Draft budgetary plan for Belgium

2022

15/10/2021

INHOUDSOPGAVE

1. Introduction

This document is the draft budgetary plan for Belgium. It provides an overview of the budget objectives for 2022 for the various sub-sectors as well as the general government, and the measures taken to achieve these objectives.

Based on the current estimates, Belgium's overall financing balance in 2021 is estimated at -8.1% of GDP. The structural balance is estimated at -6.7% of GDP.

Belgium's overall financing balance should reach -4.9% of GDP in 2022. This corresponds to a structural balance of -4.6% of GDP. This gives an improvement in the structural balance of 2.2 percentage points compared to 2021.

In 2020, the debt ratio deteriorated to 114.1% of GDP, as a result of the corona crisis. Based on the expected financing balance, the general government debt ratio in 2021 is currently estimated at 113.9% of GDP. Taking account of the growth assumptions and the expected financing balance mentioned above, the debt ratio would rise to 114.3% of GDP in 2022.

The budgets of the various governments were seriously affected by the impact of the corona crisis in 2020 and 2021. The budgetary impact of this was still €14.2 billion in 2021, according to current estimates. In 2022, the direct budgetary impact of the corona crisis is expected to be lower (€2.0 billion).

The 2021 and 2022 budgets of the Walloon Region, the German-speaking Community and, to a lesser extent, the Flemish Region, the French-speaking Community and the federal government all bear the consequences of the funds which needed to be released for emergency assistance and reconstruction following the floods in July. The expenditure for emergency assistance and reconstruction was considered as one-off. In 2021, this expenditure rose to €1.17 billion, and in 2022 it will rise to €1.21 billion.

For the drafting of the 2022 budget, the various authorities have reconciled the further moderate consolidation of public finances with a policy aimed at stimulating growth, raising levels of activity, increasing public investment and an ecological transition policy.

2. Macroeconomic outlook

The macroeconomic forecasts for 2021 and 2022 were calculated by the Federal Planning Bureau (FPB) on behalf of the National Accounts Institute (NAI) and published in the context of the economic budget of 9 September 2021.

2.1 The international environment

Table 1: Basic assumptions

	2020	2021	2022
Short-term interest rate (annual average)	-0,4	-0,5	-0,5
Long-term interest rate (annual average)	0,0	-0,1	-0,1
USD/€ exchange rate (annual average)	114,1	119,1	118,2
Nominal effective exchange rate	1,1	0,5	0,4
World excluding EU, GDP growth	-2,7	6,0	4,7
EU GDP growth	-5,9	4,6	4,3
Growth of relevant foreign markets	-9,3	8,9	6,7
World import volumes, excluding EU	-8,8	9,5	6,4
Oil prices (Brent, USD/barrel)	41,8	67,3	65,5

During the first half of 2020, the Eurozone, like the rest of the world economy, was hit hard by the COVID-19 pandemic. Economic activity rebounded in the third quarter, but the second and third waves of COVID-19 forced the eurozone countries to tighten contact restrictions again. Consequently, economic activity fell in the fourth quarter of 2020 and in the first quarter of 2021. Rising vaccination rates boosted economic recovery from the second quarter of 2021, and the economy will continue to grow strongly in the second half of 2021 and throughout 2022. Following a contraction of 5.9% in 2020, GDP growth for the EU as a whole is expected to reach 4.6% in 2021 and remain at 4.3% in 2022.

The international scenario comes with a number of risks. The emergence of new variants as well as the efficacy of vaccines are important factors. In addition, monetary policy could be tightened to curb inflation. There is also uncertainty as to when budgetary policy will become more restrictive again. Finally, it is still uncertain what effect higher inflation will have on spending power and debt growth.

2.2 Estimates of macroeconomic parameters for Belgium

2.2.1 Growth

Table 2: Macroeconomic prospects

	ESA Code	2020 Level	2020 rate of change	2021 rate of change	2022 rate of change
1. Real GDP	B1*g	416,3	-6,3	5,7	3,0
2. Potential GDP		443,2	1,0	1,4	1,2
contributions:					
- labour			0,5	0,6	0,4
- capital			0,4	0,6	0,6
- total factor productivity			0,1	0,2	0,2
3. Nominal GDP	B1*g	451,2	0,0	0,0	0,0
Components of real GDP					
4. Private final consumption expenditure	P.3	224,9	-8,7	5,8	6,8
5. Government final consumption expenditure	P.3	113,1	0,9	4,9	-0,7
6. Gross fixed capital formation	P.51g	107,4	-7,0	11,1	2,1
7. Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53	3,83			
8. Exports of goods and services	P.6	363,52	-4,6	7,0	5,7
9. Imports of goods and services	P.7	361,54	-4,3	6,5	6,5
Contributions to real GDP growth					
10. Final domestic demand		-	-6,0	6,8	3,7
11. Changes in inventories and net acquisition of valuables	P.52 + P.53	-	0,0	-1,5	0,0
12. External balance of goods and services	B.11	-	-0,3	0,4	-0,7

Note: Level of real GDP and potential GDP is determined relative to reference year 2015

Note: new GDP figures will be published by the National Accounts Institute on October 18

When COVID-19 broke out in Belgium in mid-March, activity was scaled back or stopped in large parts of the economy. As a result, GDP fell sharply in the first quarter. The containment measures slowed down economic activity especially in the second quarter, while there was some catching up to do in the third quarter as measures were relaxed. The second wave of COVID-19 in the fourth quarter resulted in the tightening of contact-limiting measures, hindering further economic recovery. Ultimately, the Belgian economy shrank by 6.3% in 2020. In 2021, the Belgian economy has recovered significantly by 5.7%, supported by nearly all spending components. In the course of 2022, economic growth should gradually normalise, leading to less pronounced growth of 3%, with exports and, in particular, consumption by individuals as strongholders.

Consumer spending by individuals declined sharply by 8.7% in 2020 due to the more restricted means of consumption. This development contrasts sharply with that of spending power, which increased by 1.4% in 2020 despite the extent of the economic shock. As a result, the savings ratio of individuals rose significantly to 21.8% of disposable income.

Thanks to increased consumer confidence and the easing of restrictive measures, consumer spending by individuals is catching up. It is expected to increase by 5.8% in 2021 and 6.8% in 2022, significantly more than disposable income. The tendency of individuals to save is expected to decline to 18.7% and 13.7% of disposable income in 2021 and 2022 respectively.

After a sharp contraction of 6.9% in 2020, investment in residential property is expected to increase by 10.0% in 2021.

Investments by companies decreased by 7.8% in 2020. The sharp contraction of economic activity had a negative impact on profitability, while the financial support from the Government only partially compensated for the loss of turnover. Business investment is recovering strongly in 2021 with volume growth of 10.6%, boosted by favourable demand prospects, increasing utilisation industrial production capacity, low interest rates, and higher profitability. It is expected to increase further by 3.4% in 2022.

Public investment is expected to grow strongly by 16.3% in 2021, driven by stimulus from the Federal Administration and the communities and regions, and to remain at that high level in 2022, thanks in part to the recovery plans.

Government consumption has risen sharply by 4.9% in 2021 due to higher healthcare spending and vaccination costs. However, government consumption is expected to be cut by 0.7% in 2022.

As exports decreased more than imports, the contribution of net exports to growth in 2020 was negative (-0.3%). As a result of recovering international trade, Belgian exports are expected to grow in volume by 7% and 5.7% in 2021 and 2022 respectively. The increase in domestic demand and foreign sales is giving rise to an increased need for imports. The volume growth of imports is forecast to be 6.5% in both years.

