



**Brussels Capital Region**

**PUBLIC EXPENDITURE AND FINANCIAL  
ACCOUNTABILITY (PEFA) PERFORMANCE  
ASSESSMENT REPORT**

***PEFA***

**Final report**

*Implemented by:*

**AARC**

**Funded by the EU through the Structural Reform  
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cooperation with DG REFORM**

**Brussels Capital Region**

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## Belgium - Brussels Capital Region

### Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report

The quality assurance process followed in the production of this report satisfies all the requirements of the PEFA Secretariat and hence receives the **'PEFA CHECK.'**

PEFA Secretariat,

August 17, 2021

**Country's currency and indicative exchange rates**

**Belgium uses the Euro**

**1 Euro = \$1.18**

**Fiscal year**

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*The present report has been produced under a contract with the Union. The opinions expressed are those of the contractor only and do not represent the official position of the European Commission*

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## Abbreviations and acronyms

BCR	Brussels Capital Region
BF	Brussels Fiscalite (Tax Department)
BFB	Brussels Finance and Budget
BGHM	Brussels Regional Housing Company
BM	Brussels Mobility (Transport, etc)
BNB	Belgian National Bank
BPL	Brussels Pouvoirs Locales (Municipalities)
CEL/CSS	Control of Commitments & Payments (in BFB)
CoA	Court of Auditors (Cour des Comptes/Rekenhof)
CPAS	Public Social Aid Centres
EC	European Commission
EU	European Union
FCC	Financial Coordination Centre for the Brussels Region
FCSFM	Financial Control and Sound Financial Management (dept of BFB)
GFS	Government Finance Statistics (IMF)
GDP	Gross Domestic Product
GGE	General Government Expenditure
ICN	National Accounts Institute
IF	Inspectorate of Finance
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
MIP	Multi-annual Investment Plan
OAA	Autonomous Administrative Organisation
OOBCC	Organic Ordinance on Budget, Accounting and Control
PEFA	Public Expenditure and Financial Accountability
POP	Performance Operational Plans
PFM	Public Financial Management
SAP	BFB Accounting Platform
SEC/ESA	European System of Accounts
SIAMU	Fire Brigade & Medical Emergencies
STIB	Brussels Intercommunal Transport Company
SPRB	Brussels Regional Public Services
STIB	Brussels Intercommunal Transport Company



# Executive summary

## Purpose and management

1. This Public Expenditure and Financial Accountability (PEFA) assessment covers the Brussels Capital Region (BCR), the smallest of the three regions into which Belgium is divided. Central government powers and responsibilities have since 1980 been progressively decentralized to the Governments of the Flemish (Dutch-speaking) and Walloon (French-speaking) regions and the Flemish and French linguistic communities. BCR was established in 1989 as a bilingual region. It has about a tenth of the country's population, and generates about 18 per cent of GDP, but its residents are on average poorer than those in other parts of the country. Since much of the funding of the regional Governments accrues from personal income tax (corporate income tax and VAT accrue to the Federal Government) BCR has in recent years been in a weaker fiscal position than the other two regions and has been incurring substantial additional debt. Belgium as a whole continues to have a very high level of public debt – well in excess of 100 per cent of GDP – and expenditure of General Government absorbs around half of GDP. While progress was made during the period 2014-18 in reducing the annual fiscal deficit from over 4 per cent of GDP to less than 1 per cent, the deficit increased again in 2019. In the context of the European Semester, the European Commission recommended to Belgium to take action in 2019 and 2020 “to improve the composition and efficiency of public spending, notably through spending reviews, and the coordination of fiscal policies by all levels of government to create room for public investment”<sup>1</sup>. The Government of the bilingual BCR has signalled its willingness to pursue this agenda, and as a preparation for spending reviews has sought the support of European Commission's DG REFORM in undertaking a general review of its Public Financial Management (PFM) systems, using the internationally recognized Public Expenditure and Financial Accountability (PEFA) methodology. Following a workshop for BCR officials provided by the PEFA Secretariat in early 2020, DG REFORM has contracted the AARC Consultancy to undertake a PEFA assessment covering all the operations of the BCR Government and its subordinate Autonomous Administrative Organisations (OAAs).

## Scope, coverage, and timing

2. The BCR Government and its OAAs are responsible within its territory for the provision of economic and administrative services – infrastructure, transport, housing, employment support, environment. Education and cultural matters are the responsibility in Belgium of the Linguistic Communities rather than the Regional Governments; in the BCR territory these matters are covered by French and Flemish Community Commissions and for bilingual matters a Common Community Commission. This assessment covers only the activities for which the BCR Government and its subsidiary bodies are responsible. Although the budget voted by the Regional Parliament fully includes only the direct government services and those provided by Autonomous Administrative Organisations (OAAs) which are fully controlled by the Government, BCR has integrated all the operations of the other OAAs, which depend on subsidies from the budget in its consolidated annual financial statements for the regional entity as a whole. These bodies are mostly constituted as companies with Government Commissioners on their Boards of Directors; only the Government subsidies to them are included in the budget voted by the Parliament. Where the assessment depends on the experience of three years, the period covered by the PEFA assessment is 2017-19, with 2019 the most recent completed year. Government actions up to the end of 2020 are taken into account, including the enactment of the 2021 budget. In addition to the main PEFA assessment, this report includes the module which covers the extent to which gender issues are taken into consideration in decisions on revenue and expenditure.

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<sup>1</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1560258016104&uri=CELEX%3A52019DC0501>

## OUTCOME OF THE ASSESSMENT

### Impact of PFM on budgetary and fiscal outcomes

3. BCR Government services are provided by a wide range of separate departments and OAAs, each of which is required to maintain sophisticated accounting and internal control systems. In terms of the PEFA Performance Indicators it generally scores well. Budget credibility is strong, given that revenue is accurately forecast and expenditure close to the originally budgeted amount, with relatively small changes in its functional allocation during budget execution. Very full information is provided to Parliament, and unusually sophisticated consolidated accounting and reporting is firmly established, although its complexity may hinder understanding by ordinary citizens. A system of annual targets and performance reporting is in place, but it is focused on specific actions in a particular year rather than policy outcomes over a period of time. A system is in place for projecting revenue and expenditure, taking into account national economic projections and investment spending plans, but it does not take into account other factors which may be driving costs in the medium-term. The budgetary process is orderly within both the administration and the Parliament. Internal controls are strong: there are practically no arrears of expenditure, staff are correctly managed and paid, and EU procurement rules are generally complied with. Expenditure is accurately tracked, and full annual financial reports covering all parts of the administration and its OAAs are produced within a reasonable timescale. But the same degree of attention is not paid to whether the results really justify the expenditure incurred, or whether the services are provided in the most cost-effective way.

4. Despite the good performance in executing a budget very close to original plans, BCR is in a difficult fiscal position, with strategic investment plans currently being executed at a rate which, combined with ongoing current expenditure obligations, threatens future problems from an increasingly heavy debt burden. The complexity of the constitutional arrangements, with responsibility for some important public services undertaken by the Commission Communautaire Commune rather than the Regional Government, and the considerable number – over 20 – of OAAs involved in the provision of public services, mean that change will inevitably face obstacles. Budget documentation of all kinds required by Parliament runs to several hundred pages, and performance reporting is similarly voluminous; there is much scope for signposting more clearly what is important in terms of the achievement of policy objectives. The decentralization of activities to semi-independent OAAs adds to the difficulty of understanding the activities of government. Until recently relatively little consideration had been given to the provision of information to the general public, with budget material only published by Parliament and the federal *Moniteur Belge* after printing delays of several weeks. The launch this year (2021) of a “Budget for Everybody” and the provision of material for use in schools are important steps towards addressing these difficulties.

5. The main strength of the BCR PFM system has been its ability through strong accounting and control systems to deliver the execution of annual budgets more or less exactly as approved by Parliament. But the system does not provide the same degree of assurance that resources are allocated to best advantage, or that services are delivered as efficiently as possible. Aggregate fiscal discipline is thus adequate from the standpoint of annual budgeting, but a stronger grip needs to be taken over medium-term budget planning to ensure that the present difficult situation does not continue. Spending reviews are likely to be very important in this context, as is a strengthening of the role of Brussels Finance and Budget (BFB) in questioning the budgetary plans of all the different departments and OAAs. The competing investment plans of different actors need to be considered together, with detailed preparation by officials of analyses of all the costs and benefits. Performance audits and policy evaluations could contribute more to the development of PFM: at present resources for internal audit are very limited, and external audit has apparently been more concerned with the correctness of financial statements than with the efficiency of spending.

