Investing and Investment Finance in Belgium-
Conference Report

Introduction

The conference "Investing and Investment Finance in Belgium" held in Brussels was organised jointly by the National Bank of Belgium, the Belgian Financial Forum and the European Investment Bank. This memo summarises the content of the presentations and discussions.

Main interventions

Andrew McDowell (EIB Vice President) presented briefly the activities of EIB group in Belgium and the role of the Bank in the context of the investment plan for Europe and then introduced some key study findings for Belgium. He highlighted the excellent rating of the country as a strong innovator with many innovation leaders in high-value added niches. Nevertheless with a very slow productivity growth, which is the main driver of future prosperity, further investments - both private and public - in RDI are much needed and hold the key to reversing this trend and unlocking sustainable growth. As Belgian firms share this view, considering the development of new products as an upfront priority to accelerate innovation both at the frontier and through technology adoption, he stated that the EIB stands ready to help Belgian innovators push the frontier lifting up investment and increasing competitiveness.

Jan Smets (National Bank of Belgium Governor) in his speech stressed the relative resilience of the Belgian economy to the economic crisis, the relative high level of real business investment and the low public investment in infrastructure. Looking ahead, energy, digitalisation and raising productivity and infrastructure quality are the main challenges. Lack of finance for SMEs, notably for start-up businesses, and highly qualified professionals, are key issues in this regard. Finally, he supported that stimulating private investment requires a stable legal and economic environment, with a well-functioning public administration.

(All photos: National Bank of Belgium)

Natacha Valla (European Investment Bank) provided an overview of the EIBIS key findings in Belgium, which suggest that the main challenges for Belgium are to increase productivity and turn current recovery into sustainable growth. Real aggregate investment is improving, driven primarily by the corporate sector whereas public investment ratio to GDP remains low. Budget constraints, based on the municipality survey of the EIBIS2017, were the main obstacles to infrastructure investments by municipalities in Belgium – likewise in its closest neighbours - followed by impediments due to lack of political stability, technical capacity and coordination. The investment outlook is positive and firms consider the development of new products as one of the biggest investment priority. However, their perceptions about the quality of their machinery and their buildings are rather modest in the EU. Availability of skilled staff, uncertainty about the future and business regulations are considered as the main impediments to investment for Belgian firms. Looking ahead, investment in capacity expansion is expected to gain momentum in the near future, although investment in replacement will remain important. Finally, she concluded that Belgium should do more in improving access to finance to smaller and younger firms, especially in the manufacturing and the services sectors and also in enhancing firms' productivity through more investment in intangible assets.

Jan Van Hove (KBC Group NV) presented the major investment needs and challenges that Belgium faces. He supported that the Belgian investment position is good compared to that of its EU peers, despite the striking discrepancy between public and private investment, which might hinders economic growth potential. As Belgian economy is small, it is highly affected by the international economic cycle. To make growth more inclusive, he suggested that the government should adopt long-term investment plans and reinforce the complementarity between private and business investment. Also, there should be an enabling environment for investment by stimulating private investment through fiscal incentives, especially in productivity enhancing activities. PPPs might be an optimal way to bridge the investment gap in infrastructure projects. Belgian SMEs need to play a crucial and bigger role because their value added is very low compared to other developed economies. Finally, he stressed the importance of investment in the Belgian economy as means to guarantee a strong position in the global, as well as in the European value chain.

