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The structure of expenditure of the Regions and Communities in Belgium:
A comparison 2002-2011

B. Scorneau, V. Schmitz et R. Deschamps

Février 2013
The structure of expenditure of the Regions and Communities in Belgium: a comparison 2002-2011


Table of content

I Introduction ........................................................................................................................................... 3

II Methodology ...................................................................................................................................... 3
   II.1 Period ..............................................................................................................................................3
   II.2 Region territories & adjustments ..................................................................................................3
   II.3 Expenditures categories ..............................................................................................................4
   II.4 Comparison Method ..................................................................................................................5

III Core analysis ...................................................................................................................................... 5
   III.1 First point: static analysis ..........................................................................................................5
   III.2 Second point: dynamic analysis ................................................................................................8

IV Conclusion .........................................................................................................................................10

V References ..........................................................................................................................................11
I  Introduction

In the process of federalization of Belgium, Regions and Communities have seen a major enlargement of their competences and responsibilities. Within this broader autonomy, Regions and Communities may allocate their budget as they think best, which can possibly lead to sensible discrepancies between them. Because budgets are the visible expression of political choices, differences in their allocation also pinpoints diverging political priorities.

The aim of this paper is to compare budgetary expenditures of the Regions and Communities for the territories of Wallonia, Brussels and Flanders during the 2002-2011 period and to highlight implicit priorities of the governments. Those priorities are to be analysed in terms of their impact on the economy, employment and sustainable development. The purpose of our contribution, however, is not to study the expenditures’ efficiency, but to quantify them in terms of budgets shares.

Budgetary expenditures are classified in five categories: regional, social and cultural, education, debt, administration expenditures. Budgetary expenditures for each territory have to be carefully defined; regarding the Walloon territory, they come from budgets of the Walloon Region and of the French and German Communities. For the territory of Brussels, they come from the budgets of the Brussels-Capital Region, of the French, Flemish and Common Community Commissions, and also from the French and Flemish Communities’ budgets. Budgetary expenditures for the Flemish territory come from the Flemish Community’s budget. Corrections have to be made for each territory’s expenditures in order to neutralize transfers between entities.

II  Methodology

II.1  Period

We study the evolution of the structure of expenditures for the period 2002-2011, where 2002 is the first year after the Lambermont reform (2001). This reform of the Belgian federal system is the last one before the reform the current government will have to implement.

For each of these 10 years we have published comparisons from a territorial and from a linguistic points of view. For the Brussels-Capital Region, however, our analysis only starts in 2005.

II.2  Region territories & adjustments

Budgetary expenditures for the Walloon territory or “Wallonia” (“Walloon expenditures”) consist of the expenditures of the Walloon Region’s budget (except the transfers to the German Community), of the German Community’s budget and of a share (defined below) of the French Community’s budget (except the transfers to the Walloon Region and the French Community Commission of Brussels).

Budgetary expenditures for the territory of Brussels cover the expenditures of the Brussels-Capital Region’s budget (except the transfers to the French, Flemish and Common Community Commissions, as well as transfers to debt management Fund), of the French, Flemish and Common Community Commissions, and of shares (defined below) of the French and of the Flemish Communities.

Budgetary expenditures for the Flemish territory or “Flanders” (“Flemish expenditures”) consist of the expenditures of the Flemish Community, except the transfers to the Flemish Community Commission and a share (defined below) of the Flemish community’s expenditures.
The corrections for the French and the Flemish Communities’ budgets aim to distinguish, on the one hand, budgetary expenditures respectively dedicated to Wallonia and Flanders and, on the other hand, budgetary expenditures dedicated to the French and Flemish-speaking populations in Brussels.

The shares of the French and the Flemish Communities attributed respectively to Wallonia and Flanders are equivalent respectively to the share of the Walloon population in the French Community (80.8% in 2002, 79.5% in 2011) and to the share of the population of Flanders in the Flemish Community (96.8% in 2002, 96.6% in 2011). The remaining shares are attributed to Brussels. Population of each Community in Brussels is computed using the 80-20 key (80% of the Brussels population is French-speaking, 20% is Flemish-speaking).

