

BELGIUM

FEDERAL COUNTRY

BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: HIGH INCOME

LOCAL CURRENCY: EURO (EUR)

POPULATION AND GEOGRAPHY

Area: 30 326 km²
Population: 11.348 million inhabitants (2017), an increase of 0.63% per year (2010-15)
Density: 374.2 inhabitants / km²
Urban population: 98.1% of national population (2017)
Urban population growth: 0.4% (2017)
Capital city: Brussels (18.1% of national population) (2018)

ECONOMIC DATA

GDP: 540.9 billion (current PPP international dollars), i.e. 47 662 dollars per inhabitant (2017)
Real GDP growth: 1.7% (2017 vs 2016)
Unemployment rate: 7.1% (2017)
Foreign direct investment, net inflows (FDI): -31 065.19 (BoP, current USD millions, 2017)
Gross Fixed Capital Formation (GFCF): 23% of GDP (2017)
HDI: 0.916 (very high), rank 217 (2017)

MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

The 1831 Constitution established Belgium as a unitary parliamentary monarchy. However, a process of federalisation started in the 1970s to better take into consideration linguistic, cultural and socio-economic differences, in particular between the regions of Flanders and Wallonia. Six constitutional reforms took place in 1970, 1980, 1988-89, 1993, 2001 (Revision of the Constitution Special Act and Lambermont Agreement) and the last one in 2011, which has been in effect since 2012-14.

The country's federal structure of government has gradually but significantly evolved over the past decades towards a greater devolution of decision-making power to the six federated entities, made up three regions (the Flemish Region, the Walloon Region and the Brussels-Capital Region) and three communities (the Flemish Community, the French Community and the German-speaking community). The determining characteristic of a region is its geographical area while that of a community is its culture and language.

At the federal level, the legislative power is exercised by the Federal Parliament, composed of two assemblies: the Chamber of the Representatives and the Senate. Following the 6th Belgian state reform, members of the Senate, the upper house which serves as a chamber of the communities and regions, are designated by the federated entities (50/60) or co-opted (10/60), and no longer elected (Art. 67 of the Constitution). Senators have no veto powers over federal legislation.

At the state level, there are five legislatures, all elected for a 5-year term and five governments, elected by the Parliament, which in turn elects a president: the Flemish Parliament and Government (which represent both the region of Flanders and the Flemish community which were immediately combined into one Flemish federated entity since its creation), the Walloon Parliament and Government, the French Community Parliament and Government, the Brussels Region Parliament and Government, and the German-speaking Community Parliament and Government.

At local level, provinces and municipalities are governed by regional legislation since the federalisation of the country. Their organisation, responsibilities and finance differ from one region to another, according to regional decrees (Flemish and Walloon regions) and ordonnances in the Brussels-Capital region (for municipalities).

Belgian federalism severely limits the scope for governments to interfere in each other's areas of competence. However, there are inter-governmental coordination mechanisms. A Concertation Committee, which includes the Prime minister, ministers presidents of federated entities, and ministers of finance of federal and federated entities plays a decision-making role and formalises of the distribution of budgetary efforts across the different levels of government. The local governments (municipalities, provinces) are represented by their associations in their respective region (a "united" national association also exists) and participate in committees at the federal level, although no formal consultation mechanism is in place. They are more active at the regional level.

The 6th State reform of 2014 was a major reform that transferred additional responsibilities to regions in the areas of labour market policies, mobility and justice and to communities in the areas of family allowance, long-term care and healthcare. The reform also increased regions' own-source tax resources.

Both Flanders and Wallonia are also engaged in local government reforms that both decreased responsibilities and taxing power at the provincial level and increased autonomy, scope of action and revenues for municipalities.

TERRITORIAL ORGANISATION

2018	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	589 municipalities (<i>communes, gemeenten</i>)	10 provinces (<i>provinces, provincies</i>)	3 regions (regions, gewesten) and 3 communities (<i>communautés, gemeenschappen</i>)	
	Average municipal size: 19 267 inhabitants			
	589	10	6	605

OVERALL DESCRIPTION. In 2018, Belgium had three tiers of SNGs: six federated entities, 10 provinces and 589 municipalities (581 since 1 January 2019).

STATE LEVEL. The federated level is composed of the 3 regions and the 3 communities. The Flemish Region (*Vlaams Gewest*) represents 44% of the Belgian territory but 57.5% of its population while the Walloon Region (*Région Wallonne*) accounts for 55% of the area and 32% of the population. The Brussels capital-region (*Région de Bruxelles-Capitale*) accounted for 0.53% of Belgian territory but 10.5% of the total population in 2017. The three communities cut across the regions. In particular, the Flemish Community comprises all the inhabitants of Flanders and Brussels-based Flemings (i.e. around 6.4 million inhabitants). The French Community comprises all the residents of Wallonia and Brussels-based French-speaking inhabitants (around 4.2 million inhabitants). The German-speaking Community comprises all the inhabitants of the nine German-speaking municipalities in the east of Belgium (i.e. around 77 000 inhabitants).

PROVINCIAL LEVEL. The intermediary layer of SNGs includes 10 provinces, with five provinces in the Flemish region and five others in the Walloon region. Regions, however are very diverse in terms of population size and land mass. Provinces have existed for a long time in their current boundaries, except for half of the province of Limburg, which became part of the Netherlands in 1839 and the province of Brabant which has been split into two new provinces (Flemish Brabant and Walloon Brabant) and the Brussels-Capital Region in 1995. The Brussels Region directly exercises provincial responsibilities. The provincial government consists of three main institutions: the provincial council which is the deliberative body elected every six years by direct universal suffrage and chaired by a president (elected among its members); the deputation (in Flanders) or provincial college (in Wallonia), which is the executive body (its representatives are appointed by the provincial council among their own members), and the Governor, who is appointed by the regional government. Provinces are themselves sub-divided into administrative districts.

The role of the provinces is the subject of much debate. In December 2018, the Walloon Government agreed to transfer a range of powers from the provinces to the Region "to improve the institutional readability, to make more effective the exercise of regional powers and strengthen support for municipalities". In Flanders, provinces will focus more on "territory-related powers", losing the "person-based powers" as well as part of their resources (tax and grants).

MUNICIPAL LEVEL. The lower-tier comprises 589 (581 since 2019) municipalities, which have also been governed by regional legislation since 1988. The deliberative body is the municipal council whose representatives are elected every six years by direct universal suffrage. The executive body is the college of burgomaster and aldermen (known as the college communal in the Walloon region). Aldermen are elected by the municipal council while the burgomaster is nominated according to different rules depending on the regions.

The number of municipalities has been stable for around 45 years, following a process of compulsory mergers between 1975 and 1983. In particular, the 1975 royal decree reduced the number of municipalities from 2 359 to 596. In 2018, the Flemish region had 308 municipalities, while the Walloon region has 262 and Brussels-capital 19. The average municipal size in Belgium is twice the OECD average municipal size. There are very few small municipalities (1% of less than 2000 inhabitants). The majority (62%) have between 5 000 and 19 999 inhabitants.

The regions of Flanders and Wallonia have started reforming the municipal level in their respective territories. In Flanders, 15 municipalities have merged into seven new municipalities since 1 January 2019, reducing the number of Flemish municipalities from 308 to 300. In its 2017 regional policy statement, the new Walloon government also announced its willingness to encourage municipal mergers on a voluntary basis both by financial and regulatory incentives and by administrative and technical support.

Flemish and Walloon Regions are also currently encouraging "supra-municipalities". In Flanders, there are five legal forms of inter-municipal cooperation: "interlocal association", "project association", "service providing association", "association with a clear assignment", and "association with a clear assignment and private sector participation". The first form consists in a basic contract while the other four forms result in establishing a separate judicial entity. Inter-municipal cooperation is widespread, taking place in various sectors such as drinking water provision, waste water management, waste management, management of crematoria, distribution of gas and electricity, communication (internet, TV), economic development, etc.

One common form of inter-municipal cooperation is inter-municipal companies (intercommunales), which are public law entities that are subject to both private and public law. Intercommunales can be limited companies, cooperative companies with limited responsibility (SC or CV) or non-profit-making associations (ASBL). If they have only municipalities as shareholders, they are "pure" inter-municipal companies. If they bring together public and private shareholders, they are "mixed" inter-municipal companies. There were around 320 such intercommunales in 2015 in Belgium.

The 6th State Reform enshrined the creation of a metropolitan community of Brussels, with the aim of enhancing dialogue between the various levels of powers on interregional matters.

SUBNATIONAL GOVERNMENT RESPONSIBILITIES

Exclusive competences are assigned to the regions and communities and the residual ones are assigned to the federal government (foreign affairs, national defence, justice, finance, social security, parts of national health and domestic affairs). The distribution of competences between the regions and communities and the federal level is subject to judicial control, exercised by the Constitutional Court of Belgium, which can undo legislation that contravenes the division of powers, and by the Council of State.

Extensive competences are assigned to the regions and communities. The 6th State reform of 2014 has transferred additional responsibilities to regions on labour market policies and mobility (but they remain mixed responsibilities) and communities (family allowance, long-term care). Although justice remains a mainly federal matter, the so-called "justice homes" have become a responsibility of the communities since the 6th state reform and not a responsibility of the regions. Concerning health, certain aspects of the healthcare policy have been transferred to the communities, but the major part of health remains a federal responsibility.

Regions are competent in territorial matters (economic affairs, transports, environment protection, spatial planning, housing, etc.) but also for employment while communities are competent for person-related matters (culture, health policy, social protection, education, etc.).

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Provincial and municipal responsibilities are not clearly defined in the legislation and they often overlap. Besides implementing federal, community and regional regulations, provinces are usually responsible for general provincial affairs, the maintenance of infrastructure, urban planning, and initiatives in sport, education, culture and social policy. In the framework of provincial reform, provincial responsibilities are being reduced. In the Flemish region for example, since 2014, the provinces have only been able to exercise person-related powers when those powers have been granted to them by decree. On 1 January 2018, the list of their tasks was shortened further and confined to territory-related powers. Except for provincial education, all person-related powers, which were still exercised by the provinces, were transferred to the Flemish Community or to the municipalities. In the Walloon region, some provincial responsibilities were transferred to the regional level. In particular, provincial roads were transferred to the Region in 2015, and since then the provinces have also ceased to be responsible for housing policy and energy policy.

Municipal responsibilities are very extensive, covering missions attributed by higher authorities (federal government, region and province such as management of civil administrative functions) and those of “municipal interest”. Own attributions cover large areas such as economic affairs and transports, education, environment, housing and community amenities, culture, etc.

MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

	STATE LEVEL	INTERMEDIATE LEVEL	MUNICIPAL LEVEL
1. General public services	Regions: supervision of provincial and municipal law and local utility companies; Research & Development & innovation	Provincial administration; Implementation of federal and regional regulations	Municipal general affairs; Administrative functions delegated by the region/province e.g. public registry office (delegated by the federal state)
2. Public order and safety	Communities: justice homes		Public order (delegated); Local polices; Participation to Fire and Rescue Services Zones
3. Economic affairs / transports	Regions: water policy; Transport (except the national railway company); External trade; Energy; Agriculture and fisheries; Economic policy (including direct support, guarantees, business sites and cluster policy); Employment	Roads and waterways; Public transport; Social housing subsidies; Public works	Local economic development; Maintenance of road infrastructures; Public transportation; Tourism
4. Environmental protection	Regions: environment policy; Nature conservation	Interventions in some areas	Green areas
5. Housing and community amenities	Regions: urban policy and spatial planning; Public works and infrastructure; Public housing	Urban planning	Town planning; Water distribution; Sewerage; Waste management
6. Health	Communities: sanitary education and preventive medicine	Medical prevention	
7. Recreation, culture & religion	Communities: museums; Theatres; Libraries; Audio-visual media; Use of languages	Some intervention in the cultural and recreational sector	Sports; Culture
8. Education	Communities: education and training (pre-primary to higher and adult education); Scientific research	Some interventions in secondary and higher education	Pre-schools; Primary education; Secondary and higher education for large cities
9. Social protection	Regions: minor aspects of social security (such as reduction of social security contributions for targeted groups). Communities: social welfare; Aid to families; Protection of youth; Immigrant assistance services	Some interventions in the area of social policy	Social welfare via public social welfare centres (CPAS in Walloon region, OCMW in the Flemish region and CPAS/OCMW in the Brussels Capital Region)

SUBNATIONAL, STATE AND LOCAL GOVERNMENT FINANCE

Scope of fiscal data: state government level: six regions and communities and related entities; local government level: provinces, municipalities, local police zones, local rescue zones, and public social assistance centres (OCMW/CPAS), Metropolitan Brussels, water boards, fire departments and other local public entities (municipal syndicates).

SNA 2008

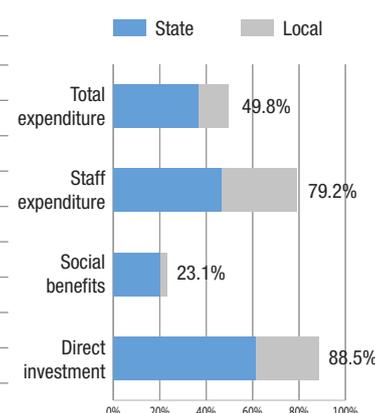
Availability of fiscal data:
High

Quality/reliability of fiscal data :
High

GENERAL INTRODUCTION. The 1989 Special Financing Act (amended the first time by the Special Act of 13 July 2001) has been instrumental for fiscal decentralisation in Belgium as it dealt with the refinancing of communities and the extension of fiscal competences for regions. The aforementioned 6th State Reform also included the revision of the 2001 version of the Financing Act, strengthening the financial autonomy of federated entities, in particular by increasing their own-source tax revenue. Authority over expenditure and revenues is spread across the various levels of government, with complicated sharing arrangements and sometimes overlapping spending responsibilities. Due to the complex political and institutional setting of SNGs in Belgium, negotiation, consensus and deeper reforms, both fiscal and structural, are difficult to achieve. The federated entities decide on the financing arrangements for the municipalities and provinces in their respective territories, leading to different local finance systems depending on the region. In this area, local finance systems are being reformed by the regions.

SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION

2016	DOLLARS PPP / INH.			% GDP			% SUBNATIONAL, STATE AND LOCAL GOVERNMENT EXPENDITURE			% GENERAL GOVERNMENT EXPENDITURE (SAME EXPENDITURE CATEGORY)		
	SNG	State	Local	SNG	State	Local	SNG	State	Local	SNG	State	Local
Total expenditure	12 364	9 055	3 309	26.6%	19.4%	7.1%	100%	100%	100%			
Inc. current expenditure	11 128	8 131	2 996	23.9%	17.5%	6.4%	90.0%	89.8%	90.5%			
Staff expenditure	4 561	2 682	1 879	9.8%	5.8%	4.0%	36.9%	29.6%	56.8%			
Intermediate consumption	1 397	872	526	3.0%	1.9%	1.1%	11.3%	9.6%	15.9%			
Social expenditure	2 714	2 367	347	5.8%	5.1%	0.7%	21.9%	26.1%	10.5%			
Subsidies and current transfers	2 244	2 053	191	4.8%	4.4%	0.4%	18.1%	22.7%	5.8%			
Financial charges	206	158	48	0.4%	0.3%	0.1%	1.7%	1.7%	1.5%			
Others	5	0	5	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%			
Incl. capital expenditure	1 236	923	313	2.7%	2.0%	0.7%	10.0%	10.2%	9.5%			
Capital transfers	324	290	34	0.7%	0.6%	0.1%	2.6%	3.2%	1.0%			
Direct investment (or GFCF)	912	633	279	2.0%	1.4%	0.6%	7.4%	7.0%	8.4%			

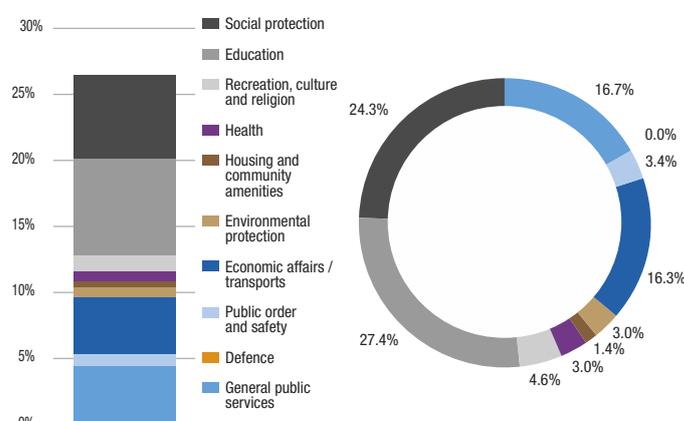


EXPENDITURE. Belgium SNGs play a significant role in public spending, being responsible for half of public spending at the country scale in 2016, corresponding to 27% of GDP. This marks a significant increase of 7 percentage points since 2013, partly due to the implementation of the 6th federalisation reform in 2014. As a result of this increase, SNG share in public spending is at the same level that the OECD average of the nine federal countries (50.0% of public expenditure) and well above the average when the share in GDP is considered (19.2% of GDP). SNGs are key public employers accounting for almost 80% of all public staff spending, to be compared to 76.5% in OECD federal countries. Regions and communities make the bulk of SNG expenditure, accounting for 73% of SNG expenditure and 36.5% of total public expenditure. By contrast, local government expenditure represents a relatively small share of SNG expenditure (27%) and total public expenditure (13.3%), stable since 2013, with no significant change despite the reform. However, municipalities and provinces are key employers. They spend more than half of their total budget on staff expenditure and account for 41% of SNG staff expenditure. In 2016, local authorities employed 317 000 persons, representing just over one-third of total employment in public authorities. The weight of staff spending is also linked increased cost of financing their statutory officials' pensions, which represents today a financial challenge.

DIRECT INVESTMENT. In Belgium, public investment is mainly the responsibility of regional and local governments. They are major public investors, carrying out the great majority of public investment in the country in three sectors: education, research and development, and transportation. In 2016, they were responsible for 88.5% of total public direct investment. Regions and communities' role is particularly significant, as they represent 69% of total SNG direct investment in 2013, against 31% for local governments. Yet, the level of public investment in Belgium remains low compared to other OECD countries (2.2% of GDP vs 3.0% in the OECD on average). Regional and federal authorities have recently taken steps to enhance investment in transport infrastructure and are developing a framework for public-private partnership.

SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOG

2016	% GDP			% SUBNATIONAL, STATE AND LOCAL GOVERNMENT			SNG EXPENDITURE AS A % GDP	% OF TOTAL SNG EXPENDITURE
	SNG	State	Local	SNG	State	Local		
Total expenditure	26.5%	19.4%	7.1%	100%	100%	100%		
1. General public services	4.4%	3.2%	1.2%	16.7%	16.5%	17.2%		
2. Defence	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
3. Security and public order	0.9%	0.0%	0.9%	3.4%	0.2%	12.2%		
4. Economic affairs / transports	4.3%	3.7%	0.6%	16.3%	19.1%	8.4%		
5. Environmental protection	0.8%	0.3%	0.5%	3.0%	1.4%	7.2%		
6. Housing and community amenities	0.4%	0.1%	0.2%	1.4%	0.7%	3.2%		
7. Health	0.8%	0.8%	0.0%	3.0%	3.9%	0.5%		
8. Recreation, culture and religion	1.2%	0.6%	0.6%	4.6%	3.0%	9.1%		
9. Education	7.3%	5.7%	1.5%	27.4%	29.5%	21.5%		
10. Social protection	6.4%	5.0%	1.5%	24.3%	25.6%	20.6%		



Consistently with the large array of their responsibilities, SNG principal expenditure categories include education, social protection, general public services and economic affairs, split between regions and communities' competences. The largest area of regional and community spending is by far education (27.4%), for which SNGs have exclusive powers. It is followed by social protection (24.3%), general public services (16.7% including research and development), and economic affairs/transports (16.3%). Increase in the share of total SNG spending on healthcare and social assistance result from the devolution of additional responsibilities to the Belgian regions and communities in employment, healthcare and social assistance (elderly and disabled) and family support since the 6th State Reform. At the local level, priority areas are social protection and education. Security and public order represent 12% of local

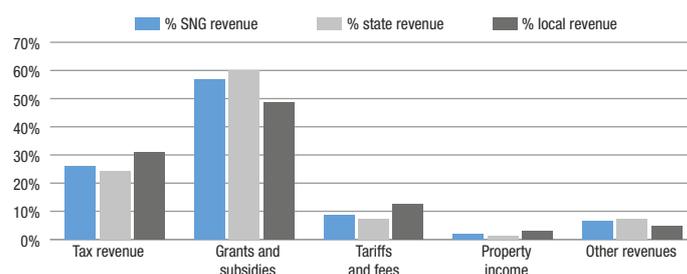
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spending, with the existence of 195 “local police zones”. Today, the growing use of integration allowances and increased cost of social services represent a financial challenge for local governments.

SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY

2016	% GDP			% GENERAL GOVERNMENT (SAME REVENUE CATEGORY)			% SUBNATIONAL, STATE AND LOCAL GOVERNMENT REVENUE		
	SNG	State	Local	SNG	State	Local	% SNG revenue	% state revenue	% local revenue
Total revenue	26.7%	19.5%	7.3%	52.6%	38.3%	14.3%			
Tax revenue	7.0%	4.7%	2.2%	23.1%	15.7%	7.4%			
Grants and subsidies	15.2%	11.7%	3.5%						
Tariffs and fees	2.3%	1.4%	0.9%						
Property income	0.5%	0.3%	0.2%						
Other revenues	1.7%	1.4%	0.4%						



OVERALL DESCRIPTION. The share of SNG revenue in total public revenue in 2016 increased of 9 percentage points since 2013, from 43.8% to 52.6%, as a result of the 6th reform of the state. The 6th reform, through the special law of 6 January 2014 on the Reform of the Financing of the Communities and Regions, led to the strengthening of regional financial autonomy. The reform bolstered the own-source revenue of regions and communities, reducing previous vertical fiscal imbalance, to compensate for the elimination of grants from the federal government.

Almost three quarters of SNG revenue are attributed to regions and communities, against 27% for local governments. The ability to finance their expenditure through own-source revenues remains however limited for regions, and quasi non-existent for communities, whom competences have no clear territorial basis. In 2016, the major part of combined SNG revenue remains grants and subsidies (56.9%). Local governments are less reliant on those grants as it constitutes 48.7% of their revenues, against 60% for state governments.

TAX REVENUE. Despite the 6th reform which increased SNG tax revenue, SNG tax revenues accounted for 26.1% of SNG total revenue, which is well below the average of the OECD federal countries (47.5%), which are mostly funded through taxes (except Mexico and Austria). The shares of SNG tax revenue in GDP and public tax revenue are also much lower than in the OECD federations (8.8% of GDP and 42.2% of public tax revenue on average).

At regional level, there are great disparities regarding regions and communities on that matter as communities enjoy few tax revenue. Regional taxes comprises both shared taxes and own-source taxes. In particular, regions receive a fraction of the personal income tax (PIT) collected in their territory. Since 2014, the regions can levy a regional personal income tax (PIT) by means of a regional additional tax on PIT. PIT in Belgium consists now of two major components: federal (central government) PIT and regional PIT. Region’s tax competencies are also increased regarding tax bases, tax rebates, exonerations and refundable tax credits. The regions also perceive around 12 other own-source taxes, including registration duties on sales of real estate, inheritance and gift tax, tax on vehicles, the withholding tax on real estate (property tax levied on owned land, buildings and industrial equipment, based on the presumed notional rental value of the property), taxes on goods and services, excises taxes on tobacco, alcohol and soft drinks, etc. By contrast, the 3 communities do not have fiscal revenues of their own, and are mainly financed by shared tax revenues from the PIT collected in their area and VAT tax.

Belgium local taxation system differs from other countries, in the sense that local governments can create new local taxes and have large leeway over both rates and bases. The main local own-taxes are surtaxes (additional centimes or percentages) on the PIT, on the vehicle tax and on the regional withholding tax on real estate, and local taxes such as the waste and leisure tax, over which they have full discretion. Provinces also levy taxes under the form of additional centimes on the withholding tax on real estate as well as other local taxes such as tourist tax or tax on second homes. In Flanders, as part of the provincial reform, the additional centimes levied on the property tax will be limited as of 2018. Provinces will lost the most of their taxing power.

Overall, PIT levied at subnational level as shared or own-source tax accounted for 45% of SNG tax revenue (49% for the state level and 35% for the local level) and 12% of total SNG revenues. PIT represented 3.1% of GDP and 26% of PIT collected at general government level. The recurrent taxes on property, levied both by regions and local governments, accounted for 1.3% of GDP (higher than in the OECD on average where it stands at 1.1% of GDP in 2016), 19% of SNG tax revenue (1.2% for the regions and 56.2% for the local level) and almost 5% of SNG revenue (and 17.4% of local government revenue).

GRANTS AND SUBSIDIES. Belgium system of decentralisation has long been characterized by strong fiscal imbalances, with a high level of decentralisation of expenditure compared to a more centralised distribution of revenues. This imbalance remains despite the 6th reform of the state. Grants and subsidies accounted for almost 57% of SNG revenues, and even higher for the state level. The existence of equalisation mechanism from the federal government to federated entities, called “National Solidarity Intervention” (Dutch: *Nationale Solidariteitsbijdrage* (NSB); French: *Intervention de solidarité nationale* (ISN) is still effective. Under this equalisation scheme, equalisation is carried out at the level of the regions on the basis of PIT collections and unemployment.

Local governments receive funds and specific allocations from their regional government, both earmarked and general grants, amounting to almost 49% of their total revenue in 2016. The Municipal and Provincial Funds, which are managed by the regions since 1989, are the most important. Each Region (and – since 2005 – the German-speaking Community which became supervisory authority for the nine German-speaking municipalities in 2005) applies its own growth rate to its Municipal Fund and allocates its resources among the municipalities according to its own rules. These general-purpose transfers include financial equalisation mechanisms. Therefore, resources from the Municipal Funds are allocated to municipalities according to some of their specific characteristics, taking into account centrality, demographic variables and socioeconomic factors. In each region, the funds are allocated in inverse proportion to the fiscal capacity of the municipality's residents in terms of the additional centimes on PIT and property tax. The municipalities can make free use of the resources that they receive from the Municipal Fund. As far as provincial funds are concerned, it has been abolished in the Flemish regions in 2015, as part of the provincial reform. The Walloon Region cut down its Provincial Fund resources in 2015. These reductions were associated with the transfer of responsibilities to the Region, and economies are also planned in 2018.

Other earmarked funds include operation subsidies to cover specific current and capital spending responsibilities. However, the trend is to include more and more these specific funds in the municipal funds. For example, in the Flemish Region, various grants have been transferred to the general funding in recent years, coming now under the Municipal Fund, but are not adjusted in line with the growth rate laid down in the decree and are awarded automatically to the local authorities. The Cities Fund was also incorporated in the Municipal Fund. In the Brussels-Capital Region it was also decided in 2017 to reform the Municipal Fund, by incorporating three specific allocations in the general allocation.

OTHER REVENUES.

Tariffs and fees. SNGs can generate their own income from user tariffs and fees (around 8.7% of SNG revenues, and 12% for municipalities and provinces only). Proceeds from sales of goods and services include charges paid for various services provided by the CPAS/OCMW (meals, child care or home care), parking fees, refuse collections bags or containers. In April 2016, regional governments introduced a new toll on heavy trucks. The levy is charged for using motorways, as well as a number of regional and municipal roads.

Property income. SNGs also raise income from financial and physical assets (rentals, dividends, interests, etc.), which accounted for 1.8% in 2016. In the past two decades, income from assets have strongly declined for two main reasons: the sale by local authorities of substantial shareholdings, notably in the energy sector, leading to the disappearance of the dividends; the low interest rate that depressed income from assets.

SUBNATIONAL GOVERNMENT FISCAL RULES AND DEBT

2016	DOLLARS PPP/INH.			% GDP			% GENERAL GOVERNMENT DEBT			% SNG DEBT		
	SNG	State	Local	SNG	State	Local	SNG	State	Local	SNG	State	Local
Total outstanding debt	8 875	6 374	2 501	22.5%	16.2%	6.3%	17.5%	12.6%	4.9%	100%	100%	100%
Financial debt*	7 819	5 531	2 288	19.8%	14.0%	5.8%	15.9%	11.3%	4.7%	88.1%	86.8%	91.5%

* Currency and deposits, loans and bonds

FISCAL RULES. Belgium has an internal stability pact covering the period 2015-2018. This is the first time this internal pact concerns all levels of government, including local authorities, which are formally integrated in accordance with the coordination mechanisms established by the Cooperation Agreement of 13 December 2013. This Cooperation Agreement on fiscal coordination was concluded between the federal government and the regional and community governments. It introduces a structural government budget balance rule at general government level. Furthermore, it formalises established coordination practice by making official the role of the intergovernmental "Consultative Committee" in the process and reinforce the advisory and monitoring role of the High Council of Finance (Public Borrowing section). This High Council of Finance (HCF), established in 1936, is an independent fiscal institution whose members are nominated by the federal, community and regional levels. It recommends fiscal targets and provides normative policy assessments. Its newly Section "Public Sector Borrowing Requirements" (PSBR) enacts specific competences for intergovernmental fiscal coordination.

At local level, the equilibrium principle was introduced for municipal finances in the 1990s, eliminating local deficits. Since the federalisation process, regions have taken over responsibility for budgetary supervision of local governments and have made a number of additions and revisions which have strengthened the budgetary framework, resulting in sound finance at local government level.

DEBT. Regions and communities can borrow to cover current and capital expenditure. They are authorised to issue debt on financial markets, although they require authorisation from the Federal Minister of Finance. Municipalities and provinces are free to borrow but only to fund investment projects ("golden rule"). In 2016, SNG debt amounted to 17.5% of the general government debt, and represented 22.5% of GDP (an increase of 3.5 percentage points since 2013). Regional debt represents 72% of total SNG debt. It is made up of 62% of loans, 25% of bonds, and 13% of other accounts payable. Local debt comprises mainly loans (85% of outstanding local debt), and introduced recently some share of bonds (6%). Overall, SNG financial debt ("Maastricht debt") accounted for 88% of SNG outstanding debt, mainly composed of loans (77.5% and even 93.1% for the local level) and bonds (22.5%).



Lead responsible: OECD
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Socio-economic indicators: OECD // Eurostat // World Bank // UNDP // UN Desa // ILO // STATBEL.

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