2.2.2 Price developments

Table 3: Price developments

	2020 rate of change	2021 rate of change	2022 rate of change
1. GDP deflator	1,1	2,8	1,6
2. Private consumption deflator	0,7	1,9	2,1
3. HICP	0,7	1,9	2,1
4. Public consumption deflator	2,1	1,5	2,3
5. Investment deflator	0,4	2,7	1,6
6. Export price deflator (goods and services)	-2,2	5,8	1,0
7. Import price deflator (goods and services)	-2,3	6,6	1,0

Note: The National Index of Consumer Prices (NICP) is used as an approximation for the HICP

The COVID-19 crisis caused a fall in energy prices, limiting inflation to 0.7% in 2020. The economic recovery is accompanied by an increase in global demand for energy products, which has so far resulted in a particularly sharp rise in prices of natural gas and electricity.

Consequently, the consumer price index and the health index have been revised upwards in 2021 and 2022 due to rising energy prices in 2021 and increasing underlying inflation in 2022 as a result of the upturn in economic activity.

The threshold index was exceeded in August 2021, which is two months earlier than what was expected in June's economic budget. The next overshoot is expected to occur in June 2022, while the economic budget in June of this year did not foresee any overshoot in 2022.

2.2.3 Labour market

Table 4: Labour market developments

	ESA Code	2020 Level	2020 rate of change	2021 rate of change	2022 rate of change
1. Employment, persons		4893,0	0,0	1,2	0,3
2. Employment, hours worked		7267,3	-5,8	5,1	2,2
3. Unemployment rate (%)		0,0	5,6	6,4	6,6
4. Labour productivity, persons		85,1	-6,3	4,4	2,8
5. Labour productivity, hours worked		57,3	-0,5	0,5	0,8
6. Compensation of employees	D.1	229,6	-2,1	5,4	4,7
7. Compensation per employee		56,5	-1,8	4,3	4,5

1 / Labor force, according to internal understanding of definition of national accounts

2 / Definition of national accounts, in millions of hours

3 / Harmonized definition according to Eurostat, level (in %)

4 / Real GDP per employee

5 / Real GDP per hour worked

6/ in billion euros

7/ thousand EUR per person per year

The impact of the COVID-19 crisis on domestic employment (in number of persons) remained limited in 2020 as the initial shock was largely absorbed by a reduction in average working hours. In 2021, working hours have recovered substantially but are still below pre-crisis levels, as there is still substantial use of the furlough scheme in some sectors.

The harmonised unemployment rate (according to the Eurostat definition) increased to 5.6% in 2020. Unemployment is expected to rise to 6.4% in 2021 due to a temporary halt in employment growth.

3. Budget objectives

Estimates for 2021

Based on the current estimates, Belgium's overall financing balance in 2021 is estimated at -8.1% of GDP. The structural balance is estimated at -6.7% of GDP.

The budgets of the various governments were still seriously affected by the impact of the corona crisis in 2021. The associated budgetary impact is estimated at €14.2 billion for 2021.

In addition, the floods in July this year had serious budgetary consequences for the Walloon Region, the German-speaking Community and, to a lesser extent, the Flemish Region and the federal government. In 2021, the estimated cost of emergency assistance and the start of reconstruction have amounted to €1.17 billion.

Objectives 2022

In 2022, Belgium's nominal balance will improve to 4.9% of GDP. The structural balance is estimated at -4.6% of GDP.

In 2022, the direct budgetary impact of the corona measures will be lower, with a currently estimated impact of €2.0 billion.

The floods will also continue to weigh on the budget in 2022. These relate in particular to reconstruction costs. The provisional estimated budgetary impact in 2022 is €1.21 billion.

For both the federal government and the communities and regions, the calculated figures are based on the outcome of the budget discussions in the context of the 2022 budget preparations. For local authorities, the assumptions are based on the June estimates of the Federal Planning Bureau in the context of the medium-term economic outlook.

Table 5: Government budgetary objective broken down by sub-sector

In % of GDP	ESA Code	2021	2022
Net lending (+) / net borrowing (-) (B.9) by sub-sector			
1. General government	S.13	-8,1	-4,9
2. Central government	S.1311	-5,5	-3,2
3. State government	S.1312	-2,6	-1,7
4. Local government	S.1313	-0,1	0,0
5. Social security funds	S.1314	0,1	0,0
6. Interest expenditure	D.41	1,7	1,4
7. Primary balance		-6,4	-3,5
8. One-off and other temporary measures		-0,1	-0,1
9. Real GDP growth (%)		5,7	3,0
10. Potential GDP growth (%)		1,4	1,2
11. Output gap (% of potential GDP)		-2,1	-0,3
12. Cyclical budgetary component (% of potential GDP)		-1,3	-0,2
13. Cyclically-adjusted balance (1 - 12) (% of potential GDP)		-6,8	-4,7
14. Cyclically-adjusted primary balance (13 + 6) (% of potential GDP)		-5,1	-3,3
15. Structural balance (13 - 8) (% of potential GDP)		-6,7	-4,6

Debt ratio

In 2020, the debt ratio deteriorated to 114.1% of GDP, as a result of the corona crisis. Based on the expected financing balance, the general government debt ratio in 2021 is currently estimated at 113.9% of GDP. Taking account of the growth assumptions and the expected financing balance mentioned above, the debt ratio would rise to 114.3% of GDP in 2022.

Table 6: Evolution of the debt ratio

In % of GDP	ESA Code	2021	2022
1. Gross debt		113,9	114,3
2. Change in gross debt ratio		-0,3	0,4
Contributions to changes in gross debt			
3. Primary balance (= item 10 in Table 2.a.i)		-6,4	-3,5
4. Interest expenditure (= item 9 in Table 2.a.i)	D.41	1,7	1,4
5. Stock-flow adjustment		0,7	0,6
p.m.: Implicit interest rate on debt[5]			

4. Forecasts of revenue and expenditure in a scenario of unchanged policies

The table below shows forecasts of revenue and expenditure for 2021 and 2022 in a scenario of no policy change. The figures are based on the estimates provided by the various authorities.

Table 7: Forecasts of revenue and expenditure in a scenario of unchanged policies

In % of GDP	ESA Code	2021	2022
General government (S13)			
1. Total revenue at unchanged policies	TR	49,7	50,0
Of which			
1.1. Taxes on production and imports	D.2	13,2	13,4
1.2. Current taxes on income, wealth, etc	D.5	15,3	15,3
1.3. Capital taxes	D.91	0,7	0,7
1.4. Social contributions	D.61	15,5	15,5
1.5. Property income	D.4	0,7	0,8
1.6. Other		4,3	4,4
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)		45,4	45,6
2. Total expenditure at unchanged policies	TE	57,5	54,7
Of which			
2.1. Compensation of employees	D.1	12,7	12,5
2.2. Intermediate consumption	P.2	4,6	4,3
2.3. Social payments	D.62	27,5	26,2
of which Unemployment benefits			
2.4. Interest expenditure	D.41	1,7	1,4
2.5. Subsidies	D.3	4,1	3,9
2.6. Gross fixed capital formation	P.51g	3,0	3,0
2.7. Capital transfers	D.9	1,1	1,0
2.8. Other		2,8	2,2

5. Forecasts of revenue and expenditure following measures

In contrast to Table 7, the table below takes account of the measures taken by the various governments in the context of the 2022 budget preparations.

Corona-related expenditure was still high in 2021, at €14.2 billion. In 2022, this expenditure should fall sharply to €2.0 billion, according to current estimates.

The severe floods in July this year also caused a sharp rise in expenditure. A range of emergency measures, immediate relief measures and reconstruction measures were taken. The costs associated with the floods are provisionally estimated at €1.17 and €1.21 billion in 2021 and 2022.