The spending of the Flemish Community and Flemish Region are presented in the same budget, making it difficult to make a distinction between them. When the distinction is possible, Regional expenditures remain unchanged and Community expenditures are adjusted as described above. The nature of various other expenditures, however, cannot easily be identified, as they seem to belong to both the Community and the Region (this is particularly true for central administration or operating expenditures). Those expenditures may also be related to the Flemish population of Brussels, so we first calculate a “mixed key” to distinguish expenditures of the Flemish territory from expenditures of the Flemish population in Brussels. This key is equal to the average between the Flemish Community’s expenditures key (96.6% in 2011) and the implicit Flemish Region’s expenditures (100%). We then split the remaining expenditures between the Flemish Region and Community using the average proportions of Region and Community’s expenditures in the Flemish budget.

II.3 Expenditures categories
We distinguish five categories of expenditures, determined on the basis of the Entities’ competences:

- Regional expenditures, which represent competences that are exerted by the Regions. They include expenditures related to the economy, employment and professional training, natural resources and environment, local administrations, territorial planning and housing policy, equipment and transport.
- Social and cultural expenditures collect competences related to health and social action, culture, sport and tourism.
- Education and Research expenditures gather competences related to fundamental and secondary education, higher education and university, scientific research and other spending in education and research.
- Debt expenditures (interest payments)
- Administration expenditures: this category covers expenditures such as allocation to parliaments and governments, ministers’ offices and secretariats. They also comprise short-term provisions used if the macroeconomic environment deteriorates or if expenditures are higher than expected.

Each category contains several sub-categories. Each sub-category is built mostly by aggregating budgets’ “activity programs” ¹ (the second lowest level in budgets). Sometimes, however, we had to distinguish between “budget articles”, the most disaggregated level in the budgets. For more information on the classification we refer the reader to the collections of publications by the CERPE on this comparison exercise.

¹ We use initial budgets, and we focus on non-differentiated appropriations and payment appropriations.
II.4 Comparison Method

We compare budget shares of the three regions (territories) for each expenditure category. The comparison is built on a “comparison ratio” for each expenditure category, which is the share of the expenditures category in the Walloon (Brussels) budget divided by the share of the same expenditures category in the Flemish budget. A ratio greater than 1 indicates that Wallonia (Brussels) spends a higher share of its budget than Flanders. A ratio equal to 1 means that Wallonia (Brussels) spends exactly the same proportion than Flanders while a ratio smaller than 1 implies that Wallonia (Brussels) spends a smaller share of its budget than Flanders.

Those ratios have been computed by the CERPE for each year from 2002 to 2011 for Wallonia, which makes it possible to analyse the evolution of the categories of expenditures we have determined. However, the comparison for Brussels is only available since 2005.