6. All in all the PEFA assessment identifies five areas where there is significant scope for improvement of PFM:

- (i) Planning improvements over time in the quality of public services (PI-8);
- (ii) Planning of public investment (PI-11);
- (iii) Medium-term planning of public expenditure (PI-14);
- (iv) Information for the public, which interacts with (i) and (ii) (PI-9 and PI-24);
- (v) Internal audit (PI-26).

### PFM reform agenda

7. This assessment has been undertaken early in the present Government's term of office with a view to identify where PFM reform might best be pursued. So, for the most part the detailed agenda has yet to be developed. A multi-annual budget was presented for the first time at the end of 2020, and pilot spending reviews of mobility and housing programmes are in place. As noted in paragraph 4 above, an initiative has already been undertaken by BFB to produce a simple citizen's guide to the way public money is raised and spent. The current Government's programme (2019-24) speaks of bringing services closer to their users, and also of simplifying governance by bringing together the work of bodies connected either vertically (line of authority) or horizontally (through engagement in similar activities). These are all important steps in moving away from the present situation which encourages the maintenance of things as they are from one year to the next.

### Summary of scores

8. Table 1 below gives an overview of the scores for each Indicator and Dimension. Each is scored in the range A (best) to D (worst). In multi-dimension Indicators aggregation is done either by Method 1 (M1) in which the lowest score prevails and a + is registered where other dimensions are higher, or by Method 2 (M2) where there is an arithmetical average of the dimension scores. Not Applicable (NA) is given where the Indicator or Dimension are not assessed (the grey shading shows where Performance Indicators have fewer than four dimensions).

**Table 1 Overview of the scores of the PEFA indicators**

PFM performance indicator		Scoring method	Dimension score				Overall score
			i.	ii.	iii.	iv.	
<b>Pillar I. Budget reliability</b>							
HLG-1	Transfers from higher levels of government	M2	A	A	A	A	A
HLG-2	Fiscal rules	M1	NA	NA	NA		NA
PI-1	Aggregate expenditure outturn	M1	A				A
PI-2	Expenditure composition outturn	M1	A	B	A		B+
PI-3	Revenue outturn	M2	B	B			B
<b>II. Transparency of public finances</b>							
PI-4	Budget classification	M1	A				A
PI-5	Budget documentation	M1	A				A
PI-6	Central government operations outside financial reports	M2	A	A	B		A
PI-7	Transfers to subnational governments	M2	A	A			A
PI-8	Performance information for service delivery	M2	B	B	A	D	B
PI-9	Public access to fiscal information	M1	D				D

PFM performance indicator		Scoring method	Dimension score				Overall score
			i.	ii.	iii.	iv.	
PI9 bis	Public consultation	M2	D	B	A		B
<b>III. Management of assets and liabilities</b>							
PI-10	Fiscal risk reporting	M2	B	C	C		C+
PI-11	Public investment management	M2	B	C	D	C	C
PI-12	Public asset management	M2	A	C	A		B+
PI-13	Debt management	M2	A	A	A		A
<b>IV. Policy-based fiscal strategy and budgeting</b>							
PI-14	Macroeconomic and fiscal forecasting	M2	B	B	D	C	C+
PI-17	Budget preparation process	M2	B	A	A		A
PI-18	Legislative scrutiny of budgets	M1	A	B	A	A	B+
<b>V. Predictability and control in budget execution</b>							
PI-19	Revenue administration	M2	A	NA	NA	C	B
PI-20	Accounting for revenue	M1	A	A	A		A
PI-21	Predictability of in-year resource allocation	M2	A	A	A	A	A
PI-22	Expenditure arrears	M1	A	A			A
PI-23	Payroll controls	M1	B	A	A	D	D+
PI-24	Procurement management	M2	A	A	C	NA	B+
PI-25	Internal controls on non-salary expenditure	M2	A	A	A		A
PI-26	Internal audit	M1	D	A	A	A	D+
<b>VI. Accounting and reporting</b>							
PI-27	Financial data integrity	M2	B	A	NA	A	A
PI-28	In-year budget reports	M1	A	B	C		C+
PI-29	Annual financial reports	M1	D	B	C		D+

# 1. Introduction

## 1.1. Rationale and purpose

1. This report concerns the Brussels Capital Region (BCR), the smallest of the three regions to which powers and responsibilities of central government have been progressively devolved since 1980. It is in part a response to the overall difficulty Belgium has in managing public debt and achieving a sustainable overall fiscal balance. In the context of the 2019 European Semester, the European Commission recommended to Belgium to take action in 2019 and 2020 to improve the composition and efficiency of public spending, notably through spending reviews and the coordination of fiscal policies by all levels of government in order to make room for public investment. The Government of the Brussels Capital Region (BCR) has signalled its willingness to introduce spending reviews into the budgetary process, in order to identify efficiency savings and eliminate low priority expenditure so as to make room for new policy priorities including additional public investment. In order to prepare the ground for spending reviews, BCR requested support from the Directorate-General for Structural Reform Support of the European Commission (DG REFORM) to conduct a gap analysis of its budgetary system in order to improve budget formulation and execution, to introduce a strategic and multi-annual approach to managing increasingly scarce public resources, and to increase the link between budget, policy and results. BCR and DG REFORM agreed that this could best be done by also undertaking a comprehensive public financial management (PFM) assessment using the well-established Public Expenditure and Financial Accountability (PEFA) Framework, including the quality assurance provided by the PEFA Secretariat and peer reviewers. This activity will enable the BCR administration to obtain experience of the PEFA framework and provide a basis for future assessments and for monitoring the region's PFM system.

## 1.2. Assessment management and quality assurance

2. This assessment is funded by the EU's Structural Reform Support Programme and implemented in cooperation with the European Commission. It has been undertaken with the full cooperation of almost all the services of the BCR Government and its Autonomous Administrative Organisations (OAAs in the French Acronym). There has been no formal involvement of the BCR Parliament and the Belgian Court of Auditors (CoA, the country's Supreme Audit Institution) in the commissioning and preparation of this report, although information publicly available on their websites has been taken into consideration. In view of this, the Government has decided that PIs 30 and 31, concerned with the audit by the CoA and the Parliament's response to it, should not be assessed in the report.

### **Box 1 - Assessment management and quality assurance arrangements**

#### **PEFA assessment management organization**

##### **Oversight Team**

<b>Name, position, and organisation</b>	<b>Role</b>
Sven Gatz, Minister of Finance, Government of Brussels Capital Region	Chairman of the Oversight team
Stefan Cornelis, Head of Cabinet	
Sigrid Callebert, deputy head of Cabinet	
Karolien Kaisz, Advisor to the Minister	
Julie Fiszman, Secretary-General, Brussels Region Public Services	Members of the Oversight Group
Dirk de Smedt, Director-General of the Tax Department	
Mark Dehoux, Director of Budget	
Carole de Groef, Director of Treasury	
Dominique Outers, Director of Debt	

Josianne Happi Kalla, Director of Accounting	
Eric Fondeur, Regional Accountant	
Anne-Chantal Faucon, First Attache – expert advisor, Controller of Commitments and Settlements	
Iakovos Dimitriou, European Commission, DG REFORM, replaced by Barbara Ochotnicka	
Eric Deschoenmaker, European Commission, DG INTPA	
Ali Chahbouni, Brussels Finance and Budget	Coordinator and focal point for the assessment

**Assessment Manager:** Perrine Andersen, AARC Consultancy

**Assessment team:** John Wiggins (UK – Team Leader), Joop Vrolijk (NL) and Ferdinand Pot (NL), senior PFM experts

#### **Review of concept note and/or terms of reference**

The Concept Note was prepared by DG REFORM in consultation with representatives of the BCR Government. Comments were received from the European Commission’s DG INTPA DEVCO and the PEFA Secretariat (Guillaume Brule). The final version of the Concept Note was approved on 11 May 2020. It was subsequently updated on 12 April 2021, when it was sent to Professor Gabriele Buchholz who had been appointed as the fourth peer reviewer. The other peer reviewers (PEFA Secretariat, European Commission and Ministerial Cabinet) were all consulted in the course of its initial preparation.