Table 8: Estimates of revenue and expenditure following measures

In % of GDP	ESA Code	2021	2022
General government (S13)			
1. Total revenue at unchanged policies	TR	49,7	50,0
Of which			
1.1. Taxes on production and imports	D.2	13,2	13,4
1.2. Current taxes on income, wealth, etc	D.5	15,3	15,3
1.3. Capital taxes	D.91	0,7	0,7
1.4. Social contributions	D.61	15,5	15,5
1.5. Property income	D.4	0,7	0,8
1.6. Other		4,3	4,3
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)		45,4	45,7
2. Total expenditure at unchanged policies	TE	57,8	54,9
Of which			
2.1. Compensation of employees	D.1	12,7	12,5
2.2. Intermediate consumption	P.2	4,6	4,3
2.3. Social payments	D.62, D.632	27,6	26,2
of which Unemployment benefits			
2.4. Interest expenditure	D.41	1,7	1,4
2.5. Subsidies	D.3	4,2	3,9
2.6. Gross fixed capital formation	P.51g	3,0	3,1
2.7. Capital transfers	D.9	1,2	1,3
2.8. Other		2,8	2,1

6. Objectives and discretionary measures in the draft budget of the federal government and the communities and regions

This chapter provides a brief explanation of the main strands of the budgetary policy of the federal government and the various communities and regions for 2022.

6.1 The Federal Government and Social Security

Getting the budget back on track after corona

At the start of the government in 2020, a dynamic budget policy was opted for, in view of the corona crisis. A fixed budgetary effort of 0.2% of GDP per year has been agreed upon for the period 2021-2024. At the end of this period, the fixed budgetary effort therefore amounts to 0.8% of GDP. In addition, for the period 2022-2024, a variable budgetary effort was envisaged, which was made dependent on the level and growth of GDP.

For the drafting of the 2022 budget, a series of measures was decided upon, resulting in a variable budgetary effort of 0.3% of GDP (around €1.5 billion). The impact of these measures, decided in 2022, will further increase to €2.2 billion or 0.4% of GDP in 2024.

The financing balance of entity I is estimated at €-26.8 billion (-5.5% of GDP) in 2021 and will be reduced to €-16.6 billion (-3.2% of GDP) in 2022. The deficit in 2021 is still marked (as it was in 2020) by the impact of the corona measures. If we exclude the estimated impact of the corona measures (€10.0 billion in 2021 and €0.9 billion in 2022), the deficit falls from -3.4% of GDP in 2021 to -3.1% of GDP in 2022. In subsequent years, the deficit will be further reduced to -2.6% of GDP in 2024.

Room for new policy

€408 million has been set aside for new initiatives. A large part of this will be spent on various support measures for households to cope with higher energy bills. In addition, the necessary funds will be envisaged to support the planned government reforms.

Tax shift and fairer taxation

A tax shift of €300 million is being worked out at cruising speed. Steps have been taken to make work pay even more, by extending the work bonus system and reducing the special contribution for social security. This reduction in charges is offset by a reform of the exemption from the withholding tax on professional income, higher excise duties on tobacco and a shipping tax.

Taxation has been made fairer by the introduction of VAT on rented accommodation. The NSSO contributions of sportsmen and women have been reformed to bring them more in line with standard contributions. The tax system for expats has been reformed to bring it more in line with our neighbouring countries.

Additional public investment

In the coming years, the federal government will invest an additional €1 billion in, among other things, the digitisation of the government, strengthening public transport and government buildings. These funds come on top of the additional investment of €328 million (excluding VAT) already decided at the time of the 2021 budget review and the funds received by Entity I under the European Recovery and Resilience Plan.

An ambitious reform agenda

Together with the budget measures, the government has also adopted a series of reforms focusing on:

- the labour market, in order to raise levels of activity;
- encouraging digitisation with a specific focus on administrative simplification, while addressing the digital divide;
- stimulating entrepreneurship and job creation;
- a sustainable country making the transition to climate neutrality by 2050;
- a policy to increase public investment.

6.2 The communities and the regions

6.2.1 Flemish Community

The Flemish Government is resolute in its aim to restore our public finances to health and to boost structural growth in our country. We are taking our responsibility and making difficult but necessary choices. In spite of all of the Flemish Government's ambitious plans, we are forced to change course in order to steer the budget ship back in the direction of a safe and secure harbour. So we have put some plans on hold.

With €900 million worth of austerity measures by 2024, we are delivering on our promise to halve the budget deficit by 2024. A budget exercise of this magnitude is unprecedented for the Flemish Government – and even more so in the middle of a term of office. For the savings measures, we have been able to draw partly on the Flemish Spending Review (Brede Heroverweging).

But making savings is not the only thing that counts. It goes without saying that we are not about to hamper the recovery and that we will continue to invest in the future. We are also using the crisis to introduce reforms. Targeted and broad reviews will improve the quality of public finances in terms of (administrative) efficiency and (policy) effectiveness. It means we make targeted choices: measures that miss their target or are inefficient are discontinued.

The deficit in the Flemish budget in 2022 is estimated at 2.6 billion euros (including the construction costs for the Oosterweel link and the Flemish Resilience recovery plan):

	(in thousands of euros)
Debt balance in budget planning 2022	**-2,606,794**
Adjustments against budgetary target in budget planning 2022	1,007,874
Oosterweel (main works)	246,944
Flemish Resilience Recovery Plan (income)	839,070
Flemish Resilience Recovery Plan (expenditure)	1,600,000
Balance compared with balancing target in budget planning 2022	**-1,598,920**

In addition to the evolution of resources and expenditure under an unchanged policy, the Flemish Government is taking budgetary measures on the revenue side (€20.2 million) and on the expenditure side (€424.7 million) to create policy leeway. These measures are partly the result of the Coalition Agreement, but additional measures will also be taken to ensure the sustainability of the finances. These measures include fiscal reforms (reducing the barriers for first-time buyers), labour market reforms (job bonus to make work pay), smoothing growth paths, more focus on efficiency and core tasks, as well as specific measures.

The Flemish Government also plans new policy in 2022. This includes €386.6 million in operational appropriations and €298.6 million in payment appropriations resulting from the implementation of the Coalition Agreement, as well as €288 million in commitment appropriations and €221.3 million in payment appropriations for new political impetus for 2022.

Specifically, the Flemish Government is providing 40 million euros in provisional appropriations for preventative health policy expenditure as a result of COVID-19, as well as 100 million euros for a flanking policy for farmers in the context of the programmatic approach to nitrogen (PAS). It is also committing to the profitability of the service voucher sector (13 million euros) and is providing compensation to local authorities for reduced Fluvius dividends (36 million euro).

In addition, recurrent additional funding is envisaged in the context of 'Warm Vlaanderen' (Warm Flanders) in the well-being sector and for social housing (€105.1 million), and in the context of excellence in the education and innovation sector (€83.6 million), while additional funding is being earmarked for local authorities (€64 million). An investment stimulus of 100 million euros is also planned for infrastructure in the policy area of mobility and public works, investments in school buildings, and infrastructure for R&D.

Flemish Resilience Recovery Plan

To fund the Flemish Resilience Plan (Plan Vlaamse Veerkracht), the Flemish budget 2021 provided for 4.3 billion euros in commitment appropriations and 2.0 billion euros in payment appropriations for the financing of 158 recovery projects. Those funds were provided based on a provision article (0100 undistributed or P.2 as ESA code) of the Department of Finance and Budget, but the expenditures for the respective projects are not charged to the said provision. The budget figures therefore underestimate investment expenditure, since the investments within the Flemish Resilience plan have been entered as provisional appropriations. In proportion to the needs of the specific projects, the funds are redistributed to the budget articles of the policy areas in question, from which the expenditure can be charged and monitored by the competent minister. In implementation, the investments will be reflected in the reported figures.

The tax-exempt 2021 credit balance (VAK) on the recovery provision will be carried forward to the 2022 budget year. The 2022 budget provided for €1.6 billion in payment appropriations.