III Core analysis

III.1 First point: static analysis

Results for 2011 are presented in Table 1 and 2. The average ratios for the period 2002-2011 (2005-2011 for Brussels) are presented in the last column. The results for the years 2002-2010 (2005-2010 for Brussels) are not presented here but can be found in the research papers indicated above.
### Graph 1 - Comparison of the budgets of Wallonia and Flanders (on a territorial basis)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. Regional expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Economy</td>
<td>1,321,987</td>
<td>976,269</td>
<td>1.23</td>
<td>1.63</td>
<td>1.55</td>
</tr>
<tr>
<td>Foreign relations</td>
<td>91,020</td>
<td>100,231</td>
<td>1.08</td>
<td>1.55</td>
<td>1.73</td>
</tr>
<tr>
<td>Economic policy and economic expansion</td>
<td>601,303</td>
<td>391,753</td>
<td>1.16</td>
<td>1.55</td>
<td>1.62</td>
</tr>
<tr>
<td>Agriculture</td>
<td>119,617</td>
<td>133,416</td>
<td>1.08</td>
<td>1.55</td>
<td>1.82</td>
</tr>
<tr>
<td>Energy, technology</td>
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<td>125,965</td>
<td>2.65</td>
<td>1.55</td>
<td>3.03</td>
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<td>0.72</td>
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<tr>
<td>B. Employment policy and professional training</td>
<td>1,309,943</td>
<td>1,150,359</td>
<td>1.16</td>
<td>1.55</td>
<td>1.57</td>
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<td>1.29</td>
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<td>Professional training</td>
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<td>295,665</td>
<td>2.34</td>
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<td>2.10</td>
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<tr>
<td>C. Natural resources and environment</td>
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<td>211,565</td>
<td>0.69</td>
<td>0.67</td>
<td>0.71</td>
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<tr>
<td>D. Local administrations</td>
<td>2,389,092</td>
<td>1,411,206</td>
<td>0.98</td>
<td>1.55</td>
<td>1.16</td>
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<td>Municipalities</td>
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<td>1.08</td>
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<td>Provinces</td>
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<td>Other</td>
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<td>87,180</td>
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<td>0.87</td>
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<td>E. Spatial planning and housing</td>
<td>624,570</td>
<td>397,892</td>
<td>2.16</td>
<td>0.71</td>
<td>1.03</td>
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<td>F. Equipment and transport</td>
<td>2,257,867</td>
<td>1,060,663</td>
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<td>1.2</td>
<td>0.98</td>
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<td><strong>II. Cultural and social expenditures</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Health and social work</td>
<td>3,106,002</td>
<td>1,394,049</td>
<td>0.74</td>
<td>0.64</td>
<td>0.70</td>
</tr>
<tr>
<td>B. Culture</td>
<td>801,404</td>
<td>452,169</td>
<td>0.94</td>
<td>0.78</td>
<td>0.82</td>
</tr>
<tr>
<td>C. Sport et tourism</td>
<td>182,589</td>
<td>146,545</td>
<td>1.33</td>
<td>1.09</td>
<td>1.10</td>
</tr>
<tr>
<td><strong>III. Education expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Fundamental and secondary</td>
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<td>0.93</td>
<td>0.97</td>
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<td>B. Higher education and university</td>
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<td>0.83</td>
<td>0.91</td>
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<td>C. Scientific research</td>
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<td>106,305</td>
<td>0.58</td>
<td>0.71</td>
<td>0.61</td>
</tr>
<tr>
<td>D. Other</td>
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<td>713,330</td>
<td>1.39</td>
<td>1.09</td>
<td>1.07</td>
</tr>
<tr>
<td><strong>IV. Debt expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Councils, parliaments, govern. and ministerial offices</td>
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<td>1,176,360</td>
<td>1.16</td>
<td>1.33</td>
<td>1.16</td>
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<td>Councils/parliament allocations</td>
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<td>128,509</td>
<td>1.23</td>
<td>1.55</td>
<td>1.32</td>
</tr>
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<td>Governments/minist. offices allocations</td>
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<td>71,086</td>
<td>1.08</td>
<td>1.55</td>
<td>1.46</td>
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<td>B. General secretariats</td>
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<td>57,423</td>
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<td>1.16</td>
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<td>C. Reserve funds</td>
<td>5,241</td>
<td>19,541</td>
<td>2.95</td>
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<td>1.73</td>
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<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>23,850,620*</td>
<td>14,376,096</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
</tr>
</tbody>
</table>

* Except “Jobkorting” (75 million EUR)
** Comparison ratio = share of expenditures in the Walloon budget / share of expenditures in the Flemish budget
Source: CERPE-University of Namur (2002-2011)
**Graph 2 - Comparison of the budgets of Brussels and Flanders (on a territorial basis)**

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>I. Regional expenditures</td>
<td>8,408,918</td>
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<td>1.11</td>
<td>1.27</td>
<td>1.21</td>
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<td>A. Economy</td>
<td>1,321,987</td>
<td>216,163</td>
<td>0.68</td>
<td>0.63</td>
<td>0.74</td>
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<td>Foreign relations</td>
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<td>Economic policy and economic expansion</td>
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<td>68,225</td>
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<td>0.78</td>
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<td>B. Employment policy and professional training</td>
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<td>1.07</td>
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<td>Employment</td>
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<td>1.09</td>
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<td>Professional training</td>
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<td>C. Natural resources and environment</td>
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<td>224,964**</td>
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<td>Municipalities</td>
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<td>Other</td>
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<td>1.7</td>
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<td>1.82</td>
</tr>
<tr>
<td>F. Equipment and transport</td>
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<td>2.26</td>
<td>1.74</td>
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<td>II. Cultural and social expenditures</td>
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<td>A. Health and social work</td>
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<td>0.72</td>
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<td>B. Culture</td>
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<td>0.86</td>
<td>0.87</td>
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<tr>
<td>C. Sport et tourism</td>
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<td>0.72</td>
<td>0.78</td>
<td>0.74</td>
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<td>III. Education expenditures</td>
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<td>0.77</td>
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<tr>
<td>A. Fundamental and secondary</td>
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<td>0.79</td>
<td>0.75</td>
<td>0.77</td>
</tr>
<tr>
<td>B. Higher education and university</td>
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<td>276,100</td>
<td>0.78</td>
<td>0.68</td>
<td>0.74</td>
</tr>
<tr>
<td>C. Scientific research</td>
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<td>0.51</td>
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<tr>
<td>D. Other</td>
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<td>0.82</td>
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<td>IV. Debt expenditures</td>
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<td>12.19</td>
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<td>1.18</td>
<td>1.34</td>
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<td>A. Councils, parliaments, govern. and ministerial offices</td>
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<td>6.93</td>
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<td>B. General secretariats</td>
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<td>433,546***</td>
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<td>0.96</td>
<td>1.19</td>
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<tr>
<td>C. Reserve funds</td>
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<td>127</td>
<td>0.1</td>
<td>-</td>
<td>0.16</td>
</tr>
<tr>
<td>TOTAL EXPENDITURES</td>
<td>23,850,620*</td>
<td>5,754,269</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
</tr>
</tbody>
</table>