#### **Review of the assessment report**

- Date(s) of reviewed draft report(s): 14 May 2021
- Invited reviewers: Cabinet of Sven Gatz, BCR Minister of Finance, Eric Deschoenmaker and Barbara Ochotnicka, European Commission, Professor Gabriele Buchholz, PEFA Secretariat
- Reviewers who provided comments: Guillaume Brule (PEFA Secretariat), Barbara Ochotnicka and Eric Deschoenmaker (European Commission), Sigrid Callebert and Karolien Kaisz (Cabinet of Minister Sven Gatz), Professor Gabriele Buchholz

## **1.3. Assessment methodology**

### **1. Scope and coverage of the assessment**

The assessment covers all the activities of the BCR Government, including both those subsidiary bodies whose operations are fully integrated into the Region’s annual budget, and those of other bodies controlled by the Region which are partially financed from the budget without their income and expenditure being wholly integrated into the budget. Those bodies whose operations are fully included in the budget are referred to as “First category” Autonomous Administrative Organisations (OAAs in the French Acronym), with the others, most but not all of which are established as companies, constituting the second category. Although the second category bodies are not wholly integrated into the budget voted by the Regional Parliament, all their operations are included in the consolidated financial statements prepared each year for the regional entity as a whole, as are their balance sheets in which all assets are included at current values. The bodies covered by the assessment are listed in the following table. The BCR Government is not responsible for education, cultural matters, or the provision of health services. Education is largely the responsibility of the Flemish and French Linguistic Communities while any BCR involvement in the provision of Health services belongs to the Common Community Commission. The PEFA assessment covers only those activities for which the BCR Government is responsible.

**Table 2 - Status of bodies covered by the assessment**

<b>Government departments</b>	<b>First category OAAs</b>	<b>Second category OAAs</b>
Brussels Region Public Services, inc.	Data Processing centre	Actiris (Employment services)
Brussels Finance and Budget	Fire Brigade (SIAMU)	Urban Transport co. (STIB)
Brussels Economy and Employment	Brussels Environment Institute	Regional Housing co.
Brussels Transport	Brussels Cleaning Agency	Port of Brussels

Brussels Housing	Municipal Treasuries Refinancing fund	Brugel (Energy price control)
Brussels Local Authorities	Innoviris (Promotion of innovation)	Economic & Social Council
Brussels Human Resources & Facilities	Brussels Planning bureau	Visit.brussels
Brussels International	Brussels Prevention and security	Parking Agency
Brussels ICT		BRUSOC (Enterprise finance)
Brussels Taxation (Fiscalite)		Brussels Guarantee Fund
Brussels Urbanism & Heritage		Cooperative Housing Fund
Brussels Staffing Observatory		IRISteam
		ABAE (enterprise support)

The Fund for the Financing of Water Policy mentioned in the Concept Note was stated to be no longer operating.

## 2. When performance is assessed

The fieldwork for the assessment has been carried out on-line during the period from September 2020 to March 2021. Where ratings depend on the three most recent years, these are generally 2017-19, with 2019 as the most recent year for which complete data are available. The effective cut-off date for the assessment is the end of 2020 (after the enactment of the 2021 budget), although reference may be made to events up to end-March 2021.

## 3. Sources of information

At the preparatory stage for this assessment the PEFA Secretariat held a workshop to introduce the process to BCR officials. They had accordingly undertaken a certain amount of self-assessment work before the project was launched in September 2020. The assessment team provided a schedule of all the information needed to complete the assessment. In general information has been readily provided, much of it from published sources – the websites of the Government, the Parliament, and the Court of Accounts. Other information has been derived from the country's National Accounts Institute or supplied by OAAs. A considerable number of meetings has been held on-line, in the course of which different parts of the Government's administration explained the matters for which they are responsible. Where the scores depend on practices across the whole budget, information has been sought from a sample of first category OAAs so as to cover about 75 per cent of staff numbers or expenditure concerned. The volume of information taken into consideration is very large, reflecting the large number of separate bodies involved in the provision of government services, and the complexity of some issues (for example the detailed study of alternative possible ways of extending the Region's public transport system). Because of the impact of the COVID-19 pandemic, it has not been possible to triangulate information by asking non-Government actors about their experience as taxpayers or government contractors. Annex 3 lists the sources of information for each Performance Indicator, and the officials consulted in each case.

## 4. Other methodological issues for the preparation of the report

BCR is in most respects more like a central government than a municipality. Within its area of responsibility it is sovereign, and not subject to any direct control by the Federal Government over its fiscal balance or level of debt, although arrangements are in place for fiscal coordination across all levels of government. All Indicators relevant to subnational governments as set out in the revised 2020 Framework for subnational assessments have been considered, but both the Region Government and the assessment team consider that Indicators HLG-2 s should be treated as Not Applicable. As noted above, the Government decided that the Indicators (PIs 30 and 31) concerning external audit and the Parliament's response to it should not be assessed.

## 2. Country background information

### 2.1. Country economic situation

1. Belgium is a highly developed small country – population 11.4 million - with a diversified economic structure and generous public services. The Northern part of the country is essentially Dutch-speaking, and the Southern part French-speaking and the North-East part is German speaking. Historically the French-speaking area (Wallonia) led the industrial development, based on coal and steel industries, but since 1950 as older heavy industries declined the Dutch-speaking part (Flanders) has become relatively more prosperous. Brussels as the capital city, financial centre and capital of the European Union has a much higher GDP than the other regions, but at the same time its residents are poorer on average, and unemployment is higher. Brussels Capital Region which occupies a small area within the Flemish Brabant province is the only fully bilingual section of the country. The public sector as a whole in Belgium absorbs about half of GDP, made possible by taxes (including social security contributions) set at an equally high level. Moreover, Belgium's economic development has since 1950 been substantially constrained by a relatively high level of public debt, which at almost 100 per cent of GDP in 2019 remained far above the EU Maastricht limit of 60 per cent. As Table 2.1 shows, the years up to 2019 were a period of slow but steady growth, low inflation, and falling unemployment. The challenges now faced by the country as a whole, and particularly by BCR, are first to manage the recovery of the economy from the losses resulting from COVID-19, which will have substantially increased the debt level as a percentage of GDP, and then to find the fiscal room within a sustainable debt position for public investment needed to improve the infrastructure and the housing stock.

**3. Table 2.1 - Selected economic indicators for Belgium**

	2017	2018	2019
GDP (Euro millions)	445,957	459,532	473,085
GDP per capita (Euro)	39,119	40,310	41,138
Real GDP growth (%)	1.9	1.5	1.4
CPI (annual average change) (%)	2.2	2.3	1.2
Gross General Government debt (Euro millions))	453,980	459,307	466,961
Government debt as % of GDP	102.0	99.8	98.1
Current account balance (% of GDP)	0.7	-1.0	-1.2
Unemployment rate (% of labour force)	7.8	6.0	5.4

Source ICN and IMF

### 2.2. Fiscal and budgetary trends

2. The financing of the Federated Entities – the Regional Governments and the Linguistic Communities – is governed by the 1989 Special Finance Act (SFA), which can only be amended if there is a two-thirds majority in the Federal Parliament and each language group. Subsequent state reforms in 1993, 2001 and 2014 have transferred further responsibilities, particularly concerning social spending, to the Regions. As there is no hierarchy between the federal level and the federated entities, issues concerning public finance are managed on the basis of the 2013 Cooperation Agreement. Multi-annual fiscal targets set at the general government level are incorporated into the country's Stability Programme, which is underpinned by sub-national governments' fiscal trajectories proposed by the High Council of Finance in which they are all represented. All branches of government agreed in 2013 in the High Council of Finance that the country should work towards a zero net fiscal deficit, but the different branches never committed to particular targets for their operations. Nevertheless, there was considerable progress during the period 2014-18, when the overall fiscal deficit was reduced from more than 4 per cent of GDP to less than one per cent at the end of the period. Some reductions were



made in the taxation of labour income (including social contributions), while the rate of corporate income tax was reduced, and the base widened. Much of the improvement was due to the reduction in interest rates on outstanding debt. However, the deficit widened again in 2019 to nearly 2 per cent when there was only a caretaker Federal Government. This deterioration was evident at both the Federal level and in BCR; the overall position of the Walloon Region and French Community showed little change, while the Flemish Community moved from deficit into surplus. As Table 2.2 shows, expenditure on social programmes of all kinds accounts for almost half of General Government Expenditure (GGE), and public sector pay for a further quarter, leaving very little scope for public investment. Debt interest payments in 2019 absorbed less than 4 per cent of total expenditure (or 2 per cent of GDP), but any recovery of interest rates towards a historically normal level would have a severe budgetary impact, given that aggregate debt is now (early 2021) well above 100 per cent of GDP.