Panel discussions

The first panel on "**the investment activities and plans of the public and private sector in Belgium**" opened with a statement by the moderator **Bruno De Keyser** (Journalist) about the impact of the positive economic developments and that of the realised low public investment level in Belgium on private investment. His remarks where followed by a statement by **Guy Janssens** (Port of Antwerp) who emphasised the role of public investment for the competitiveness of the private sector and stressed the lack of high skilled professionals in his domain, as well as the need for capacity expansion in the port of Antwerp and investment in transport infrastructure. With respect to the latter need, the port of Antwerp has constructed necessary projects for the well-functioning of the port in the absence of public investment. **Stefaan Gielens** (Aedifica) also supported that positive economic developments are good sign for investment in the health care real estate sector, which has been on an upswing in the recent years. A market that is still less developed in the EU compared to the US, but offers promising return on investment. According to him the health care market in Belgium has experienced a double growth driven by the GDP developments and ageing of the population. All panellists in their opening remarks introduced the subject with a focus on the major impediments of investment, highlighting the cyclical and structural dynamics, which determine investment and financing decisions in Belgium. In this context, **Frank Vandermarliere** (Agoria) asked for a better enabling environment for investment, with appropriate credit conditions, less uncertainty about the fiscal policy, a flexible labour market and better and simple business regulations in Belgium. He mentioned that two of their major projects in Belgium are the Volvo and Audi auto-assembly line and that investment is improving after the burst of economic crisis in 2008, which led many companies to dis-invest or even stop their operations. **Natacha Valla** (EIB) referred to the positive economic developments in Belgium, but highlighted the slow productivity issue that it faces, the importance of public investment for the quality of the capital infrastructure stock and supported that EIB is ready to step in in order to relax any constraints hindering productivity growth in countries and to fill the current investment gaps. All panellists agreed that both the investment plan for Europe and the current investment plans of the Belgian government are positive initiatives that will keep Belgium on a sustainable path. Some of them (Aedifica and Port of Antwerp) maintained that their sectors have not benefited from the EU investment plan. The panel concluded that boosting productivity and growth potential is a major challenge for Belgium and therefore requires ensuring better coordination, synergies and complementarity between private and public investment.

The last panel on “**Intelligent finance projects and role of private funds in Belgium**” opened with various statements by the moderator Bruno De Keyser (Journalist) about the role of private savings in public infrastructure projects, the finance constraints of SMEs and the actions taken by private funds and investors in Belgium. Panellists agreed that different types of investment in infrastructure are considered attractive and this is the reason why they have changed their traditional investment strategies. **Eric Barthalon (Allianz)** claimed that almost 15% of their portfolio nowadays is invested in alternative investments, including real estate, infrastructure, renewables, commercial and non-commercial projects. Similarly, **Manu Vandenbulcke** (TINC) supported that they are investing in the residential care with special needs market, which is for the moment underdeveloped. According to him the funding model is changing and has shifted form the funding of the facility itself to the funding of the people with special needs. He mentioned that they are trying to link small retail investors with long-term infrastructure projects, and that the government should decide on what kind of public investment projects can be supported by private investors. **Hienz Olbers** (EIB) stated that the first EIB project was signed in 1962, and since then 255 projects and also thousands of SMEs have been financed and 28 billion EUR have been invested to turn good intentions into reality. He also highlighted that EIB today has changed its business profile in the context of the investment plan for Europe and offer smaller amount of loans to smaller businesses, as well. Some examples, are the recent loan to Proximus in Belgium and a loan to mid-sized company dealing with 3D printing. With respect to mobilising private savings **Lars Van Bever** (Eubelius) highlighted that there is an equity gap, which EIB and EIF is trying to bridge and asked for a better enabling environment for investment with more fiscal incentives for investors. **Hienz Olbers** (EIB) suggested that the investment plan for Europe is the best way for crowding in private investment and that various stakeholders should work closely together and exchange information available. One the other hand, **Domininque de Wilde D’ Estemael** (Belfius) stressed that there is not any liquidity issue in the Belgium currently and that the only issue for the banks is to find good and bankable projects. According to him, Belfius is trying to cover all business segments and offer not only credit to businesses, but also advise them on their business plans. In addition, he suggested that the current fall of public investment in Belgium was driven by business cycle, budgetary and ESTAT constraints, institutional complexity, administrative burdens and low appetite of public authorities for PPPs. Finally, the panellists agreed that a stable investment climate, along with Public Private Partnerships that bring together distinct advantages of the private sector and the public sector, can provide an effective way to deliver the infrastructure projects needed, which are seen as important means to a sustainable economic growth.

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