* Except “Jobkorting” (75 million EUR)
** Including dotation to the regional agency for cleansing “Bruxelles-Propreté” (118.9 million EUR). In other regions, this competence is attributed to local administrations.
*** Including dotation to the fire brigade and emergency medical service “SIAMU” (82.2 million EUR). In other regions, this competence is attributed to local administrations.

Source: CERPE-University of Namur (2005-2011)

In overall, the comparisons between Wallonia and Flanders and between Brussels and Flanders present clear similarities. All five categories of expenditures follow the same pattern when compared in terms of budget shares to Flanders; for regional expenditures, comparison ratios in 2011 are superior to 1 in Wallonia (1.03) and in Brussels (1.11). This means that, compared to Flanders in 2011, the budget share for regional expenditures is higher in Wallonia, and even higher in Brussels. Average comparison coefficients for the period are also superior to 1 in both regions (1.14 for Wallonia, 1.21 for Brussels). On the contrary, budget shares for social-cultural spending and education spending are higher in Flanders than in Wallonia and in Brussels. In 2011 and on average for the period.
Debt expenditures and administration spending account for a higher budget share in Wallonia and in Brussels than in Flanders. Higher budget shares for debt expenditures are the result of larger public deficits in Wallonia and in Brussels leading to a higher indebtedness levels. Higher budget shares for administration spending are partly the result of more complex institutional frameworks.

Despite the similarities between those two comparisons, one must be careful in its interpretations with regard to the specific status of Brussels-Capital, Region with a smaller territory and a higher population density than Wallonia and Flanders. Budget shares in Brussels thus sometimes reflect these characteristics which imply different policy choices than in the other two Regions. Another feature of this comparison however needs to be stressed: amongst regional expenditures, the budget share for expenditures dedicated to research is significantly smaller in Brussels than in Flanders in 2011 and on average over the period (with an average comparison ration of 0.41). It is smaller than in Wallonia (with an average comparison ratio of 0.87). The same pattern applies for expenditures related to scientific research, with budget shares smaller on average over the period in Brussels (comparison coefficient equals 0.51) and in Wallonia (comp. coeff. equals 0.61) than in Flanders.

Some differences between Wallonia and Flanders should be further noticed amongst regional expenditures; the budget share for expenditures related to energy and technology policies is higher in Wallonia than in Flanders (2.65 in 2011, 3.03 on average over the period) as due to the “Plan Marshall 2.Vert”. On the contrary, expenditures related to natural resources and environment represent a higher share in the Flemish budget (avg. 0.71).

III.2 Second point: dynamic analysis
Graph 1 - Evolution of budget shares of Wallonia relatively to Flanders for regional, social-cultural and education expenditures

In 2002, budget shares for all categories of expenditures were quite different in Wallonia and in Flanders. With the exception of debt expenditures and administration spending, it nevertheless seems that these differences have diminished during the period. This does not automatically mean that the Walloon spending behaviour converges towards the Flemish one. Indeed, convergence in terms of budget shares can be explained either by an adjustment of both Entities or by one Entity alone.
When budget shares are studied separately for Wallonia and Flanders, trends show that the share of regional expenditures remains quite stable in Wallonia between 2002 and 2011 while it increases in Flanders. Inside this category of expenditures, this pattern is less true for the share of expenditures for equipment and transport, which decreases in the Walloon budget (from around 10% in 2002 to 8% in 2011) while it increases in the Flemish budget (from 8% in 2002 to 10% in 2011).