4 - Table 2.2 - Aggregate fiscal data

General government actuals (Euro millions)			
	2017	2018	2019
Total revenue	228,478	236,500	238,598
As % of GDP	51.3	51.4	50.1
Total expenditure	231,533	240,155	247,877
As % of GDP	52.0	52.2	52.1
Public sector employment costs	55,277	56,686	58,553
Social expenditure	109,349	112,981	117,197
Capital expenditure	10,724	12,181	12,518
Interest payments	10,499	9,772	9,373
Fiscal balance	-3,055	-3,655	-9,279
As % of GDP	-0.7	-0.8	-1.9

Source ICN

## 2.3. Structure of the Government

3. Belgium has a complex government structure reflecting its linguistic divide into Dutch and French speakers, with a small German-speaking minority. The transfer of responsibility since 1980 from the Federal Government to the Regions and linguistic communities has resulted in a complex, and not entirely symmetrical governmental structure. The Regions (Flanders, Wallonia, and Brussels Capital) and Communities (Flemish, French and German) are sovereign in their spheres of responsibility – Regions for administrative and economic affairs, and Communities for social and cultural affairs. Whereas the Regions exercise a degree of authority over the provinces and municipalities within their territories, there is no direct Federal control over regional and communal revenue, expenditure, and debt policies, although as noted above, the regions and communities must take part in fiscal concertation arrangements which also include the coordination of debt issues under the management of the Federal Minister of Finance.

5 - Table 2.3 - Revenue and Expenditure of different levels of government (2019)

Level of Government	Revenues net of Transfer receipts (Euro millions)	Transfers Received (Euro millions)	Expenditure net of transfers to other public authorities (Euro millions)	Total outstanding Debt (Euro millions)
Federal Government	101,225	-	44,058	386,519
Regions and Communities (total)	39,835	52,199	81,678	60,952

<b>Brussels Capital Region</b>	3,137	1,778	4,229	7,907
<b>Brussels Commissions Communes</b>	100	2,025	2,231	
<b>Provinces and Municipalities</b>	17,212	15,714	32,596	23,067
<b>Brussels municipalities</b>	1,860	1,774	2,651	1,477 (2017)
<b>Social security system</b>	67,607	33,736	89,889	-12,576
<b>Total General Government</b>	238,598		247,877	466,961

Sources ICN and Federal Debt Agency (Figures exclude unallocated expenditure and receipts)

4. As Table 2.3 shows the Federal Government raises more than 40 per cent of total General Government revenue but distributes more than half of it to the Regions and Communities. They in turn distribute some of their revenues to the provinces and municipalities. More than 75 per cent of interest payments are borne by the Federal Government. The social security system is the largest element of expenditure, accounting for more than a third of the total. Regions and Communities account for a further third, while provinces and municipalities account for 13 per cent. Table 2.4 shows the total expenditure of the Regions and Communities, and the provinces and municipalities in each Region. Whereas the Flemish Community acts as both Community and Regional Government, these are separate authorities in Wallonia. In the Brussels Capital Region (BCR) there is a French Community Commission and a small Flemish Community Commission responsible for their specific linguistic interests, and a common Community Commission which is responsible for all social and cultural matters which are not language specific. In Flanders and Wallonia some services are organized at provincial level rather than provided by each individual municipality, but in BCR there is no intervening provincial administration, and each municipality provides the full range of services, including serving as the base for the local Public Social Aid Centres (CPAS) which ensure that all their inhabitants have at least a minimum level of food and accommodation.

**6 - Table 2.4 - Allocation of expenditure between different Regions and Communities (2019)**

	<b>Flanders</b>	<b>Wallonia</b>	<b>Brussels Capital</b>	<b>German Community</b>
<b>Population (millions)</b>	6.6	3.6	1.2	0.1
<b>Region Government expenditure (Euro billions)</b>	Inc in Community	15.3	5.5	Inc in Wallonia
<b>Community Government expenditure (Euro billions)</b>	53.7	20.5	2.1	0.4
<b>Number of Provinces</b>	5	5	-	-
<b>Number of Municipalities</b>	300	253	19	9
<b>Local Expenditure (Euro billions)</b>	14.4	8.6	3.6	0.1

Source: ICN (Figures exclude unallocated expenditure)

## 2.4. Brussels Capital Region

5. The main focus of this assessment is on the affairs of the Brussels Capital Region (BCR) established in 1989. This bi-lingual region at the centre of a much larger metropolitan area, and entirely within the Flemish province of Brabant, is responsible for the environment, infrastructure, transport, housing, employment services and the supervision of the 19 municipalities within its territory. The resident population of 1.2 million represent rather more than 10 per cent of the total population of Belgium; there are large immigrant communities from North and Central Africa, as well as substantial numbers from other parts of Europe. BCR accounts for some 18 per cent of Belgian GDP, but its residents' share of personal income tax payments is only about 8.25 per cent of the country total. This situation reflects the relative deprivation of some inner-city areas with large and less well-educated immigrant populations, while much of the work of BCR businesses and public authorities is done by

commuters from outside the BCR area. BCR receives some compensation from the Federal level for the shortfall of its income tax revenue share below its population share, and further compensation for the exemption of EU and NATO officials from local taxes. Table 2.5 provides details of BCR revenues. The largest amount – about a third of the total - is transferred by the Federal Government from its share of national taxes. This followed by income tax revenue, where the rates are determined by the Region, although at present collection remains with the Federal authorities. BCR obtains substantial revenues from the very high taxes on property transfers, and also from inheritance taxes (it might be expected that the impact of Covid19 would be to considerably reduce revenue from property transfers, but to increase somewhat the yield of inheritance taxes, but these effects could be offset by other factors affecting the timing of transactions). Only property taxes, taxes on vehicles, and taxes on office space (m2) are wholly within the control of BCR. Receipts from the Agglomeration are a recognition of the transport and other services the City Region provides to the surrounding municipalities.

**7 - Table 2.5 - Composition of Budget revenues (Euro millions)**

	2017	2018	2019
<b>Taxes on income and profits</b>	904.4	836.0	855.1
<b>Taxes on property</b>	507.0	599.8	478.4
<b>Taxes on goods and services</b>	730.7	757.6	766.7
<b>Other regional taxes</b>	193.0	203.7	207.3
<b>Transfers from Federal Government</b>	1,347.9	1,429.4	1,489.4
<b>Transfers from Agglomeration Brussels</b>	287.9	255.9	135.1
<b>Property income</b>	38.0	40.8	47.9
<b>Revenue from sales of goods and services</b>	95.9	125.0	100.3
<b>Fines, penalties</b>	36.7	25.1	30.2
<b>Repayment of loans, etc.</b>	337.3	255.8	274.6
<b>Other income</b>	35.0	35.0	39.1
	4,514.0	4,564.1	4,434.0

Source: Brussels Finance and Budget (BFB)

6. Much of the work financed from the BCR budget is actually carried out by Autonomous Administrative Organisations (OAAs) which are not directly part of the government. Examples are the Fire Brigade (SIAMU) which also provides emergency ambulance services, the Environment Institute which manages parks and open spaces, and the Sanitation Agency which cleans the streets and collects rubbish. These bodies (OAAs of the first category) are directly responsible to Ministers and Parliament, and all their revenue and expenditure is fully integrated in the budget. Some OAAs (OAAs of the second category) are constituted as companies, with only the subsidies to them included in the budget: the most important are the public transport undertaking (STIB), and the bodies responsible for housing investment. Formally these bodies are run by boards of Directors appointed by the Government, including two Government Commissioners. Since their activities depend on Government subsidies, they are in effect controlled by the Government, and have to agree their plans and policies, especially concerning investment, with the Government. Actiris, which provides employment services and spends about a sixth of the budget, belongs to the second category, although it is not constituted as a company. All these bodies form part of the public sector as defined in the European System of Accounts, and their operations are fully included in the consolidated accounts of the regional entity. In the published national accounts payments to these bodies are usually shown as transfers within the public sector, although in practice they meet the employment or other current costs and the costs of investments undertaken by these bodies. In this report payments to these bodies are attributed to the functions concerned rather than presented as an “other” category. Tables 2.6 and 2.7 show the breakdowns of BCR expenditure by function (UN Classification of Functions of Government – COFOG)

and by economic type (IMF Government Finance Statistics – GFS). The BCR Government has only limited involvement in health, education, and cultural affairs, which are for the most part the responsibility of the Federal Government or the linguistic Communities, which in BCR are discharged by the Commission Communautaire Française, the Commission Communautaire Flamande and the Commission Communautaire Commune.