The rules for charging in relation to EU subsidies are applied for the Flemish Resilience recovery plan. A total package of 4.3 billion euros in recovery funds is foreseen for investment and reforms. On the other hand, there is up to 2.255 billion euros in revenue from the EU, or as a proportion, up to 52.44% is being financed by revenue from the EU.

The ratio of RRF to the entire Flemish recovery budget was applied to a recent estimate. The result can be found in the worksheet entitled 'RRF Grants' for 2021 and 2022.

6.2.2 Walloon Region

It was in a still highly uncertain and volatile context that the budget conclave of the Walloon Region was held from 28 September to 7 October 2021. The worldwide corona crisis and the deadly and destructive floods of last July have meant that Wallonia is unavoidably in a state of emergency.

Indeed, in order to allow the financing of investments for reconstructing stricken areas, incorporate the fight against global warming, the socio-economic recovery and the Covid measures, substantial financial resources are required as a matter of urgency.

Notwithstanding this urgent need, the Government's priority is to show solidarity with future generations, who should not have to bear the full burden of crippling debt. As such, as soon as the initial 2022 budget was drawn up, there was a specific focus on the sustainability of the Walloon debt.

Generally speaking, public debt is sustainable if the government is deemed capable of stabilising the debt ratio with a return to a manageable debt trajectory. The Government has therefore fully committed to respecting this essential requirement. This responsible approach facilitates access to credit on good terms, which enables the Walloon Government:

- To absorb shocks (Covid, floods, etc.).
- To invest in the future and long-term growth (Recovery Plan).

In the long run, a credible strategy to return to a sustainable debt trajectory will avoid harsh austerity measures that would hamper growth, exacerbate social inequalities and jeopardise the necessary investments in the energy transition.

The debt sustainability strategy will be gradual (minimising the economic impact), smart (ensuring a balance between efficiency and fairness of measures) and above all sustainable (to reduce vulnerability to shocks).

In concrete terms, a cumulative structural effort to reduce the deficit to 1% of revenues (around €150 million per year) needs to be envisaged.

Taking into account this trajectory, the gross balance to be financed has been set at €-4,134 million. Taking into account ESA corrections of €1,088 million, the ESA financing balance for 2022 is €-3,046 million, lower than the 2021 adjustment. In this regard, the government has already identified structural reforms that need to be implemented by 2022, and is actively pursuing its Zero-Base Budget work, including the Spending Review component, supported by the European Commission.

Among Wallonia's main expenses in 2022, we can highlight the significant sums set aside for the various ongoing crises, namely Covid, the floods, and the necessary Recovery.

At this stage, this expenditure is reflected in the 2022 budget as follows:

- Recovery and Resilience (excluding RRF): €1.75 billion
- Floods: €735 million
- Covid: €360 million

By exempting this expenditure from the ESA financing balance, the government deficit (excluding Covid, floods and Recovery) is under control and is in line with the initial projections for 2020-2024.

(in € million)	**2020**	**2021**	**2022**	**2023**	**2024**
ESA objective (excluding COVID, floods, Recovery)	-435	-400	-207	-274	0

6.2.3 Brussels-Capital Region

The support measures taken by the Brussels government in recent months and years have had an impact on the Region's financial situation. In addition, the roll-out of the reform of road tax and the introduction of SmartMove have also been delayed. Despite these developments, the Brussels Government's objective is still to return to a balanced budget in 2024, not taking into account a number of strategic growth-enhancing investments.

Thanks to the economic uptick which has resulted in higher revenues, delays in investment projects and specific savings, the 2022 budget is back on track towards balance, without a rise in the tax burden for Brussels residents. In addition, the multi-annual rationalisation drives focusing on greater efficiency and effectiveness in public spending (including via spending reviews) will be continued.

To avoid damaging the economic recovery and to foster sustainable inclusive growth, the Brussels-Capital Region will continue to invest in mobility, social housing, employment policy and the implementation of the Climate Plan.

In assessing the budget objective, the Government of the Brussels-Capital Region does not take into account any strategic investment expenditure which has a significant economic impact. The strategic investments were clearly demarcated, and a specific multi-annual trajectory was agreed in this regard (an average of €450 million per year for the remaining years of this legislature), which will be closely monitored. For 2022, the budget is €396.7 million. Most of this budget is set aside for the extension of the metro network, heavy electrical equipment for the metro to guarantee the safety and performance of the network, the extension of the tram network and the electrification of the bus fleet. In addition, around €30 million is set aside for the necessary comprehensive renovation of tunnels.

In million euros	2021	2022
ESA balance	-1858.3	-1196
Temporary Covid-19 measures	314	63.9
Recovery and Resilience Facility	89.1	93.1
Strategic investments	490.7	396.7

6.2.4 German-speaking Community

The budgetary policy of the German-speaking Community is part of the Belgian budgetary policy, with deficit reduction as its main objective, and adheres to the European obligations resulting from the Six-Pack and Two-Pack programmes.

2021 Budget and beyond

The German-speaking Community is still suffering from a revenue shortfall due to the COVID-19 pandemic caused by the decline in the economic parameters in 2020. This shortfall amounts to between 7 and 10 million euros per year.

In addition, additional 17.4 million euros of expenditure due to the pandemic will be recorded in 2021, partly on a recurring basis for an amount of 3 million euros.

Furthermore, the German-speaking Community was also massively affected by the catastrophic floods in July of this year. According to current estimates, expenditure on emergency relief measures amounts to approximately 1.5 million euros for 2021 and 647,000 euros for the following year. Reconstruction costs will represent a cost of 31 million euros, particularly in 2022.

This results in a total deficit of 91.52 million euros in 2021 and 110.37 million euros in 2022, which is 201.89 million euros.

In this context, it is totally impossible for the German-speaking Community to achieve a balanced budget according to ESA standards during this legislative period.

Moreover, last year, the government decided to act in a counter-cyclical manner and launch an investment programme totalling 600 million euros, spread over ten years.

The main themes of this programme are the care sector, climate protection and digitalisation. This will make a decisive contribution to boosting the regional economy.

For this reason, the government has decided to neutralise a large part of its infrastructure investments, as other entities in the country have been doing for some time.

Consequently, the 2021 deficit will be 48.3 million euros, plus 43.2 million euros of neutralisation, which is 91.52 million euros. In 2022, the deficit will be 15.2 million, plus the neutralisation of 95.2 million, which equals 110.4 million euros.

The German-speaking Community will of course offset part of its expenditure using the European Union's recovery programme and will seek additional European aid for the flood disaster.

6.2.5 The French-speaking Community

On Monday 11 October 2021, the Government of the Wallonia-Brussels Federation agreed on the main measures for its draft budget for 2022. This should lead to a deficit reduction of -€985 million compared to 2021.

In the context of an economic recovery that still comprises many uncertainties, the Government has agreed on a budget marked by a strong ambition in terms of investment. In order to meet the objective of carbon neutrality for school buildings by 2040, the Government has decided to allocate one billion euros over the next 10 years for the renovation of such buildings. However, these budgets will have no impact on the 2022 ESA balance, as they are only programmed as commitments.

This amount will therefore supplement the resources already allocated to school infrastructures under the European Recovery and Resilience Plan, i.e. 230 million from the 5.9 billion budget that Belgium will receive. Consequently, through a leverage effect involving the organising authorities of subsidised education, this should make it possible to achieve more than 400 million euros of investment.

Infrastructures, particularly schools, that were damaged by the floods in July 2021 will also be supported. A one-shot provision of €27 million has been set aside for this purpose.

Other resources have also been made available, in particular to refinance higher education, given the increase in enrolment numbers, but also to reform children's policies as part of the implementation of the management contract of the Office of Birth and Childhood (ONE) and in the youth assistance, justice and culture sectors.

Moreover, education in the Wallonia-Brussels Federation will continue to be reformed based on the Pact for Excellence in Education, which has been gradually implemented since 2017.