The evolution of the budget shares for social and cultural expenditures in Wallonia and in Flanders are also quite different. While this share steadily increases over the whole period in Wallonia (from 11% in 2002 to 14% 2011), it displays a non-regular trend in Flanders with ups and downs (between 16% and 18%). This results in a comparison ratio increasing over the period (from 0.69 in 2002 to 0.81 in 2011). Within this category, it is worth noticing that the budget share for expenditures related to culture increases regularly in Wallonia (from 2.8% of the budget in 2002 to 3.1% in 2011) while it decreases in Flanders (from 3.9% in 2003 to 3.4% in 2011).

The budget shares for education expenditures in Wallonia and Flanders evolve in a similar way over the whole period, which explains the stability of the comparison ratio over the period. Inside this category of expenditures, however, comparison ratios evolve in opposite directions concerning scientific research (it decreases from 0.71 in 2002 to 0.58 in 2011) and higher education and university (it increases from 0.83 to 0.98). Indeed, while the Walloon budget share for scientific research stays low over the period (around 0.72% on average), it increases in Flanders (from 0.98% in 2002 to 1.27% in 2011). Regarding higher education, the share in the Walloon budget remains constant over the period (around 6%) but it slightly decreases in Flanders (from 7.33% in 2002 to 6.18% in 2011).

The evolution of budget shares for debt expenditures and administration spending is less clear. Although budget shares for debt expenditures are always higher in Wallonia (but greatly vary each year), it is not the case for budget shares for administration spending, sometimes also higher in Flanders.

Graph 2 - Evolution of budget shares of Brussels relatively to Flanders for regional, social-cultural and education expenditures

The convergence observed in the analysis of the comparison ratios for Wallonia and Flanders can be found for Brussels in the case of regional expenditures. As for Wallonia, this seems mainly the result of an increasing budget share for regional expenditures in Flanders (from 29% in 2005 to 35% in
2011) while this share remains more stable in the Brussels budget (from 37% to 39% between 2005 and 2011).

The comparison ratios for the remaining expenditures presented on the graph (social-cultural and education expenditures) show that the differences in budget shares between Brussels and Flanders remain remarkably constant over the period. This constancy is due to the similar evolution of respective budget shares from 2005 to 2011. Let’s however mention that, as for Wallonia, the comparison ratio for scientific research in Brussels stays quite similar over the period (from 0.51 in 2005 to 0.52 in 2011), though smaller on average than in Wallonia.

Finally, budget shares for debt expenditures remain higher in Brussels than in Flanders over the period, as well as budget shares for administrative expenditures.

**IV Conclusion**

By sorting out budgetary expenditures spent on the territories of Wallonia, Brussels and Flanders, a comparison of the spending behaviours of each region can be drawn.

Leaving aside expenditures related to debt and administrative spending, our analysis focuses on expenditures related to regional competences (economy, employment and professional training, natural resources and environment, local administrations, territorial planning and housing policy, equipment and transport), social and cultural competences, education and scientific research.

Differences between regions in terms of budget shares for those categories may be interpreted as the result of implicit political choices. They should be analysed in the light of objectives such as employment promotion or support of the economic activity. Factors that are known to contribute to these objectives, such as public investment in private enterprises, human capital, in R&D and scientific research, should then get all the attention.

Main results show firstly that budget shares for regional expenditures are higher in Wallonia and in Brussels than in Flanders. This difference tends however to decrease, as this share in the Flemish budget has increased over the period 2002-2011, while shares in the Walloon and Brussels budgets remain stable.

Secondly, budget shares for social and cultural expenditures are smaller in Wallonia and in Brussels than in Flanders. The difference between Wallonia and Flanders however seems to decrease over the years, due to a growing budget share in Wallonia. The budget shares in Flanders and Brussels remain stable.

Finally, the evolutions of budget shares for education spending in the three regions are remarkably similar, though the share is smaller in Wallonia than in Flanders, and even smaller in Brussels. Furthermore, within this category of expenditures, budget shares for scientific research in Brussels and in Wallonia are particularly smaller than in Flanders. Research funded by the Regions also accounts for smaller budget shares in Brussels and in Wallonia than in Flanders.

Our analysis only assesses political priorities in terms of budget shares and does not provide any information concerning spending efficiency. This raises questions which should be analysed further. For instance, with a budget share roughly equivalent for education, the Flemish Community performs
better in international comparisons (PISA studies) than the French Community. Regarding professional training, Wallonia dedicates a higher budget share than Flanders, but the proportion of poorly qualified unemployed workers remains higher.

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