statistics.

The information given below is consequently not a complete survey and is intended principally to give an idea of what has been provided in recent years in Flanders in the way of major infrastructure works.

During the period 1971-1977 the actual credits granted by the Road Fund for capital investment in Flanders amounted to BRF 19.4 thousand million for motorways and BFR 17.7 thousand million for ordinary roads.

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[1] Payments by the Ministry of Public Works.

The intercommunal authority for the E 3 at the same time invested BFR 7.3 thousand million during the period 1973-1977, the intercommunal authority for the E 5 BFR 14.7 thousand million, the intercommunal authority for the E 39 BFR 5.6 thousand million and the IVAW (West Flanders) BFR 7.9 thousand million.

The investment allocations for ports during the period 1973-1977 amounted to BFR 16 thousand million and for waterways BFR 15.7 thousand million. The allocations in 1973 were about half those of 1977.

E.3.2. In the development areas

Apart from the establishment and equipment of the industrial areas, the most important infrastructural works in the last 15 years to open up the development areas are shown below.

(a) Limburg-Kempen

- the A-13 motorway (Antwerp-Liège-Aachen);
- the E 39 motorway (King Baudouin motorway);
- the E 3 motorway (Antwerp-Turnhout-Eindhoven);
- the E 10 motorway (Antwerp-Rotterdam), although it runs over only a small part of the area;
- the enlargement of the Albert Canal;
- the national highway 17 (Maaseik-Lanaken);
- enlargement of the Eindhoven-Hasselt road;
- the industrial railway along the Albert Canal (Herentals-Tessenderlo);
- the A 2 motorway (Lummen-Bertem) which links up with the E 5. Work began in 1975 and should be complete by 1980;
- the new secondary road from Aarschot-Diest which links up with the A 2.

(b) Westhoek

- the A 18 motorway, of which the Jabbeke section (E 5 Brussels-Ostend-Nieuwpoort) is already completed, and which will run via Veurne to Calais;
- improvement of national highways and provision of feeder roads (Veurne);
- Diksmuide and Nieuwpoort: reservoirs;
- Nieuwpoort: new locks.

(c) Middengebied (East Flanders)

- Oudenaarde:
  - conversion to dual carriage way of the Ghent-Oudenaarde road, completed in the period 1960-1965;

  - work to convert the Oudenaarde-Ronse road to aual carriage way is in progress;
  - the straightening and dredging of the Scheldt for ships of up to 1 350 tons is partly complete.
- Eeklo:
  - the Ghent-Eeklo feeder road is already half complete;
  - the Antwerp-Ghent Canal zone section of the planned Antwerp-Coast motorway is open to traffic.

E.4. Contribution of the European Community

During the period 1975-1977 the European Regional Development Fund intervened in Flanders to establish, extend and equip the industrial areas, including access roads in the development areas.

In this period assistance was given to 64 projects, with a total investment of BFR 2 007.8 million. The contribution of ERDF to these projects totalled BFR 503 million. BFR 249 million has been paid out under this head.

Of the investment of BFR 2 007.8 million, BFR 1 065.2 million was for the province of Limburg, BFR 453.9 million for the district of Turnhout, BFR 213.6 million for Westhoek, BFR 173.8 million for South Kempen, and BFR 101.5 million for Middengebied East Flanders.

F. POSITIVE AND NEGATIVE FACTORS FOR DEVELOPMENT, INCLUDING BOTTLENECKS

The positive factors for the development of the Flemish economy may be summarized as follows:

(a) favourable geographical situation in the centre of Western Europe, on the North Sea coast, and enhanced by an extensive communications infrastructure;

(b) high manpower productivity;

(c) a new industrial policy plan, with new openings for foreign investors, through the promotion of new schemes such as joint ventures which can attract new categories of foreign investment (medium-sized undertakings) by spreading the risks.

The negative features of the Flemish economy are as follows:

(a) a high degree of unemployment;

(b) the decline in one of the most important industrial sectors for employment, textiles and clothing, on which the Flemish economy was earlier based to a considerable extent;

(c) the new division of labour and Community agreements with non-member countries;

(d) dependence on foreign markets: the Flemish economy is largely geared to export;

(e) the lessening attraction of Flanders for foreign investors as result of the high investment costs;

(f) the industrialization of densely populated areas raises problems for environmental protection and the need for proper physical planning.

G. ANTICIPATED SOCIO-ECONOMIC TRENDS IN THE PROGRAMMING PERIOD

G.1. Flanders

G.1.1. The problem of employment

The most acute socio-economic problem with which Flanders has at present to contend, and with which it would also have to come to terms in the future, is undoubtedly the high level of unemployment.

This is the result of the economic crisis and of the considerable and constant rise in the working population. In the period 1978-1980 this increase is estimated at 115 800 persons (working population in 1977, 2 316 000; in 1980, 2 431 800).

There is also an important structural element in unemployment. It is assumed that structural unemployment accounts for approximately 60% of total unemployment; the number of unemployed in mid 1977 stood at 156 900, so that structural unemployment at that time may be estimated at 94 140.

Assuming that a further increase in structural unemployment can be avoided, 94 140 jobs should be created apart from those required by the increase in the working population.

G.1.2. The quality of life

Flanders is and will continue to be confronted with the need to improve the domestic, working and living environment. On the one hand, this is a question of the need to adapt the 'framework of live', which covers such matters as housing, town planning, renovation of city centres, pollution of the environment and the provision of open spaces, and on the other hand of the need to extend 'social provision', which covers such matters as hospitals, care for the aged and culture.

G.1.3. Population trends and physical planning

As the result of the high density of population and the accompanying problems of physical planning, 25 regional plans have been established which will have to be implemented in the coming years.

G.2. The development areas

The economic and social position is characterized by a number of regional differences which render pursuit of a regional economic policy necessary.

The problems which arise for the development areas have been described earlier.

In addition, reference should be made to the difficulties with which a number of other areas in Flanders have had to contend for a number of years, and which on account of various factors including the economic crisis have seriously affected the sectors in decline, chiefly textiles, but also the paper, glass and furniture sectors.

The individual areas are described below. It should be borne in mind, however, that their boundaries do not necessarily coincide with the boundaries of the administrative districts and certain areas may thus extend over a number of municipalities in neighbouring districts.

For clarity of exposition however, the description here is confined to the administrative districts.

G.2.1. The districts of Aalst and Dendermonde

The districts of Aalst and Dendermonde may be described together because the problems facing both are quite similar.

Average income in these two districts in 1974 was 11.2% and 11.9% respectively below the national average.

Unemployment in Aalst rose from 4.2% in 1970 to 5.2% in 1974, 8.2% in 1975 and 11.5% in 1977; the latter level is 13.9% above the average for the country. A similar negative trend occurred in Dendermonde, rising from 3.3% in 1970 to 4% in 1974, 7.4% in 1975 and 10.4% in 1977.

Socially unwarranted commuting (i.e. commuting with a daily return journey of 2 hours or more), according to the 1970 census, was highest in the district of Aalst (16.7% of the working population) and the district of Dendermonde showed the fourth highest rate in Flanders (10.8% of the working population).

Between 1974 and the third quarter of 1977, 104 firms closed in these two districts, with a loss of 3 150 jobs.

The industrial structure is very undiversified and shows a single dominant sector, textiles and clothing, which provided 48.9% of industrial employment in Aalst in 1974, and 49.4% in Dendermonde. Between June 1972 and June 1976, 2 897 jobs were lost in this sector in Aalst, and 3 343 in Dendermonde. During this period overall industrial employment fell by 2 638 in Aalst and 2 982 in Dendermonde.

Even in the period 1961-1970 the employment trend was negative: the rate of employment (labour demand + labour supply x 100) fell from 66.1% in 1961 to 63.3% in 1970 in the district of Aalst and from 71.5% in 1961 to 68.7% in the district of Dendermonde.

The employment forcasts drawn up when the 1976-1980 plan was being prepared indicated that in the districts of Aalst and Dendermonde half of the secondary sector expected to reduce its employment, and an increase was expected in only about 10%, with the rest remaining stable.

G.2.2. District of Roeselare

The average income per inhabitant in the district of Roeselare was 6.1% below the national average in 1974.

Emigration is considerable: between 1971 and 1975 it stood at 12.8‰.

The textile and clothing sector represent 25.4% of industrial employment. Between 1972 and 1976 (30 June in each case) 2 409 jobs were lost here. The total reduction in employment in industry was 1 488 jobs during this period.

Between 1974 and the third quarter of 1977 there were 41 closures of firms.

Between 1970 and 1977 unemployment rose from 1.4% to 6.8%, a rise of nearly five times.

According to the forecasts of the Plan Office, a fall in employment is expected in more than one third of the branches in the secondary sector in the period 1976-1980; half will remain stable and an increase in jobs may be expected in only about 10% of the branches.

G.2.3. District of Sint-Niklaas

The district of Sint-Niklaas is predominantly a textile area. In 1972, virtually half (48.8%) of industrial employment was located in textiles and ready-made clothing; the figure was 43.6% in 1976. Over this period, 2 462 jobs were lost in this sector.

The reduction in overall industrial employment affected 2 405 jobs.

In 1974 incomes were 6.4% below the national average.

Between 1974 and the third quarter of 1977, 77 firms closed with a loss of over 2 000 jobs.

Unemployment in the district rose from 2.7% in 1972 to 8.2% in 1977, an increase of over three times.

The forecasts for industrial employment drawn up by the Plan Office when the 1976-1980 plan was being prepared are particularly unfavourable for this district. A fall in employment is expected in more than half the branches of industry and an increase is expected in less than 10%, with the balance remaining stable.

G.2.4. District of Louvain

The trend in the rate of unemployment since 1970 has been particularly unfavourable in the district of Louvain.

In the beginning of the 1970s the rate of unemployment there was lower than the average for the country as a whole (1972: Louvain 3.3%, Belgium 3.7%). By September 1977 it had risen to 10.7 % as against 9.7% for Belgium as a whole.

Between 1974 and the third quarter of 1977, 76 firms closed in the district of Louvain, with a loss of over 2 600 jobs.

Socially unwarrented commuting (i.e. commuting with a daily return journey of two hours or more) was after the district of Aalst the highest for Flanders in terms of working population. 12.6% of the working population of the district of Louvain is involved in socially unwarrented commuting.

G.2.5. District of Ostend

The average income per inhabitant in the district of Ostend was 5.3% below the national average in 1974.

In September 1977 the rate of unemployment there was the highest in Flanders after Limburg-Kempen, with 12.1%. This is 2.3% higher than in Flanders and 2.4% above the national average. In 1972 the rate was 6.2%, so that over the period 1972-1977 unemployment almost doubled.

Industrial employment, which provided only 5 589 jobs in 1972, fell during the period 1972-1976 by more than 300 jobs.

Over 50 closures (particularly among small and medium-sized firms) were noted between 1974 and the third quarter of 1977.

The south-eastern part of the district, the canton of Ostend II, which adjoins Westhoek, faces particularly difficult circumstances.

This canton cannot look to tourism for assistance, incomes there are 20% below the average for the country, and it has the same negative features as Westhoek, of which it in fact forms a part.

Chapter II

DEVELOPMENT OBJECTIVES

INTRODUCTION

The following policy decisions were used as starting points when setting up the regional plan for Flanders:

(1) Reducing the shortage of employment by

- an active employment policy;
- an improved sectoral structure and
- continuous adaptation of the economic infrastructure.

(2) A better auqlity of life through physical planning and a wider spread of economic activities through:

- assistance under the legislation for economic expansion and
- devolution away from Brussels and decentralization in the framework of the regions.

These general aims are clarified below and expressed in terms of specific aims for employment policy, sectoral policy, and infrastructure policy. Among the specific aims for regional economic infrastructure in the development areas, emphasis is laid on the importance for the regional development process of the employment areas (industrial areas and trading estates) and of investment aid for firms setting up in these areas.

Attention is also given in the special policy aims concerning social investment, more specifically with reference to the environment and to community social facilities.

The development plan for 1978-1980 covers a short period and is dominated by the question of unemployment; however, two other longer-term problems cannot be disregarded.

(1) The population trend in Flanders is characterized by a fall in the birth rate, as a result of which the natural increase has been reduced virtually to zero. An effort must be made over the long-term to maintain the population. The realization of this aim requires a whole series of long-term

measures, which will have to be integrated into overall socio-economic policy.

(2) Because of the high population density of the Flemish region, physical planning of this area is vital. Pursuant to the Act of 29 March 1962, relating to the organization of town and physical planning, 25 regional plans have come into being, and a third of these have already been ratified by royal decree.

Implementing these regional plans requires a strong land policy by regional governments. Suitable methods include:

- application of Article 33 of the Housing Code, which has been extended to the equipment of subsidized land plots;
- the establishment of a land fund, for the purpose of making loans to subordinate authorities, with a State guarantee and a low rate of interest;
- the establishment of land development authorities.

In order to coordinate these regional plans a hierarchy is necessary, and the establishment of an overall physical development plan for Flanders, covering the long-term, also seems to be needed. This plan should cover all partial aspects but also establish a hierarchy of industrial and community centres.

A. REGIONAL AIMS FOR FLANDERS

A.1. Employment

In order to define the scope of the employment problem in the period 1978-1980, it is essential to take account of the increase in the working population and of the present rate of unemployment.

A.1.1. Increase in the working population

Working population 1977:	2 316 000
Working population 1980:	2 431 800
Increase	+ 115 800

Assuming this trend continues, the working population will increase by 202 600 in the period 1980-1985.

A.1.2. Unemployment

It may be taken that structural unemployment accounts for about 60% of total unemployment.[1] Since the number of people seeking work at the end of June 1977 stood at 156 900,[2] structural unemployment at that time may be estimated at 94 140. Assuming that short-term unemployment will very largely be absorbed by economic expansion and that a further increase in structural unemployment can be avoided, 94 140 jobs will have to be provided for the structurally unemployment.

A.1.3. Conclusion

The total number of supplementary jobs in the period 1978-1980 may accordingly be estimated as follows:

Increase in the working population:	115 800
Structural unemployment:	94 140
Total:	209 940

A.2. Aims of sectoral development

Extending employment and compressing unemployment will depend mainly on the success of industrial restructuring and strengthening the tertiary sector.

A.2.1. The primary sector

Agriculture and horticulture with their different ranges of businesses continue to hold an irreplaceable role in the economy of the Flemish region.

Agricultural policy must be placed in the wider framework of the EEC. National possibilities for action continue to exist in the field of infrastructure, marketing, promotion of exports and applied scientific research.

The infrastructure will be improved by land consolidation. Change of use will supplement the existing system.

Sea fishing, a greatly threatened sector in the coastal zone where little industry is located, deserves to be maintained. For this, a satisfactory ar-

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1 Report by GERV on short-term and structural components of unemployment (24 June 1977). Short-term employment in 1976 is estimated at 38 to 42% of total unemployment; considering the balance as structural unemployment, this may be estimated at 58 to 62% of total unemployment.

2 Number of persons seeking work = fully unemployed persons entitled to benefit plus unemployed persons employed by public authorities plus other enemployed persons compulsorily registered plus people seeking work but not working who are voluntarily registered. Source: RVA.

rangement is necessary to prevent over-fishing and to extend fishing zones. This can be achieved only by EEC action.

In relation to coal mining the Government decided at the beginning of 1975 to step up production in the Kempen coalfield to seven million tonnes by 1980. A great effort will be made to secure this massive increase in output.

A.2.2. The secondary sector

The main lines of the new industrial policy have been defined by the Government as follows:[1]

- restructuring and modernization of the traditional sectors, in terms of the new international division of labour;
- a specialization strategy taking the form of diversification into advanced manufactures and systems, in terms of Belgium's relatively limited resources;
- a limitation of Belgium's dependence on foreign centres of decision, although without neglecting the significance of foreign investment with its immediate effects on unemployment; the systematic promotion of transfers of technology;
- a strategy to expand outlets; development of business in the european and world markets;
- particular attention to labour-intensive activities, and to the characteristics of the labour market;
- promotion of applied industrial research, and guidance for such research.

Specific sub-sectors of the metal-processing and chemical industries should be treated as growth sectors which must be promoted.

Centres of growth exist in the metal-processing industry in the following branches: medical apparatus; electrical and electronic regulating and measuring equipment; telecommunications; electrical equipment; machine construction; agricultural equipment; special equipment and complete industrial plants.

The telecommunications, textile machines and agricultural equipment branches are situated mainly in Flanders.

Engineering will offer real opportunities as a result of industrialization in the developing countries. Firms in the chemical and non-ferrous metal industries in Flanders, in particular, will be able to find openings in the engineering field.

Stress must be shifted in the chemical industry from the production of mass goods, where competition from certain overseas countries is already being more strongly felt, to products with a high technological content and a high

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[1] House of Representatives, no 301 (1977-1978).

added value per unit product. Attention will in particular move to the sub-sectors of photographic products, pharmaceuticals and fine chemicals.

The future of the photographic industry depends on scientific research. Such research will be supported.

Expansion of the pharmaceutical industry will be further promoted by the Government, mainly by supporting research. This also applies to fine chemicals.

A further expansion may be expected in the plastics-processing industry, and the setting up of new factories will be encouraged in subregions with falling employment.

In the remaining branches of industry the necessary restructuring will be promoted by channelling aid to dynamic industries which apply themselves to specializations with favourable sales potential. In the case of industries which are no longer competitive, support will be restricted to arranging non-discriminatory redundancy terms.

The Government will ensure that the textile and clothing industry is not sacrificed to disruptive competition from state-trading countries and low-wage economics.

Restructuring of firms which produce traditional products will be promoted. They will have incentives to convert to technology-intensive production.

In subregions where the clothing and knitted goods industries are located an effort will also have to be made, in addition to restructuring, to create alternative employment for female employees.[1]

A.2.3. The tertiary sector

The share of the tertiary sector in employment will increase still further.

The increase will involve government employees and those in services of general interest.

As far as government employees in the wide sense are concerned, a further increase is to be expected.

Education in the immediate post-war period was characterized by vigorous expansion. This expansion has now come to an end. As a result of the fall in the birth rate since 1964, employment in primary and secondary education should fall in coming years, but steps such as extending the period of compulsory education and changes in school standards may counteract this development.

A further increase is also to be expected in employment in the medical and health services and in those involving the care of people generally.

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[1] Female employees in the footwear and clothing sub-sector represented 88.25% of the total workforce in 1976.

No further increase in employment is to be expected in the distribution sector. A question which requires attention is that of the falling level of services in country villages and town centres.

Small and medium-sized firms

Small and medium-sized firms will increase in importance in future since they are the basis of industrial life. It is from small firms that large firms grow.

The policy will promote the growth of such firms, by assisting investment, vocational training, and support for management and exports.

A lack of risk capital and deficiencies in administration are the sheres in which such firms are most vulnerable.

The Government plan for small and medium-sized firms seeks to promote their growth, and is designed:

- to cut administrative formalities when hiring staff;
- to reduce the burden of social charges;
- to simplify access to credit;
- to facilitate the establishment of new firms;
- to improve information and technical assistance.

A.3. Major national infrastructure

Major infrastructures are a national responsability and are chargeable to the national budget. The basic plan or establishment of this infrastructure will, however, be the responsibility of the regional councils.

In the framework of the optimalization of government investment and in the light of new constraints (space, landscape, privacy), proposed infrastructural works must be preceded by socio-economic, planning, and ecological surveys (cost-benefit analysis).

A.3.1. The economic poles

The concept of growth poles is an important instrument for regional economic policy. An effort must be made to bring about a spatial system of interwoven growth poles forming a closed network for the whole region and, in particular, involving the backward subregions in economic development through its kinetic force.

A.3.1.1. Major growth poles

These are, on the one hand, the existing centres of primary importance, namely Antwerp and Ghent. Through its position as a metropolis and world port, Antwerp has reached the stage of autonomous growth. Ghent, however, has still to be stimulated in its economic function.

On the other hand there are the centres of Bruges, Courtrai, Hasselt-Genk and Louvain, which have to be expanded into major growth poles in order, in conjunction with Antwerp and Ghent, to provide the necessary structure for sound economic growth in the Flemish part of the country.

A.3.1.2. Minor growth poles

Alongside these major centres there are a number of growth centres which, through their actual or potential capability for growth, constitute secondary points of support for the surrounding area. Cities which already fulfil this role and which have to be stimulated further are: Ostend, Roeselare, Aalst, Sint-Niklaas, Turnhout and Mechelen.

Cities which can fulfil a polarizing and stimulating role in relation to the surrounding area include: Oudenaarde (the south of East Flanders), Dendermonde, Eeklo, Diest and Aarschot (Hageland-South Kempen), Vilvoorde, Halle, Tongeren (South Limburg), Tienen and Landen (East Brabant), Sint-Truiden, Overpelt-Neerpelt (North Limburg), Veurne and Ypres (Westhoek), Boom (Rupelstreek), and Herentals (Antwerp-Kempen).

A.3.2. Establishing major infrastructure

From the spatial point of view, the transport infrastructure has to be based on the network of economic poles.

This means that the six major centres must have a transport infrastructure which supports their further expansion and their planned economic growth. The same applies, although with lower importance and priority, to the minor growth poles.

A.3.2.1. Ports

The port infrastructure has to make full use of the maritime location of the region and support economic activities in the country. Antwerp, Ghent and Bruges (Zeebrugge) have, together with the three other major centres, to form the backbone of economic development.

With reference to the increasing importance of the ports for maritime industrialization and energy functions, substantial investment is necessary in the port areas; this will be borne partly by the private sector and partly by the Government. The infrastructures for energy and industry which are to be set up in the maritime areas have not only to strengthen the country's energy infrastructure, but also have to be used to create a new growth pole for industry. Bearing in mind the importance of these infrastructures for further industrialization and taking into account safety requirements and the need to preserve the natural environment, extension will take place under government supervision.

In view of the substantial funds required for expanding the ports, a port policy co-ordinated at national and european level is an urgent necessity. Administrative structures must render it possible to pursue such a policy.

A.3.2.2. Waterways

The importance of inland navigation for Belgium in general and Flanders in particular must be seen in the light of the maritime location, the strong dependence on the supply of raw materials coming in through the seaports, and the international character of this means of transport (two thirds of the tonnage conveyed is trans-frontier traffic).

A.3.2.3. Road network

In connection with the further extension of the road network in the Flanders region, stress must be laid on secondary roads. Credits for the secondary road system will be substantially increased.

The network of motorways and expressways must be further extented by the completion of a number of basic plans, to link major and minor centres or open up backward subregions.

A.3.2.4. Public transport

(a) Railways: The further extension of the railway infrastructure will take place as a function of need for transport firstly between and to important centres in the Flemish part of the country and secondly between these centres and the major growth poles in the remainder of the country and abroad.

The railways must be accorded a greater role in public transport.

(b) Urban and interurban transport: At the level of urban and interurban transport, absolute priority is to be accorded to public transport.

In the urban centres a suitable solution has to be sought in the wider context of urban renewal.

A.3.2.5. Airports

The Belgian airport policy has to be directed in the first place to the extension of the central airport of Zaventem, and in particular its freight section.

Taking into account the restricted nature of the area and the good and rapid links between the most important industrial and commercial centres in the Flemish part of the country, it is only desirable that a major centre should have an airport if there exists a real need for it.

A.3.2.6. Pipelines

Bearing in mind the greater importance of this means of transport in the near future, a national company for multipurpose pipeline transport will be set up in which the Government will have a majority holding.

B. SPECIFIC AIMS IN THE DEVELOPMENT AREAS

B.1. Employment

In order to define the scale of the employment problem in the period 1978-1980, it is essential to take account of the increase in the working population and of present unemployment.

B.1.1. Increase in the working population

	1977	1980	Increase
Limburg + Kempen	146 701	453 828	37 127
Westhoek	112 801	116 243	3 442
Middengebied (East Flanders)	199 695	204 059	4 364
TOTAL	729 197	774 130	44 933

B.1.2. Unemployment

It is assumed that supplementary jobs will have to be created for the structurally unemployed, who account for an estimated 60% of total unemployment.