**8 - Table 2.6 - Budget expenditures by function (million EUR)**

	2017	2018	2019
General Public Services	1,512.7	1,583.1	1,716.2
as % of total	33.8%	31.4%	31.7%
Public Order and Safety	180.9	212.5	236.6
Economic Affairs	1,899.9	2,099.7	2,336.5
as % of total	42.5%	41.6%	43.1%
Environmental protection	406.3	440.0	453.8
as % of total	9.1%	8.6%	8.6%
Housing and communal facilities	163.9	259.8	269.1
Health	0.3	0.4	0.3
Recreation, culture, and religion	34.9	47.3	41.2
Education	53.6	54.5	54.9
Social Protection	209.1	340.2	299.1
Other	9.5	8.5	8.6
<b>Total (excluding interest payments)</b>	<b>4,471.0</b>	<b>5,046.1</b>	<b>5,416.1</b>

Source: Brussels Finance and Budget

**9 - Table 2.7 - Budget expenditure by economic classification (Euro millions)**

	2017	2018	2019T
Current expenditures	4,419.6	4,829.7	5,163.2
—Wages and salaries	439.2	470.6	494.0
—Goods and services	264.6	307.6	366.8
—Interest payments	129.6	120.5	119.1
--Subsidies to bodies outside the Regional Entity in pursuit of Govt objectives	549.5	532.9	536.0
--Grants to municipalities, CPASs	1,110.6	1,213.2	1,299.0
--Grants to OAs and PCs	139.3	102.0	131.2
--Social benefits	403.0	545.3	540.8
—Other current expenditure	181.0	337.0	372.0
Capital expenditures	4,600.6	5,166.7	5,535.2
<b>Total expenditure</b>			

Source: BFB

## 2.5. Legal and regulatory arrangements for PFM

### 2.5.1. BCR Government organization

7. The existence of the Regions and Linguistic Communities is established by Articles 2-4 of the Belgian Constitution, most recently amended in 2020. Each Region and Community has its own Parliament and makes its own laws covering the matters for which it is responsible. The Parliament appoints the Government for a period of five years, until the next election, which is synchronized with the elections to the European Parliament. The first step towards devolution to the regions took place in 1980. The process was taken further in January 1989 when special laws were enacted allocating additional

powers and responsibilities and establishing the Brussels Capital Region (BCR) as the only bilingual region. A further reform was initiated by the Federal law of 16 May 2003, which was put into effect in BCR by the Organic Ordinance on Budget, Accounting and Control (OOBCC in the French Acronym) of 23 February 2006. This general law specifies the arrangements applicable to budgeting, accounting, and internal control applicable to the BCR government and its various subsidiary bodies. In accordance with it, and in line with the EU European System of Accounts (ESA), the budgetary process covers not just the services which are directly part of the government, but also both those autonomous bodies (OAAs in the French acronym) whose revenue and expenditure are fully included in the budget (first category OAAs) and those OAAs most of which are established as companies where only the transfers from the government are included in the budget (second category OAAs). OOBCC further requires consolidated financial statements to be produced covering the entire “Regional Entity” made up of the government services and both categories of OAAs. The practical arrangements for implementing this law were set out in the BCR Government decree of 13 July 2006.

8. The special law of January 1989 establishing the powers and responsibilities of the Regions and Communities provides the basis for their revenues, expenditure, debt (Article 49) and Treasury (Article 52) functions. Expenditure is primarily the responsibility of “authorizing officers” in each Department of the Government and in each OAA, in accordance with the provisions approved each year in the annual budgets voted by the Parliament. The budget each year provides separately for expenditure commitments and the subsequent payments. Budgetary management is the responsibility of the department Brussels Finance and Budget (BFB) of the Brussels Regional Public Service (SPRB). A substantial part of BCR annual revenue accrues through the allocation by the Federal government of shares in the revenue it collects. Other elements of revenue are derived from the sale of goods and services, and the exploitation of property, which are the responsibility of different departments and OAAs. Tax revenue, where responsibility for determining the tax base and rates belongs to BCR, is managed by the BCR tax department (Brussels Fiscalite) established as a separate unit of government in 2016. The tax department directly collects the substantial revenues from property tax, motor vehicles and office space as noted above. While the Regions (including BCR) are responsible for determining the rate of personal income tax, collection remains for the time being with the Federal authorities.

9. In BCR debt is managed by the Debt Agency of BFB, whose work is closely coordinated with that of the Treasury. The Treasury manages the payments process and the relationship with the bank (currently Belfius) through which it operates and is responsible for cash flow forecasting and for borrowing for up to 33 days. The Front Office of the Debt Agency manages the regional debt portfolio so as to ensure, on the one hand, that cash is always available to meet approved expenditure, and on the other hand, to minimize the long-term costs and risks associated with the Region’s debt. The Front Office is responsible for the terms of any debts with a maturity of more than 33 days. The Middle Office of the Debt Agency serves as BFB’s fiscal planning department, and makes projections of the Region’s revenue and expenditure based on economic forecasts supplied by the Federal Plan Bureau, and on approved investment and other forward expenditure plans; in order to do this, it has developed an econometric model which allows the implications of alternative assumptions to be explored, although a fully detailed picture of the medium-term allowing for possible cost changes across the whole budget has not yet been produced. The Middle Office also manages the Financial Coordination Centre which consolidates the bank balances of most OAAs, thereby minimizing overall borrowing costs.

10. Staff management is the responsibility of each department of Government and each OAA. The terms of employment are set for permanent staff of the public services by the Regional “statute” which governs their pay and conditions of service, and for contracted staff by the country’s general employment laws protecting the interests of employees. The Department talent.brussels established by Government decree in 2017 is currently responsible for the collection of data about all the employees of BCR including its OAAs, pending the enactment of new legislation to establish an

Employment Observatory. More than 60 per cent of the staff of SPRB and other government services (Urban.brussels, Brussels Fiscalite and talent.brussels) are under the statute, while for the OAAs more than 60 per cent are contract staff.

11. Procurement is regulated by the June 2016 Federal law in accordance with applicable European Directives, with appeals governed by the Federal law of June 2013. Each department and OAA is responsible for its own procurement, with all details published on the Federal platform [www.public.procurement.be](http://www.public.procurement.be). Compliance with procurement law is checked for SPRB and some OAAs by BFB's Control of Commitments and Payments. Although all details of individual procurements are published, there is no overall coordination of public procurement and no publication of analytical statistics.

12. Accounting arrangements are prescribed by Articles 31-45 of OOBCC 2006 and the implementing Decree of 19 October 2006. In addition to budget accounts of income and expenditure, accounts must be prepared on an accrual basis, with full updating of balance sheets. Preparation of the consolidated accounts of the entire Regional Entity is the responsibility of the Regional Accountant, who also has the task of checking (on a sample basis) the accuracy of accounting entries. In 2019, as well as a fiscal deficit in excess of one billion Euro, there was a substantial write-down of the value of the Region's assets from 9.4 billion Euro at the end of 2018 to 6.1 billion Euro at the end of 2019, largely resulting from the reduction in value attributed to the Region's autoroute infrastructure.