Part of the 2022 financing requirement will be met by drawing down the available reserves of 55 million from bodies within the scope of consolidation of the Wallonia-Brussels Federation. In addition, the Government intends to strengthen its analysis and spending review work in order to accelerate the deficit reduction in the coming years. Resources are provided for this purpose in 2022, and are offset by the initial savings that the analyses have identified to date.

This financial year marks a turning point for the Wallonia-Brussels Federation. While conducting a serious exercise, the Government is clearly choosing to invest in future generations, through investments in the well-being of our young people and to address the challenge of climate transition.

6.2.6 The French Community Commission

The Community Commission's expenditure for budget year 2022 is estimated at €551.3 million, including €11.4 million in new expenditure for extending the Covid measures which have become structural, more facilities for caring for people with disabilities and more facilities for accommodating newcomers. The estimated revenue level amounts to €551.3 million, boosted by inflation, the economic recovery and planned refinancing from the Brussels Region. The expected financing balance of the French Community Commission for 2022 is in equilibrium. In line with the implementation of the past years, the under-utilisation has been set at 3%. Finally, exceptional investments in school infrastructure made in response to demographic growth in the Brussels Region, amounting to €15 million, have been safeguarded in the budget.

7. Contingent liabilities

7.1 Resume

Garanties *In miljoen EUR*	**2021**	**2022**
Federale overheid + Sociale zekerheid		
Garanties	30.313	27.412
waaronder Covid-gerelateerd	*771*	*450*
waaronder de financiële sector	*26.682*	*24.115*
Vlaamse Gemeenschap		
Garanties	12.185	11.812
waaronder Covid-gerelateerd	*1.500*	*1.500*
waaronder de financiële sector		
Franstalige Gemeenschap		
Garanties	812	853
waaronder Covid-gerelateerd		
waaronder de financiële sector		
Duitstalige Gemeenschap		
Garanties		
waaronder Covid-gerelateerd		
waaronder de financiële sector		
Waals Gewest		
Garanties	8.079	8.079
waaronder Covid-gerelateerd	*269*	*269*
waaronder de financiële sector	*75*	*75*
Brussels-Hoofdstedelijk Gewest		
Garanties	3.254	3.310
waaronder Covid-gerelateerd		
waaronder de financiële sector		

7.2 Covid-related

7.2.1 Federal

List of measures	Date of introduction	Maximum amount of contingent liabilities (As a % of GDP)/	Estimated take-up (as a % of GDP)
SA.56819 (GAR I)	01.04.2020		0,6%
SA.57869 (GAR II)	24.07.2020		0,1%
Total		**10,2%**	**0,7%**

(1) Estimated take-up as of 1 October 2021

7.2.2 Flanders

List of measures	Date of introduction	Maximum amount of contingent liabilities (As a % of GDP)/	Estimated take-up (as a % of GDP)
In the context of the temporary relaxation of EU state aid rules following the corona crisis, Gigarant (Guarantee scheme above €1.5 million) will be able to launch a modified COVID-19 guarantee on the market, offering more flexibility. Gigarant's guarantee capacity is being increased for this purpose from the current €1.5 billion to €3 billion	Introduced	0.3%	0.1%
Total		**0.3%**	**0.1%**

8. Possible links between the draft budgetary plan and the strategy for growth and jobs and the country-specific recommendations set

RECOMMENDATIONS
Description of direct relevance
CSR1. ***In 2022, use the Recovery and Resilience Facility to finance additional investment in support of the recovery while pursuing a prudent fiscal policy. Preserve nationally financed investment***
Entity I
The federal coalition agreement included the objective of gradually raising public investment to 4% of GDP by 2030. In the context of managing the COVID-19 crisis, the federal government has therefore decided to set up a recovery and investment plan consisting largely of the RRF projects, supplemented by a number of other national priority investment projects. On 30 April 2021, Belgium submitted the final version of its national recovery and resilience plan to the European Commission. Belgium's National Recovery and Resilience Plan is structured around six strategic axes: (1) climate, sustainability and innovation, (2) digital transformation, (3) mobility, (4) social and living together, (5) economy of the future and productivity, and (6) public finances. In total, around €5.9 billion of the Recovery and Resilience Facility would be disbursed to Belgium. For the projects funded at Federal level, the Council of Ministers announced in the notification of 2 April 2021 that an additional budget of €328 million (excluding VAT) will be allocated to the following projects in the coming years: • Quarters of the future (Defence): €100 million excluding VAT; • Customs scanner (FPS Finances): €58 million excluding VAT; • Renovation of buildings (Public Buildings Administration): €170 million excluding VAT. In the context of the recovery and transition of our economy, an additional investment envelope of €1 billion has been released for the next 3 years to be used for freight transport by train, the government's property assets and further digitisation. Beyond these projects, the federal government has also launched the Federal Transformation Fund, this leverage fund includes €500 million for the economic recovery and €250 million for investments in the sustainable economy.
Flemish Community
The Flemish projects from the Belgian RRP come from the comprehensive Flemish recovery plan, Vlaamse Veerkracht, which is investing €4.3 billion in the Flemish economy. For the Flemish RRP projects, 55 projects have been selected based on the criteria that are important for the European Commission, such as the digital and green challenges and transitions the European Union is facing.
For the long term, several instruments will be introduced to make the budget more policy-driven. A Flemish Broad Reassessment has been conducted and we are currently looking into how we can anchor and further roll out the instrument of spending reviews within the Flemish budgetary process. In addition, work will continue on a Flemish expenditure standard which will ensure an anti-cyclical budgetary policy.
Additional investment stimulus of €100 million resulting from the coalition agreement. In 2022, this results in an additional €12 million in ESA payment appropriations, within the following policy areas:

- Mobility and public works:
  This pertains to investments in public works and infrastructure.
- Building schools:
  Investments in building schools will help to address capacity shortages, improve teaching equipment to enhance educational quality, and support the evolution towards a multifunctional infrastructure. Always with a focus on climate and sustainability. Alternative funding for school infrastructure will be explored further.
- Infrastructure for R&D:
  In the context of striving for (and maintaining) the 3% standard, the Flemish government intends to enhance the excellence of scientific research through additional investments in outstanding research infrastructure.
- Built heritage
  Support for investment in built heritage: 10% payment appropriation on €10 million springboard in 2022.
- IT-investments Flanders Radically Digital:
  This pertains to the new investment budget of the projects in the context of the further digitisation of the Flemish government.

CSR 2.

2. When economic conditions allow, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions and ensuring fiscal sustainability in the medium term. At the same time, enhance investment to boost growth potential.

Entity I

In the federal coalition agreement, the government envisaged a fixed budgetary effort of 0.2% of GDP. From 2022, this will be supplemented by a variable budgetary effort based on the evolution and level of GDP. The impact of this variable budgetary effort decided at the time of the 2022 budget preparation ranges from 0.3% of GDP in 2022 and 2023 to 0.4% of GDP in 2024. Taking into account additional funds, including for investments, the deficit of Entity I is now estimated at 3.2% for 2022. The deficit would continue to decline in the coming years, reaching 2.5% in 2024.

In addition to the investments financed by the RRF, there is an additional investment package of €1.3 billion which doubles the investment effort under the RRF.

Flemish Community

Phasing out of housing bonus:
The phasing out of the integrated housing bonus will reduce Flemish fiscal expenditure as of income year 2020 and thus help limit net primary public expenditure as of budget year 2021.

Roll-out of spending reviews:
For the long term, several instruments will be introduced to make the budget more policy-driven. A Flemish Broad Reassessment has been conducted and we are currently looking into how we can anchor and further roll out the instrument of spending reviews within the Flemish budgetary process. In addition, work will continue on a Flemish expenditure standard which will ensure an anti-cyclical budgetary policy.

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  Support for investment in built heritage: 10% payment appropriation on €10 million springboard in 2022.
- IT-investments Flanders Radically Digital:
  This pertains to the new investment budget of the projects in the context of the further digitisation of the Flemish government.

CSR 3. ***Pay particular attention to the composition of public finances, both on the revenue and expenditure sides of the budget, and to the quality of budgetary measures, to ensure a sustainable and inclusive recovery. Prioritise sustainable and***

growth-enhancing investment, notably supporting the green and digital transition. Give priority to fiscal structural reforms that will help provide financing for public policy priorities and contribute to the long-term sustainability of public finances, including by strengthening the coverage, adequacy, and sustainability of health and social protection systems for all.
Entity I
The federal government has initiated a program of spending reviews. On 18 December 2020, the Council of Ministers approved a memorandum on the implementation of spending reviews within the federal government. In line with the OECD recommendations to start with selective spending reviews, the Council of Ministers decided to launch a pilot project in the following 3 areas: • tax expenditures; • primary public expenditure; • social security. On 12 February 2021, the Council of Ministers approved the subjects and mission statements of the following three pilot projects: • exemptions on withholding tax on professional income; • impact of generalised teleworking on the organisation and building management of the federal government; • efficient care. The reports were delivered in July 2021 and discussed in the context of the 2022 budget preparations. The reports are also published on the website of the FPS Policy and Support. The report on "efficient care" is an intermediary report. The circular on the 2022 budget preview of 23 April 2021 mentioned the start of a second cycle of spending reviews.
Flemish Community
In order to guarantee the sustainability of finances, the Flemish government is taking the following budgetary measures:
1. Tax reforms
Reduction of registration duty from 6% > 3% (1% for major energy renovation/demolition) As for sales duty, the rate for family homes is reduced from 6% to 3% and from 5% to 1% in the event of a major energy renovation.
Increase of registration duty from 10% > 12% (developable land) As for sales duty, the standard rate of 10% is increased to 12%.
2. Labour market reforms
Job bonus for low-income workers The job bonus is an annual premium that low-income workers will receive as an incentive to make the step from being out of work to employment, and to encourage low-income workers to continue working. The job bonus in the form of premiums will be elaborated in consultation with the federal government, with a view to tax exemption.
Job bonus for the self-employed (to be defined) Premiums for self-employed persons starting their business as their main occupation, with a view to helping increase the employment rate
3. Mitigating growth paths and other one-off measures
Taxes on corporate waste The Flemish Government is raising the environmental tax on the incineration of corporate waste to €25 per tonne in 2022.
Efficiency gains VMSW (Flemish Social Housing Company) / Wonen Vlaanderen As a savings measure, it was decided in the 2022 budget to reduce the budget for SSI (demolition and infrastructure grants) by €11 million, with an additional budgetary effort of up to €16 million as of 2024. These are grants for developers of social rental projects for infrastructure works such as demolition, clearing rubble, making land ready for building, constructing infrastructure, etc.
Savings in cooperation with educational partners Given that discussions with the educational partners are currently ongoing (30/09 and 01/10), DOV cannot make any statements on this at the present time.
Update of the index of basic amounts growth package
Non-indexation of continuation flat fee for hospitals

Update of growth paths Well-being
Payment actors VSB (Flemish Social Protection): efficiency exercise
One-off savings: "Various one-off savings in 2022 for a total of €26.9 million. The main savings are: - 2% collection contribution drinking water companies (€10 million) - Phasing out of the intervention for the processing of cadavers (€7.8 million) - Phasing out of subsidies for containers and reusable cups (€5 million) - Reduced dividend of Aquafin (shareholder compensation from 3.5% to 1.75%) (€1 million) - and a number of smaller savings
Compensation for transport sector kilometer tax This is the gradual phasing out of the subsidy for ecological and safe transport, which was introduced as part of the flanking policy for the introduction of the kilometre tax for trucks.
Balance of savings from the coalition agreement (OV)
Additional investment stimulus of €100 million resulting from the coalition agreement. In 2022, this results in an additional €12 million in ESA payment appropriations, within the following policy areas: • Mobility and public works: This pertains to investments in public works and infrastructure. • Building schools: Investments in building schools will help to address capacity shortages, improve teaching equipment to enhance educational quality, and support the evolution towards a multifunctional infrastructure. Always with a focus on climate and sustainability. Alternative funding for school infrastructure will be explored further. • Infrastructure for R&D: In the context of striving for (and maintaining) the 3% standard, the Flemish government intends to enhance the excellence of scientific research through additional investments in outstanding research infrastructure. • Built heritage Support for investment in built heritage: 10% payment appropriation on €10 million springboard in 2022. • IT-investments Flanders Radically Digital: This pertains to the new investment budget of the projects in the context of the further digitisation of the Flemish government.
Roll-out of spending reviews: For the long term, several instruments will be introduced to make the budget more policy-driven. A Flemish Broad Reassessment has been conducted and we are currently looking into how we can anchor and further roll out the instrument of spending reviews within the Flemish budgetary process. In addition, work will continue on a Flemish expenditure standard which will ensure an anti-cyclical budgetary policy.

Annex 1 : RRF flows by sub-entity

Federal government

Revenue from RRF grants (In million euros)							
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
RRF GRANTS as included in the revenue projections	-	212,1	313,6	265,1	213,6	150,1	91,6
Cash disbursements of RRF GRANTS from EU		162,5	357,5	270,0	198,3	168,8	92,6

Expenditure financed by RRF grants (in million euros)							
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Compensation of employees D.1		0,1	1,0	0,8	1,0	0,8	0,3
Intermediate consumption P.2	-	18,7	60,6	57,5	32,6	20,6	5,8
Social payments D.62+D.632							
Interest expenditure D.41							
Subsidies, payable D.3	-	185,7	209,9	165,7	143,3	108,3	74,6
Current transfers D.7							
TOTAL CURRENT EXPENDITURE	**-**	**204,6**	**271,4**	**224,0**	**176,9**	**129,6**	**80,6**
Gross fixed capital formation P.51g	-	2,5	4,3	10,7	12,9	6,0	6,0
Capital transfers D.9	-	3,7	30,8	21,7	15,8	12,6	4,0
TOTAL CAPITAL EXPENDITURE	**-**	**6,1**	**35,1**	**32,4**	**28,7**	**18,6**	**10,0**

Other costs financed by RRF grants (in million euros)[1]							
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Reduction in tax revenue		*1,4*	*7,0*	*8,7*	*8,0*	*1,9*	*0,9*
Other costs with impact on revenue							
Financial transactions							

[1] This covers costs that are not recorded as expenditure in national accounts

Flanders

Revenue from RRF grants (In million euros)							
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
RRF GRANTS as included in the revenue projections		341,9	727,6				
Cash disbursements of RRF GRANTS from EU		293,1	645,0	487,2	357,8	304,5	167,1

Expenditure financed by RRF grants (in million euros)							
	2020,0	**2021,0**	**2022,0**	**2023,0**	**2024,0**	**2025,0**	**2026,0**
Compensation of employees D.1		0,0	0,0				
Intermediate consumption P.2		60,1	139,3				
Social payments D.62+D.632		0,0	0,0				
Interest expenditure D.41		1,3	1,3				
Subsidies, payable D.3		88,9	149,8				
Current transfers D.7		0,0	0,0				
TOTAL CURRENT EXPENDITURE		**150,3**	**290,3**				
Gross fixed capital formation P.51g		**104,9**	**207,9**				
Capital transfers D.9		**25,0**	**31,6**				
TOTAL CAPITAL EXPENDITURE		**129,9**	**239,4**				
Other Exp		**57,4**	**169,1**				
3.2 Local government		**4,3**	**28,8**				
TOTAL EXPENDITURE		**341,9**	**727,6**				

Other costs financed by RRF grants (in million euros)[1]							
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Reduction in tax revenue							
Other costs with impact on revenue							
Financial transactions							

[1] This covers costs that are not recorded as expenditure in national accounts

Walloon Region

Revenue from RRF grants (In million euros)							
	2020	2021	2022	2023	2024	2025	2026
RRF GRANTS as included in the revenue projections	-	50,3	238,1	365,9	400,7	303,6	121,3
Cash disbursements of RRF GRANTS from EU	-	*192,4*	*423,3*	*319,7*	*234,8*	*199,8*	*109,7*

Expenditure financed by RRF grants (in million euros)							
Compensation of employees D.1							
Intermediate consumption P.2							
Social payments D.62+D.632							
Interest expenditure D.41							
Subsidies, payable D.3							
Current transfers D.7							
TOTAL CURRENT EXPENDITURE		***50,3***	***238,1***	***365,9***	***400,7***	***303,6***	***121,3***
Gross fixed capital formation P.51g							
Capital transfers D.9							
TOTAL CAPITAL EXPENDITURE							

Other costs financed by RRF grants (in million euros)[1]							
	2020	2021	2022	2023	2024	2025	2026
Reduction in tax revenue							
Other costs with impact on revenue							
Financial transactions							

Brussels-Capital Region

Revenue from RRF grants (In million euros)							
	2020	2021	2022	2023	2024	2025	2026
RRF GRANTS as included in the revenue projections		89,1	93,1	90,9	78,2	24,8	19,3
Cash disbursements of RRF GRANTS from EU		51,4	113,0	85,4	62,7	53,4	29,3

Expenditure financed by RRF grants (in million euros)							
	2020	2021	2022	2023	2024	2025	2026
Compensation of employees D.1							
Intermediate consumption P.2							
Social payments D.62+D.632		11,2	20,8	22,4	15,1	11,2	12,4
Interest expenditure D.41							
Subsidies, payable D.3		3,9	7,2	11,5	10,5	5,9	3,0
Current transfers D.7							
TOTAL CURRENT EXPENDITURE		**15,1**	**28,0**	**33,9**	**25,6**	**17,0**	**15,4**
Gross fixed capital formation P.51g		59,1	31,9	38,8	50,7	5,1	2,2
Capital transfers D.9		14,9	33,3	18,1	2,0	2,7	1,8
TOTAL CAPITAL EXPENDITURE		**74,0**	**65,2**	**56,9**	**52,7**	**7,8**	**4,0**

Other costs financed by RRF grants (in million euros)[1]							
	2020	2021	2022	2023	2024	2025	2026
Reduction in tax revenue							
Other costs with impact on revenue							
Financial transactions							

[1] This covers costs that are not recorded as expenditure in national accounts

French-Speaking Community

Revenue from RRF grants (In million euros)							
	2020	2021	2022	2023	2024	2025	2026
RRF GRANTS as included in the revenue projections		12,9	96,4	75,7	87,5	94,2	128,1
Cash disbursements of RRF GRANTS from EU		64,3	141,5	106,9	78,5	66,8	36,7

Expenditure financed by RRF grants (in million euros)							
	2020	2021	2022	2023	2024	2025	2026
Compensation of employees D.1		10,9	16,0				
Intermediate consumption P.2		0,3	12,3	13,9	13,4	7,4	
Social payments D.62+D.632							
Interest expenditure D.41							
Subsidies, payable D.3			39,6	10,3	5,5	3,0	
Current transfers D.7							
TOTAL CURRENT EXPENDITURE		**11,2**	**67,9**	**24,2**	**18,9**	**10,5**	**0,0**
Gross fixed capital formation P.51g		1,6	28,5	51,5	68,6	83,7	128,1
Capital transfers D.9			10,0	20,0	9,0	9,0	2,0
TOTAL CAPITAL EXPENDITURE		**1,6**	**28,5**	**51,5**	**68,6**	**83,7**	**128,1**

Other costs financed by RRF grants (in million euros)[1]							
	2020	2021	2022	2023	2024	2025	2026
Reduction in tax revenue							
Other costs with impact on revenue							
Financial transactions							

German-Speaking Community

Revenue from RRF grants (in million euros)							
	2020	2021	2022	2023	2024	2025	2026
RRF GRANTS as included in the revenue projections	0,00	0,25	21,55	12,45	2,80	12,45	0,50
Cash disbursements of RRF GRANTS from EU	0,00	6,47	14,24	10,75	7,90	6,72	3,69

Expenditure financed by RRF grants (in million euros)							
	2020	2021	2022	2023	2024	2025	2026
Compensation of employees D.1							
Intermediate consumption P.2							
Social payments D.62+D.632							
Interest expenditure D.41							
Subsidies, payable D.3							
Current transfers D.7							
TOTAL CURRENT EXPENDITURE							
Gross fixed capital formation P.51g							
Capital transfers D.9	0,00	0,25	21,55	12,45	2,80	12,45	0,50
TOTAL CAPITAL EXPENDITURE	0,00	0,25	21,55	12,45	2,80	12,45	0,50

Other costs financed by RRF grants (% of GDP)[1]							
	2020	2021	2022	2023	2024	2025	2026
Reduction in tax revenue							
Other costs with impact on revenue							
Financial transactions							

Annex 2 : Exceptional expenses

Exceptional expenses due to the floods in July 2021

Following the exceptionally bad weather that hit our country on 14 and 15 July, the Minister of the Interior announced the federal phase of crisis management on 15 July.

The National Crisis Centre, the emergency services, local authorities and governors coordinated massive rescue and relief operations in the various stricken areas. They also tackled the consequences of the flood disaster in the affected cities and towns.

The provinces affected by this disaster are Liège, Luxembourg, Namur, Walloon Brabant, Hainaut, Limburg and Flemish Brabant. More than 100 municipalities were affected by the floods. Thousands of people were evacuated.

In this context, exceptional expenses were incurred. These costs relate to both emergency assistance (emergency services, temporary accommodation, food, clearance work, etc.) and reconstruction.

Below is a list of the exceptional expenditure incurred as a result of the floods.

These expenses are considered as one-off and thus classified under one-off expenses.

	Expenditure for emergency assistance				
Description	Until the end of September 21	Planned Oct - Dec 21	total 2021	2022	ESA Code
Federal					
PPS Social integration					
* Royal Decree introducing a "Flood" subsidy for the target group of the PCSW situated in the stricken municipalities * Ministerial Order awarding a grant of up to €1 million to the Red Cross to subsidise the purchase of the most necessary products and goods to meet the needs of the victims of the disaster caused by the floods and to provide a humanitarian response.	21.000.000		21.000.000		D.62, D.63 Social payments
Home Affairs					
National Crisis Centre					
overtime	23.312		23.312		D.1 Compensation of employees
operational costs	5.499		5.499		Other
Civil Security					
Intervention costs Civil Protection Teams Crisnée (period 14/07 - 20/09)	701.787		701.787		Other
Intervention costs Civil Protection Teams Brasschaat (period 14/07 - 20/09)	623.920		623.920		Other
Damaged materials Crisnée & Brasschaat	175.000		175.000		Other
Public tender for distribution of warm meals to flood victims (18/08-17/09)	849.866		849.866		Other
Costs related to the requisitioning of private companies to assist with the rescue / intervention works	2.872.565	997.869	3.870.434		Other
Extra fuel costs due to increased activities	27.000		27.000		Other
Extra diesel costs Crisnée	42.550		42.550		
Defence					
Staff costs - Allowances and reimbursements	2.084.952	1.349.370	3.434.322		D.1 Compensation of employees
Operating costs - Catering for the military	223.062	146.280	369.342		P.2 Intermediate consumption
Operating costs - Catering for third parties (aid workers + population)	444.278	732.596	1.176.874		P.2 Intermediate consumption
Operating costs - Maintenance and consumption of vehicles and equipment	1.402.152	1.479.150	2.881.302		P.2 Intermediate consumption
Operating costs - Helicopter maintenance and fuel	406.379	0	406.379		P.2 Intermediate consumption
Walloon Region					
Regional fund for public natural disasters					
Expertise costs and legal assessment costs		4.000.000	4.000.000		P.2 Intermediate consumption
Interventions in favour of the non-public sector		128.000.000	128.000.000		D.3 Subsidies
Interventions in favour of the public sector		68.000.000	68.000.000		D.3 Subsidies
Excluding disaster funds					
Interventions in favour of the non-public sector	164.213.000		164.213.000	1.960.000	D.3 Subsidies
Interventions in favour of the public sector	78.650.000		78.650.000		D.3 Subsidies
German-speaking Community					
Equipment, Rental costs, Temporary staff	67.473	182.527	250.000	47.000	P.2 Intermediate consumption
Allocation PCSW (emergency assistance)	0	600.000	600.000	0	D.3 Subsidies
Special subsidy for flood victims	0	600.000	600.000	600.000	D.3 Subsidies
Total			**479.900.588**	**2.607.000**	

Description	Expenditure for reconstruction 2021	2022	ESA Code
German-speaking Community			
Additional grants for financing equipment and facilities	237.000	130.000	D.3 Subsidies
Special allocation to municipalities	0	500.000	D.3 Subsidies
	0	30.000.000	D.9 Capital transfers
Flanders			
Intervention by the Flemish Disaster Fund via the VFLD in the fire policy for simple risks, so that full cover can be guaranteed		79.000.000	
French-speaking Community			
Provision to cover the renovation of school buildings, cultural buildings, etc., not covered by insurance.		27.000.000	P.51 Gross fixed capital formation
Walloon Region			
Regional fund for public natural disasters			
Expertise costs and legal assessment costs	160.000	5.000.000	P.2 Intermediate consumption
Interventions in favour of the non-public sector	3.300.000	0	D.3 Subsidies
Interventions in favour of the public sector	2.000.000	0	D.3 Subsidies
Interventions in favour of businesses		1.500.000	D.3 Subsidies
Interventions in favour of households and the self-employed		1.500.000	D.3 Subsidies
Interventions in favour of municipalities		2.000.000	D.3 Subsidies
Capital interventions in favour of businesses		120.000.000	D.9 Capital transfers
Capital interventions in favour of households and the self-employed		120.000.000	D.9 Capital transfers
Capital interventions in favour of municipalities		208.000.000	D.9 Capital transfers
Excluding disaster funds			
Staff costs relating to the reconstruction	1.000.000	14.000.000	D.1 Compensation of employees
Special Commission for Reconstruction (SCR)	833.000	1.667.000	D.1 Compensation of employees
Expenditure for reconstruction		253.434.000	D.9 Capital transfers
Interventions en faveur du secteur public	15.210.000	8.506.000	D.3 Subsidies
EXPENDITURE COVERED BY PREFINANCING FROM INSURERS			
Contribution de la Région wallonne dans le cadre des assurances incendies risques simples (protocole)	664.666.667	332.333.333	D.3 Subsidies
Total	**687.406.666,67**	**1.204.570.333,33**	

Annex 3: Expenditure benchmark

	2020	2021	2022
	% GDP	% GDP	% GDP
1. Expenditure on EU programmes fully matched by EU funds revenue	0,1	0,3	0,4
2. Cyclical unemployment benefit expenditure	-0,3	0,1	0,0
3. Effect of discretionary revenue measures	-1,0	0,2	0,4
4. Revenue increases mandated by law	0,0	0,0	0,0

Annex 4 : Divergence from latest stability programme

In % of GDP	2020	2021	2022
Nominal balance			
Stability Programme	-9,4	-7,7	-4,5
Draft Budgetary Plan	0,0	-8,1	-4,9
Difference	0,0	-0,4	-0,4
Structural balance			
Stability Programme	-5,8	-6,1	-4,2
Draft Budgetary Plan	0,0	-6,7	-4,6
Difference	0,0	-0,7	-0,4

Annex 5 : discretionary revenue measures

Entity I

List of measures	Detailed description	ESA Code	Accounting principle	Adoption Status	Budgetary impact % GDP 2021	Budgetary impact % GDP 2022
Revenues						
Aggregated measures D.2	Professional diesel: reduction of excise refund, VAT on furnished accommodation, transfer price cell capacity, energy standard, tax shift: tobacco excise and airline tickets	D.2 - Taxes on production and imports			0,00	0,01
Aggregated measures D.5	Reform of tax benefits for sportsmen and sports clubs, Employment rate, Health care real estate reform, Modification of the non-deductibility treatment of transactions and levies linked to a regularisation, Tax shift: CSSS and complementary social contributions for the self-employed	D.5 - Current taxes on income, wealth, etc			0,00	0,00
Aggregated measures D.61	Reform of social security contributions for sportsmen, employment rate, tax shift: employment bonus	D.61 - Social contributions			0,00	0,00
Aggregated measures D.4	Revenue from telecom licences, monopoly rent	D.4 - Property income			0,00	0,01
Expenditures (+=more expenditures)						
Aggregated measures D.1		D.1 - Compensation of employees			0,00	0,02
COVID: provision	covid	P.2 - Intermediate consumption			0,00	0,00
Aggregated measures P.2		P.2 - Intermediate consumption			0,00	0,00
Aggregated measures D.62, D.63	Employment rate, simplification and reform reintegrationpath, plusplans, back to work	D.62+D.63+D.621+D.624+D.631			0,00	-0,05
Cost of social electricity and gas tariffs for the BIM target group in Q1		D.62+D.63+D.621+D.624+D.631			0,04	0,00
Aggregated measures D.3	taxshift: withholding taks	D.3 - Subsidies			0,00	-0,01
Aggregated measures P.51		P.51 - Gross fixed capital formation			0,00	0,04
Aggregated measures other	climate transation, local police	D.29+D.4+D.5+D.7+P.52+P.53+K.2+D.8 - Other (other than D.41)			0,00	0,03
Aggregated measures D.1	floods 2021	D.1 - Compensation of employees			0,00	0,00
Aggregated measures P.2	floods 2022	P.2 - Intermediate consumption			0,00	0,00
Aggregated measures other	floods 2023	D.29+D.4+D.5+D.7+P.52+P.53+K.2+D.8 - Other (other than D.41)			0,01	-0,01
				TOTAL	-0,05	0,02

Entity II

List of measures	Detailed description	ESA Code	Accounting principle	Adoption Status	Budgetary impact % GDP 2021	2022
Revenues						
Aggregated measures D2	Registrationrights: 6 % to 3 % and 1% for demolition, 10 % to 12 % for certain real estate. Increase taxes burning company waste	D.2 - Taxes on production and imports			0,00	0,00
Expenditures (+=more expenditures)						
Aggregated measures D.1		D.1 - Compensation of employees			0,00	0,00
Aggregated measures P.2	floods	P.2 - Intermediate consumption			0,00	0,01
Aggregated measures D.3	floods	D.3 - Subsidies			0,09	-0,08
Aggregated measures D.9	floods, efficiency gains social renting	D.9 - Capital transfers			0,14	0,07
Aggregated measures P.51	floods	P.51 - Gross fixed capital formation			0,00	0,01
Aggregated measures D.62	floods, Jobbonus	D.62+D.63+D.621+D.624+D.631			0,00	-0,01
Aggregated measures other	local government (economies), education	D.29+D.4+D.5+D.7+P.52+P.53+K.2+D.8 - Other (other than D.41)			0,00	-0,01
				TOTAL	-0,23	0,02