Limburg + Kempen	27 603
Westhoek	3 450
Middengebied (East Flanders)	8 441
TOTAL	39 494

B.1.3. Conclusions

The total number of supplementary jobs in the period 1978-1980 may accordingly be estimated as follows:

Increase in the working population:	44 933
Structural unemployment:	39 494
Total:	84 427

B.2. Investment aid

An important instrument for economic growth and enhanced prosperity in the problem areas lies in the investment aid granted under the legislation for economic expansion.

The Act of 30 December 1970 concerning economic expansion supersedes the regional Acts of 18 July 1959 and 14 July 1966.

This regional Act for State aid in establishing and expanding firms in the problem areas provides for aid for operations which will contribute to the achievements of the regional, sectoral and technological aims of the five-year economic plan.

As described in Chapter I, this Act has had beneficial effects on the economic development of the problem areas. Aid for investment under the economic expansion fund will be further increased.

There are permanent incentives for foreign investment, especially since investment of this kind fosters sectoral diversification, new production and management techniques, and highly skilled employment.

Since it may be expected that foreign investment will in future make a smaller contribution to economic expansion in Flanders than was the case in the 1960s, firms established in the country will be looked to for expansion during the present planning period.

B.3. Industrial areas

By employment areas are meant the industrial areas (over 20 hectares), the trading estates (less than 20 hectares) and areas for tertiary activities.

Establishment of such areas, together with the incentives under the expansion legislation, continues to provide a major policy instrument for controlling the physical location of firms. It allows the new industrial establishments to be directed towards the industrial areas. It is also necessary to ensure that new areas adjoin those already in existence, to avoid a number of small isolated sites and to benefit from the effects of larger scale operations.

On the basis of the true manpower reserve and the proposed economic balance within each subregion, the requirement for employment areas (dry-land sites, sites adjoining canals, and sites along side deep water) over the period 1976-1980 was estimated at 6 700 hectares of new areas and 4 400 hectares of existing areas still to be equipped.

These are still genuine requirements, but the permanent crisis situation in recent years and reduced demand for equipped areas has slowed down the programme and it will be executed over a larger number of years.

In view of the increasing relative importance of small and medium-sized firms in creating jobs, emphasis will in future be laid on equipping areas for trading estate activities.

B.4. Transport infrastructure

B.4.1. The economic poles

From a spatial point of view, the most important development areas in Flanders are situated at the extremes of the horizontal axis running from Hasselt-Genk to Antwerp and Ghent, where it branches in the directions of Bruges-Zeebrugge on the one side and Courtrai on the other.

The most prosperous area of Flanders, on the other hand, lies at the point of intersection of this axis with the vertical axis Antwerp-Brussels, in the centre of the country.

It is thus the outlying areas, and chiefly those not situated in the immediate sphere of influence of the major centres, which are characterized by problems.

(a) The Limburg-Kempen development area has one major centre, viz. the Hasselt-Genk twin pole, which through manifold expansion of all the economic, social and administrative facilities has grown into the regional capital of this area which has the youngest population in the whole country. There are also smaller centres such as Turnhout (a secondary centre) in the north and Tongeren and St. Truiden in the south. The development area of Hageland (Aarschot and Diest) is dependent on the centre of Louvain.

(b) The West Flanders development area adjoins the sphere of influence of two major centres, Courtrai and Bruges, and as these increase their level of equipment they can extend their sphere of influence to the whole area. Two secondary centres, Ostend and Roeselare, which are also in the vicinity of this area, may also provide assistance as can two smaller centres, Ypres & Veurne, which are situated in the area itself.

(c) The Mid-Flanders development areas, i.e. the districts of Tielt, Oudenaarde (plus part of Aalst) and Eeklo, are distributed along the periphery of the outlying area of Ghent, a primary centre. Tielt also lies on the border of the spheres of influence of Courtrai, Bruges (primary centre) and Roeselare (secondary centre); Oudenaarde adjoins Courtrai to the west (primary centre) and Aalst to the east (secondary centre). Development of these smaller areas depends upon a complex combination of forces and influences which must in the first instance originate from Courtrai, Ghent and Bruges and to a lesser extent Roeselare and Aalst; in addition, Oudenaarde and Eeklo may themselves serve as smaller points of support in the system of economic growth poles.

B.4.2. Infrastructure

The aim is to spread socio-economic development and prosperity more evenly throughout Flanders, especially in the development areas, and stimulate activity by linking up the vital growth poles in these areas with the most prosperous centres, Antwerp and Brussels, and with one another, while at the same time not disregarding connections with other parts of the country and neighbouring EEC States.

Limburg is heavily dependent on the port of Antwerp, and already has good links with this by water (Albert Canal) and road. The links with Brussels, which is important as a place of employment and as an administrative and service centre, will be improved. Limburg is also a transit area to Germany, Belgium's strongest trading partner in the European Community.

The West Flanders development area will in the first place benefit from good connections with Courtrai, and also with Bruges-Zeebrugge - the first as a centre for commerce, industry and administration, and the second as a port. It should also achieve better links with Ghent and Brussels via Courtrai.

The area of Oudenaarde-Geraardsbergen-Ninove is the most open area through its good connections with the centres of primary importance between which it lies, Brussels on the one side and Courtrai on the other.

Tielt requires links with Ghent, and with Courtrai and Bruges-Zeebrugge.

Finally, Eeklo and Zelzate are situated on the route between the ports of Antwerp and Zeebrugge, and this is of importance both for freight transport and for tourism (to the eastern part of the coast).

C. SOCIAL INVESTMENT POLICY

One of the fundamental policy decisions for the planning period 1978-1980 is the switch in Government investment from items of chiefly economic interest to items of chiefly social interest. This switch in policy will have implications for the budgets of the Flanders region and the Dutch cultural community. The spheres described below are those principally concerned.

C.1. The overall environment

C.1.1. Housing

In order to counteract the spread of urban development in the Flemish region the housing policy will, to a greater extent than in the past, be directed to improving existing housing and to linking up new housing with existing residential centres.

The target figure for the number of subsidized dwellings to be built is 12 000 a year in the period 1978-1980: 9 000 of these may be considered subsidized housing in the strict sense, i.e. group construction (national land & housing companies).

C.1.2. Town planning, renovation of city centres, reconstruction of abandoned industrial plants, subsidized works

Preservation, improvement or beautification of the urban and rural living environment.

C.1.3. Provision of open spaces (green areas)

General objectives: purposeful implementation of the policy for providing open spaces, accompanied in the short-term by measures relating to financing and control by public authorities.

C.1.4. Environmental pollution

The objectives relate mainly to water purification, the processing of waste and the combating of air noise pollution.

The high population density and high degree of urbanization, the high degree of industrialization in some areas, and the very dense traffic, have caused pollution of the environment in the Flemish region to assume more acute forms in all its aspects. In addition, this part of the country is deficient in wooded areas, as a result of which natural regeneration of water and air is becoming more and more difficult. Substantial investment - in addition to better and more complete legislation on the environment - will consequently be necessary in order to bring about a marked change in this state of affairs.

C.1.5. Flood prevention

Objective: to protect the Scheldt basins and the coast against North Sea storm surges.

C.1.6. Water distribution

Objective: to meet the increasing demand for piped water supply and to safeguard water resources.

C.2. Communal social provision

After implementation of the Community Pact the following matters, hitherto the responsability of the regions, will become the concern of the communities, in this case the Dutch Cultural Community.

C.2.1. Health

In order to achieve an effective health policy, the following specific steps can be taken within the framework of general policy choices:

(a) a planned attack on health care problems on the basis of regions of care;

(b) a higher degree of specialization in facilities and an optimum use of the existing infrastructure;

(c) stressing of preventive health care by building up a network of regional centres for preventive medicine (setting up of a number of centres for mental health care);

(d) an attempt to organize more outpatient (home) care, based on the central role of the family doctor - whether or not in a team context.

C.2.2. Old age

Objectives: to avoid any isolation of the aged; preventive support; extension of home care services.

C.2.3. Child care

Objective: the further involvement of women in the production process by extending forms of child minding.

C.2.4. Culture, sport, recreation and tourism

Policy in relation to leisure activities must be based above all on permanent education for leisure activities. Efficient support is of prime importance here. The principle of restraint in relation to infrastructures still applies, however, Over-investment must be avoided. Consequently the building of small units is desirable so that culture and sport can be brought as near as possible to the population.

Chapter III

DEVELOPMENT MEASURES

INTRODUCTION

Elimination of the shortage of employment depends chiefly on sectoral policy and in particular on the restructuring of industry and the strengthening of the tertiary sector.

An active employment policy will contribute to employment in the short term. A particular aspect of regional economic policy in Flanders is the decentralization of government services away from Brussels.

Furthermore, the implementation of the Government's investment programme has a direct effect on employment.

After financial incentives to would-be investors wiyhin the framework of the legislation on expansion, infrastructural facilities one of the most important elements for providing support for spreading economic activities to the problem areas.

The improvement of the economic basis infrastructure and the raising of the socio-cultural level of care must in the long-term produce the most results. This effort must be concentrated in the best situated centres within the problem areas.

A. ACTION AT THE LEVEL OF THE FLANDERS REGION

A.1. Employment

The overall problems of the Flanders region in general and the development areas in particular were outlined above. A number of aims, relating *inter alia* to employment, have been formulated against this background.

In order to increase employment the Government decided to set in hand in 1978 a large-scale programme to reduce unemployment and humanize work.

This programme, which is estimated to cost BFR 23 708 million, should bring the annual average number of wholly and partly unemployed persons in the whole country down to 220 000 in 1978. It supplements the other measures which the Government is intending to take to create employment. The programme comprises:

1. Adjustment and extension of existing measures.

   (i) Employment of the unemployed by the Government. The aim is that 25 000 unemployed will temporarily once again obtain a reasonable job; financial incentives are being increased and indexed.

   (ii) In-work training for younger people, which may be provided for 27 000 people seeking employment. The obligation will in fact be extended to employers (government services and firms) who employ at least 50 persons (formely 100), and the recruitment percentage will be increased from 1 to 2%; there is also a financial incentive of BFR 30 000 per probationer. For the Government, the King will determine the method of calculation of the percentage and distribution over the different levels.

   (iii) The so-called legal bridging pension, which together with the so-called conventional bridging pension will in 1978 be granted to 34 500 persons.

   This arrangement applies to male employees aged at least 60 and female employees aged at least 55. The employee must, however, be replaced by a younger one who is under 30 and who may not be employed as a trainee. The bridging pension arrangement is applicable to all firms. Is is solely the date on which the bridging pension becomes effective which differs for small and medium-sized firms.

   The cost of this measure will be borne completely be the State in order not to increase social costs further.

2. New measures

   (i) The special temporary plan (third employment circuit), as a result of which about 24 000 people may be employed to meet a collective need of public or social interest.

   At a time when the country has to meet a particularly serious economic crisis and contend with an unprecedented degree of unemployment, the population desires a better quality of life and a healthier living environment.

   Neither the private nor the government sector has so far been able to intervene adequately in these fields in particular or in certain other fields, for various reasons associated principally with problems of profitability or financing. Numerous needs have consequently remained unsatisfied; meeting them calls for serious prospection for new jobs and could substantially reduce unemployment.

   A special temporary employment circuit is accordingly to be established beside the two traditional circuits so that the private sector's employment supply and the present potential in the government sector are supplemented.

   The establishment of this new temporary circuit rests chiefly on two principles: creating new jobs so that people affected by unemployment have the opportunity of working and so escaping the unfavourable consequences of involuntary inactivity, and maximizing the benefit of the substantial funds currently directed to unemployment payments by channelling those who draw such payments into activities of value to the community.

People in this new employment circuit will be employed by the State. The new circuit is thus simply a temporary solution which anticipates that the difficult current situation as regards employment in the industrialized countries will subsequently be rectified.

Setting up the special temporary circuit should accordingly be regarded as a provisional and supplementary measure in the context of a broader economic and industrial policy. But it is quite possible that organizing new activities under this special circuit will in certain cases lead to the creation of new and permanent posts in the normal circuits; this may occur if employers take over some of the proposed activities for their own account or if the Government comes to regard some of these activities as forming part of its permanent operations.

Work of collective importance can cover a very wide variety of fields such as, for example, improvement of the natural environment and the quality of life, social service, the adaptation of buildings, the equipping of hospitals and schools, tourism, etc.

The total cost will be borne by the State.

(ii) The humanizing of work. This involves the mounting of a thorough and far-ranging campaign to improve the quality of life of employees and enrich and upgrade tasks which involve mainly manuel work in order to start reforming the content and organization of work and its conditions. Important grants will be available for investment or studies involving that aim. The humanizing activities will themselves render it possible to set the unemployed to work again. By upgrading certain jobs or by improving the conditions under which specific forms of work are carried out, it is intended to make these jobs and forms of work attractive once again and thus induce workers to come forward and fill the vacancies which in some cases exist. At least 1 500 unemployed should find jobs under this measure.

(iii) The special bridging pension. The older unemployed and the unemployed who are, because of their age and reduced suitability, 'difficult to place', i.e. who can entertain virtually no hope of new work, can apply for their pensions in advance with the guarantee that until normal pensionable age they will continue to have an income at least equal to that they would have received had they remained unemployed qualifying for benefit. In addition to their replacement income, which remains intact, they will receive a supplementary amount intended to prompt them to opt for this sheme and compensating them for the shortening of their professional career.

Those involved will, moreover, receive a particularly favourable tax reduction.

Finally, from normal pensionable age they will keep an income equal to the unreduced premature pension. It is expected that 18 000 people will apply for this type of pension. The scheme will operate in 1978 and 1979.

Vocational training

In addition to the new programme to reduce unemployment and humanize work, schemes for vocational training, additional training and retraining will be extended. The number of Department of Employment training courses in Flanders will be progressively increased to 18 000 in 1978, 19 000 in 1979, and 20 000 in 1980. These figures are extrapolations of past figures, namely 12 589 in 1976 and about 17 000 in 1977.

A.2. Sectoral policy

The resumption of productive investment is an essential condition for the renewal of the industrial structure. To date the legislation on expansion has been largely designed to promote investment in fixed assets. Emphasis will henceforward be laid upon the necessary structural renewal of activities and products. The efforts which companies make to innovate will also receive special attention from the Government.

A number of steps have been taken in recent years in regard to firms and branches of industry in difficulties, including:

(a) a warning system designed to give advance notice of businesses in difficulties;

(b) SOCOBESOM, a corporation set up by the National Investment Corporation to assist with the reconversion of firms, inter alia this corporation will control the holdings which NIC now holds on behalf of the State. It will have the necessary funds to restructure firms in difficulties;

(c) the management and assistance measures that will shortly be placed before Parliament.

The traditional branches of industry where there is an urgent need for restructuring include textiles, iron and steel, leather, wood, building materials, foodstuffs, paper and shipbuilding.

Programmes have already been drawn up for textiles and clothing and for the iron and steel industry.

A.2.1. Steel industry

The tripartite conference on the steel industry, of 5 March 1977, reached decisions by which inter alia the steel companies undertook to defer any additional production capacity and not to start dismissals until the restructuring plan for the sector was complete. An overall strategy is to be devised to restore the competitiveness of this basic industry.

A.2.2. Textile and clothing industry

A textile plan was drawn up by the Government for the textile and clothing industry. The main features are described below.

Situation in the textile and ready-made clothing sector

Throughout these branches a serious decline has been under way for some time. Between December 1974 and December 1977 the number of people employed in the textile sector fell by 22%, and December 1977 showed a drop of over 5% in relation to September of the same year. Over the same period (1974 to 1977) the drop was 27.5% in the clothing and ready-made sector.

Unemployment has also increased sharply in both branches: an increase of about 27% between March 1976 and March 1977, and of some further 13% by March 1978. The production index in 1977 fell by 12.9% over 1976. The provisional index for January 1978 shows a fall of 11.2% over January 1977.

Although the general balance of foreign trade for the textile and ready-made clothing sector is still favourable, it should be noted that the surplus has fallen by 30%. In addition, imports of ready-made clothing exceeded exports for the first time in 1976, and this trend increased in 1977.

It should also be noted that while stocks of finished goods in the textile sector are well above the normal level (NBB survey), order books contained barely 1.9 months' work at the end of December 1977 against a normal level of 2.5 to 3 months.

There is of course a downward trend throughout the EEC, but Belgium shows the heaviest decline, 12% against 2.6% for the Community as a whole.

Government policy

The restructuring plans are considered to be necessary if the firms concerned are to be rationalized and become specialized. In addition, the measures taken should exert a favourable influence in the near future in order to halt the decline under way, or attenuate it at least.

1. Transitional scheme

The assistance to be granted to the firms in the sectors concerned should be selective, going only to firms whose capacity to survive has not been destroyed and whose redevelopment will eventually give them the necessary ability to compete again. Article 5 of the Royal Decree of 20 December 1977 establishes a technical committee to determine whether the State should provide its guarantee to such firms.

(a) Analysis of firms

Analysis centres upon the strong and weak points of the firm, its financial situation, production programme, production capacity, quality and profitability of products, and cost price structure.

(b) Type of assistance

Assistance taken the form of a concessionary rate of interest on a loan from a credit institution, possibly with a State guarantee. The loan is repayable in eight equal quarterly instalments, the first to be made one year after the loan is granted. In exchange for this assistance the firm undertakes to keep at least 90% of its current payroll.

2. Features of the transitional scheme

(a) Aid for the ready-made sector

This assistance was provided for in the Royal Decree of 14 May 1976, and consists of a grant of BFR 15 000 for each person employed full-time.

The actual cost to the budget of assistance under this 1976 decree will be around BFR 223 million (against the original estimate of BFR 319 million).

(b) Aid for the textile industry in general

Assistance here is based on the Royal Decree of 20 December 1977. It consists of a concessionary rate of interest through the State on a credit of a maximum of BFR 20 000 for each person employed full-time, as from the ninth registered employee.

Firms receiving aid under the Royal Decree of 14 May 1976 do not qualify for assistance under the 1977 decree. The credit may have a State guarantee after the credit institution has exhausted all the firm's security, on the basis of a thorough analysis of the firm's financial situation and its ability to repay (this analysis may in fact lead to the loan being refused). The credit is intended to cover the quarterly social security contributions to which the firm is liable.

According to a recent estimate by the National Industrial Credit Corporation (NMKN), the credits to be granted are likely to amount to BFR 1 100 million, and the State's share to BFR 275 million.

(c) Obligations of firms

In exchange for both these forms of assistance, firms must undertake to continue for one year to employ at least 90% of their average payroll in the reference period (1975 for the 1976 decree or September 1977 for the Royal Decree of 20 December 1977).

Firms must also state their willingness to follow the restructuring guidelines laid down by the Government, and to implement the special instructions issued in this respect.

Restructuring of the sector

The difficulty is that a very large number of firms, differing substantially one from another, are involved, in special subsectors. The number of very small firms (less than 20 people) is very high, and firms with less than 100 employees account for 85% of the total in the textile sector and 90% of the total in the ready-made sector.

A logical system, with general guidelines and special rules of application, has to be devised - overall, the essential guidelines for the restructuring plan, and more closely, plans for each subsector taking account of special characteristics, and possibly micro-plans for each firm.

1. Aims of restructuring

The aims of restructuring in the textile industry tally with those of the general restructuring policy as set out in the Government's statement to Parliament on the new industrial policy, i.e., increasing capacity to compete through increased production and better marketing; better adaptation of output to market requirements through greater specialization in order to supply high-technology goods; restoring the financial structure through rationalization and input of new capital; and greater diversity through integration.

2. Levels of restructuring

(a) At the level of the firm

Changes in the situation of the firm will be noted earlier as the result of analysis of the data and information collected when examining its files and processed by computer.

Measures will have to be adapted to each particular case, but it is already clear that the greatest assistance will be designed to improve finances and restore or improve profitability (increased productivity, higher quality, lower costs, adapting products to the market, etc.).

Firms may employ the services of an expert or a consultancy or have the restructuring plan carried through by a manager responsible to the board.

(b) At subsector level

At this level ways must be sought of eliminating the weak points which analysis has revealed in the structure of the firm.

On the structural side attention will be paid to the possibilities of adapting the structure of firms or subsectors, of co-operation among firms for sales, purchase and production, and of vertical or horizontal linkage between firms. The conditions for various schemes of restructuring are being examined from the legal standpoint. A Bill concerning management and assistance is shortly to be presented.

On the technical side, consideration is given to the optimum size of firms, specialization and planning of production, reconversion potential, procurement of materials and management of stocks.

The study must also consider the financial implications of the restructuring plan: estimating the cost of the operations and examining the financing of expenditure from the firm's own resources or through loans.

The social consequences of the plan should not be overlooked; unavoidable dismissals must be computed with care, and their consequences alleviated.

3. Execution of the restructuring

Restructuring takes place at two levels, in conjunction on the one hand with socio-professional and political circles and on the other with the EEC authorities. Initially, a consultancy will be engaged to carry out the analysis in greater depth in order to determine the subsectors which require special plans and lay down the guidelines for these plans. Then the administrative textile unit for each region will work out the guidelines for the application of the special plans, and it will be checked that these are taken into account in the restructuring programmes. At a subsequent stage a schedule will be drawn up for implementation; the Government at first sight considers that thirty month will be sufficient - this period will determine the duration of the transitional scheme introduced by the Royal Decree of 20 December 1977, which may have to be extended.

A.2.3. The new industrial policy

The new industrial policy has a number of aims, but there is one to which all proposed action must contribute, viz. preserving and increasing the level of employment, and it is accordingly important that the industrial policy be accompanied by social measures (steps to counter unemployment: selective reorganization, major infrastructure projects, temporary employment circuit). The new industrial policy plan further emphasizes the need for execution to be concerted with the social partners.

Another aim of the new industrial policy is the restructuring of the traditional sectors which have become outdated: textiles, iron and steel, leather, wood, building materials, foodstuffs, paper, shipbuilding and certain subsectors of the chemicals and metals industries. A number of conditions must be met to achieve this aim: adequate financial resources, qualified managers, identifying those firms which lend themselves to restructuring, accompanying social measures, and introducing greater diversity to industrial activity, i. e. producing more finished goods.

In this context assistance with prototypes should be increased, and extended to small and medium-sized firms, and a clear procedure laid down from applied research to prototypes to development contracts. The Secretariat for Economic Management will have an important part to play: continuous follow-up of sectors which lend themselves to restructuring, at the request of MCESC or the social partners in consultation with the Minister for Economic Affairs.

Various lines of policy will be followed as regards relations with other countries.

It is important to promote exports, whether to other EEC Member States, Eastern Europe, or the developing countries. To this end it is necessary to encourage mergers of Belgian firms so that they can gain a competitive position, and to strengthen consular and diplomatic infrastructure within the EEC.

Belgium also needs to increase its share of the world market for industrial plant, and to continue its imports from the developing countries so as to enable them to finance their imports.

It must further work together with the major industrialized countries where specialized co-operation is possible: the DNB, the National Industrial Credit Corporation (NMKN), BDBH and the private sector will be responsible for this policy.

Attention is also given to the transfer of technology, which is also necessary for the restructuring of the economy. This will be developed by posting technological and scientific experts as attachés in embassies in the industrialized countries, Government-industry missions, a joint group of specialists set up by BDBH and DNB, systematic monitoring of technical developments in the most recent sectors of industry by DNB, and prospecting for business opportunities in other countries.

The system of joint ventures will be applied for foreign investment. It is of interest both to large foreign firms and to medium-sized ones, and has the twofold advantage of restricting the country's dependence on the former and spreading the risks in relation to the latter. Belgian firms and the National Investment Corporation (NIM) will play a substantial role here, partly by taking holdings in European businesses.

It is also important, in another area, to promote research and in particular co-operation between 'university' research and applied research. There is a need for optimum utilization of existing potential, not exploited to the full at present, and for contractual agreements with the universities to implement and apply their discoveries, and not simply to conduct research.

The Government is taking an active part in the reorganization of Belgian investment, and the National Investment Corporation and the Regional Development Companies will be given the necessary funds. The public side will have to put out risk capital, on its own or in joint ventures with the private sector, which will be involved in the government initiatives by means of contractual planning (already provided for in the Economic Expansion Act of 30 December 1970).