### 2.5.2. Internal control

13. An important feature of the 2003 reform which was implemented in BCR by Chapter V of the 2006 OOBCC was the abolition of the ex-ante visa which had until then been required for each item of expenditure from the Court of Auditors (CoA - the country's Supreme Audit Institution). At the same time, action was to be taken to strengthen internal control throughout the country's public institutions.

The first element of this was the maintenance of the position of the Inter-federal **Inspectorate of Finance**, which serves as the independent advisor of each branch of government. The advice of the Inspectorate must be obtained for each year's budget proposals as a whole, and for all significant investment, staffing and procurement decisions. Overruling an adverse opinion by the Inspectorate requires a specific decision by the Minister of Finance or Government. In addition, each department and OAA was required to establish a separate **Control of Commitments and Payments** (CEL in the French acronym); no commitment can be undertaken, or payment made unless it has been approved by the CEL, thereby replacing the former CoA ex ante visa. BFB operates a centralized CEL department serving most parts of the government and a number of OAAs, but other OAAs have their own arrangements. Two further elements of control were added: a **Sound Financial Management** directorate was established in BFB to promote economy, efficiency and effectiveness throughout the government, and an **Internal Audit** directorate was established to test the correct functioning of administrative systems. External audit remains the responsibility of the national Court of Audit, which for the most part works in separate Flemish and French Chambers, but for the bilingual BCR the responsibility rests with the Court's General Assembly which brings the two Chambers together.

### 3. Assessment of PFM performance

#### SNG Pillar: Intergovernmental fiscal relations

##### HLG-1 Transfers from higher levels of government

This indicator assesses the extent to which transfers to the subnational government from higher levels of government are consistent with original approved budgets of higher-level government and are provided according to agreed time frames. In Belgium about 95 per cent of transfers from the Federal Government to BCR are shares of personal income tax revenues calculated by reference to the legislation governing the allocation of powers and responsibilities to the regional governments and those of the linguistic communities. These are general transfers to be spent at the discretion of the BCR Government. BCR receives its share (currently about 8.25 per cent) in the total federally collected revenues applied to amounts originally fixed in 1989 and subsequently adjusted for growth and inflation. In addition, it receives an amount to compensate it for the extent to which its share of fiscal revenues is less than its share in the total population of the country (currently about 10.6 per cent). The amounts accruing to BCR can be forecast with confidence using the economic forecasts prepared by the Institut des Comptes Nationaux (ICN). In addition to these amounts BCR receives some transfers calculated by reference to particular circumstances, the most important of which is compensation for international civil servants living in Brussels who are exempt from Belgian taxes. Of these additional transfers only those directed towards particular activities of the emergency services are earmarked for specific purposes. Indicator HLG-1 has four Dimensions aggregated by reference to the M2 (averaging) method.

**Table 10 – HLG-1: Summary of scores and performance table**

Indicator/Dimension	Score	Justification for score
HLG-1 Transfers from higher levels of government	A	
1.1 Out-turn of transfers from HLG	A	Actual transfers were between 97% and 106% of budget in 2 of the 3 years 2017-19
1.2 Transfers composition out-turn	A	Variance of earmarked transfers was less than 5% in all 3 years 2017-19
1.3 Timeliness of transfers from HLG	A	Transfers are received on a predictable path through the year as income taxes are paid
1.4 Predictability of transfers	A	The amounts of transfers for the budget year and the 2 subsequent years are forecast by reference to the predictions of the INS, which have generally proved very accurate.

##### HLG-1.1 Out-turn of transfers from higher levels of government

Actual transfers were 96.6 per cent, 100.2 per cent, and 100.7 per cent of the original budget for the 3 years 2017-19 respectively. Since these amounts were between 97 per cent and 106 per cent of budget in two of the three years 2017-19, the score is A. Detailed calculations are shown in Annex 4.

### HLG-1.2 Transfers composition out-turn

Only transfers earmarked for distribution to bilingual municipalities and for particular activities by the emergency services were restricted in their use. All other transfers could be used at the discretion of BCR. The calculated variance of the earmarked transfers was 1.1 per cent, 0.2 per cent and 0.5 per cent for the years 2017-19 respectively. Since the variance was less than 5 per cent in all three years, the score is A.

### HLG-1.3 Timeliness of transfers from HLG

The monthly amounts of freely disposable transfers are notified to BCR by the Federal Government in September each year. These amounts paid on the last day of each month normally remain the same until August, when they may be revised in the light of the latest macroeconomic statistics, after which they remain the same until the end of the year. The amounts of the targeted transfers to bilingual municipalities (s.46bis) are notified in October each year. Score: A

### HLG-1.4 Predictability of transfers

The amounts of transfers are determined by applying relevant legislative provisions to the base amounts adjusted for inflation and economic growth. Forecasts are made for three or more years ahead by reference to the economic forecasts prepared by the Institut des Comptes Nationaux (ICN). Changes in the outlook from one year to the next reflect changes in the economic forecasts. Score: A

### HLG-2 Fiscal rules and monitoring of fiscal position

This Indicator looks to a situation in which the higher-level government sets and enforces rules governing the fiscal balance or the debt levels of subordinate subnational governments. Under the Belgian Constitution the Regional Governments and the Governments of the linguistic communities are not subordinate to the Federal Government but are sovereign within their territories and responsibilities. They are, however, subject to fiscal coordination in accordance with the 2013 inter-Federal Cooperation Agreement. The High Council of Finance, which in accordance with this Agreement brings together representatives of the Federal, Regional and Community Governments, agreed in 2014 that the country should work towards zero overall fiscal deficit for general government as a whole, but none of the Governments concerned has undertaken any specific commitments about how effect should be given to its achievement. This Indicator is accordingly considered Not Applicable.



## PILLAR ONE: Budget reliability

### PI-1. Aggregate expenditure outturn

Table 11 – PI-1: Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-1. Aggregate expenditure outturn	A	Expenditure was between 95% and 105% of original budget in 2 of the 3 years 2017-19.

#### *General description of the characteristics of the indicator within the scope covered*

This indicator measures the extent to which aggregate budget expenditure outturn reflects the amount originally approved, as defined in government budget documentation and fiscal reports. In accordance with the 2006 Ordinance BCR uses a wide definition of the budget, including within it the revenue and expenditure of subsidiary bodies (OAA's of the first category) whose operations are subject to control by government departments (examples are the Emergency Services and the Cleaning Agency) as well as the revenue and expenditure directly managed by government departments. This definition of the Budget reflects the European statistical definition of the budget result in terms of surplus or deficit and is also consistent with the definition of budget units in the Concept Note. Only the government's transfers to public organisations where decisions are formally taken by boards of directors representing the government's shareholding (OAA's of the second category, the most important example is the public transport undertaking STIB) are included in the budget. However, the government notifies the Parliament of the consolidated forecast of revenue and expenditure of the whole "entity" including the semi-independent organisations as well as those fully included in the budget and provides a consolidated annual financial report with similar coverage which is audited by the Court of Auditors (CoA - Cour des Comptes/Rekenhof) which is the country's Supreme Audit Institution. Expenditure is defined as total current and capital expenditure, including loans to bodies not directly included in the budget and interest on outstanding debt, but in accordance with EU statistical definitions capital repayments are excluded (as new borrowing is excluded from budget revenue).

#### 1.1 Aggregate expenditure outturn

Table 12 - Performance level and evidence for scoring of the dimension

Table: Total budget and actual expenditure (Euro millions)			
	2017	2018	2019
Budget	4,963.3	5,336.1	5,738.1
Actual	4,600.6	5,166.7	5,535.2
% Deviation	92.7%	96.8%	96.5%

Source: BFB

Since the out-turn was between 95 per cent and 105 per cent of original budget in two of the three years 2017-19, the score for the present dimension is A. The detailed calculations for PI-1 are shown in Annex 4.

## PI-2. Expenditure composition outturn

Table 13 – PI-2: Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-2. Expenditure composition outturn</b>	B+	
2.1 Expenditure composition outturn by function	A	Variance of expenditure by function was less than 5% in all 3 years 2017-19
2.2 Expenditure composition outturn by economic type	B	Variance of expenditure by economic type was less than 10% in all 3 years
2.3 Expenditure from contingency reserves	A	No expenditure was charged to contingency during the period 2017-19

### General description of the characteristics of the indicator within the scope covered

This indicator measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition. It contains three dimensions and uses the M1 (WL) method for aggregating dimension scores. The variance – change in the mix of expenditure as between original budget and actual out-turn – is calculated by adjusting the original provision for each category by the overall percentage difference between budget and out-turn, and then summing the absolute differences between the adjusted and actual amounts in each category, with the total calculated as a percentage of the actual out-turn. The detailed calculations are shown in Annex 4.

#### 2.1. Expenditure composition outturn by function

##### Performance level and evidence for scoring of the dimension

BCR has no involvement in national defence and very limited involvement in education and health services which in Belgium are largely the responsibility of the linguistic communities. Transfers to independently managed bodies whose revenue and expenditure are not wholly integrated into the budget (notably to the public transport undertaking) are attributed to the function concerned. As the detailed figures in Annex 4 demonstrate, there was relatively little change in the mix of expenditure by function. The calculated variances were 4.6 per cent, 2.6 per cent and 1.9 per cent respectively for the three years 2017-19. Since variance was less than 5 per cent in all three years, the score is A.

#### 2.2. Expenditure composition outturn by economic type

##### Performance level and evidence for scoring of the dimension

Much of BCR expenditure by economic type takes the form of transfers to independently managed bodies, much of which is to finance investment. Investment classified as such in this Dimension is limited to that which is directly financed from the budget. The calculated variances (see Annex 4) were 5.7 per cent, 4.6 per cent and 5.5 per cent respectively for the three years 2017-19. Since the variance was less than 5 per cent in only one of the three years, but less than 10 per cent in all three years, the score is B.

#### 2.3. Expenditure from contingency reserves

##### Performance level and evidence for scoring of the dimension

No expenditure was charged to contingency during 2017-19. The score is A

## PI-3. Revenue outturn

**Table 14 - PI-3: Summary of scores and performance table**

Indicator/Dimension	Score	Brief justification for score
<b>PI-3. Revenue outturn</b>	B	
3.1 Aggregate revenue outturn	B	Total actual revenue was between 94% and 112% of budget in 2 of the 3 years 2017-19.
3.2 Revenue composition outturn	B	Variance of revenue was less than 10% in 2 of the 3 years 2017-19

### General description of the characteristics of the indicator within the scope covered

This indicator measures the change in revenue between the original approved budget and end-of-year outturn. It contains two dimensions and uses the M2 (AV) method for aggregating dimension scores. About half of BCR's revenues are derived from taxes where the Region receives all the revenue (personal income tax, stamp duties, inheritance taxes, taxes on vehicles, etc), with a further third accruing in grants from the federal government (see HLG-1 above), and the remainder from charges for goods and services, property income and other receipts.

#### 3.1. Aggregate revenue outturn

##### Performance level and evidence for scoring the dimension

Total actual revenue amounted to 96.5 per cent, 97.8 per cent, and 89.4 per cent of original budget for the three years 2017-19 respectively. The breakdown of revenues is shown in Annex 4. The most significant revenue shortfalls arose from overestimation of receipts from charges by the Cleaning Agency in each of the three years 2017-19, and the slippage of a substantial amount of receipts from the Brussels Agglomeration (the predecessor administration to BCR which still receives some local revenues) from 2019 into 2020. Since receipts were between 94 per cent and 112 per cent of original budget in two of the three years, the score is B.

#### 3.2. Revenue composition outturn

##### Performance level and evidence for scoring the dimension

The calculation of the variance of the composition of revenue is done in the same way as for PI-2.1 and 2.2.

The details are shown in Annex 4. The calculated variances were 5.1 per cent, 7.4 per cent and 15.6 per cent respectively for the three years 2017-19. The main reasons apart from the variability of stamp duty and inheritance tax receipts were the persistent overestimation of receipts from Sanitation charges and the delay in the receipt of 2019 funds from Brussels Agglomeration. Since the variance was more than 5 per cent in two of the three years, and less than 10 per cent in two of the three years, the score is B.

## **PILLAR TWO: Transparency of public finances**

### **PI-4. Budget classification**

**Table 15 - PI-4: Summary of scores and performance table**

<b>Indicator/Dimension</b>	<b>Score</b>	<b>Brief justification for score</b>
<b>PI-4. Budget classification</b>	A	Budget formulation, execution and reporting are based on consistent and detailed administrative, programme and economic classifications.

#### **Performance level and evidence for scoring the dimension**

Budget formulation, execution and reporting is based on consistent economic, administrative (“mission”) and programme classifications. The breakdown of revenue is consistent with GFS, while expenditure is summarized by mission, and the expenditure of each mission is divided into programmes analysed by economic nature. At the end of the very voluminous documentation of the budget as presented to Parliament there is a summary table of revenue and expenditure by economic classification. Budget documentation covers both direct revenue and expenditure, and also the revenue and expenditure of all the extra-budgetary institutions which form part of the Regional Entity. The Budget Execution section of the annual financial report contains tables showing both original budget provision and actual expenditure by mission (administrative unit) and programme. The score is A

## PI-5. Budget documentation

Table 16 - PI-5: Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-5. Budget documentation	A	All 4 basic elements are fulfilled, and 7 of the 8 others.

### General description of the characteristics of the indicator within the scope covered

This indicator assesses the comprehensiveness of the information provided in the annual budget documentation, as measured against a specified list of basic and additional elements. There is one dimension for this indicator.

Table 17 - Performance level and evidence for scoring the dimension

Element/ Requirements	Met (Y/N)	Evidence used/Comments
<b>Basic elements</b>		
1. Forecast of the fiscal deficit or surplus or accrual operating result	Y	Presented in the Explanation of the budget to Parliament ( <a href="http://financien-begroting.brussels/begroting-2021">http://financien-begroting.brussels/begroting-2021</a> )
2. Previous year's budget outturn, presented in the same format as the budget proposal	Y	2019 figures are presented in Section IV, Chapters 1 and 2 of the 2021 Budget Explanation
3. Current fiscal year's budget presented in the same format as the budget proposal	Y	Tables showing proposed amounts for 2021 also show original budget amounts for 2020.
4. Aggregated budget data for both revenue and expenditure	Y	Summary tables of revenue by type and of expenditure by mission (administrative unit) are complemented by detailed presentation of expenditure programmes with economic breakdown of each.
<b>Additional elements</b>		
5. Deficit financing, describing its anticipated composition	Y	Section III of the Budget Explanation explains how the deficit will be financed
6. Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate	Y	The Explanation of the Budget includes a detailed presentation of economic prospects based on forecasts by the Bureau Federal du Plan covering growth, inflation, and interest rates. Given BCR's position in the Eurozone, any change in the exchange rate between the Euro and the US dollar could have only a very limited impact on its budget. All BCR debt is denominated in Euro.
7. Debt stock, including details at least for the beginning of the current fiscal year presented in accordance with GFS or another comparable standard	Y	This is included in Section III of the Budget Explanation.
8. Financial assets, including details at least for the beginning of the current fiscal year presented in accordance with GFS or another comparable standard	Y	The 2019 General Account for the Regional Entity contains full details of all BCR assets, financial and non-financial, and is available to the Parliament at the same time as the material relating to the 2021 Budget.

9. Summary information of fiscal risks	Y	Contingent liabilities from the issue of guarantees are described in Section III of the Budget Explanation. This also describes action to lengthen the maturity of the debt portfolio so as to reduce interest rate risks.
10. Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of <b>all</b> major revenue policy changes and/or changes to expenditure programs	Y	These are summarized in Section VII of the Budget Explanation and presented in detail in the contracts governing specific activities which are set out in Annexes to the Budget.
11. Documentation on the medium-term fiscal forecasts	Y	This is included in Section VII of the Budget Explanation.
12. Quantification of tax expenditures	N	Some partial information is included about the special treatment of owner occupiers in relation to the taxation of property, but concessions against taxes collected by the Federal authorities are not reported.

The requirements are met for all 4 basic elements and 7 additional elements out of 8, thereby justifying the score A.

## PI-6. Central government operations outside financial reports

Table 18 - PI-6: Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-6. Central government operations outside financial reports</b>	A	
6.1 Expenditure outside financial reports	A	The consolidated annual accounts of the Regional Entity include all of expenditure of extra-budgetary units and public corporations.
6.2 Revenue outside financial reports	A	The consolidated annual accounts of the Regional Entity include all of revenue of extra-budgetary units and public corporations
6.3 Financial reports of extrabudgetary units	B	The 2019 statement covering more than 90 per cent of EBU expenditure was submitted within 6 months of year-end. emends to the Regional Accountant by 31 May each year.

### General description of the characteristics of the indicator within the scope covered

This indicator measures the extent to which government revenue and expenditure are reported outside central government financial reports. It contains three dimensions and uses the M2 (AV) method for aggregating dimension scores. In addition to the bodies which are directly part of the government, the entire revenue and expenditure of a number of bodies performing government functions (including emergency services, Cleaning and Environment – the first category of Autonomous Administrative Organisations (OAAs)) is already included in the budget. Only direct budgetary transfers to other bodies which are part of the Regional Entity (the second category of OAAs) are included in the budget, but all their operations are presented to Parliament alongside the budget and reported in the consolidated annual accounts of the Regional Entity. Second category OAAs which are not constituted as companies are considered in this PI-6, while those which are companies are considered in PI-10 below.

#### 6.1. Expenditure outside financial reports

##### Performance level and evidence for scoring the dimension

The principles governing which Organisations should be included in the consolidated accounts are set out in s.2.2 and s.85.2 of OOBCC, although the Government may make adjustments to the list as part of the annual budget Ordinance. All expenditure of the bodies treated by the Government as extra-budgetary units is fully reported in the consolidated annual accounts of the Regional Entity. The annual financial reports of other public bodies which might be considered to meet the criteria for inclusion in the consolidation are all published on the website maintained by the National Bank. Score: A

#### 6.2. Revenue outside financial reports

#### **Performance level and evidence for scoring the dimension**

All revenue of those bodies treated by the Government as extra-budgetary units is fully reported in the consolidated annual accounts of the Regional Entity. The score is A

### **6.3. Financial reports of extrabudgetary units**

#### **Performance level and evidence for scoring the dimension**

The Concept Note identifies four EBUs, whose expenditures in 2019 were: Actiris 701.0m Euro, Economic and Social Committee 3.2m Euro, Guarantee fund 1.1m Euro and BRUGEL 4.2m Euro. “visit.brussels” (2019 expenditure 28.9m Euro) which is a second category OAA included in the consolidation although not mentioned in the Concept Note should also be treated as an EBU. Actiris’s financial statements were approved by the Government on 25 June. The financial statements of all EBUs include revenue, expenditure, financial assets, financial liabilities, guarantees and long-term obligations. Since Actiris represents more than 95 per cent of EBU expenditure, and the report was submitted within 6 months of year-end, the score is B.



## PI-7. Transfers to subnational governments

Table 19 - PI-7: Summary of scores and performance table

Adjustment for growth and inflation Indicator/Dimension	Score	Brief justification for score
<b>PI-7. Transfers to subnational governments</b>	A	
7.1 System for allocating transfers	A	General transfers are allocated by formulae set out in a 2017 law and are fixed for 3-year periods increasing by 2% a year.
7.2 Timeliness of information on transfers	A	Municipalities are notified in September and October of the previous year of the amounts they can expect to receive as general transfers.

### General description of the characteristics of the indicator within the scope covered

This indicator assesses the transparency and timeliness of transfers from BCR to the 19 municipalities within its boundary. It considers the basis for transfers from BCR and whether the municipalities receive information on their allocations in time to facilitate budget planning. It contains two dimensions and uses the M2 (AV) method for aggregating dimension scores. In 2019 the municipalities received 353.1m Euro as a general grant from BCR, the amount being decided by the BCR Government, and 41.4m Euro determined by Article 46bis of the 1989 law establishing the regional governments, which allocates a certain amount of Federal funds subsequently updated annually by reference to inflation and growth. The municipalities received a further 246.5m Euro from BCR sources, either directly from budgetary institutions (168.1m Euro) or through extra-budgetary institutions (78.1m Euro); these amounts were all for specific purposes, including investments, determined by separate contracts.

### 7.1. System for allocating transfers

#### Performance level and evidence for scoring the dimension

The total amount of the general grant is allocated to the 19 municipalities according to formulae prescribed in the Joint Ordinance of BCR and the Commission Communautaire Commune (which in Brussels provides the education, health, and other services which elsewhere in Belgium are the responsibility of the French and Dutch linguistic communities) of 27 July 2017. The total amount is divided into 105 parts, with different numbers of 105ths distributed by reference to different characteristics of the municipalities and their populations – examples are population numbers, population growth, incidence of poverty, incidence of unemployment, area of the municipality, number of pupils of school age. The total amount set for 2017 was to be increased by 2 per cent each year for the next two years, and thereafter a new 3-year amount to be fixed for 2020 and subsequent years. No municipality should receive less in the following 3-year period than it received in the last year of the previous period. In addition to the formulae, the ordinance prescribes the statistical sources for the variables used in the calculations. Thus, although the calculations are complex, they are completely transparent, and their results predictable by the municipalities. Score: A

### 7.2. Timeliness of information on transfers

#### Performance level and evidence for scoring the dimension

Municipalities are informed by BCR Pouvoirs Locaux (the responsible government department) in September each year for the main general grant, which is determined as part of the budgetary process, and in October for the section 46bis amount (which is about 10 per cent of total BCR grants to

municipalities) they can expect for the following year, which is determined by the Federal Government. They thus have the required information in good time for their own budgetary planning. Score: A

## PI-8. Performance information for service delivery

Table 20 - PI-8: Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-8. Performance information for service delivery</b>	<b>B</b>	
8.1 Performance plans for service delivery	B	The 'orientation notes' provide a framework of performance indicators relating to outputs and outcomes covering five years that applies to the entire Brussels regional administration. Orientation letters accompanying each subsequent year's budget set out objectives for activities or outputs for the year ahead.
8.2 Performance achieved for service delivery	B	Annually, the Annual Report on Management Control ('Globaal Jaarverslag Beheerscontrole') presents performance information related to the operational objectives included in the orientation notes. This information only includes performance on outputs and no performance information on outcomes is reported on an annual basis.
8.3 Resources received by service delivery units	A	The finance and budget department of the Brussels Capital Government has full information about all the resources received by the 'service delivery units' as the separate annual financial reports (including full balance sheets) of these units are completely consolidated in the budgetary and reporting system in line with the ESA classification.
8.4 Performance evaluation for service delivery	D	Based on the analysis of three actors that have a mandate to carry out performance evaluation on service delivery (the national SAI, the internal audit department and the Brussels Institute for Statistics and Analysis), only one performance evaluation was observed, namely the evaluation of the Brussels policies to support homeless citizens

### General description of the characteristics of the indicator within the scope covered

This indicator examines the service delivery information in the executive's budget proposal or its supporting documentation, and in year-end reports or performance audits or evaluations, as well as the extent to which information on resources received by service delivery units is collected and recorded. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores.

#### 8.1. Performance plans for service delivery

##### Performance level and evidence for scoring the dimension

Performance information in the budgetary cycle of the Brussels-Capital Region is incorporated in the 'orientatienota' or 'note d'orientation' for each policy domain which have a legal basis in article 22 of the organic PFM-law (Ordinance of 23 February 2006). The separate orientation notes are aggregated into an overall annex to the general explanatory note to first draft budget submitted to newly elected Parliament. The latest overall Governmental Policy Note stipulates the policy agenda for the period

2020-2025.<sup>2</sup> “Orientation letters” are then produced alongside each year’s budget specifying the activities or outputs to be achieved during the following year and published as an Annex to the General Explanation of the Budget (see Parliament document A-268/2 of 30 October 2020). These letters cover every part of budget expenditure.

The ‘Decision of the Brussels Capital Region regarding the modalities of the management control’ approved on 24 October 2014 provides further legal basis and details for the formulation and control of the orientation notes.<sup>3</sup> It requires the administrative units to formulate ‘strategic’ and ‘operational objectives’ (Chapter V) and to include quantitative key performance indicators (Chapter VIII). Furthermore, it provides the framework to manage performance information including its recording in a ‘analytical ledger’, the use of ‘board tables’ to follow up on performance information (Chapter IX), the preparation of annual operational plans (chapter VI), the reporting on performance (chapter XIII) and the mandate of ