

BELGIUM

FEDERAL COUNTRY

EUROPE

BASIC SOCIO-ECONOMIC INDICATORS

Income group - HIGH INCOME: OECD Local currency - Euro (EUR)

POPULATION AND GEOGRAPHY

AREA: **30 326** km²

POPULATION: **11.157** million inhabitants (2014), an increase of 0.6% per year (2010-14)

DENSITY: **368** inhabitants/km²

URBAN POPULATION: **97.8%** of national population

CAPITAL CITY: **Brussels** (18.2% of national population)

Sources: OECD, Eurostat, World Bank, UNDP, ILO

ECONOMIC DATA

GDP: **487.8** billion (current PPP international dollars) i.e. 43 724 dollars per inhabitant (2014)

REAL GDP GROWTH: **1.3%** (2014 vs 2013)

UNEMPLOYMENT RATE: **8.5%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **-20 097** (BoP, current USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **23%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.890** (very high), rank **21**

TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
589	10	6	605
MUNICIPALITIES (COMMUNES, GEMEENTEN) AVERAGE MUNICIPAL SIZE: 19 030 INHABITANTS	PROVINCES (PROVINCES, PROVINCIAS)	3 REGIONS (REGIONS, GEWESTEN) AND 3 COMMUNITIES (COMMUNAUTÉS, GEMEENSCHAPPEN)	

MAIN FEATURES OF TERRITORIAL ORGANISATION. Since the adoption of the 1831 Constitution, six constitutional revisions have progressively transformed Belgium from a unitary into a federal country, in particular since 1970. The last reform, started in 2011 and operational since 2014, further strengthened the federalisation of the country. Belgium has three tiers of SNGs: 6 federated states, including 3 regional governments (Flanders, Wallonia and the Brussels capital-region) and 3 community governments (Flemish, German, and French Speaking Communities) which overlap territorially; 10 provinces; and 589 municipalities which are governed by regional legislation. Flanders and Wallonia regions have started reforming the provincial and municipal levels in their respective territories. In Flanders, the government is engaged in voluntary municipal mergers and the "downsizing of the provinces" which will focus more on "territory-related powers", losing the "people-based powers" as well as some taxing powers. The Walloon Government aims at "optimising" the role of the provinces by developing "supra-municipality".

MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES. Extensive competences are assigned to the regions while the residual ones are assigned to the federal government, giving great autonomy to the states. With the 6th reform of the State of 2011 (in effect since 2014), additional competencies have been transferred to the states. Regions are responsible for territorial matters (infrastructure, industrial policy, etc.) but also employment and tax matters since 2014 while communities are responsible for people-related matters (e.g. culture, education, welfare, health, sport), including since 2014 family allowances, care of the aged, health care; hospitals, justice homes, etc. Provincial and municipal responsibilities are not clearly defined in the legislation and they often overlap. Provinces have developed responsibilities in the fields of education, social and cultural infrastructure, environment, roads and waterways, preventive health, transport, public works, housing, etc. Municipal responsibilities are very extensive, covering missions attributed by higher authorities and those in the "municipal interest".

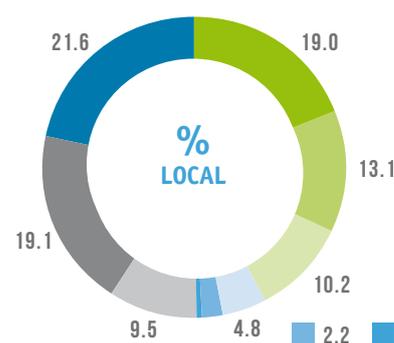
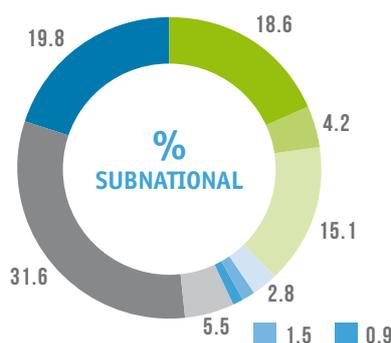
SUBNATIONAL GOVERNMENT FINANCE

EXPENDITURE	% GDP		% GENERAL GOVERNMENT (same expenditure category)		% SUBNATIONAL GOVERNMENT	
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TOTAL EXPENDITURE (2013)	23.0%	7.2%	42.3%	13.2%	100%	100%
CURRENT EXPENDITURE	20.1%	6.3%	-	-	87.5%	88.6%
STAFF EXPENDITURE	9.7%	4.0%	77.7%	32.0%	42.2%	55.7%
INVESTMENT	1.9%	0.7%	89.3%	33.3%	8.4%	10.1%

While the 6th State reform has not yet affected SNG spending, SNGs were already key economic and social actors in 2013. SNG share in public spending is slightly below the OECD average of the nine federal countries (49% of public expenditure) but above the average when the share in GDP is considered (19% of GDP). Both ratios should increase significantly with the implementation of the federalisation reform. Local government expenditure represents a relatively small share of SNG expenditure (28% vs 72% for the regional level) and total public expenditure (13%). However, municipalities and provinces, besides federated states, are key employers. SNGs are major public investors, carrying out the great majority of public investment in the country.

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE



SNG principal expenditure categories include education, social protection, general public services and economic affairs. The largest area of regional and community spending by far is education (37%), followed by social protection and economic affairs/transports. At the local level, the priority areas are social protection and education. Security and public order represent 13% of local spending, resulting from the reform of the police force and the recent creation of “multi-municipal police zones”.

REVENUE BY TYPE

% GDP

% GENERAL GOVERNMENT (same revenue category)

% SUBNATIONAL GOVERNMENT

■ SUBNATIONAL DATA □ LOCAL DATA ONLY

Revenue Type	% GDP	% GDP	% General Government	% General Government	% Subnational Government	% Subnational Government
TOTAL REVENUE (2013)	22.6%	6.9%	43.8%	13.4%	100%	100%
TAX REVENUE	4.6%	2.2%	15.0%	7.0%	20.3%	31.1%
GRANTS AND SUBSIDIES	13.9%	3.6%	-	-	61.7%	51.9%
OTHER REVENUES	4.1%	1.2%	-	-	18.0%	17.0%

The 6th reform included the revision of the 2001 Special Financing Act through the special law of 6 January 2014 on the Reform of the Financing of the Communities and Regions. It led to the reinforcement 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.

TAX REVENUE. There are around 12 regional taxes, including registration duties on sales of real estate, inheritance and gift tax, tax on vehicles, the withholding tax on real estate (property tax), etc. Since the reform, regions have been able to raise additional “enlarged” percentages of PIT. This “regionalisation” of the PIT will be the main revenue source of the regions in the future. Belgium differs from other countries due to its open system of local taxes: local governments can create new local taxes and have large leeway over both rates and bases. The main local own-taxes are the surtax (additional centimes) on the PIT, on the vehicle tax and on the regional withholding tax on real estate.

GRANTS AND SUBSIDIES. Until the 6th reform, regions and communities received an annual share of the PIT collected in their territory and a share of VAT (only for the communities). Federal transfers to states also included a “national solidarity grant” for regions whose average PIT yield is below the national average, drawing rights and a compensatory grant for the radio-television licence fee. Local governments receive funds and specific allocations from their regional government, the Municipal and Provincial Funds being the most important. These general purpose transfers include financial equalisation mechanisms. Other earmarked funds include operation subsidies to cover specific current and capital spending responsibilities.

OTHER REVENUES. SNGs can generate their own income from user tariffs and fees (around 10% of SNG revenues) and from income from financial and physical assets (rentals, dividends, interests, etc.).

OUTSTANDING DEBT

% GDP

% GENERAL GOVERNMENT

■ SUBNATIONAL DATA □ LOCAL DATA ONLY

Outstanding Debt (2013)	% GDP	% GDP	% General Government	% General Government
OUTSTANDING DEBT (2013)	18.8%	5.9%	16.0%	5.0%

Belgium has an internal stability pact covering the period 2015-18. For the first time, it now concerns all levels of government, including local authorities which are formally integrated in accordance with the co-ordination mechanisms established by the Cooperation Agreement of 13 December 2013 to implement the Fiscal Compact. 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”). Regional debt represents 70% of total SNG debt. It is made up of 38% of bonds and 62% of loans. Local debt comprises mainly loans (95% of outstanding local debt).

A joint- study of:



Sources: OECD National Accounts Statistics • OECD (2015 and 2016), Subnational Governments in OECD Countries: Key data • Chatry I., Hulbert C. (2016), Multi-level governance reforms: Overview of OECD country experiences OECD publishing • Council of Europe (2014), Local and regional democracy in Belgium • Belfius Research (2015), Les pouvoirs locaux dans le cadre du pacte de stabilité budgétaire et des normes SEC • G. Jennes (2015) “A test of the Law of 1/n for Belgium: Does “more politicians” mean “more public spending”?”, Vives Discussion Paper 49 • Government of Flanders (2014), 2014-2019 Coalition Agreement • K. de Ceuninck, H. Reynaert (2011), Flanders Heading Towards Its Own State Reform HKJU • CCPA, god. 11. (2011.) • Dexia (2008) Sub-national Governments in the European Union. Organisation, Responsibilities and Finance.