The considerable role which government contracts can play in the restructuring process should not be overlooked. The Commission for Orientation and Coordination (COC) set up on 12 March 1976 by MCESC will be responsible for integrating gevernment contracts with the industrial policy, devising a programme covering several years, and making a thorough investigation of the technological needs of the public services, and at the request of MCESC will monitor the execution of the Government's investment programmes in 1977 and 1978.

A specific policy will be pursued with regard to small and medium-sized firms[1] to allow their integration in the general industrial policy: technical assistance, increasing their own ressources, credit facilities for investment, export promotion, inclusion in public contracts, etc.

Some of the measures to implement the new industrial policy are already to hand: improving the financial structure of firms through tax exemptions for certain dividends, making non-repayable capital grants, increasing the possibility of auto-financing by relaxing the depreciation rules, exemption of profits under certain conditions, reducing financial charges through exempting certain interest from real estate tax, etc.

In addition it is proposed to set up a Fund for Industrial Renewal, to be funded from a special loan issue; this will be concerned not only with 'marginal' businesses but also with sound firms whose financial resources are too limited.

The implementation of the new policy will be constantly monitored by the Ministry for Economic Affairs, in conjunction with other Ministries, Secretariats of State and the bodies concerned, under the direction of an inter-ministerial coordinating group.

A.2.4. Government action for small and medium-sized firms (the Humblet Plan)

This plan was approved by the Cabinet on 9 December 1977. Its proposals aim to remove the handicaps facing small and medium-sized firms and integrate them in the general economic policy.

1. Simplification of procedure

   1.1. Administrative procedure: Social Secretariats, approved by the Ministry of Social Welfare, to carry out all the social obligations of the employer on their own responsibility, subject to the accuracy of the information supplied by the employer.

   1.2. Procedure for investment

   - reducing the waiting periods for credit
   - increasing the staff of the administration

   Framework: Acts of 17 July 1959, 30 December 1970 and 24 May 1959.

[1] A specific plan of action for these firms will shortly be approved.

Act of 17 July 1959

- general assistance for setting up, expansion, modernization;
- special concessions in line with sectoral aims;
- additional assistance according to business conditions.

Type of aid: interest rebates, State guarantee, interest-free advances for research.

Act of 30 December 1970

- any operations located in the development areas.

Type of aid: reduced rate of interest, non-repayable capital grants, State guarantee, certain tax benefits.

Act of 24 May 1959

- establishment of a guarantee fund in the National Professional Credit Fund, with the aim of relaxing procedure for obtaining this type of credit.

2. Incentive for recruiting additional personnel

2.1. Employment grants for firms with fewer than 10 employees in the reconversion zone, and for firms with fewer than 100 employees which recruit a trainee for six months.

2.2. The State takes over employer's contributions for six months when an unemployed person is recruited.

2.3. Exemption from employer's contributions for a year for firms with fewer than 50 employees when they take on one additional employee (firms with fewer than 10 employees) or two additional employees (firms with 10 to 49 employees), provided that the employees so recruited are newly qualified or unemployed persons under 30.

2.4. Raising the ceiling for employer's contributions.

2.5. Recruiting of unemployed persons for one year: a proposal to allow firms to recruit one or two unemployed persons for administrative work; the Department of Employment pays unemployment benefit, so that the firm merely makes up the difference to the normal salary.

3. Assistance in setting up small and medium-sized firms: a wage-earning employer setting up on his own retains his rights to unemployment benefit for 24 months. A grant of BFR 50 000 is made to newly qualified unemployed who set up on their own, to reduce interest charges on loans contracted, provided that they set up in an occupation with a future and in accord with their qualifications.

4. Assistance in operating small and medium-sized firms.

4.1. Exports: establishment of an Export Secretariat in the National Professional Credit Fund, to complete the essential formalities for obtaining export credits.

4.2. Improved terms of credit, subject to EEC approval: within the framework of the Act of 24 May 1959, measures to adapt interest rebates for investment, to allow general application of the additional assistance for which only the development areas qualify at present; inclusion in this act of the possibility of making capital and employment grants and giving exemption from real estate tax; extension to the whole country of the benefits of the Act of 30 December 1970, which currently apply only to the development areas.

4.3. Simplified access to public tendering: increasing the number of small tenders by dividing up works.

4.4. Financing of risk capital: establishment of a joint corporation by the National Professional Credit Fund and other public and private institutions, to collect risk capital for small and medium-sized firms.

4.5. Financing of prototypes: the State will make interest-free advances for expenditure on research, development of prototypes, new products and new manufacturing processes. The file is referred to the Ministry for Economic Affairs, the programme is examined and submitted to an assessment committee; if the latter's opinion is favourable, a decree is issued and the firm concerned enters into a contractual agreement. Criteria for such assistance are originality, likely success of the programme, and technical, economic and social benefits.

5. Tax measures: it is proposed to reduce taxation on the portion of earnings which are used to finance additional investment in the firm within 24 months of the end of the financial year; the percentage is to be set by decree (1977: 15%). A single tax inspection (VAT) is also proposed where turnover is less than BFR 15 million.

6. Information for small and medium-sized firms: a proposal to extend the team of business consultants at the Economic and Social Institute for the Middle Classes, to assist small and medium-sized firms in settling management difficulties.

A.3. Major infrastructures

A.3.1. Ports

This investment programme relates, in the case of the Flanders region, to:

(a) improving the accessibility of the seaports of Antwerp and Ghent (straightening in the Bath bend, deepening the Scheur and Scheldt bars, completing the radar chain);

(b) improving and extending the infrastructure and superstructure of the ports of Antwerp (left and right bank) and Zeebrugge. Work on extending the harbour at Zeebrugge is intended to enable an outport for an LNG terminal to be constructed;

(c) investment and grants for the harbour at Ghent and for the remaining harbours.

A.3.2. Waterways

The investment programme for waterways answers the following needs:

(a) improving the structure of the network of waterways, with in the first place adaptation to the basic size of 1350 tonnes;

(b) development of the pushing technique;

(c) providing a good water link between Belgian seaports and remaining centres of the first order;

(d) improvement of the link between Antwerp and the Albert Canal;

(e) providing good international links with the Netherlands and France;

(f) elimination of a number of bottlenecks.

A.3.3. The road network

The action taken relates to:

- Motorways

  A 17: Bruges-Courtrai
  A 2: Louvain-Hasselt (Lummen-Rotselaar)
  A 18: extention of the E 5 via Veurne to Calais
  A 19: Ypres-Wevelgem
  A 9: between Courtrai, Oudenaarde, Ninove and Aalst
  A 24: as a north-south link in the province of Limburg

- Ring roads, approach roads and links: including projects at Antwerp, Brussels, Courtrai, St. Niklaas, Mechelen and Louvain.
- Finally engineering works, improvement and completion of existing motorways and expressways.

A.3.4. Public transport

Railways

Electrification, increasing speed, improving service to major centres, safety, and provision of bus stations, in the framework of:

(a) greater co-operation and integration among public transport companies;

(b) complementary use of public means of transport;

(c) linking up of individual transport to public transport by constructing car parks at railway stations;

(d) an adjusted time-table and frequency of connections;

(e) quality of service offered (comfort, speed, safety).

Urban and interurban transport

Extension of public transport in Antwerp and Ghent; creation of traffic-free areas, car parks and suburban parking areas in other centres.

A.3.5. Airports

- Zaventem: further work on projects started in the 1971-1975 planning period; building of a covered garage, further extension of the embarkation area, building of a new freight centre.
- Deurne and Ostend: keeping these airports operational.

A.3.6. Pipelines

Two pipelines can be extended:

(a) the north-south axis from Antwerp;

(b) the east-west axis from Zeebrugge.

B. SPECIFIC ACTION IN THE DEVELOPMENT AREAS

B.1. Support for investment

The promotion of investment projects, in particular in development areas, will take place by a maximum implementation of the laws on expansion.

The interest allowances (and/or capital grants) are applied at a maximum of 7% for five years to three-quarters of the investment. Exemption from real estate tax can extend to five years and the doubling of straight-line depreciation for three years.

Consequently, regional support for investment in Flanders will be about BFR 7 000 million in the period 1978-1980 within the framework of the Fund for Economic Expansion and Regional Conversion.

Mobile units for dealing with the large files will have to be set up in order to assist the processing of investors' applications.

This also applies to attracting overseas investors. Since, however, the peak of the influx of foreign companies is over, an effort will be made to persuade them to start new businesses by creating a climate of confidence (limiting the rise in costs).

The promotion of small and medium-sized firms will take place by, *inter alia*, a simplification in the handling of files, harmonization of directives for small and medium-sized firms and large undertakings, and support to undertakings concerned with assistance and advice to small and medium-sized firms.

Priority will also be given to labour-intensive projects which at the same time ensure a high added value.

Capital-intensive firms should also be supported because of their multiplier effect and the employment derived therefrom.

B.2. Industrial areas

The allowance granted for industrial areas of national interest by the Ministry of Public Works amounts to 80% of the total cost of the infrastructure works, and the subsidy for industrial areas of regional interest to 65% of the tender cost.

A number of industrial areas of national interest whose status was previously defined by the Ministerial Committee for Economic and Social Coordination were given 100% allowances.

These subsidies are paid to local councils, intercommunal authorities and regional development companies, subject to application, for levelling, roads, drainage and street lighting in industrial areas, water supply, rail connections, wharfs essential for the development of the zone, landscaping required on technical grounds, and access roads linking the zones directly to national and provincial roads.

In addition to central government support for the industrial areas and for areas for medium-scale tertiary activity, particular attention will be given to setting up trading estates in the framework of a policy to promote small and medium-sized firms. Under certain conditions, which clearly demonstrate a real need for such estates in the subregion in question, the trading estates will be recognized as being of national interest, with the ensuing financial benefits. Previously, trading estates qualified only for regional status.

Since applications have to come from the local councils or intercommunal authorities via the regional development companies, which can also apply, and applications are limited by the credits available, it is difficult to define with any certainty the projects that will be executed during the period of the programme.

The programme for infrastructure works on the industrial areas in the development areas, as set out below, should be regarded in this light. Fresh projects proposed during the programme period may also be supported, while others may be excluded.

B.2.1. Limburg-Kempen

In the first place there are infrastructure projects on which work has already started or a decision been taken.

These are infrastructure works on the industrial areas of Geel-Punt, Meerhout-Vorst, Grobbendonk, Herentals, Hoogstraten, Oostmalle, Mol-Balen, Turnhout, Hulshout, Tessenderlo-Paal, Rotem-Dilsen, Genk-Zuid, Overpelt, Lummen, Paal, St. Truiden, Tongeren, Maas-Mechelen, Beringen, Bree, Lanklaar, Hamont, Lommel, Zolder, Lummen, Diest and Aarschot.

In addition, a number of new projects will be set in hand on the industrial areas of Borgloon-Ervaert (general infrastructure), Bree-Peerderlaan (general infrastructure), Diepenbeek (general infrastructure), Halen (water supply), Heusden-Zolder (water supply), Hasselt (general infrastructure), Herk de Stad-Daelemveld (general infrastructure), Maaseik (general infrastructure), Nieuwerkerken-Begijnenbos (general infrastructure), Peer (general infrastructure), Tessenderlo-Paal-Ham (access roads and railway), Tongeren-Gasthuisbosdreef (general infrastructure), Beerse (water supply), street lighting at Hoogstraten, Beerse, Turnhout, Oostmalle, Meerhout-Vorst and Hoogbruul, infrastructure extension and water supply at Westmalle-Oostmalle, Westerlo-Heultje (street lighting and water), general infrastructure works to open up the part of the Herentals zone intended for small and medium-sized firms, general infrastructure works, water and railway at Diest-Webbekom, and water supply at Aarschot.

B.2.2. Westhoek

There are projects already in hand or for which a decision has been taken on the industrial areas of Tielt, Nieuwpoort, Ypres and Poperinge.

There are new projects at Ypres-Ieperlee canal (general infrastructure, street lighting and water) and Langemark-Belkapelle (general infrastructure).

B.2.3. Middengebied (East Flanders)

There are projects already in hand or for which a decision has been taken on the industrial areas of Ninove and Schendelbeke.

There are new projects on the industrial areas of Eeklo (water supply) and Ronse (water supply and street lighting).

B.3. Transport infrastructure

B.3.1. Ports

As mentioned earlier, the port cities of Antwerp, Ghent and Bruges-Zeebrugge are growth poles of primary importance and extremely important points of support for the economic development of the Flanders region. Their increasing growth, spontaneous or stimulated by government aid, creates business, employment, services in the social, cultural, administrative and educational sector, and spreads prosperity through their areas of influence that extend with growth. The ports can set expansion under way in development areas that at present lie outside, or partly outside, their spheres of influence. Good, fast connections by water, road and rail can bring the development areas closer, so to speak, and spreed up their expansion.

As a result of the current construction of an LNG terminal and of further industrialization (including the use of cold released by returning the liquefied natural gas to gas form), considerable employment will be created at Zeebrugge, offering opportunities for expansion in the next few years for the surrounding problem areas.

Antwerp and its left bank extension should, partly through the improvements to the Albert Canal, have a favourable effect on the development of the whole of Limburg (and Liege), which is dependent on the port for its maritime transport.

The further industrialization of the port of Ghent should, lastly, have a favourable effect on the peripheral development areas of Zelzate, Eeklo, Tielt and Oudenaarde.

B.3.2. Waterways

The specific operations include:

(a) improving the structure of the network of waterways, principally adaptation to the basic size of 1 350 tonnes;

   (i) Ghent-Bruges-Ostend canal (2 000 tonnes) - connecting these three ports;

   (ii) modernizing the Yzer, which links the Veurne-Diksmuide development area to the ports of Ostend and Zeebrugge;

   (iii) modernizing the Dender, a link between the Geraardsbergen-Ninove development area and the port of Antwerp;

   (iv) the Leie, the branch canal of the Leie, and the Bossuit-Courtrai and Roeselare-Leie canals. This is a whole infrastructure of canals, concentrated around the primary growth pole Courtrai, whose development will have repercussions over an area reaching as far as Oudenaarde, Tielt and Ypres (development areas). The Leie branch canal also connects Eeklo (development area) with Ghent, Bruges and Courtrai;

   (v) the Dessel-Kwaadmechelen, Beneden-Nete and Nete canals. This canal system is largely situated in the development area of Limburg, links up with the Albert Canal, and thus provides a good connection by water between that area and the port of Antwerp;

   (vi) other structural improvements concern the Upper Scheldt, the Louvain-Dijle channel, and the Brussels-Charleroi canal. They are intented to boost the growth poles of Antwerp, Louvain and Brussels, and so are of only subsidiary benefit to the development areas;

(b) development of pushing and improvement of the Antwerp-Albert Canal link:

   (i) improvement of the Albert Canal - chiefly benefiting Limburg (and Liège);

   (ii) Scheldt-Rhine and Brussels-Rupel, designed to develop the ports of Antwerp and Brussels and to improve the link between Antwerp and the Netherlands;

(c) elimination of bottlenecks -work solely on the Kempen canals.

B.4. Other action

The five Flemish Regional Development Companies (GOMs) have each had credits amounting to BFR 85 million at their disposal since 1976.

The Antwerp GOM has taken a BFR 50 million holding in NV De Kempen, a furniture firm at Westmalle.

The East Flanders GOM has taken a share amounting to BFR 11 million in a textile firm (canvas) at Haaltert.

The Flemish Brabant GOM is intending to market a photocopying machine in conjunction with NV Leuven Research and Development.

The Limburg GOM has taken a holding of BFR 12.5 million in NV Gemengde Limburgse Bouwonderneming, in conjunction with NV Ommo Hermans, to build detached houses for low and middle-income categories.

The Limburg GOM has also taken a holding of BFR 1 million in NV Limburghal, which operates the provincial export display hall at Genk.

B.5. Contribution of the European Economic Community

Contributions from ERDF will be used primarily for investment expenditure on the construction and equipment of industrial areas.

Further details on the programme for infrastructure investment are given in section B.2 of this chapter.

Assistance from ERDF will be requested for the most important projects in this programme. But it is not yet clear which projects will qualify throughout the programme period because, as stated in the section in Industrial Areas in this chapter, applications from the local councils, intercommunal authorities and GOMs have not yet been finalized.

As a subsidiary measure, contributions from ERDF will be used for industrial investment (investment aid in the framework of the legislation on economic expansion).

C. SOCIAL INVESTMENT POLICY

It should first be noted here that applications for support for projects in this sector have to come from the local authorities (including intercommunal authorities) or the private sector.

The projects can then be subsidized by the higher authorities, usually at regional level, in accordance with current legislation.

C.1. Framework of life

C.1.1. Housing

The targets for the period 1976-1980 set out an annual programme of 36 000 dwellings in order to meet quantitative requirements, allowing for the replacement of 16 000 dwellings. Out of this figure, 25% or 9 000 will be build without government aid and 75% or 27 000 with government aid; of the latter, 15 000 will be private dwellings with government aid and 12 000 public sector dwellings.

The imperative section contains an annual target of 9 000 subsidized dwellings in the strict sense (National Land Corporation and National Housing Company).

In the period 1976-1978 the number of subsidized dwellings begun stood at about 7 000, while the targets of 9 000 plus 15 000 dwellings for the private

	Annual target plan	1976 result (housing starts)	1977 estimate (housing starts)	1978 estimate
National Land Co. dwellings, including individual loan operations	2 000	1 979	2 065	2 200
National Housing Co. dwellings for letting	7 000	4 388	5 100	5 600
	9 000	6 367	7 165	7 800
Housing Fund (large families)		1 361	2 090	
National Housing Co. 'promise-to-purchase'	3 000	2 168	450	
Urban renovation operations				
	3 000	3 429	2 540	
Number of grants				
Demolition grants	3 090	773	624	
Reconstruction grants	3 000	1 556	1 262	
Building grants	12 000	13 046	13 504	[1]
Purchase grants	3 000	3 451	3 718	

[1] Estimates based on the first seven months of 1977.

sector (building starts and replacement) were considerably exceeded by building starts alone (42 000 dwellings in 1976).

It is thus necessary to direct the efforts of the public sector chiefly to reconstruction in the period 1979-1980. For this purpose the Housing Code will be amended to give the public building companies more scope for improvement of the present housing stock. The sphere of action of these companies must in fact, in the light of actual housing requirements, be progressively switched to the reconstruction sector.

This is particularly the case since the number of demolition and reconstruction grants remained well below target in 1976 and 1977. Linking up with increased efforts in the field of the renovation of urban and village centres, the number of grants will be increased massively, particularly as far as demolitions are concerned.

Expenditure of BFR 12 800 million from the Brunfaut Fund is scheduled for the period 1976-1980, and the actual figures for 1976-1978 are largely in line with this programme.

A change in the letting rules will ensure that subsidized housing will be available for families with low incomes, for whom such housing is primarily intended.

C.1.2. Town planning, renovation of city centres, reconstruction of abandoned industrial establishments, subsidized works

Credits for the renovations of city centres cannot be regarded in isolation from a number of other aspects of the framework of life such as housing, subsidized works, landscaping, etc.

As a result, means of action for the maintenance, improvement or embellishment of the urban or rural environment cannot be precisely assigned to one or other of these aspects.

The means of action include:

(a) purchase, by the state or local authorities, of property in the framework of a policy of physical planning or renovation of city or village centres;

(b) grants to subordinate authorities and even to private owners for the purchase or restoration of properties under a renovation plan;

(c) construction or improvement of the infrastructure (roads, drainage, gas, electricity, play areas, meeting places);

(d) capital grants to companies for subsidized house-building in order to lower the rent of subsidized dwellings;

(e) a premium for moving house for persons who have to leave their home temporarily and for firms which are moved out of the city centre during the implementation of city-centre renovation projects;

(f) if necessary, expropriation of property or acquisition under a long lease if an individual refuses to co-operate in such a project;

(g) restoration of buildings and monuments of value for any reason, whether classified or not;

(h) banning or reducing traffic in parts of cities, streets and public squares, widening of pavements, constructing cycle tracks.

Bearing in mind that the realization of this policy depends to a large extent on initiatives for renovating the centres of cities and villages, which can only be taken by municipal authorities, these latter will have to be urged to submit projects to the competent minister.

There should also be a search for additional ways and means of supporting the public authorities and private individuals in the framework of an overall urban renewal package.

C.1.3. Provision of open spaces

The measures for financial and regulatory intervention by the public authorities may be summarized as follows:

(a) financial intervention:

- (i) purchase by the State of woods and nature reserves, and subsidizing of such purchases if they are made by public authorities;
- (ii) support, in the form of subsidies and technical assistance, to private owners who plant trees on waste ground and administer private nature areas;

(b) regulatory intervention:

- (i) subjecting all woods, including those which are private, to the woods regulations as set out in Article 1 of the Forestry Code (which includes rules relating to felling) and opening up of woods to the public;
- (ii) implementing, by means of Royal and Ministerial decrees, the Act of 12 July 1973 relating to nature conservation (Official Gazette of 11 September 1973);
- (iii) extending the Act of 22 July 1970 to land consolidation by making it obligatory to have a landscape plan - to be added to the consolidation plan - which provides for activities for the restoration or improvement of the landscape.

C.1.4. Environmental pollution

(a) Financial intervention:

- (i) continuation of the programme for the building of collectors, drains and purification centres for effluents;
- (ii) further payment of degressive subsidies, as set out in the Royal Decree of 9 April 1975, to firms which build their own purification plants for their effluent;
- (iii) encouragement of the construction of processing plants for domestic waste by municipalities and intercommunal bodies by subsidizing their investment;

(iv) extension of the automatic air measuring network which already covers the large conurbations.

(b) Other interventions:

(i) the Regional Development Companies will take steps to set up companies to process industrial waste, and delivery of such waste to these companies will be required by statute;

(ii) establishment of standards, where not already set, for all forms of air and water pollution by matter, noise, toxic products and radioactivity;

(iii) compulsory insulation of all housing for which building permission is granted, both for private owners and for subsidized housing companies (energy saving and reduced air pollution);

(iv) promotion of intersectoral projects to improve the environment.

C.1.5. Flood prevention

An overall plan will be drawn up to protect the Scheldt basins and the coastal area against North Sea storm surges. Flood defences will be built on the Scheldt and the dykes raised and strengthened for protection of the Scheldt basins.

A programme for sea defences will also be carried out. These national programmes have priority and must be carried out quickly.

C.1.6. Water distribution

The Flemish region must make a considerable effort to keep pace with the increasing use of tap water and secure a proper water supply. This will be done by:

(a) extension of collecting basins and areas for obtaining water;

(b) investment for development of sea water desalination at Ostend;

(c) extension of the distribution network, in the first place to communities not yet linked to it, these still being numerous in Flanders.

C.2. Communal social provision

C.2.1. Medical equipment

(a) An increase in the total number of beds for acute illnesses is not required for the Dutch community, as the present standards are exceeded for some services. But subregional shortages should be eliminated and the problem of modernizing bed-capacity cannot be disregarded.

(b) A considerable effort is necessary for institutions and services for geriatrics, rehabilitation and long-term illnesses.

(c) As regards facilities for the mentally ill, efforts must be made to change over from closed psychiatric institutions to centres for diagnosis and active treatment.

(d) For organized out-patient care efforts must be made to set up one centre with one team for every 25 000 inhabitants for home care and one centre with two teams for every 50 000 inhabitants for mental care and social services.

C.2.2. The aged

Population data indicate an increasing number of old people (740 000 in Flanders by 1980). Some 185 000, or 25%, may be regarded as invalids. Efforts will be made to bring the capacity of old people's homes to 7 beds for every 1 000 inhabitants.

C.2.3. Child care

Efforts will be made to implement a flexible policy allowing for the extension of a network of collective facilities (in particular conventional crèches, kindergartens, play groups and children's homes) and for other forms of child supervision (including child-minding and supervision after school or in the holidays).

Alternative forms of child care will also be investigated. An extension of current fostering schemes under NWK control will be encouraged. Organized fostering services can also be built up.

C.2.4. Culture, sport, recreation and tourism

Within the limits of financial resources, as set out in a subsequent chapter, twofold priority will be given to cultural centres, for areas which as yet lack even elementary socio-cultural facilities, and for smaller local centres at village or neighbourhood levels.

As regards sports infrastructure, priority will be given to subregions without elementary facilities, sports of a recreational nature of interest to large numbers of people, and multi-purpose facilities integrated in the cultural and recreational infrastructure as a whole.

Tourism and recreation are both leisure time activities. Recreation areas should offer facilities for local inhabitants, and should be financed from subregional or local sources.

Tourism is a form of recreation in which travel has a dominant role. This broader recreational function justifies assistance at national level.

Emphasis should be placed on the further development of social tourism (about 50% of available funds).

Chapter IV

FINANCIAL RESOURCES

A. SOURCES OF FINANCE

As will be described in Chapter V, the administrative framework and the division of powers among various levels of government mean that public investment and measures to encourage economic expansion are financed from a number of sources.

(a) The national budget provides funds for investment projects regarded as of national interest. These cover a number of well-defined categories of works, chiefly in what may be termed the economic sphere, i.e., major infrastructures connected with transport (ports, motorways, waterways, railways, air transport, underground railways, flood-control dams), as well as certain categories in the social sphere (measures to counter air and noise pollution, water production, school equipment, teaching hospitals, crèches) and buildings which belong to the administrative sphere.

(b) The regional budget for the Flanders region provides funds for investment projects regarded as of regional or local interest. These categories of projects are also clearly defined, and may be placed in the following spheres:

(i) economic, i.e., industrial areas, land consolidation, subsidized works, non-navigable waterways, abattoirs;

(ii) social, i.e., water purification, waste processing, town planning and renewal of urban centres, subsidized housing, woods, shooting and fishing, water distribution, ordinary hospitals, medical teaching institutes, retirement homes, home care;

(iii) administrative, i.e., buildings which come within the jurisdiction of local government.

(c) Works of local interest may be financed by local councils or associations of local councils (including intercommunal authorities and council unions). They chiefly cover the construction or improvement of local roads, and the construction and maintenance of council buildings and cultural and sports centres. These local initiatives may be aided by the regional authority.

(d) A final source of finance lies in the intervention of the European Regional Development Fund (ERDF), intended to remove the most significant regional shortcomings.

The following important points should be noted in connection with this division of sources of finance:

(i) the development areas do not coincide with an administrative entity with powers of budgetary and financial decision. They usually coincide with one or more districts, but a district has no autonomy with regard to its budget. It is thus very difficult to determine exactly what share of government aid or government investment goes to a specific development area;

(ii) the sources of finance listed above do not indicate where the initiative for investment lies. The following distinctions may be made for financing from both national and regional budgets:

  (a) the central or regional authority intervenes directly and finances the whole project: e.g. national roads, waterways;

  (b) the central authority delegates its powers to a public body, such as an intercommunal authority, which acts on its behalf, and it bears the cost of the commitments made by the body - examples being the intercommunal authorities for the E3 and the E5;

  (c) the initiative is taken by a corporation in which the central or regional authority is a shareholder, and which subsidizes certain investments from its budget - an example is the initial construction works for the Belgian railways;

  (d) the initiative is taken by secondary authorities such as provinces, cities and local councils, and the central authority subsidizes all or part of the project - e.g. industrial areas, renewal of urban centres;

  (e) the initiative is taken by private firms or individuals and the projects are partly subsidized by the central or regional authority, e.g. water purification plant installed by a company.

B. TYPES OF EXPENDITURE

B.1. Infrastructure

The foregoing description of aims and action indicates that a distinction has to be drawn between:

(i) matters falling within the jurisdiction of the national authority on the one hand, and of the cultural communities on the other; and

(ii) matters falling within regional jurisdiction.

1. The action proposed for the period 1976-1980 and falling within the jurisdiction of the national authority was described in Chapter III.

   With regard to the options approved by Parliament, the tranches executed in 1976 and 1977 and the 1978 tranche are shown in the table below.

2. Regional authority investment in Flanders was also covered by a five-year programme for 1976-1980. Deducting the portions executed in 1976 and 1977 leaves the balance for the period 1978-1980.

The regional investment in Flanders covers the following heads.

(a) Economic

Zones (industrial areas)

The financial intervention of the regional authority is based on the application of the Act of 30 December 1970 concerning economic expansion (Official Gazette of 1 January 1971), which provides for State intervention at the rate of 80%, or less, of the cost of the works, according to their importance.

Land consolidation

The funds appropriated for land consolidation within the framework of the agriculture and horticulture policy are intended for structural improvement and renewal of business (grouping by scale), with secondary reference to the size of holdings and improved water economy.

Subsidized works

This reading covers intervention in the form of grants to local councils, associations of councils, public centres for social welfare and church communities, for works on their real estate (roads and buildings).

Non-navigable waterways

The programme covers strengthening of banks and other technical works on non-navigable waterways.

(b) Social

Water purification

The finance available is to be used for the construction of essential infrastructure (sewers, tanks, treatment plants, etc.) following a general plan which takes account of the particular hydraulic and physical planning conditions. Certain priorities are to be respected based on the present and future charge of surface by waste water. Furthermore degressive subsidies are to be given to firms which treat their own waste water which needs handling separately from domestic waste water.

National Government investment - Programme 1978-1980

	Period 1976-1980	Execution	
		Volume	%
Economic			
Water control	10 900	381	3.50
Motorways & roads	155 398	30 811	19.83
Railways	40 647	3 651	8.98
Urban transport	48 500	9 479	19.54
Ports	36 750	4 129	11.23
Radar	2 365	0.1	0.005
Waterways	42 500	5 316	12.50
Flood-control dams	6 000	752	12.53
Airports & ATC	9 000	2 290	25.44
Scheldt & North Sea	3 300	-	-
Various	-	424	-
SUB-TOTAL I	355 360	57 233.1	16.11
Social			
Air & noise pollution	2 000	116	5.80
Water production	7 700	566	7.35
Cultural & sport equipment[1]	17 500	NC 1 050 CF 922 NT 379 TF 281	15.04
School equipment	60 000	13 851	23.08
Teaching hospitals	4 000	1 159	28.97
Crèches	3 730	276	7.40
Various	-	52	-
SUB-TOTAL II	94 930	18 652	19.65
Administrative			
Buildings	28 200	6 231	22.10
GRAND TOTAL	478 490	82 116.1	17.16

[1] NC = Dutch culture; CF = French culture;
NT = Dutch tourism; TF = French tourism.

(in million of BFR at current prices)

	Programme 1977		Programme 1978		Balance 1979-1980	
	Volume	%	Volume	%	Volume	%
	609	5.59	475	4.36	9 435	86.6
	28 237.2	18.2	30 863	19.86	65 486.8	42.1
	4 850.8	11.9	7 059	17.37	25 086.2	61.7
	9 219.4	19.0	9 400	19.38	20 401.6	42.1
	8 821.4	24.0	7 517	20.45	16 282.6	44.3
	-	-	850	35.94	1 514.9	64.1
	5 983.1	14.08	8 549	20.12	22 651.9	53.3
	1 166.5	19.4	1 177	19.62	2 904.5	48.4
	1 443.2	16.0	2 114	23.49	3 152.8	35.0
	-	-	1 470	44.55	1 830	55.4
	1 491.7	-	1 106	-	- 3 021.7	-
	61 822.3	17.4	70 580	19.92	165 724.6	46.7
	209.6	10.48	100	5.0	1 574.4	78.7
	405.1	5.26	1 141	14.82	5 587.9	72.6
	1 028.6	15.52	1 216	19.21	8 790.4	50.22
	899.7		1 216			
	400.1		465			
	387.1		465			
	13 474.5	22.5	16 174	26.96	16 500.5	27.5
	997.9	24.9	1 530	38.25	313.1	7.8
	193.6	5.19	515	13.81	2 745.4	73.6
	39.8	-	165	-	- 256.8	-
	18 036.1	19.0	22 987	24.21	35 254.9	37.14
	7 219.3	25.6	7 986	28.32	6 763.7	23.1
	87 077.7	18.2	101 553	21.22	207 743.2	43.42

Waste processing

There are two forms of waste treatment: of specifically industrial residues and of household waste. For the latter, subsidies are planned of up to 60% of the cost of the plant. In the case of industrial waste, it is intended that industry construct its own facilities; for this a subsidy of 35% will be given.

Town planning

The funds under this heading are intended for a general land-use policy involving among other things the purchase and improvement of open spaces, the buying of property as part of town planning and the protection of nature.

Urban renewal

This is a policy of developing or renewing cities and country towns as social and leisure centres, closely following social, economic and cultural aims.

The amount planned is provisionnal because the funds could be used for investments in other fields.

Mining areas

A subsidy is given to organisations that reclaim abandoned industrial areas (factories, sand and clay pits, etc).

Fonds Brunfaut

Under the Brunfaut law, funds are reserved for the infrastructure required by subsidised housing.

Subsidised housing

The sums shown under this heading cover the commitments (loans) of the two public housing organisations, the Société Nationale du Logement and the Société Nationale Terrienne.

Forests: hunting and fishing

The funds planned should allow the State to buy land itself, to subsidise land purchase by local authorities and to assist private land owners to replant fallow land with trees.

Water supply

The region of Flanders has to make an major effort to meet the growing demand for water (reservoirs treatment of sea water, extension of the distribution system. The funds planned will subsidise, at the rate of 60%, the water companies and so aid the investments required.

Hospitals and medical schools

The funds shown will subsidise the construction of hospitals and medical schools to complete, replace or modernise the existing infrastructure.

The aged

These sums are destined to subsidise the construction of centres for rest and treatment and of flats for old people.

Home care

This group of health services provided at the patients' home must be developed as an alternative way of providing treatment over the next decade, due to the inadequacy of present infrastructure. The funds available are for a limited though necessary amount of facilities.

These headings are presented in the following table.

B.2. Other expenditure

B.2.1. Employment policy

(a) The programme to reduce unemployment that will be carried out in 1978 is estimated at BFR 23.7 thousand million.

(b) Expenditure by the Employment Dept. for vocational training in the Flanders region:

1977: BFR 1 293 million

1978: BFR 1 435 million (estimate)

1979: BFR 1 700 million (estimate)

1980: BFR 2 100 million (estimate)

B.2.2. Investment aid

Regional investment aid in Flanders in the framework of the Fund for Economic Expansion and Regional Reconversion will total about BFR 7 thousand million in the period 1978-1980.

Regional authority investment (Flanders) - Programme 1978-1980

	Period 1976-1980	Execution 1976		Transfer 1976-1977
		Volume	%	Volume
Economic				
Zones	9 100	[a] 848.3	9.4	120.0
Land consolidation	2 000	332.6	16.6	
Subsidized works	5 016	1 169	23.3	
Non-navigable waterways	3 000	187.7	6.2	
SUB-TOTAL I	19 116	2 537.6	13.3	120.0
Social				
Water purification	19 000	2 919.0	15.4	66.7
Waste	4 500	456	10.1	
Town Planning	1 733	76.8	4.4	
Renewal of urban centres	8 300	100	1.2	
Coal-mining sites	500	4.7	0.9	
Brunfaut Fund	12 800	1 817.6	14.2	
Subsidized housing	88 200	10 405	11.8	
Woods-shooting-fishing	1 000	78	7.8	
Water distribution	5 715	672	11.7	
Hospitals	15 700	1 759	11.2	
Medicine teaching estbl.	6 009	266	4.4	
The aged	5 000	592	11.8	
Home care	505			
SUB-TOTAL II	168 962	19 146.1	11.3	66.7
Administrative				
Buildings	1 800	206	11.4	
GRAND TOTAL	189 878	21 889.7	11.5	186.7

[a] The total appropriation under the Fund for Economic Expansion, i.e. 853 million, comprises 848 million under Zones and 4.7 million under Coal-mining sites.

(in million of BFR at current prices)

Execution 1977		Programme 1978		Balance 1979-1980	
Volume	%	Volume	%	Volume	%
534	5.87	1 200	13.2	6 397.7	70.3
500	25	528	26.4	639.5	32
1 599	31.9	2 715	54.1	- 467	-
300	10	615	20.5	1 897.3	63.3
2 933	153	5 058	26.5	8 467.4	44.3
2 932	15.4	4 750	25	8 332.3	43.9
636	14.1	780	17.3	2 628	58.4
		382.5	22.1		
204	1.9	350	4.2	9 415	89.4
2 025	15.8	2 600	20.3	6 357.4	49.7
12 400	14	15 000	17	50 395	57.1
118	11.8	226	22.6	578	57.8
680	11.9	1 242	21.7	3 121	54.6
		2 564.5	16.33		
3 379	12.4	833	13.9	16 804.5	61.8
		1 016	20.3		
22 374	13.2	29 744	17.6	97 631.2	57.8
57	3.2	900	50	637	
25 883	13.6	35 702	18.8	106 735.6	56.2

B.2.3. Industrial renovation

The Government will obtain the resources to implement its industrial policy by establishing an Industrial Renovation Fund[1].

The fund will be financed from the proceeds of a special bond issue.

B.2.4. Regional Development Companies (GOMs)

In present circumstances, one means of creating employment is for the Government to take up some of the risk capital of companies.

For this purpose the GOMs received BFR 1 thousand million in 1976, allocated on a regional basis. This amount has now been invested.

The GOMs will receive a further BFR 1 thousand million in 1978, 51.48% going to Flemish GOMs, for fresh initiatives.

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[1] Government statement on the new industrial policy. House of Representatives, n° 301 (1977-1978), 22 February 1978.

Chapter V

IMPLEMENTATION OF THE PROGRAMME

A. PLANNING AND REGIONAL BODIES

The outline Act of 15 July 1970, relating to the organization of planning and economic decentralization, falls into three parts.

A.1. Planning

The purpose of planning in the overall and national economic policy, both for the whole country and for each region, is to ensure a maximum degree of balanced economic expansion and, within this framework, a constant improvement in relation to employment, earned incomes, purchasing power, housing, infrastructure and equipment.

The five-year programme sets out:

(a) the general aims and the policy established to achieve them;

(b) prospects in the field of budgeting and financing;

(c) investment plans at the level of the economic regions.

The plan is presented for advisory opinion to the Regional Economic Councils (GER), the Central Council for Industry, the National Labour Council and the National Committee for Economic Expansion.

Both Chambers will express their opinion on the options in the plan and approve it, which means that it is binding on the Government; this find its annual expression in the budget.

Firms receiving support from the States are contractually obliged to implement the plan in return for the arrangement; for the rest, the plan is indicative.

The Ministers competent in this sector, as well as the Government as a whole, are obliged to implement the plan through the budget. Municipalities, intercommunal authorities, etc., each undertake the relevant material implementation of the programme.

The Royal Decree of 24 May 1971 relating to the status, organization and operational methods of the Plan Office, stipulates that the latter is responsible for monitoring the implementation of the plan. As far as the mandatory part of the plan is concerned, control will take place through the annual appropriations in the budget. For the merely indicative part, the Plan Office is obliged to investigate implementation in relation to the aims stipulated. It is in this context that it will regularly prepare activity reports during the period of implementation of the plan.

In present circumstances the planning procedure is somewhat hampered, for the reasons described in the Introduction. As a result, the major priorities set out in the earlier chapters will form the guidelines for regional policy over the next few years.

A.2. The regional bodies

A.2.1. Regional Economic Councils (GER)

The Regional Economic Council has advisory authority and a general authority to make recommendations, Its tasks comprise essentially:

(i) studying economic problems;

(ii) giving preliminary advice on regional economic questions;

(iii) collecting, co-ordinating and where necessary harmonizing data from the Regional Development Companies (GOMs);

(iv) meeting at certain stages in the implementation of the regional plan.

A.2.2. Regional Development Companies (GOMs)

The GOMs in Flanders have authority for general study, conception and promotion of economic development in each of the areas in question. For this they can prepare an inventory of regional shortcomings, make suggestions within the framework of regional sections of the plan, and take specific action for accelerating or strengthening private or public investment provided for in the plan, including the acquisition of shares in undertakings.

A.2.3. Industrial Promotion Service (DNB)

The industrial Promotion Service, in which the Regional Economic Councils participate, has the following aims:

- systematic investigation of potentially profitable lines of products;
- planning and implementation of selected projects, either via the private sector or via joint ventures;
- systematic search for patentable items, registration of patents, and promoting the industrialization and marketing of the products;
- study of any specific economic problems raised by the public authorities.

B. REGIONALIZATION

The Act of 1 August 1974 (Official Gazette of 22 August 1974), amended by the Act of 19 July 1977 (Official Gazette of 27 July 1977) stipulates matters in which a different regional policy is warranted in its entirety or in part:

(i) policy relating to physical and town planning, including land policy, consolidation of real estate, urban renewal and the rehabilitation of abandoned industrial sites;

(ii) policy on regional economic expansion and employment;

(iii) housing policy;

(iv) family and population policy;

(v) policy relating to hygiene and public health;

(vi) reception policy;

(vii) water policy;

(viii) fishing, shooting and woods;

(ix) industrial and energy policy;

(x) municipal organization.

A Ministerial Committee for Regional Affairs, chaired by the Minister for Flemish Affairs and composed of Ministers and Secretaries of State with regional authority, is responsible for working out, co-ordinating and implementing the regional policy.

The Royal Enforcement Decree of 10 March 1975 (Belgian Official Gazette of 26 March 1975) lists those matters coming under the responsibility of the Ministry of Economic Affairs which can be regionalized, both in the field of regional economic expansion policy (application guidelines, determination of priority sectors, planning of industrial areas, restoring abandoned areas, firms in difficulties, studies and surveys, etc.) and in the field of industrial and energy policy (mines, drains, excavations, open drains, etc.).

In applying the Royal Decree of 22 June 1977 (Official Gazette of 29 June 1977), the Secretary of State for Regional Economy is entrusted with the implementation, under the authority of the Minister to whom he is responsible, of the following matters:

(i) policy relating to physical and town planning (including land policy, urban renewal and rehabilitation of abandoned industrial sites)[1];

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[1] Policy on physical and town planning has two basic facets:

(i) the first, a passive function, is defining physical planning instruments and the allocation of land for specific purposes, at a succession of levels (Flanders region, sector, economically, socially and culturally cohesive area, municipality) and further determining the present situation, major infrastructures and the clear assignment given to each part of the territory, or the norms applying thereto;

(cont. on p. 142)

(ii) policy relating to regional economic expansion;

(iii) industrial and energy policy.

The Secretary of State for Social Affairs, who is responsible to the Minister for Flemish Affairs, is entrusted with implementing the following matters:

(i) policy relating to employment;

(ii) reception policy;

(iii) policy relating to hygiene and public health;

(iv) family and population policy;

(v) housing policy, including renewal of housing stock.

It should at the same time be mentioned that a number of matters which until 1978 are under national authority (crèches, teaching hospitals) or under the authority of the regions (home care, institutions providing care, the disabled, the aged, accelerated vocational training) will from 1979 onwards be the responsibility of the Cultural Council of the Dutch Cultural Community.

In addition, as described in the Introduction, the implementation of the Community Pact will entail changes in the powers of the regional authorities.

Prior to this a Bill will be required to organize regionalization in its final form, subject to the Constitutional review being carried through and to the transitional arrangements on regionalization being made.

Finally, this summary of the regionalization process should be completed by mentioning that regional policy is a matter for the local authorities, and particularly the associations of municipalities, as well as the central government. Local authority associations are in fact highly developed in Belgium and represent the interests of private enterprise and local autonomy. The commonest institutional form which they take is the mixed intercommunal authority, combining local, public and private interests. Their official social objectives generally include:

(i) economic expansion, including the establishment of industrial areas;

(ii) organizing land policy;

(iii) representing the region and defending its interests;

(iv) studies connected with this sphere;

(v) services in allied spheres (housing, transport, processing of waste, etc.).

(cont. note 1 of p. 141)

(ii) the second, an active function, concerning the rehabilitation of abandoned coalmine sites (future purpose of sites, execution of necessary works) and the establishment of industrial areas, and also the restoring of abandoned industrial sites via the Industrial Renovation Fund (subject to Parliamentary approval) as well as urban renewal through subsidies for repairs.

The overall institutional structure is hence as follows:

(i) local decision-making bodies (municipalities, provinces) with legal authority but limited financial resources;

(ii) local bodies with the status of mixed (i.e. public and private) associations with authority to examine, propose and execute projects;

(iii) the central authority (national or regional) which holds the power of initiative and the main financial ressources, with machinery for financial transfers which invites or take notes of local projects and decides on their financing.

The schematic survey in the attached table shows the distribution of powers to approve projects and sanction expenditure for the most important types of regional action or activities with an impact on regional development.

Annex

DISTRIBUTION OF POWERS FOR DIFFERENT TYPES OF MEASURES

Type of infrastructure	Project approval	Sanctioning of expenditure	Budget
1. Heavy infrastructure			
1.1. Motorways	Public Works	Public Works	National
1.2. Roads	Public Works	Public Works	National
1.3. Waterways	Public Works	Public Works	National
1.4. Railways & Belgian Rail (NMBS)	Communications	Communications	National
1.5. Public transport & National Bus Co. (NMVB)	Communications	Communications	National
1.6. Airports & ATC (RLW)	Communications	Communications	National
1.7. Ports	Communications & Public Works	Communications & Public Works	National
1.8. Autonomous Ports	Communications & Public Works	Communications & Public Works	National
2. Light infrastructure			
2.1. Municipal roads	Municipalities	Municipalities	Municipal
Public health	Municipalities	~~Municipalities~~	from ad hoc subzidies
Water supply	Municipalities	Municipalities	from the national budget, which is to be regionalized
Drainage	Municipalities	Municipalities	
2.2. Provision of industrial areas & tourist sites	Secretary of State for Regional Economy and Physical Planning	Public Works	Regional

Type of infrastructure	Project approval	Sanctioning of expenditure	Budget
2.3. Establishment & equipement of industrial areas	Secretary of State for Regional Economy and Physical Planning	Public Works	Regional
Rehabilitation of coalmine sites	Secretary of State for Regional Economy and Physical Planning	Public Works	Regional
Restoring industrial areas (not yet approved)	Secretary of State for Regional Economy and Physical Planning	Public Works	Regional
Provision of access roads for areas and estates	Secretary of State for Regional Economie and Physical Planning	Public Works	Regional
2.4. Hospital infrastructure	Min. of Public Health	Public Works	National and Hospital Building Fund
2.5. Water policy (collection, supply, institutional organization, protection and purification of waste water)	Min. for Flemish Affairs	Min. of Public Health	National (pending regionalization)
2.6. Education	Min. of Dutch Education	Min. of Dutch Education	Cultural and School Building Fund
2.7. Technical Education	Province	Province	Provincial (from grants)
2.8. Cultural and sports infrastructure			Cultural
2.9. Vocational training	Min. of Employment and Labour	Dept. of Employment	National
3. <u>Social benefits</u>			
Aid for economic invest.	Regional Economy	Economic Affairs	Regional
Aid for investment in the steel industry	Economic Affairs	Economic Affairs	National
Aid for investment by small firms	Regional Economy	Middle Classes	Regional

Regional development programme

Wallonia
1978 -1980

Detailed index

Annexes

Chapter I

ECONOMIC AND SOCIAL ANALYSIS

A. STRUCTURAL ANALYSIS

A.1. Population

The population of Wallonia fell from 3 102 972 in 1961 to 3 097 253 in 1970, rising to 3 214 810 on 31 December 1976. It thus represents 32.1% of the total population of the Kingdom, compared with 33.7% in 1961 and 32.7% in 1970. Growth during the period 1961-76 was only 3.5%, compared with a population increase of 6.9% for the Kingdom as a whole over the same period.

Population structure in Wallonia and the Kingdom

	1961		1970		1975	
	Wallonia	Belgium	Wallonia	Belgium	Wallonia	Belgium
Age 0 to 25	34.2	36.4	37.8	38.6	37.1	37.6
Age 25 to 65	52.2	51.4	47.6	48.0	47.9	48.4
Age over 65	13.6	12.2	14.6	13.4	15.0	14.0
	100.0	100.0	100.0	100.0	100.0	100.0

Source: INS.

The proportion accounted for by the potentially active population (age 25 to 65) is lower in Wallonia than in the Kingdom as a whole. The proportion of young people up to the age of 25 is also lower in Wallonia. On the other hand, there are proportionally more old people in Wallonia than in the Kingdom. The Walloon population has ages relatively over the years.

A.1.1. Active population

The latest population census (31 December 1970) showed the active population of Wallonia to amount to 1 138 000, representing 31.3% of the total for the Kingdom. The equivalent figure in 1961 was 31.8%. The proportion of gainfully employed persons fell from 36.2% to 36.0% between 1961 and 1970. The equivalent proportions for the Kingdom were 38.2% in 1961 and 37.6% in 1970.

A.1.2. Commuters

On 31 December 1970, 8% of the active population of Wallonia carried on an occupation in Belgium outside the boundaries of Wallonia.

Most of these commuters work in the Brussels conurbation (6.3% of the active population of Wallonia). The number of Walloon commuters travelling to the Brussels conurbation has increased by 77.6% since 1961.

A.2. Gross regional product

The gross domestic product of the region varied as follows from 1960 to 1974:

Gross regional product

(at factor cost, in 1970 prices)

(thousand million BFR)

	1960	1965	1970	1974[1]
Wallonia	227.2	274.2	330.1	392.8
Kingdom	705.1	894.9	1 132.7	1 375.5

[1] Latest available figures

Wallonia's contribution to gross domestic product has constantly declined in relative value, falling from 32.2% in 1960 to 30.6% in 1965, 29.1% in 1970 and 28.6% in 1974. The exceptionally favourable economic situation in the last of these years should also be noted.

The variation of the gross per capita regional product deserves particular attention as it allows a better comparison between figures from different economic areas.

Since 1960 the ratio of the per capita GDP of Wallonia to that of the Kingdom has decreased constantly, from 96.6 in 1960 to 91.7 in 1965, 88.9 in 1970 and 87.2 in 1974.

Per capita gross regional product

(1970 prices, at factor cost)

(in thousands of BFR)

	1960	1965	1970	1974[1]
Wallonia	74.7	86.7	104.5	122.8
Kingdom	77.4	94.5	117.5	140.8

[1] Latest figures available

The average annual growth rates of the per capita gross regional product calculated for different periods also illustrate the progressive weakening of the Walloon economy.

The national rates for all the periods considered systematically exceed the Walloon rates, which are falling increasingly behind the former.

The gap between the Kingdom and Wallonia is now widening in terms of both level and rate of growth of GDP, to the disadvantage of Wallonia.

Annual growth rates of per capita gross regional product

(basis: 1970 prices)

	Wallonia	Kingdom
1960-1974	+ 3.6	+ 4.4
1960-1965	+ 3.0	+ 4.1
1965-1970	+ 3.8	+ 4.4
1970-1974	+ 4.1	+ 4.6

A.3. Structures of production in Wallonia

A.3.1. Added value

The proportions accounted for by the sectors of the Colin-Clark classification are as shown in the following table.

Between 1955-1958 and 1971-1974, the importance of the primary sector declined, while the opposite was the case for the secondary and tertiary sectors.

Sectoral structure of regions on gross added value basis

Sectors	1955-1958		1971-1974	
	Wallonia	Kingdom	Wallonia	Kingdom
Primary	18.5	11.9	7.0	5.1
Secondary	39.0	36.9	44.6	42.1
Tertiary	42.5	51.2	48.4	52.8

A.3.1.1. Location coefficient (or quotient)

The Walter-Isart location coefficients (or quotients) indicate which activities are most represented in Wallonia. They are set out in the following table.

Activities	Location quotient	
	1970	1974
1. Agriculture	1.24	1.20
2. Mining and quarrying	2.12	2.02
3. Food, drinks and tobacco	0.90	0.88
4. Textiles	0.67	0.63
5. Clothing and footwear	0.46	0.47
6. Timber and furniture	0.53	0.53
7. Paper, printing and publishing	0.92	0.98
8. Chemicals	0.58	0.62
9. Pottery, ceramics, glass, cement	1.80	1.87
10. Iron and steel, non-ferrous metals	2.48	2.47
11. Metal manufacture	1.01	0.94
12. Miscellaneous industries	0.69	0.78
13. Garages	1.11	1.12
14. Construction	1.02	1.10
15. Water, gas and electricity	1.02	1.06
16. Commerce	0.80	0.85
17. Financial services and insurance	0.49	0.53
18. Residential buildings	1.02	1.02

Activities	Location quotient	
	1970	1974
19. Transport and communications	0.77	0.71
20. Services	1.03	1.06

Source: Ministry of Economic Affairs, INS, Direction Générale des Etudes et de la documentation.

The above table shows that although activity in Wallonia is concentrated decreasingly on mining and quarrying, it is still very strongly concentrated on iron and steel and other metals. Construction, paper, printing and publishing, and services are represented in Wallonia to roughly the same extent as in the Kingdom as a whole. Note that whereas the location quotient for metal manufacture was approximately 1 in 1970, this sector subsequently declined in importance in the region, as reflected by the fall in the coefficient to 0.94.

A.3.1.2. Diversity of regional activities

The diversity of activities represented in an economic area - in this case, Wallonia and the Kingdom of Belgium - can be measured by calculating an 'entropy coefficient'.

In a region with a relative entropy coefficient close to 0, a single sector of activity would predominate; conversely, with a relative entropy tending towards 1, many activities would contribute equally to the regional product.

On the basis of average values for the period 1970-1974, the relative entropy for Wallonia is 0.861, the equivalent figure for the Kingdom being 0.863; this means that activity is less diversified in Wallonia than in the Kingdom.

The coefficient of regional industrial specialization is a similar parameter to the entropy coefficient. It is a measure of the degree of homogeneity or heterogeneity of the industrial endowment of the regions. It also varies between 0 and 1, increasing the smaller number of dominant sectors. It is 0.149 for Wallonia.

The industrial structure of Wallonia is obviously based on a smaller number of sectors than that of the Kingdom as a whole.

A.3.2. Employment

According to National Social Security Agency (ONSS) statistics, 622 215 workers were contributing to it in 1965 (29% of the Kingdom). The equivalent figure on 30 June 1976 was 841 240 (28.4% of the Kingdom).

Workers contributing to the National Social Security Agency

	1965		1970		1976	
	Wallonia	Kingdom	Wallonia	Kingdom	Wallonia	Kingdom
Agriculture	5 951	16 372	4 735	13 395	4 059	12 381
Industry	477 621	1 454 817	455 546	1 468 944	393 450	1 308 585
Commerce and services	138 643	657 617	347 929	1 334 521	443 731	1 644 739
TOTAL	622 215	2 128 806	808 210	2 816 860	841 240	2 965 705

Source: Ministry of Employment and Labour, National Social Security Agency.

The population employed in industry in Wallonia fell by 4.6% over the period 1965-1970 and by 13.6% from 1970 to 1976. The equivalent figures for the Kingdom are as follows: an increase of 1.0% for 1965-1970 and a decrease of 10.9% for 1970-1976.

Industrial employment thus declined in Wallonia, whereas there was a slight increase in the last few years in the Kingdom.

On the other hand, the number of workers employed in commerce and services has increased consistently both in the Kingdom and in Wallonia.

As stated above, industrial activity in Wallonia is heavily concentrated on a small number of large sectors; it is therefore relevant to consider the variation of employment in these industries as revealed by ONSS statistics.

The number of workers employed in the metals sector (in the broad sense, including both initial processing and metal manufacture) was 192 250 in 1965, falling to 191 339 in 1970, 175 374 in 1973 (a boom year for the industries in this sector) and 161 040 in 1976. The number of jobs lost between 1973 and 1976 was 14 334.

In the non-metallic minerals industries, the number of jobs fell from 37 024 in 1965 to 34 326 in 1970, rising to 39 940 in 1973 (top of cycle) and falling again to 34 904 in 1976 (5 036 jobs lost between 1973 and 1976).

In the textile sector, the number of jobs fell from 34 655 in 1965 to 29 486 in 1970, 23 571 in 1973 and 18 466 in 1976. Jobs lost in this sector from 1973 to 1976 thus amounted to 5 105.

The number of industrial jobs fell by 84 171 between 1965 and 1976, 62 896 of the losses occuring in the period 1970-1976. The trend of labour loss in industry during the last few years has thus been clearly accelerating.

A.4. Openness of Wallonia to foreign trade

No figures for Walloon foreign trade covering all the region's trade with foreign countries are available. The only statistics existing are for industrial deliveries.

Industrial deliveries

(in thousand million BFR)

	1966		1970		1974	
	Total	Exports	Total	Exports	Total	Exports
Wallonia	194.3	71.6	262.6	118.5	470.2	234.7
Kingdom	590.2	214.7	876.9	393.8	1 546.7	754.6

Wallonia exported 37% of its industrial production in 1966, against 50% in 1974. A similar trend is evident for the Kingdom, 36% of production being exported in 1966 against 49% in 1974.

The proportion of Walloon industrial deliveries for export relative to the Kingdom's export deliveries was 33% in 1966, 30% in 1970 and 31% in 1974. However, the last of these years was exceptional for both the Walloon and the Belgian economies.

Iron and steel products account for a high proportion of Walloon industrial deliveries to foreign countries: 41.5% in 1966, 40% in 1970 and 43% in 1974.

Metal manufacture is another important export sector, accounting for 22% of Walloon industrial deliveries abroad in 1966, 25% in 1970 and 23% in 1974.

The contribution of the other main sectors - food, paper and printing, glass, cement, and non-ferrous metals - to Walloon exports is relatively small, the rubber and chemicals industries predominating slightly.

It is therefore evident that Wallonia's industrial exports consist mainly of a small number of products originating from a very limited number of sectors.

A.5. Investment

In the absence of statistics for investment as a whole in Wallonia (like the national accounts statistics), the figures for industrial investment (firms employing more than 20 workers) constitute a valuable pointer.

Walloon industrial investment accounted for 30.1% of the total for the Kingdom in 1965 and 36.3% in 1975.

Industrial investment

(at 1970 prices, in thousand million BFR)

	1965	1970	1975[1]
Wallonia	16.6	27.2	28.3
Kingdom	55.2	74.6	78.0

[1] latest available figures

The average annual growth rate over the same period was also higher in Wallonia (+5.5%) than in the Kingdom (+ 3.5%).

This trend is attributable to the high capital-intensiveness of the sectors to which investment in Wallonia is devoted, namely, in particular, metals, chemicals and rubber. Thus in 1972 to 1975 investment expenditure per employed person was systematically greater in Wallonia than in the Kingdom.

Investment expenditure per employed person

(at current prices, in thousands of BFR)

	1972	1973	1974	1975
Wallonia	70.2	78.2	108.0	105.6
Kingdom	60.9	66.9	89.5	91.7
Ratio Wallonia/Kingdom	1.15	1.17	1.21	1.15

As stated above, investment in Wallonia is largely confined to a small number of important sectors. This reflects the relatively narrow range of industries represented in Wallonia. As it happens, there is also little change in the share of total investment accounted for by these sectors: the metals sector (iron, steel, non-ferrous metals, metal manufacture, and shipbuilding) consistently absorbs approximately 50%: 47.7% in 1970, and 56.6% in 1974.

A further substantial proportion of investment is taken up by the chemicals and rubber industries and the pottery, ceramics, glass and cement industries.

The proportion accounted for by the food sector has increased slightly, while that of the construction materials sector has declined.

Location quotient of investment

When calculated for investment, the Walter-Isart location coefficients allow more precise identification of the sectors in which capital investment in the region has been greater than, less than or equal to that in the reference area - in this case, the Kingdom. When spread over a period of time, they also show the advance or decline of industries in the region.

Location quotient of industrial investment in Wallonia

	Period 1963-1967	Period 1970-1974
Mining and quarrying	2.41	2.27
Foodstuffs	0.79	0.70
Textiles	0.85	0.53
Clothing and footwear	0.54	0.55
Timber and furniture	0.57	0.40
Paper, printing and publishing	0.96	0.98
Chemicals	0.52	0.77
Pottery, ceramics, glass and cement	1.58	1.50
Iron, steel, non-ferrous metals, metal manufacture, shipbuilding	1.22	1.29
Other industries	0.98	1.05
Construction	0.81	0.79

The predominant sectors in Wallonia as regards investment are mining and quarrying, pottery, ceramics, glass and cement, and iron, steel, non-ferrous metals, metal manufacture and shipbuilding. Note that for the last group of industries mentioned, the published figures do not allow of a finer differentiation, as would be desirable. There is no doubt that the level of the coefficient for this group reflects primarily the dominance of the iron and steel sector alone, which, of course, is highly capital-intensive.

It is also in this group of sectors that Wallonia has consolidated its position in the course of time. However, it is fairly evident that this consolidation reflects the development of the metallurgical sector alone, and, more precisely, of iron and steel making within that sector. As for other industries, investment in mining and quarrying and in pottery, ceramics, glass and cement declined (as coefficients) from the first to the second of the above periods. The position of the clothing and footwear industries, paper, printing and publishing, and many other industries strengthened, while there was a relative decline in capital investment in food, drinks and tobacco, textiles, timber and furniture, and the construction industry.

A.6. Incomes

Until the middle of the 1960s, incomes were higher in Wallonia than in the rest of the Kingdom; today it is the other way round.

The rate of growth of incomes, evaluated approximately from tax returns[1], is lower for Wallonia than for the Kingdom as a whole.

Variation of the amount of net taxable incomes

(1966 = 100)

	Fiscal year 1966	Fiscal year 1970	Fiscal year 1974[1]
Wallonia	100.0	135.6	218.6
Kingdom	100.0	139.2	223.3

[1] latest figures available.

The gap between average per capita income in Wallonia and that in the Kingdom as a whole has consistently widened. Since average income depends on population structure, and the older age groups predominate in Wallonia as compared with the Kingdom, the relevant average is an underestimate compared with the true value of average income in Wallonia.

Variation of average per capita income

(thousands of BFR)

	1964	1966	1970	1974[1]
Wallonia	26.4	32.6	43.9	70.7
Kingdom	27.7	34.6	47.3	75.1
Ratio Kingdom/Wallonia	104.9	106.1	107.7	106.2

[1] latest figures available.

Average income increased over the period 1964-1974 by 171.1% in the Kingdom but by only 167.8% in Wallonia.

[1] Note, however, that these figures are not comprehensive as they do not include certain types of incomes which are tax-exempt either because of their low level or owing to their nature.

Again, it must be emphasized that 1974 was an exceptional fiscal year, covering in[illegible] the boom year of 1973; the boom was particularly marked in Wallonia owing to the predominance of the iron and steel industry.

B. IMPACT OF THE CURRENT ECONOMIC SITUATION ON WALLONIA

B.1. Industrial production

Owing to the boom in the iron and steel industry, the years 1972, 1973 and 1974 were one of the most euphoric periods since the war for Wallonia.

Consequently, the crisis which broke out in the second quarter of 1974, rapidly followed by an intense depression, was all the more deeply felt. Owing to

General index of industrial production

(excluding construction - quarterly values)

(1970 = 100)

	Kingdom		Wallonia	
	Gross index[1]	Variation (%)[2]	Gross index[1]	Variation (%)[2]
1974[3]			120.4	
1975 I	114.8	- 7.8	106.4	- 9.6
II	111.0	- 13.1	103.3	- 14.2
III	96.9	- 11.7	83.3	- 19.1
IV	112.8	- 6.6	104.2	- 7.5
1976 I	116.8	1.7	106.1	- 0.2
II	123.5	11.2	113.5	9.8
III	107.0	10.4	93.6	12.4
IV	122.11	8.12	106.8	2.25
1977 I	121.3	3.9	105.3	- 0.8
II	123.5	0.0	108.6	- 4.3
III	104.7	- 2.2	89.4	- 4.4
IV	119.4	- 2.2	114.2	2.4

Source: INS; Calculations: DGED.

[1] Corrected for unequal length of months.

[2] Relative to corresponding quarter of previous year.

[3] Peak value before crisis (second quarter in Wallonia).

transitory stock adjustments, a slight recovery took place in the third quarter of 1976, but this was short-lived, and 1977 saw a return, at first hesitant and then unmistakable, to depression.

Although the crisis affected the whole of the Kingdom, the depression was felt more keenly in Wallonia than elsewhere, particularly as the 'relapse' of 1977 was experienced there only.

There is no doubt that the trend of Walloon industrial activity differs from that of the Kingdom as a whole because of the region's peculiar industrial structure. For the Kingdom as a whole, the trend differed from sector to sector in 1977. The sectoral and national production indices thus show that despite some recovery, production of raw materials and semimanufactures in 1976 failed to reach the peak levels of 1974 and that the 1977 decline was greater in these sectors than in others. But these sectors have a very considerable representation in the Walloon economy: iron and steel, paper and board, and the non-metallic minerals industry, including sheet glass, ceramics and cement.

The situation would probably have been even more serious without the strong contingent of firms in the metal manufacture sector which weathered the depression on the strength of orders secured earlier.

The index of production for Wallonia is diverging increasingly from that of the Kingdom in a direction unfavourable to Wallonia.

B.2. Closures of firms

Number of closures

	1974	1975/1974 %	1975	1976/1975 %	1976	1977/1976 %	1977
Wallonia	66	+121.2	146	+56.8	229	+30.6	299
Kingdom	305	+120.0	671	+31.1	880	+28.1	1 127

In the last few years, the relative increase in both the number of firm closures and the number of workers affected thereby was thus greater in Wallonia than in the Kingdom as a whole. Furthermore, the sectors worst hit by these closures are precisely the key branches of Walloon industry: metalworking, mechanical engineering, electrical engineering, textiles, clothing and construction.

Number of workers affected

	1974	1975/1974 %	1975	1976/1975 %	1976	1977/1976 %	1977
Wallonia	7 613	-25.9	5 640	+89.4	10 682	+5.4	11 263
Kingdom	17 879	+18.1	21 123	+52.9	32 294	+1.9	32 898

B. 3.Unemployment

Unemployment as at 31 December[1]

	1973		1975		1977	
	Absolute figures	Unemployment rate[2]	Absolute figures	Unemployment rate[2]	Absolute figures	Unemployment rate[2]
Wallonia	35 834	4.9	94 611	14.8	128 582	17.2
Kingdom	82 370	3.4	266 543	12.5	358 391	14.5

[1] Figures for totally unemployed workers receiving benefit, unemployed persons occupied by the Government, other compulsorily registered unemployed persons and applicants for vacant jobs.

[2] As a percentage of persons insured against unemployment with the INAMI.

Walloon unemployment has increased sharply in the last few years. Note that unemployment was already substantial in the year chosen as the starting point above, 1973, although industry was booming at the time; this clearly demonstrates the structural nature of unemployment in Wallonia.

At the beginning of the depression, the rate of increase of unemployment was lower in Wallonia than in the rest of the Kingdom, but the unemployment rate, calculated as a percentage of the number of persons insured against unemployment, was always appreciably higher in Wallonia than in the Kingdom. Again, the proportion of the total number of totally unemployed persons in Wallonia accounted for by those aged under 25 remained close to, and even surpassed, the proportion for the Kingdom, although the age structure of the Walloon population shows that the population of the region is relatively older.

Proportion of unemployed persons
in the relevant groups aged under 25[1]

(percentages)

	1973	1975	1977
Wallonia	19.4	39.7	39.9
Kingdom	17.7	40.4	39.0

[1] Number of unemployed persons as at 31 December.

Duration of unemployment

Unemployed persons by duration of unemployment

(percentages of total for the relevant group)

	1973		Variation	1975		Variation	1977	
	W	K	1973/1975	W	K	1975/1977	W	K
Less than 1 year								
Wallonia	45		+12	57		-12.1	44.9	
Kingdom		49	+15		64	-16.2		47.8
1 to 2 years								
Wallonia	18		- 4	14		+ 7.5	21.5	
Kingdom		17	- 4		13	+ 9.9		22.9
2 years and longer								
Wallonia	37		- 8	29		+ 4.6	33.6	
Kingdom		34	-11		23	+ 6.3		29.3
TOTAL	100.0	100.0		100.0	100.0		100.0	100.0

W = Wallonia; K = Kingdom.

The proportion of long-term unemployed (i.e., 1 to 2 years and over 2 years) was already higher in Wallonia in 1973 (a boom year), and continued to increase in the following years relatively to the Kingdom. In the last few years it has increased faster in the region than in the Kingdom.

The greater the pressure of the slump conditions on the Walloon economy becomes, the more acutely that economy's structural deficiences are highlighted.

C. DEVELOPMENT ZONES

A direct socio-economic analysis of development zones is impossible owing to the lack of statistical data corresponding specifically to these zones. However, an indirect approach is possible based on administrative districts, for which some data, though very few in number and incomplete, are available. These districts have been grouped into three blocks which best incorporate the development zones, although the blocks made up for statistical purposes correspond only partially to the development areas eligible for assistance from the ERDF under the Decision of 26 April 1972.

The constitution of these blocks is based on one crude fact: more than three quarters (77%) of the unemployed persons in Wallonia live in these districts (proportion calculated from the monthly average figures for wholly unemployed persons receiving benefits in 1977).

Furthermore, two of the blocks are old-established industrial areas which have been profoundly affected both by the structural changes and by the economic vicissitudes of the last few years.

The third block has hitherto suffered from the predominance of agriculture, and steps must therefore be taken to restore equilibrium by promoting industries which are well suited to the natural environment of the region.

These blocks have been established for analytical purposes only and their constitution in no way anticipates the result of any negociations which may lead to a geographical reconfiguration of the areas eligible for assistance from the ERDF.

C.1. Western block: District of Charleroi, Mons, Soignies, Namur

The population of these districts has varied as shown in following table.

Charleroi's substantial negative migratory balance between 1974 and 1978 reflects the great difficulties encountered in this region of old-established industries. The migratory balances of the Mons and Soignies districts, though positive, are only slightly so. Various factors, including its natural environment and favourable geographical location, explain the great attraction of Namur and its substantial positive balance.

Three urban areas, one of which is one of the biggest in Wallonia, are included in these districts: Charleroi, Mons and Namur. The population density is therefore considerable for the whole block (403 inhabitants per km^2); however, it should be noted that the densities are a good deal higher at Charleroi and - to a lesser extent - at Mons.

Population at 1 January

District	1971[1]	1974	1978	Increase between 1974 and 1978 per 1 000 inhabitants	Migratory balance between 1974 and 1978 per 1 000 inhabitants
Charleroi	456 716	456 297	450 120	-13.54	- 9.71
Mons	261 078	262 091	262 388	+ 1.13	+ 5.22
Soignies	164 925	165 934	167 403	+ 8.85	+12.21
Namur	245 472	249 943	256 016	+24.30	+22.85

[1] Census taken on 31 December 1970.

Area and population density

District	Area (km^2)	Population density at 1.1.1978
Charleroi	555	811
Mons	585	449
Soignies	517	324
Namur	1 165	220
WALLONIA	16 848	191
BELGIUM	30 521	322

According to the latest available figures (population census taken on 31 December 1970), the population structure, broken down by age, in these districts is as follows in the next table.

In all these districts, the proportion accounted for by young people is lower than that for the country generally, whereas the proportion accounted for by those over 65 is higher than that for the country generally.

Population structure at 31 December 1970

(%)

Age group	Charleroi	Mons	Soignies	Namur	Wallonia	Belgium
0-14 years	22.6	23.4	22.8	23.5	22.7	23.6
15-65 years	63.5	63.1	62.5	62.3	62.7	63.0
65 years and above	13.9	14.5	14.7	14.2	14.6	13.4
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

Furthermore, the effect of recent birth rate trends must be a further ageing of the population in average terms.

Birth and mortality rates

(%)

	Charleroi	Mons	Soignies	Namur	Wallonia	Belgium
Births						
1970	14.78	14.17	15.13	15.04	14.07	14.56
1974	12.75	13.65	13.31	13.88	12.79	12.58
1977	12.08	12.54	12.17	13.27	11.99	12.37
Deaths						
1970	13.81	13.83	13.74	13.72	13.96	12.27
1974	13.33	13.94	13.51	12.64	13.49	11.85
1977	12.53	13.29	13.22	12.98	12.98	11.42

Resident labour force

	Charleroi	Mons	Soignies	Namur
1970	159 762	87 417	57 707	82 611
1971[1]	177 334	93 491	63 340	94 704
1978[1]	183 571	92 822	64 881	98 686

[1] Estimates

Workers covered by social security arrangements[1] at 30 June

(Western Block: districts of Charleroi, Mons, Soignies, Namur)

Branch	1974	1977	1974-1977
Agriculture	800	740	- 60
Energy	12 835	9 450	- 3 385
Industry	126 903	109 346	-17 557
of which:			
- extraction and primary processing of metals	29 958	24 881	- 5 077
- extraction and processing of non-metallic minerals	25 311	21 329	- 3 982
- chemicals	7 766	8 123	+ 357
- metal manufacture	43 580	37 771	- 5 [illegible]
- food, drink and tobacco	5 862	6 280	+ 418
- textiles, leather, clothing and footwear	4 771	3 203	- 1 568
- wood, paper and printing	7 116	5 464	- 1 652
- rubber and plastics	1 834	1 667	- 167
- other	705	628	- 77
Building and civil engineering	25 376	25 793	+ 417
Tertiary sector	153 243	164 946	+11 703
TOTAL	319 157	310 275	- 8 882

1 Including public authorities and education.

Figures for the active population living in these districts are available only from the population census taken on 31 December 1970. However, estimates have been made on this basis for the period of the current regional development programme.

During the last few years, the number of jobs in industry has steadily fallen throughout the block. It was decided to compare the figures for 1977 (two years after the 1975 economic crisis) with those for the last industrial boom year (i.e. 1974) in order to assess the number of industrial jobs lost as a result of the depression.

It is in the big industries, and therefore those most vital to this region (extraction and primary processing of metals, extraction and processing of non-metallic minerals, metal manufacture) that the heaviest job losses have occurred.

The figure for the public authorities and education increased from 78 024 in 1974 to 84 045 in 1977 (a net increase of 6 021 jobs).

Projections to 1980, made according to the methods outlined in the Annex to the general section, give the following results for the Western Block:

Western Block

	1975	1976	1977	1978	1979	1980
Resident active population	442 651	426 002	428 859	430 564	434 496	439 260
Employment (neutral projection)	384 182	380 213	378 810	377 409	376 008	374 612
Employment shortfall	58 469	45 788	50 049	53 155	58 488	64 648

C.2. Eastern Block: Districts of Huy, Liège and Verviers

The population of the districts in this block breaks down as follows:

Population at 1 January

District	1971	1974	1978	Increase between 1974 and 1978 per 1 000 inhabitants	Migratory balance between 1974 and 1978 per 1 000 inhabitants
Huy	85 868	87 077	87 880	+9.22	+29.66
Liège	618 229	621 459	617 590	-6.23	+ 1.35
Verviers	239 242	241 988	244 223	+9.24	+11.76

The slight positive migratory balance between 1974 and 1978 does not make up for the natural decrease in the population in the Liège district. Since 1974, the economic difficulties confronting this region, which is largely dependent on the steel industry, have discouraged immigration and encouraged emigration. The Huy district shows a relatively large positive migratory balance.

Each district includes a town, or city. Liège is the largest in Wallonia and the population density in the Liège district is therefore high.

Area and population density

District	Area (km^2)	Population density at 1.1.1978
Huy	659	133
Liège	798	774
Verviers	2 016	121
WALLONIA	16 848	191
BELGIUM	30 521	322

The structure of the population in these districts, broken down by age, can be ascertained from the population census taken on 31 December 1970.

Structure of population at 31 December 1970

(%)

Age group	Huy	Liège	Verviers	Wallonia	Belgium
0 - 14 years	21.9	21.1	24.4	22.7	23.6
15 - 65 years	61.9	64.2	61.5	62.7	69.0
65 years and above	16.2	14.7	14.1	14.6	13.4

The share of the active population of working age (15-65 years) in the Huy and Verviers districts is less than for Wallonia and Belgium generally. The situation in the Liège district is the result of the previous high level of immigration of a foreign population with higher birth rates than the Belgians.

In the Huy and Liège districts, the sizeable share taken by those over 65 and, conversely, the small proportion accounted for by the young should be noted. In 1970, young people accounted for a higher proportion in the Verviers district.

The fall in the birth rate is particularly marked in the Verviers district. The major contribution made by the foreign population, whose birth rates are generally higher, has not prevented a fall in the rate in the Liège district. Although the decline in the birth rate in the Huy district was moderate between 1970 and 1976, the low level at the beginning of the period should be noted.

Birth and mortality rates

(%)

Year	Huy	Liège	Verviers	Wallonia	Belgium
Births					
1970	11.86	13.55	14.93	14.07	14.56
1974	11.86	12.20	13.03	12.79	12.58
1977	11.03	11.25	11.92	11.99	12.37
Deaths					
1970	17.56	14.33	13.62	13.96	12.27
1974	14.91	13.95	13.18	13.49	11.85
1977	16.10	13.26	12.28	12.98	11.42

Figures for the resident active population in these districts were based on the census taken on 31 December 1970. Estimates were then made for the period of the current regional development programme.

Resident active population

Year	Huy	Liège	Verviers
1970	32 033	237 006	91 542
1977[1]	38 036	263 979	102 472
1980[1]	40 476	273 890	106 490

[1] Estimates.

The data relating to workers covered by social security arrangements provide some idea of the activities developed within the block and the changes which have taken place since the 1975 crisis. Thus, in 1977, 35.8% of workers covered by social security arrangements were employed in industry, the major share of these jobs being provided by the primary processing and further processing of metals. The fact that the tertiary sector also takes a sizeable share (53.0%) can be linked to the existence of urban centres, including the largest in Wallonia, in each of the districts making up the block. Job losses in industry over three years (-14.4%) have not been offset by new jobs in the tertiary sector. Consequently, 5% of the jobs covered by social security arrangements were lost between 1974 and 1977. Over the same period, the public sector and education provided 6 282 new jobs, the total number of jobs in these sectors increasing from 73 012 in 1974 to 79 294 in 1977.

Workers covered by social security arrangements[1] at 30 June

(Eastern Block: districts of Huy, Liège and Verviers)

Branch	1974	1977	1977-1974
Agriculture	981	953	- 28
Energy	7 353	5 593	- 1 760
Industry	120 872	103 419	-17 453
of which:			
- extraction and primary processing of metals	33 104	29 071	- 4 033
- extraction and processing of non-metallic minerals	5 942	4 752	- 1 190
- chemicals	3 611	3 338	- 273
- metal manufacture	46 921	40 273	- 6 648
- food, drink and tobacco	10 666	9 629	- 1 037
- textiles, leather, clothing and footwear	9 670	6 909	- 2 761
- wood, paper and printing	6 795	5 599	- 1 196
- rubber and plastics	3 875	3 627	- 248
- other	288	221	- 67
Building and civil engineering	25 964	25 907	- 57
Tertiary sector	148 714	153 201	+ 4 487
TOTAL	303 884	289 073	-14 811

[1] Including public authorities and education.

Eastern Block

	1975	1976	1977	1978	1979	1980
Resident active population	393 566	399 620	404 487	408 459	411 247	420 806
Employment (neutral projection)	368 465	361 103	359 612	358 124	356 635	355 153
Employment shortfall	25 101	38 517	44 875	50 235	57 612	65 703

The loss of jobs in this block is not a recent phenomenon which can be attributed to the 1975 recession and the low level of activity since then. Thus, data provided by previous population censuses show a reduction in the employment ratios[1] between 1961 and 1970. This trend has since continued, as is shown by the trend of workers covered by social security arrangements between 1974 and 1977 and the unemployment figures, the level of which was already appreciable before the 1975 recession.

Active population projections to 1980 give the results shown in the table on page 172.

C.3. Southern Block: districts of Arlon, Neufchâteau and Virton

Whereas the first two blocks comprise mainly regions with old-established industries, which therefore encounter the many problems inherent in economic redevelopment, the Southern Block, comprising the districts of Arlon, Neufchâteau and Virton, has so for been unable to achieve a balance between, on the one hand, the well-represented primary and tertiary sectors and, on the other hand, an underdeveloped industry sector. Furthermore, the operations of the Belgian and foreign metal-working firms bordering on these districts are being rationalized, with the consequent loss of many jobs.

The population of this block breaks down as follows:

Population at 1 January

District	1971	1974	1978	Increase between 1974 and 1978 per 1 000 inhabitants	Migratory balance between 1974 and 1978 per 1 000 inhabitants
Arlon	47 586	48 146	48 700	+11.51	+ 7.33
Neufchâteau	51 344	51 308	51 596	+ 5.61	+ 5.61
Virton	43 149	43 701	44 202	+11.46	+16.52

The return to positive migratory balances is a new development for the districts of this southern region, where there have frequently been negative balances owing to the shortage of work.

[1] Employment ratio: number of persons working in the district as a proportion of resident active population.

The population density is low, the region being predominantly rural. The main urban centre is Arlon, which has just over 23 000 inhabitants.

Area and population density

District	Area (km^2)	Population density at 1.1.1978
Arlon	317	154
Neufchâteau	1 353	38
Virton	773	57
WALLONIA	16 848	191
BELGIUM	30 521	322

The population structure, broken down by age, can be established from the census taken on 31 December 1970.

However, population movements since this date have altered the structure more than in any other region.

Population structure at 31 December 1970

(%)

Age group	Arlon	Neuf-château	Virton	Wallonia	Belgium
0 - 14 years	25.1	24.6	24.4	22.7	23.6
15 - 65 years	62.9	61.0	60.3	62.7	63.0
65 years and over	12.1	14.4	15.3	14.6	13.4

In the districts of Neufchâteau and Virton, the proportion of persons of working age (15 - 65 years) is a good deal smaller than in Wallonia and even more than in Belgium taken as a whole. The markedly greater share accounted for by the young (0 - 14 years) in the three districts should also be noted.

The census taken on 31 December 1970 provides figures for the active population of the Southern Block districts. Estimates are provided for the period of the current regional development programme.

Birth and mortality rates

(%)

Year	Arlon	Neuf-château	Virton	Wallonia	Belgium
Births					
1970	14.24	15.24	13.75	14.07	14.56
1974	13.19	13.48	14.03	12.79	12.58
1977	12.14	13.93	13.00	11.99	12.37
Deaths					
1970	11.38	13.31	12.66	13.96	12.27
1974	10.87	13.71	12.50	13.49	11.85
1977	11.34	13.21	12.55	12.98	11.42

Resident active population

Year	Arlon	Neufchâteau	Virton
1970	16 718	17 713	13 490
1977[1]	18 453	19 190	15 678
1980[1]	18 911	19 554	16 554

[1] Estimates.

The figures for workers covered by social security arrangements clearly show the small contribution made by the secondary sector. Only a nineteen percent of these workers are employed in industry. The steel, wood and paper industries account for almost half of industrial employment.

The development of tourism in these districts explains why a large proportion of workers (62.3%) are employed in the tertiary sector. All in all, employment increased between 1974 and 1977 as a result of new jobs in the public sector and education (+1 679) and in building and construction and other branches of the tertiary sector. The number of jobs in the tertiary sector rose from 17 388 in 1974 to 19 806 in 1977.

Employment opportunities in the Southern Block districts are not numerous, particularly in the Virton district, which, as is shown by the employment

Workers covered by social security arrangements[1] at 30 June

(Southern Block: districts of Arlon, Neufchâteau and Virton)

Branch	1974	1977	1977-1974
Agriculture	277	338	+ 61
Energy	312	340	+ 28
Industry	.	.	.
of which:			
- extraction and primary processing of metals	2 277	1 638	- 639
- extraction and processing of non-metallic minerals	507	467	- 40
- chemicals	30	310	+ 280
- metal manufacture	834	941	+ 107
- food, drink and tobacco	666	600	- 66
- textiles, leather, clothing and footwear	514	545	+ 31
- wood, paper and printing	1 374	1 170	- 204
- rubber and plastics	1	0	- 1
- other	12	11	- 1
Building and civil engineering	3 706	3 924	+ 218
Tertiary sector	17 388	19 806	+2 418
TOTAL	27 898	30 090	+2 192

[1] Including public authorities and education.

Southern Block

	1975	1976	1977	1978	1979	1980
Resident active population	53 098	52 833	53 321	53 679	54 401	55 019
Employment (neutral projection)[1]	41 515	41 990	41 379	41 819	42 258	42 695
Employment shortfall	11 583	10 843	11 942	11 860	12 043	12 324

[1] Neutral projection adjusted to take account of job losses in the Arlon district as a result of the situation in the steel industry.

ratios[1] calculated from the 1961 and 1970 censuses, in one of the hardest places in the country in which to find a job. Furthermore, the unfavourable figures did not prevent a deterioration between 1961 and 1970.

The active population projections to 1980 are as in the table on page 176.

D. AGRICULTURAL SITUATION OF WALLONIA

The highly developed and long-established industrial structure of Wallonia is paralleled by a large agricultural sector, many of whose products (especially dairy products) undergo industrial processing.

Walloon agriculture can be divided into two broad areas, a crop-growing region in the north (mainly grain and sugarbeet) and a primarily livestock-raising region in the south. Sixty per cent of the final production value of Walloon agriculture is accounted for by dairy produce and beef and veal.

The northern part of Wallonia embraces most of the alluvial area and a large proportion of the sandy-alluvial region.

The Condroz represents the transition between north and south, which includes the Liège grassland region, the Famenne, the Haute Ardenne, the Ardenne, the Jurassic region and the Fagnes grassland region.

Except for the northern part of the Liège grassland region, all of this huge area falls within the field of application of Directives 75/268 (outline directive) and 72/269 (application to the Belgian Plan) concerning disadvantaged agricultural regions.

The net agricultural area of this enormous region is made up 80% of grassland and permanent pastures. Over half the area lies at an altitude of over 400 metres. There are less than 150 frost-free days per year, whereas the other, non-disadvantaged regions have over 220.

This region with its vast resources of grassland has cattle breeding (for meat and dairy produce) as its natural vocation. Generally, the product of cattle breeding per hectare does not exceed 70% of the national average including disadvantaged regions.

Where grain can be grown, yields are 20% below the national average. It is self-evident that economic yields are directly affected by these handicaps. The best measure of the economic yield is income from work per unit of work. This index for the region amounts to only about 77% of the national figure.

Furthermore, the active agricultural population of the region is still relatively high - averaging 15%, the national average being about 3.2%. This population is also declining, the average density being 76 persons per km^2, against a national average of 319.

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[1] Employment ratio: number of persons working in the district as a proportion of resident active population.

The need for economic recovery in the region is obvious to everyone. Managerial personnel will also be required to facilitate and strengthen this recovery.

Hence the need for a series of infrastructure investment projects in order to promote collective investment for access roads to farms, electrification of remote settlements particularly as regards power, and drinking water supplies for both livestock (health, economy) and the human population; investment in tourist facilities for the relevant areas is also required, as well as the construction of sewage treatment facilities. Because the financial resources of this large region are so limited, joint national and Community aid is essential if this programme is to be implemented.

Since the 'blocks' defined above as development zones are not coextensive with the rural areas eligible for ERDF aid, the Belgian Government reserves the right to extend the benefit of this aid beyond these blocks, without prejudice to the application of the EEC Directive of 28 April 1975 concerning disadvantaged agricultural areas and Article 3 of Regulation 724/75 dated 18 March 1975 setting up the ERDF.

E. PRINCIPAL DISEQUILIBRIA AND THEIR ORIGINS

As repeatedly indicated by the socioeconomic analysis, Wallonia for historical reasons suffers from excessive predominance of a certain type of industrial activity, namely, iron and steel making (and before that, mining and quarrying). Furthermore, being profoundly moulded by its past, this industry was not always able to carry out in time the technical modifications required to counter the accentuation of international competition due to the arrival on the world market of new steel producers equipped with more modern facilities.

The structure of Walloon industry is such that although no Walloon plant is completely obsolete at present, none is completely modern either. The facilities of the Walloon iron and steel industry are made up of relatively competitive equipment operating side by side with obsolete units which impose a heavy burden on the costs of the production lines which include them.

These are the main reasons why the operating costs of the Walloon iron and steel industry are higher than those of its main international competitors, as a result of which it can produce many products only on a subsidiary basis to make up the deficit when the usual suppliers of a country facing a steel shortage are unable to satisfy the demand.

Another cause of disequilibrium is Wallonia's specialization in the production of semimanufactures, even in industries other than iron and steel. Since there are no statistics of production according to degree of processing of products, the extent of this phenomenon cannot be quantified; a few brief indications will have to suffice.

According to a study by a university economic research institute, the Belgo-Luxembourg Economic Union is the largest net[1], direct[2] exporter in terms of crude steel equivalent (by technical input-output ratio of the finished products) of the six Common Market countries in 1973.

However, the position of the BLEU is radically altered if indirect trade in steel is considered - i.e., steel included in more highly processed products from the steel processing industries: on this basis the BLEU is the last but one of the original six Common Market countries on the processed products market in terms of both absolute exports and net exports. On a total (direct and indirect) exports basis, the BLEU comes second after Germany, and comes equal first with the Federal Republic in total (direct plus indirect) net exports.

It is clear that the BLEU specializes in producing the input of the metal manufacturing sector of its European partners. This tendency is even more marked for Belgium alone, and particularly so for Wallonia.

A third factor making for disequilibrium is Wallonia's heavy dependence on the foreign market, due mainly to the relatively small size of its internal market (for certain types of products).

Wallonia's specialization in the 'upstream' end of the industrial process increases its vulnerability to the extent that its semimanufactures experience severe competition from the newcomers to the group of industrial nations owing to the new international distribution of functions.

Another adverse factor is the insufficiency of new investment in the industry in Wallonia in the last decade. Over the period 1964 to 1975, industrial investment in new plants was favourable to Wallonia only in 1975 and 1970, representing 54.0% of the total of such investment for the Kingdom in 1975 and 52.1% of this total in 1970. Apart from this, the proportion of industrial investment in Wallonia has always been very modest and even derisory relative to the total for the Kingdom.

Owing to the low level of industrial development and its generally capital-intensive nature, and with the decline of most of the industrial activities which had been responsible for the economic development of Wallonia, the number of jobs fell while the active population increased, giving rise to serious unbalance on the employment market; this is faithfully reflected in the high level of unemployment which has prevailed for many years.

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[1] Net exports = exports less imports in tonnes.

[2] Direct exports: exports of steel products as defined in the ECSC Treaty.

F. RESULTS OF ACTION TAKEN

F.1. Investment

F.1.1. Wallonia

In the period 1970-1977, investment in the development zones covered by the EEC Decision of 26 April 1972 totalled BFRs 162 747 531 000. The corresponding cost to the State was BFRs 22 459 907 000, with the number of persons to be provided with jobs amounting to 54 484.

The amount of assisted investment (at current prices) in Wallonia has increased steadily since 1960, apart from a very sharp decline in 1975.

The parallel movement in the 'cost to the State' is also interesting, accounting for 4.32% of total investment in 1965, 18.46% in 1970, 11.67% in 1975 and 18.48% in 1977.

The ratio of total investment to the number of jobs subsequently created has fallen steadily: as investment has increased, the number of jobs created has risen at a less than proportionate rate. For example, investments totalling BFRs 23 000 million in 1970 yielded more than 10 000 new jobs while investments of BFRs 28 000 million in 1977 resulted in the creation of only 4 164 jobs (less than half).

Broadly speaking, an investment of BFRs 6 894 000 led to the creation of one job in 1977, compared with BFRs 2 729 000 in 1975, BFRs 2 266 000 in 1970, BFRs 2 377 000 in 1965 and BFRs 612 000 in 1960. These figures are expressed in current prices but the increase would still be substantial on a constant-price basis.

The fact that an ever-increasing amount of investment is needed to create jobs whose number does not increase proportionately, suggests that investment has tended to chester in highly capital-intensive sectors (e.g. steel).

F.1.2. Development zones

The figures given for each block concern only investments located within the development zone proper and not in the districts (arrondissements) making up the blocks.

The following tables give the amount of investments, their cost to the State and the number of jobs subsequently created for the relevant years and for each of the 'priority blocks'.

The next table shows that the situation is the same as in Wallonia as a whole: investments totalling BFRs 1 513 583 000 led to the creation of 2 126 jobs in 1960 whereas a twenty-fold increase in investment by 1977 resulted in the creation of only 2 939 jobs that year, equal to BFRs 8 356 136 per job.

Western Block

Year	Amount of investment (in thousands of BFRs)	Cost to the State	Jobs created
1960	1 513 583	-[1]	2 126
1965	1 745 986	102 546	703
1970	12 911 894	2 873 691	3 750
1975	2 651 168	358 833	620
1977	24 558 681	4 783 281	2 939

1 Not available.

Southern Block

Year	Amount of investment (in thousands of BFRs)	Cost to the State	Jobs created
1960	37 626	-[1]	84
1965	40 435	1 695	42
1970	1 089 730	169 093	127
1975	851 518	978 632	108
1977	119 488	18 023	173

1 Not available

Eastern Block

Year	Amount of investment (in thousands of BFRs)	Cost to the State	Jobs created
1960	91 483	-[1]	397
1965	2 830 802	109 264	1 273
1970	5 382 621	584 067	2 916
1975	3 761 696	351 314	1 758
1977	2 751 846	323 975	762

1 Not available

In the Southern Block, investment would appear to be increasingly geared to capital-intensive projects: whereas the creation of one job required an investment of BFRs 447 929 in 1960, the corresponding figure in 1977 was BFRs 690 682.

The Eastern Block, the 'cost' of creating one job rose sharply in the period under consideration, from BFRs 230 436 in 1960 to BFRs 3 611 346 in 1977.

The above figures show that, in each of the three blocks, the investments carried out in the seventeen-year period under consideration have tended to become increasingly capital-intensive, this trend being particularly evident in the Western and Eastern Blocks. This development can probably be attributed to the fact that steel is a major activity in these areas.

F.2. Industrial sites

F.2.1. Wallonia

The table below contains figures relating to the size of industrial sites in Wallonia, the number of persons employed there and the number of jobs expected to be created.

Total area (in hectares)	Area available (in hectares)	Area in use (in hectares)	Number of existing jobs	Number of jobs to be created
7 356	3 776	3 580	38 071	61 281

These figures show that more than half the total area available on industrial sites is still vacant. This situation, which the authorities are endeavouring to remedy by the measures described below, is undoubtedly due to inadequate investment.

F.2.2. Development zones

The figures below refer to the development zones proper that are located in each of the blocks and to the block itself, i.e. the unit made up of the 3 or 4 districts referred to above.

The following figures show that, in each of the blocks under consideration and particularly the Southern Block, industrial sites are located primarily in development zones.

Eastern Block (as at 31 December 1977)

	Area (ha)	Number of persons employed	Number of jobs to be created
Zone	2 622	11 680	20 318
Block	2 880	16 951	25 219

Western Block (as at 31 December 1977)

	Area (ha)	Number of persons employed	Number of jobs to be created
Zone	3 689	20 789	31 046
Block	4 243	25 830	37 996

Southern Block (as at 31 December 1977)

	Area (ha)	Number of persons employed	Number of jobs to be created
Zone	379	1 686	4 389
Block	379	1 686	4 389

F.2.3. Cost to the State in the period 1969-1976

In the period 1969-1976, the cost borne by the State in respect of capital equipment for industrial estates located in the development zones was as follows:

Period 1969-1976	Eastern Block	Cost: BFR 969.4 million
Period 1969-1976	Western Block	Cost: BFR 2 470.7 million
Period 1969-1976	Southern Block	Cost: BFR 744.8 million

F.2.4. The Community's contribution to the development of Wallonia

Between 1975 and 1977, ERDF aid totalled BFR 463 391 391, of which BFR 183 461 464 went to industrial projects, BFR 202 619 927 to infrastructure projects and BFR 77 310 000 to rural infrastructure projects.

Of these amounts, assistance granted or sought as at 1 January 1978 amounted to BFR 87 868 498 for industrial projects (48% of the total amount earmarked for this purpose), BFR 110 112 098 for infrastructure projects (54% of the amount set aside for that period); no assistance had been granted or sought in respect of rural infrastructure projects by 1 January 1978.

G. POSSIBILITIES AND CONDITIONS OF DEVELOPMENT IN THE REGION, INCLUDING BOTTLENECKS

Walloon industry is one of the oldest in Europe and therefore has a natural orientation towards the manufacturing of unfinished goods; this orientation now appears excessive and stands in the way of development given the recent onset of competition from newly industrialized countries.

For a long time Wallonia enjoyed the benefit of natural resources such as coal and ores, which assured it of prosperity in the development of the metal industries; now that these raw materials have to be imported, however, its privileged position has been greatly eroded.

However, the long industrial tradition of Wallonia survives and constitutes a valuable advantage. A high proportion of its labour force is skilled and could therefore adapt relatively easily to new situations; certain steps have in fact already been taken in this direction, the fields of technical education, employers and government (National Employment Agency) all being involved. In addition, there are regular contacts in the subregional employment committees between representatives of industry and the field of education aimed at reducing the discrepancy existing between the training provided by the educational institutions and the skills required by industry.

Another favourable factor is the high productivity of Walloon workers.

The relatively small size of the Walloon internal market may be a handicap to certain types of production requiring larger markets. However, Wallonia has excellent communications with the outside world, which largely mitigate this situation: it has road and rail links to the other industrial centres of Europe and to the main consumer markets, while its rivers also provide access to the sea and to the Rhine.

Again, the Government Communication to the Chambers of the legislature entitled 'A new industrial policy' has opened up new possibilities for foreign investment by the promotion of new formulas such as joint ventures which might interest new groups of foreign investors (in particular, medium-sized undertakings) through a more favourable distribution of the risks involved in such operations.

The forthcoming decentralization of Belgian institutions in favour of the regions will also permit more attentive and more flexible action by government. At present, decision-making powers in various fields affecting the regions are still heavily concentrated in the hand of central government, the regional authorities being left with relatively limited control over fields which logically fall within their purview.

H. SOCIO-ECONOMIC DEVELOPMENT EXPECTED DURING THE PERIOD COVERED BY THE PROGRAMME IN THE ABSENCE OF NEW MEASURES

The economic difficulties with which Belgium has been confronted have made the forecasts drawn up under more favourable circumstances obsolete.

In Wallonia, the structural weaknesses hitherto neglected in view of the prosperity of its main industry (iron and steel making) were suddenly highlighted by the impact of recession. As a result, the forecasts for Wallonia were thrown off to an even greater extent than those for the Kingdom as a whole.

These reservations made, some estimates can be put forward.

H.1. Population

Variation and forecasts of the population of Wallonia

Year	Population ('000)	% of Kingdom
1970	3 159	32.7
1975	3 213	32.7
1980	3 233	32.9

According to forecasts, the relative size of the Walloon population compared with that of the Kingdom as a whole will stop decreasing in 1980, the trend prevailing since the end of the 19th century thus being reversed. However, this reversal will only be temporary, resulting merely from a slight, temporary change in the age structure of the population.

Forecasts of the resident active population of the region can be made on the basis of censuses; these include variations in the rate of school attendance. Adjustments have been made to allow for certain measures - in particular, raising of the school leaving age and earlier retirement - potentially modifying an automatic projection of the census data.

The overall effect of these measures as at present foreseeable, resulting in a decline in the active population of Wallonia, has been estimated as follows:

1977: - 6 749

1978: -16 642

1979: -20 172

1980: -21 455

This results in the following figures for the active population of Wallonia:

Probable variation of active population

Year	Active population ('000)
1970	1 217
1975	1 253
1980	1 324

This indicates an appreciable increase between 1970 and 1980, and unless additional jobs are created this can only exacerbate the employment situation still further.

H.2. Employment

In view of the economic circumstances, no increase can be expected in the number of jobs available - on the contrary.

Trends in the various countries of the European Community indicate a moderate rate of economic activity (slow growth) over a long but indeterminate period. At best, unemployment due to cyclical factors will cease to worsen.

However, the restructuring measures necessary for rehabilitation of industry as a whole, although beneficial in the medium and long term, will inevitably have the short term effect of abolishing a number of jobs. For instance, the initial work of the Round Table on Steel[1] shows that in the iron and steel sector alone between 6 900 and 8 500 jobs are to be lost.

[1] The Round Table on Steel was convened by the Belgian Government for organizing the restructuring of the iron and steel sector; it includes representatives of the Government and of both sides of the industry (employers and trade unions) (session of Saturday, 20 May 1978).

Together with the increase in the active population mentioned above and the continuation of a high and possibly increasing rate of structural unemployment, this trend will result in a widening of the gap between job supply and demand especially in Wallonia. However, the situation will be mitigated somewhat by the measures - necessarily of limited duration - provided for in the Royal Orders implementing the Law of 22 December 1977 concerning budget proposals for 1977/78: youth training courses, early retirement and the establishment of a special temporary workforce.

H.2.1. Probable trend of employment

Employment within the country was calculated on the basis of estimates of the active population employed in Belgium, including civil service personnel abroad, by a simple linear projection. The following are excluded from the estimates: frontier workers, technical aid and Belgian staff of international agencies, persons seeking employment, vocational trainees, and militiamen. The national figures were then apportioned between the regions by a structure derived from figures obtained from the National Social Security Agency and the National Institute of Social Insurance for Self-Employed Workers and extrapolated by linear projection up to 1980.

Employment in Wallonia 1975-1980

	Wage-earners	Non-wage-earners	Total	Corrected total[1]
1975	892 654	184 565	1 077 219	1 077 219
1976	884 865	181 952	1 066 817	1 066 817
1977	887 180	178 644	1 065 824	1 064 624
1978	889 490	175 333	1 064 823	1 063 476
1979	891 794	172 025	1 063 819	1 062 325
1980	894 093	168 732	1 062 825	1 061 184

[1] The neutral projection allows for employment trends initiated during the reference period (1971-1976), such as reductions in the textile, printing and steel industries. Although the downward trend of employment will probably be accentuated in some industries by 1980, this has not been taken into account in these projections. One correction has, however, been made, in respect of Arlon, in which between 1 000 and 1 500 jobs were lost in the iron and steel industry in 1977.

H.2.2. Estimation of the employment shortfall

The number of jobs to be created in order to achieve a balance can be quantified from the difference between the resident active population and the estimated number of jobs offered:

1975:	175 988
1976:	197 243
1977:	212 914
1978:	224 397
1979:	242 247
1980:	262 333

H.3. Industrial activity

Owing to the strategic position of the iron and steel sector in Walloon industry as a whole, the development of the region is obviously very largely conditional upon the success of the restructuring programme now under way in this sector.

As already shown, the iron and steel industry in Wallonia has been basically concentrated on relatively unrefined products. These are precisely the type of products now tending to be made by the newly industrialized countries in quantities amply sufficient to satisfy world demand and at lower cost. Any attempt to continue Wallonia's concentration on these products will inevitably fail because they will not be marketable.

Similar problems arise with the activities of the construction sector and related industries, which are also very important in Wallonia. Again, these fields are at present strongly dependent on the internal market, on which some degree of saturation is becoming evident.

The metal manufacture sector, many branches of which are relatively well established in Wallonia, is liable to be stifled for similar reasons.

Keen competition is also coming to be felt internationally in the field of non-ferrous metals (processing of copper, zinc and other metals).

Finally, there is no sign of any deepseated and lasting improvement in the world economic situation as yet; indeed, in spite of the substantial margin of uncertainty attaching to them, forecasts for the period covered by this Regional Development Programme remain pessimistic.

Chapter II

DEVELOPMENT OBJECTIVES

Socio-economic analysis has revealed clearly the weaknesses of the Walloon economy: by means of different approaches, the deterioration in the industrial infrastructure, which has resulted in a growing number of redundancies, has been observed repeatedly.

To cope with this situation, the Government intends to pursue a policy aimed at achieving the objectives set out below.

The new industrial policy and the economic recovery and redeployment plan for Wallonia are geared to a wide range of objectives, but there is one that underlies all the measures planned, namely to maintain and boost the level of employment.

Development objectives set specifically for industry and for infrastructure can be pinpointed by reference to the other parts of the Regional Development Programme for Wallonia. For instance, socio-economic analysis gives a reasonable idea of the objectives that should be set for industry - promotion of investment sectors more diversified than those referred to on page 158 - this assumes not only greater participation by the authorities in economic activity but also a policy to encourage private investment notably by way of the legislation governing economic expansion.

Similarly, the need to concentrate on the manufacture of sophisticated technical products can be clearly ascertained from the points made on page 161 (production of raw materials and semi-manufactures in 1976 down on the peak levels recorded in 1974, and the fact that the decline in production in 1977 was greater in these sectors than elsewhere).

Analysis of industrial sectors such as the steel and textile industries,[1] the structures of which are now out-dated thereby so that they cannot compete effectively, brings into sharp relief the need for restructuring and the importance of creating new enterprises.

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[1] The plans for these sectors will be made available by the Belgian delegation once they have been finalized.

Where infrastructures are concerned, the chapter devoted to development measures refers to an urban renewal scheme designed to improve the housing situation in Wallonia; the Priority Infrastructures Plan also features a high-speed railway link between various centres essential to the development of Wallonia, energy-saving projects (heat-pipeline between Liège, Namur and Charleroi), etc.

Any enumeration of specific objectives is, of course, bound to be artificial to some extent since all of them aim at a balanced economic situation that would bring about a better match between the supply of and demand for labour, but this general objective does point to a number of special guidelines. For instance, some of the objectives are concerned with remedying the short-term situation whereas others will be achieved only after what may or may not be a long period of time difficult to determine.

The following objectives can be set:

1. Imparting an immediate stimulus to employment by stepping up public investment pending success of the re-industrialization process.
2. Promoting the growth of viable undertakings of all sizes.
3. Encouraging technological innovation and stimulating the establishment of new enterprises.
4. Fostering the restructuring, rationalization and diversification of low-productivity enterprises.

These objectives are complementary since, in the absence of technological innovation, marginal undertakings will be unable to diversify without their restructuring inevitably entailing redundancies.

The key objective is thus industrial investment. Over the last twenty years, such investment has been concentrated in traditional industries but must in future lay the foundations for new technology-based light industries. Before this can be done, restructuring of the steel industry will, however, distressing the implications for employment, pave the way for what has become an essential regenerative measure.

Given the extent to which the economy in Wallonia is dependent on foreign markets, the price it has had to pay for the narrowness of its internal market, one essential objective is to ensure the competitiveness of new and existing undertakings, regardless of size.

Small and medium-sized undertakings in particular must be encouraged to step up their exports, and in this they will need the support of specialized institutions and export market research organizations.

Increased competitiveness is also the aim of the restructuring plan for the textile industry, which has a very large number of small firms.

Moves to diversify product ranges and to encourage specialization in high-technology products tailored to the needs of the market are all part and parcel of the general drive to achieve a level of competitiveness which will enable undertakings to hold or conquer export markets. With newly emergent industrial producers, manufacturing products similar to those manufactured in traditional industrial regions at a higher cost, making their presence felt on export markets, it is more necessary than ever to develop new products involving renewed research efforts. Research has too often been the prerogative of universities, and as a result the transition from invention to practical implementation has been neglected.

The aim must, therefore, to be widen the range of outlets for basic research by developing an infrastructure conducive to the industrial application of inventions.

Since the 1960s, Wallonia has been the home for only a relatively small proportion of investments in new undertakings. Efforts will be made to reverse this trend and at the same time to promote technological innovation.

As reindustrialization progresses, it will be important not to repeat the mistakes of the past, which often despoiled the natural and cultural environment. Particular emphasis will, therefore, be attached to the quality of life in the framing of these objectives, the key areas being water purification, urban renewal, waste recycling, etc.

Chapter III

DEVELOPMENT MEASURES

A. GENERAL MEASURES

At all levels, the Government's new economic policy options involve a readiness on the part of government to involve itself more closely in the management of economic activity. A publicly owned holding company will pursue a policy of active participation both in Belgium and abroad. It will have an industrial base and will, in particular, strengthen the government presence in the energy sector, which is highly strategic and which will be undergoing far-reaching changes. The holding company will also initiate projects by itself or on a joint venture basis with the private sector.

New collaboration between the private and public sectors will be set in train; this will give rise to a change of attitude on both sides: government will simplify procedures and make use of specialist staff, while the private sector will be prepared to take calculated risks, thus displaying creativity and boldness in the midst of an uninspiring economic climate.

More systematic use will be made of a new type of economic planning appropriate to the industrial sector, already instituted by the Law of 30 December 1970 ('Law on economic expansion'): collaboration between public and private holding companies will be maximized, resulting in investment whereby the former place their resources and the latter their experience at the service of the new industrial policy.

The National Investment Corporation (SNI) and the Regional Development Corporations (SDR) will be provided with the funds necessary to enable them to participate in the boosting of investment.

An Industrial Renovation Fund will be set up, financed by a loan floated for the purpose, to be repaid by the firms and sectors which benefit from its services. The Fund should assist not only marginal firms but also undertakings which are sound but limited financially.

The foregoing social and economic analysis showed the Wallonia was suffering from aging of its industrial structure, whose foundations were mining and quarrying - now defunct as regards coal mining - and the metal industry, dominated by iron and steel making. The lack of adequate renewal of these activities has led to a relative deindustrialization of the region. In so far as the aim of striking a balance between the main components of the economic activity of the region is to be pursued, the Government will put in hand a reinvigoration of industrial structures in the region, by promoting the rationalization of traditional sectors and the development of new-technology industries.

This reindustrialization policy for Wallonia will form a part of the new industrial policy desired by the Government and of the plan of industrial redeployment and economic recovery.

B. REGENERATION OF TRADITIONAL SECTORS

An initial group of measures will concern the most thoroughgoing possible restructuring of the traditional industries such as iron and steel and textiles, the economic health of the former of which in particular is fundamental to the Walloon economy. At the Round Table on the Steel Industry, the Government suggested various concrete measures to the representatives of the employers and the trade unions.

One set of measures concerns the rehabilitation of the sector.

The Government has commissioned a study from consultants the first stage of which comprises the drafting of an inventory of existing equipment and an analysis of this equipment by quality. The plant concerned has been divided into three classes: satisfactory, well-adapted equipment (Class I); equipment which can be modernized (Class II); and equipment which is irretrievably obsolete (Class III). It is suggested that Class III equipment be closed down, while Class II facilities be converted to suit market requirements.

Social measures to mitigate the loss of jobs (put at between 7 500 and 8 000) due to rehabilitation of the region's iron and steel industry will be discussed later under the heading of 'Backup Policies'.

The centres of activity will be geographically redistributed, the European dimension being taken into account; the iron and steel industry will be recentred about three poles, whose activities will as far as possible be developed in cooperation with foreign centres. Complementarity between the products of the poles will be promoted, in particular through the National Planning Committee (Comité National de Planification).

The State will participate actively in the financial restructuring of iron and steel undertakings, either directly by the assumption of holdings in their capital or indirectly by the granting of financial aid (in particular, interest allowances) or by facilitating the provision of bank credit to them.

There is also a restructuring plan for the textile industry, the implementation of which began in 1976. The particular characteristics of this sector called for appropriate measures, having regard to the large number of firms involved, the great variety of their products, and the small size of many of the production units.

Although the textile sector has become relatively more marginal in Wallonia in the last few decades, it still employs an appreciable labour force (29 149 persons on 30 June 1976, against 42 261 in 1970).

The textile industry is to be restructured in two stages, the first under transitional arrangements instituted by the Royal Orders of 14 May 1976 and 20 December 1977. The relevant provisions establish a system of financial aid: interest allowances, loans with favourable terms and time limits, and exceptionally a State guarantee subject to certain conditions. This system is to continue in force for 30 months, after which the restructuring proper will commence.

The restructuring programme is intended to increase the competitiveness of the undertakings concerned by raising output and improving marketing, by adaptation of products to market requirements by a strategy of specialization in high-technology products, by rehabilitation of the financial structure, in particular by injections of new funds and diversification of traditional activities through amalgamations of firms.

These measures will be conducted both on an industry-wide basis and at subsector level, taking account of the specificity of the subsectors, or even at firm level, a person being specially appointed to implement the restructuring within the firm.

Regenerative measures will also be taken in other sectors, such as leather, timber, construction materials, food, paper mills, shipbuilding and certain subsectors of the chemical and metallurgical industries.

Measures will be taken in this connection to provide these sectors with adequate funds and specialized technical assistance (managers).

Channels to facilitate access to technical progress (applied research - prototypes - progress contracts) will be established.

At institutional level, the functions of the Secretariat for Economic Coordination will be broadened: the Secretariat will continuously monitor sectors capable of being restructured at the request of the Government, or of the two sides of industry by agreement with the Minister of Economic Affairs.

C. INDUSTRIAL RENEWAL

The plan of industrial redeployment and economic recovery provides in particular for the establishment of new undertakings which will create jobs. These undertakings will exploit the results of research or develop innovations or prototypes to industrial maturity.

The initiative for the establishment of these firms will be taken either by the research workers or promoters of the innovation or by the regional authority or Walloon Regional Development Corporation (SDRW). New sectors of activity may be developed in this way.

The authorities have already taken decisions on various studies: biomedical engineering, a petrochemical complex with pipelines at Liège, exploitation of forestry products, and research and development in the food and agriculture industry.

A number of research and development projects will be charged direct to the Walloon regional budget. Agreements financed by parallel loans have also been concluded with various scientific institutions in order to broaden Wallonia's technological base. These measures are to be continued. The connection between research and employment will be secured by the technological industrialization unit (cellule d'industrialisation technologique). Four industrial transposition and research utilization centres are also being set up; the first (TSIRA, Charleroi) is already open and its facilities are to be enlarged. Two of the other centres will be situated in development zones: Athus and Liège.

Research has also been initiated not only concerning the utilization of existing natural resouces but also for the development of alternative energy sources. The relevant projects include underground gasification of coal, underground natural gas storage, heat recovery, research on new forms of energy, and exploitation of solar energy.

Particular attention will be devoted to high-performance small and medium-sized undertakings, i.e., ones capable of investing and creating additional jobs on a short-term basis, able to benefit from contributions of risk capital from the Walloon public holding company under programme or strategy contracts without the assumption of control by the holding company.

The aim is to ensure the continued existence of viable firms and to provide a selective impetus.

Specific measures are intended to facilitate both the establishment and the working of these undertakings; their access to foreign markets will be encouraged by promoting optimization of their size and thus increasing their competitiveness. Their exports will be facilitated by the granting of more flexible credit terms, and public contracts will be more accessible to them.

Particular attention will be devoted to prototype development within these firms, as regards both funding and information procedures.

In addition, the staff of industrial advisers of the Economic and Social Institute will be increased to help small and medium-sized undertakings solve their management problems.

D. BACKUP POLICIES

Although the measures described below are not directed specifically towards industry, they nevertheless have appreciable indirect effects on it, although these cannot be readily quantified.

The construction industry accounts for 7.7% of Wallonia's gross domestic product. It is thus a major sector, and its extensive relations with other sectors of activity should not be forgotten. The Government has therefore decided to put in hand a substantial housing programme, in parallel with the general operation of urban renewal. Considerable funds (BFRs 600 million) will be devoted to this programme, and the Ministerial Committee for Walloon Affairs suggests that they be used for the following purposes: setting up of a scientific public-interest establishment for research on and promotion of industrial techniques in the construction sector; establishment of a Walloon regional housing corporation to implement the recovery plan in the field of industrialized housing; conclusion by the Walloon Regional Development Corporation (SDRW) of strategy contracts with Walloon construction materials and components undertakings; and the setting up a Walloon administration combining area planning, housing and subsidized works.

Surveys of the condition of Wallonia's housing stock have revealed the relative aging of a considerable proportion of the buildings and of their equipment. In addition, the urban centres of Wallonia are built around industries which are now defunct, and are therefore to some extent handicapped by having to maintain structures which are unused and often unusable.

Again, efforts must be made to prevent urban centres which at present have a residential population from quickly being transformed into administrative or commercial centres.

In view of the foregoing, the Government has initiated various programmes of urban renewal.

Under the Priority Infrastructures Plan (PIP), a heat pipeline is to be built linking Liège, Tihange, Namur and Charleroi, whereby heat that might otherwise have been discharged into the environment can be reclaimed for industrial, agricultural, urban or domestic uses.

A number of local district heating mains will be constructed by the intercommunal consortia to heat priority buildings (e.g., social dwellings). The systems serving the entire Haine - Sambre - Meuse - Vesdre corridor and the main towns outside the corridor will be interconnected.

The construction of a new high-speed railway crossing Wallonia from east to west will be studied jointly by Belgian Railways (SNCB) and the railway equipment manufacturers.

This line will form part of the European routes linking France and Germany and Britain and Germany, and will reduce travelling times between the large towns of Wallonia.

The Priority Infrastructures Plan also provides for the construction of an experimental circuit and of an experimental automated urban transport line.

The intensive and old-established industrialization of Wallonia has impaired the quality of its water resources, and this situation must be remedied by the construction of water treatment facilities. Contracts have been concluded with a number of intercommunal consortia in this connection for the construction of public treatment plants.

In parallel with the rationalization of traditional sectors, which will inevitably involve the loss of a number of jobs, the Government is determined to follow an active policy of industrial redeployment in cooperation with the relevant private holding companies in the sectors concerned. Large sums will be allocated to this policy.

A specialized institution has been charged with the compilation of a programme for a regional centre for educational technology; this will not only improve teaching techniques but will also contribute to maintaining employment.

E. TRANSITIONAL MEASURES

The Law of 22 December 1977, containing the budget proposals for 1978, set up various mechanisms to facilitate the transition from today's critical situation to a rehabilitated industrial structure without thereby risking an excessive reduction in the volume of employment.

Three different types of measures are to be taken: development of youth training within firms or administrations; facilitation of early retirement; and the setting up of a special temporary workforce recruited from totally unemployed persons receiving benefit, who will be engaged on public-interest projects suggested and implemented by the public authorities at different levels.

F. AGRICULTURAL POLICY

Although agriculture is currently declining, it is nevertheless of undeniable value in Wallonia. The main areas concerned are the Haute Ardenne, the Famenne, the Fagnes, the Ardenne, the Jurassic region and some communes in the east of the Liège region.

Agriculturally, these areas face many problems: emigration of active young people due to the continuous reduction of employment in agriculture, and low incomes.

Within the framework of the particular arrangements of the European Economic Community, the Government has therefore instituted a specific system of multiple aid to encourage agricultural activity and to improve the incomes of agricultural workers in the disadvantaged regions.

These regions were identified by the application of three criteria: relatively unproductive land, economic results appreciably below the national average, and low density or declining numbers of a population depending predominantly on agricultural activity.

To achieve the objectives fixed by the Government (see Section 2), action must be taken both in the field of agricultural produce prices and markets and to modernize structures, social and commercial policies being pursued simultaneously.

The area of agricultural land use must be improved - this has been partially accomplished by the amalgamation of communes. However, farms must still be provided with adequate collective facilities - access roads, electricity and drinking water, and water and sewage treatment plants are needed in tourist areas. Action in these fields is already in hand.

The agricultural prospects of these areas must be improved by increasing milk yields, herd densities by intensification of forage land use, and the productivity of labour.

A survey has shown that the educational level of agricultural workers is generally very low (only 6% having received education or training beyond the age of 18), and it has therefore been decided to provide information enabling them to improve their level of training; technical staff are being deployed for this purpose.

With regard to the south-eastern region, which is in a worse plight than most of the others owing mainly to its lack of industrialization combined with the greater predominance of agricultural activity, the Government is taking action directed towards agriculture on two levels.

A Commission for the South-East has been set up within the Ministry of Agriculture for the coordination and stimulation of agricultural policy in south-eastern Belgium. It has consultative status and draws up proposals concerning the various aspects of agricultural policy in the south-east, the specific measures to be deployed there, and specific research and information programmes for that region.

As regards actual policy measures, the Government is particularly concerned to modernize agricultural holdings; the Agricultural Investment Fund (FIA) was set up in 1961 and has a policy based on the voluntary submission of a development plan for the programming of necessary and sufficient investment to ensure that the farmer and his family enjoy a decent income. The fund thus aims to promote viable farms, which must be potentially remunerative.

Another aspect of agricultural policy is the modernization of agricultural structures - a vital necessity for this region. This involves encouraging farmers to retire from agricultural activity and the assignment of the 'useful agricultural area' to structural improvement uses.

G. USE OF ERDF FUNDS

Concerning the use of ERDF funds to benefit the Walloon region, it is currently intented to allocate them to industrial, crafts or service projects, infrastructure projects directly connected therewith, and collective facilities in disadvantaged agricultural areas.

The location of these projects will be fixed as stated in Section C.3 of the Introduction.

Again, depending on the merits of the project, ERDF aid may be allocated in accordance with the principle of vertical additionality. In this case the granting of ERDF aid would be limited to operations of the following type (the list is not exhaustive):

(i) Infrastructure projects:

(a) construction of multipurpose buildings which could be made available, in particular, to small and medium-sized undertakings which submit a location project which is particularly advantageous as regards employment;

(b) contribution to the financing of industrial roads;

(c) contribution to the funding of infrastructure projects having a direct impact on the economic activity of a region.

(ii) Industrial projects:

ERDF aid for employment-intensive investment projects.

Should this new allocation of ERDF aid be adopted, particular criteria will be used at regional authority level.

Chapter IV

FINANCIAL RESOURCES

A. SOURCES OF FINANCE

Public and private investment is financed from different sources according to the relevant fields of competence.

National investment is financed through the national budget; this relates primarily to a whole category of projects belonging to what might be called the economic sphere - mainly large-scale infrastructures in the field of transport and communications (motorways, ports, navigable waterways, railways, air routes, dams, etc.) - as well as other categories in the social field (pollution control, sewage treatment, educational facilities, university hospitals, crèches, etc.) and also administrative buildings.

Investments financed by the regional budget of Wallonia are for regional or local purposes. They are also relatively well defined and can be classified as follows by virtue of their nature:

(i) economic: industrial sites, regrouping of land, subsidized works, non-navigable watercourses and abattoirs;

(ii) social: sewage purification, waste treatment, town planning and urban renewal, social dwellings, forests, hunting and fishing, hospitals, medical teaching institutions, old people's homes, help for the old, etc.;

(iii) administrative: buildings under the authority of the communes.

Works of local relevance can be financed by the communes or associations of communes - in particular, intercommunal consortia and combinations of communes. These works relate mainly to local roads and the construction and maintenance of communal buildings and cultural and sports centres. They may also qualify for regional financial aid.

A final source of finance comprises allocations from the European Regional Development Fund to make up the principal regional deficits.

The amounts intended for the development zones cannot be precisely distinguished as these zones are composed of a combination of districts (arrondissements) which have no budgetary power.

The various sources of finance mentioned above give no indication as to the promoters of the investments. The following distinction, applicable to financing from both national and regional budgets, can be made:

(a) The central or regional authority may play a direct role, financing the works in toto, e.g., national highways and navigable waterways.

(b) The central authority may delegate its power to a public legal entity such as an intercommunal consortium, which acts in its own name while responsibility for the commitments assumed by this entity is taken by the central authority, e.g., the intercommunal consortia for the E3 and E5 motorways.

(c) The initiative may be taken by a commercial company in which the central or regional authority has a holding and finances part of the investment from its own budget, e.g., certain railway works.

(d) The initiative may be taken by lower levels of government, such as Provinces, towns and communes, central government subsidizing all or part of the investment, e.g., industrial sites and urban renewal.

(e) The initiative may be taken by a private firm or entity, the investment being partially subsidized by the central or regional authority, e.g., certain sewage treatment plants built by the relevant firms themselves.

B. CLASSES OF EXPENDITURE

Programmed regional investment in Wallonia for the period 1978-1980 amounts to BFRs 107 048.7 million, of which BFRs 28 194 million is included in the budget for 1978. These figures are initial estimates and can in no case be regarded as final.

The table below shows the amounts of certain regional investment headings which are regarded as important, viz:

1. Economic:

   (i) Zoned industrial sites: Regional authority funding takes place in pursuance of the Law of 30 December 1970 ('Law on economic expansion'), which provides for a State contribution of 80% (or less in certain cases) of the cost of capital equipment works.

   (ii) Subsidized roads: Filling out the basic grid and completion of projected motorways and bypasses for large towns. These works are intended to provide ideal coverage for the region and to intensify maintenance operations.

2. Social:

   (i) Water pollution: The funds available are for infrastructure works required under a general plan taking account of the specific hydrographic and overall area planning circumstances.

   (ii) Refuse treatment: Solid waste treatment involves the economically warranted recovery of as many materials as possible. This heading covers urban facilities receiving household refuse and similar waste and certain industrial facilities qualifying for subsidies.

Public investments in Wallonia

	1978 budget (BFRs million)	1979-1980 Programme (BFRs million)	Total 1978-1980
1. Economic			
industrial estates	1 440	2 900	4 340
subsidized roads	1 115.1	2 545	3 660.1
2. Social			
water pollution	2 078	5 000	7 078
refuse disposal	400	2 000	2 400
town planning urban renewal	2 008	9 705.7	12 018.7
site improvement	305		
water distribution	864	1 500	2 364
subsidized housing[1]	11 731	32 228.2	43 959.2
hospitals[1]	2 064	5 326	7 390
mental health institutions[1]	577	2 976.3	3 553.3
old people's homes	932	1 905.3	2 837.3
home care	3 799	8 000	11 799
3. Reorganization			
economic recovery	1 500	4 500	6 000
energy		2 500	2 500

[1] The figures are to be regarded only as estimates, being figures taken from the up-dated 1978-1980 Plan; they must, therefore, be treated with caution since the Plan has not been adopted.

(iii) Town planning, urban renewal and rehabilitation of sites: The funds allow the drafting of commune area plans, the translation of sector plans into concrete form, communal control of land, and specific urban and rural equipment, especially in the field of urban roads.

A part of the funds is devoted to the restoration of sites damaged by previous industrialization which occured at a time when there was little awareness of this type of problem.

(iv) Water supply: Provision of facilities to areas not yet served or served inadequately, and maintenance.

(v) Hospitals, medical teaching institutions, old people, home care: Subsidies for investment in hospitals and medicosocial facilities to be established, replaced or modernized. The funds for home care relate to the treatment of patients in their home environment in order to mitigate the prohibitive social cost of large-scale facilities and to avoid isolating patients from their normal surroundings.

C. OTHER EXPENDITURE

C.1. Employment policy

(a) The unemployment reabsorption programme to be initiated in 1978 will according to estimates cost 23 700 million Belgian francs.

(b) The expenditure by the National Employment Agency (ONE) on vocational training in Wallonia is as follows:

1977:	967,6	mio BFR
1978:	1 246	mio BFR
1979:	1 596	mio BFR
1980:	2 040	mio BFR

C.2. Investment support

Investment support for the Walloon region from the Economic Expansion and Regional Redeployment Fund will in 1978-1980 amount to some 5 000 million Belgian francs and will be confined to the development zones.

C.3. Industrial renovation

By the institution of this fund the Government wishes to obtain the resources necessary for the implementation of its industrial policy. The fund will be financed by a special loan floated for the purpose.

C.4. Priority infrastructures Plan

A total national investment of BFRs 19 000 million is proposed (BFRs 5 000 million in 1978, BFRs 7 000 million in 1979 and BFRs 7 000 million in 1980).

C.5. Industrial redeployment

The total national investment under this heading amounts to BFRs 1 500 million for 1978 and BFRs 4 500 million for 1979 and 1980 (these figures are estimates only at present, and are liable to subsequent amendment).

C.6. Allocation to the Walloon Regional Development Corporation (SDRW)

The amount of these allocations is not yet known. However, the authorities have this matter under consideration, but no final decision has yet been taken. The figures will be notified to the community authorities as soon as they are known.

D. PROPOSED RAILWAYS EXPENDITURES

Proposed expenditure by SNCB (Belgian Railways)

Railway investments	Programme 1976-1980	Commitments 1976-1977	Balance 1978-1980
Completion of service electrification			
Liège - Namur	189.0	144.6	44.4
Continuation of electrification			
Mons - La Louvière Manage - Luttre Charleroi and branches Braine-le-Comte - Manage	1 900	1 096	804
Liège - Liers - Ans	1 239	855.5	383.5
Electrification to be started			
Visé - Aachen W.	794	4	790
Bressoux - Visé - Netherlands	431	189	242
Glons - Visé	472	-	472
St-Ghislain - Tournai	1 062	16	1 046
Mouscron - Lille	59	-	59
Tournai - Mouscron	360	120	240
Tournai - Lille	211	-	220
New electrification			
Charleroi - Piéton - La Louvière	1 257	90.6	1 166.4
Eupen - Welkenraedt - Montzen	118	-	118
Glons - Liers	24	-	24
Ottignies - Fleurus - Charleroi	885	-	885

General note

All the figures given in this section are, of course, purely illustrative, as transfers of certain items will be necessary in order to implement the various plans mentioned in the section on 'Measures' because the financial impact of these plans cannot be determined owing to the lack of relevant quantification.

Chapter V

IMPLEMENTATION OF THE PROGRAMME

A. PLANNING AND REGIONAL BODIES

The Law of 15 July 1970 concerning the organization of planning and economic decentralization has three parts: planning, opinion and recommendation, and measures.

A.1. Planning

The aim of planning is the maximization within the framework of an overall national economic policy, in which, however, regional specificities are also taken into account, of balancea economic expansion involving constant improvement in the field of employment, income from work, purchasing power, housing, infrastructure and equipment.

The Five-Year Plan specifies:

(i) general objectives and the policies decided upon for their achievement;

(ii) budgetary and financial forecasts;

(iii) investment plans for the economic regions.

The Plan is submitted for approval to the Regional Economic Councils, the Central Council for the Economy, the National Labour Council and the National Economic Expansion Council.

Parliament rules on the Plan options and adopts the Plan, thus rendering it binding on the Government and causing it to be reflected in the annual budgets.

The Plan is contractually binding on firms for which the granting of State aid is conditional upon observance of its stipulations, but has only illustrative status for other firms.

The Ministers specifically named for this purpose and the Government as a whole implement the Plan by way of the budget. The communes, intercommunal consortia, etc., are responsible for the physical execution of the programme, each to the extent that it is concerned.

The Royal Order of 24 May 1977 on the administrative status, organization and operation of the Plan Bureau stipulates that the Bureau must follow the implementation of the Plan. With regard to the compulsory part of the Plan, control is by way of annual entries in the budget. As regards the purely illustrative part, the Plan Bureau must follow its implementation as regards objectives. For this purpose it will draw up regular activity reports during the period of implementation of the Plan.

In the present circumstances and for the reasons explained in the Introduction, the ongoing process of planning has been somewhat upset. Over the next few years, regional policy will be largely based on the broad priorities set out in the foregoing sections.

A.2. Regional bodies

A.2.1. Regional Economic Councils (CER)

The CERs can issue opinions and general recommendations. Their principal functions are as follows:

(i) examination of economic problems;

(ii) issuing of prior opinions on regional economic matters;

(iii) collection, coordination and possibly harmonization of information from the Regional Development Corporation (SDR);

(iv) association at certain stages with the drafting of the Regional Plan.

A.2.2. Regional Development Corporations (SDR)

The Walloon SDR has general powers of examination, conception and promotion of the economic development of its region. For this purpose it may draw up an inventory of regional requirements, make suggestions within the framework of the regional part of the Plan, and implement concrete measures to accelerate or augment the private or public investment proposed in the Plan, including the assumption of holdings in firms.

A.2.3. Industrial Promotion Agency (OPI)

The Regional Economic Councils participate in the administration of the OPI, whose functions are as follows:

(i) systematic endeavours to find profitable possibilities of production;

(ii) examination of the implementation of selected projects either by the private sector or by a joint public/private association;

(iii) systematic seeking of patents, registration thereof, and promotion of their industrialization and commercialization;

(iv) examination of any concrete problem of industrial economics raised by the public authorities.

B. REGIONALIZATION

The Law of 1 August 1974 (Moniteur Belge dated 22 August 1974), as amended by the Law of 19 July 1977 (MB dated 27 July 1977), specifies the fields in which a differentiated regional policy is wholly or partially warranted:

(i) area and town planning policy, including land policy, regrouping of rural land, urban renewal and rehabilitation of disused industrial sites;

(ii) regional economic expansion and employment policy;

(iii) housing policy;

(iv) family and population policy;

(v) hygiene and public health policy;

(vi) reception policy;

(vii) water policy;

(viii) hunting, fishing and forests;

(ix) industrial and energy policy;

(x) communal organization.

A Ministerial Committee for Regional Affairs, chaired by the Minister for Walloon Affairs and composed of the Ministers and Secretaries of State with regional competence, is responsible for the drafting, coordination and implementation of regional policy.

The Royal Implementation Order of 10 March 1975 (Moniteur Belge dated 26 March 1975) specified the powers of the Department of Economic Affairs which can be regionalized, relating in particular to regional economic expansion policy (application directives, determination of priority sectors, provision of zoned industrial sites, rehabilitation of disused sites, firms in difficulties, studies and surveys, etc.) and industrial and energy policy (mines, opencast mines and quarries, working of tips, etc.).

Still in the field of preparatory regionalization, the Royal Order of 16 October 1975 (Moniteur Belge dated 23 October 1975), applying the Law of 1 August 1974, lays down specific provisions for the Walloon region relating to the subsidization of infrastructure works (zoned industrial sites, etc.).

Under the Royal Order of 22 June 1977 (MB dated 29 June 1977), the Secretary of State for the Regional Economy is charged with the following functions, subject to the authority of his Minister:

(i) area and town planning policy (including land policy, urban renewal and rehabilitation of disused industrial sites),[1]

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[1] Town and area planning policy falls into two main parts:
(i) a 'passive' part concerning the instruments of physical planning and land allocation to specific functions at decreasing levels (the Wal-

(cont. on next page)

(ii) regional economic expansion policy;

(iii) industrial and energy policy.

The Secretary of State for Social Affairs in the Ministry of Walloon Affairs is responsible for the following functions:

(i) employment policy;

(ii) reception policy;

(iii) hygiene and public health policy;

(iv) family and population policy;

(v) housing policy, including renewal of the housing stock.

In addition, a number of fields which until 1978 were the responsibility of national government (crèches, university hospitals) or regional government (home care, medical centres, disabled persons, the old, accelerated vocational training) will in 1979 become the responsibility of the Cultural Council of the French-Language Cultural Community.

Again, changes in competences and regional powers will result from the gradual implementation of the Community Pact described in the Introduction.

In the meantime a draft law should be tabled, providing for the regulation of final regionalization, subject to the suspensive condition of completion of revision of the Constitution, and stipulating transitional provision concerning regionalization.

Finally, as a complementary aspect to the process of regionalization, it should be mentioned that regional policy involves not only the government authorities but also the local authorities and, in particular, associations of communes: associations of local authorities constitute a highly developed system in Belgium, reflecting the importance of local initiative and autonomy. The most common institutionalized form of association of communes is the joint intercommunal consortium on which both public and private local interests are represented. The statutes of these consortia generally define their aims as follows:

(i) economic expansion, including the establishment of industrial estate;

(ii) area planning;

(cont. of note 1 of page 209)

loon region, sectors ot territories which are coherent from the economic, social and cultural aspect, and communes) and determining not only the existing situation but also the large-scale infrastructures and the precise assignment of function of each part of the territory, i.e., the reference standard;

(ii) an 'active' part concerning the rehabilitation of disused coal mining sites (future utilization of sites and performance of the work necessary for this purpose), establishment of industrial estates, renovation of disused industrial sites by means of an Industrial Renovation Fund, and urban renewal with subsidies for the rehabilitation works.

(iii) representation and defence of the region;

(iv) studies on these subjects;

(v) services in related fields (housing, transport, waste disposal,etc.).

To sum up, the institutional structure comprises:

(i) local decisionmaking authorities (communes, provinces) with legal powers but with limited financial resources;

(ii) local bodies with the legal status of a joint public/private association, empowered to study, submit and implement projects;

(iii) the central authority (national or regional) with powers of initiative and the principal budgetary resources, with financial transfer machinery, which records or instigates local projects and decides on their funding.

The summary table in the appendix gives an outline of the distribution of powers to commit and schedule expenditure for the principal types of regional measures or ones having effects on regional development.

Annex 1

DISTRIBUTION OF POWERS FOR DIFFERENT TYPES OF MEASURES

Type of infrastructure	Committing authority	Scheduling authority	Budget
1. Heavy infrastructure			
1.1. Motorways	Public Works Ministry	Public Works Ministry	National
1.2. Roads	Public Works Ministry	Public Works Ministry	National
1.3. Waterways	Public Works Ministry	Public Works Ministry	National
1.4. Railways and SNCB	Ministry of Communications	Ministry of Communications	National
1.5. Public transport and SNCV (local railways/ tramways)	Ministry of Communications	Ministry of Communications	National
1.6. Airports and RVA	Ministry of Communications	Ministry of Communications	National
1.7. River ports	Ministry of Communications & Public Works	Ministry of Communications & Public Works	National
1.8. Autonomous port authorities	Ministry of Communications & Public Works	Ministry of Communications & Public Works	National
2. Light infrastructure			
2.1. Local (communal) roads	Communes	Communes	Communal
Public health	Communes	Communes	(from ad hoc subsidies granted by the national budget in the process of regionalization)
Water supply	Communes	Communes	
Sewerage	Communes	Communes	

Type of infrastructure	Committing authority	Scheduling authority	Budget
2.2. Acquisition of industrial and touristic sites	Secretariat for the Regional Economy and Area Planning	Ministry of Public Works	Regional
2.3. Provision and equipment of zoned industrial sites	Secretariat for the Regional Economy and Area Planning	Ministry of Public Works	Regional
Rehabilitation of coal mining sites	Secretariat for the Regional Economy and Area Planning	Ministry of Public Works	Regional
Rehabilitation of industrial sites (not yet approved)	Secretariat for the Regional Economy and Area Planning	Ministry of Public Works	Regional
Acquisition of access roads to zoned industrial sites	Secretariat for the Regional Economy and Area Planning	Ministry of Public Works	Regional
2.4. Hospital infrastructure	Ministry of Public Health	Ministry of Public Health	National and hospital building fund (now being transferred to the cultural communities)
2.5. Water policy (catchment, supply, institutional organization, monitoring of investment contributions, effluent and sewage purification	Ministry of Walloon Affairs	Ministry of Public Health	National (being regionalized)
2.6. Education	Ministry of Education (French)	Ministry of Education (French)	Cultural and School Buildings Fund
2.7. Technical education	Province	Province	Provincial (from subsidies)
2.8. Cultural and sports infrastructure	Gen. Confed. of Labour (French)	Ministry of Communications	Cultural

Type of infrastructure	Committing authority	Scheduling authority	Budget
2.9. Vocational training Social allowances	Ministry of Employment and Labour	ONEM	National
3. Economic investment aid	Regional Economic	Economic Affairs	Regional
Iron and steel industry investment aid	Economic Affairs	Economic Affairs	National
Investment aid for small undertakings	Regional Economy	Middle Classes	Regional

Annex 2

PHYSICAL PLANNING - REGIONAL PLANNING

The urban and regional development policy is based on the Organic Law of 29 March 1962, which was extensively amended in 1970.

This Law sets up a hierarchical procedural system aimed at producing a set of rules governing land use.

Plans are drawn up at three levels: at the highest level, there are the regional plans for each of the administrative regions (Flanders, Wallonia, Brussels): none of these plans has yet been drawn up.

At a lower level, there are the sector plans, the sector being an area that is regarded as a coherent unit in economic, social and cultural terms; its boundaries correspond broadly to those of the administrative districts, except in cases where such a division is no longer relevant owing to economic and social developments.

At the lowest level, there are the communal, general or special plans, which specify in detail the facilities to be set up. The basic intention at the outset was that it should be possible to exempt plans concerned with a smaller territorial unit from plans drawn up at a higher level. The 1970 amendment to the 1962 Law did, however, boost the status of the sector plans as compared with the communal plans.

At present, the sector plans are the instrument best suited to physical planning; they are drawn up on the basis of in-depth studies and in addition to describing the situation currently obtaining not only identify the key infrastructures (transport, energy, etc.) but also determine the exact activity to be developed in each portion of the territory concerned (industry, housing, services, green areas, farming areas, etc.).

Seven sector plans convering an area of 4 200 km^2 have so far been adopted or are about to be adopted. They concern the regions of Stavelot, Southern Luxembourg (districts of Arlon and Virton), Mouscron-Comines, the Fagnes, Verviers-Eupen, Wavre-Jodoigne, Perwez, and Dinant-Rochefort.

Parallel to this policy, which can be termed 'passive', 'active' regional development policies are being pursued (on an experimental basis) or are planned.

One programme of measures concerns the redevelopment of disused mining sites; the ministerial authorities, which are responsible for economic expansion and regional development, decide on the use to which any such area is to be put (e.g. green area, housing, industry) and then work out how this is to be achieved, acting, where necessary, in place of owners who have failed to take the appropriate measures.

Spending on this programme has been financed by the Economic Expansion and Regional Conversion Fund.

In 1973, a five-year programme of work was adopted, costing BFR 150 million in the first year (thereafter to be raised by 15% each year).

In addition, with regard to industrial estates, the Law on Economic Expansion featured an expedited approval procedure, which was adopted by the Minister although the implementing decision is left to the local and regional authorities, and which is subsidized by the Government with a view to ensuring that the necessary development work is carried out.

Lastly, a draft Walloon Regional Law on the 'renovation of disused industrial sites' has been passed by the Senate and is at present before the Chamber of Deputies.

This draft Law proposes that the arrangements applicable to mining areas be extended to all disused industrial sites.

An Industrial Renewal Fund will be set up to finance this policy; the work involved can be entrusted to the local or regional authorities (in particular, the inter-communal associations responsible for economic and regional development).

Similar arrangements could be introduced in the field or urban renewal, in which case the communes would receive State subsidies to enable them to carry out the necessary redevelopment work.

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[1] The abbreviations after each title indicate the languages in which the documents have been or will be published: DA — Danish, DE — German, EN — English, FR — French, IT — Italian, NL — Dutch.
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According to Article 6 (1) of Regulation (EEC) No 724/75 of the Council of 18 March 1975 establishing a European Regional Development Fund (OJ L 70 of 21.3.1975), 'investments may benefit from the Fund's assistance only if they fall within the framework of a regional development programme ...'. The programmes shall indicate the objectives and the means for developing the region according to the Common Outline provided by the Committee for Regional Policy (OJ C 69 of 24.3.1976).

This outline of what regional development programmes should contain is indicative and should be interpreted in a flexible manner. The programmes should have five chapters: social and economic analysis (diagnosis), development objectives, measures for development, financial resources, and implementing the programme.

Following the procedure provided for under Article 6 (5) of the abovementioned Regulation, the Commission has received from the Belgian Government the programmes for two regions — Flanders and Wallonia — preceded by a general introduction. Their publication by the Commission is for information purposes only and it takes no responsibility for their contents. It is appropriate to emphasize the essentially indicative nature of these programmes.

With reference to the population of Belgium as a whole Flanders and Wallonia contain 56.7% and 32.7% respectively, while from the total land area point of view the percentages are different: 41.2% for Flanders and 55.2% for Wallonia. The two regions both have a very high level of unemployment, mostly of a structural nature and their employment deficits up to 1980 are very important. Also, the development objectives bear essentially upon the maintenance and creation of jobs. For the benefit of the zones of development contained within these two regions, the State spent from 1970 to 1977, BFR 17 700 million in Flanders and BFR 22 400 million in Wallonia, which made possible investments of BFR 156 800 million and BFR 162 700 million respectively, the effect upon employment being nearly 50 000 jobs in Wallonia and nearly 90 000 jobs in Flanders.

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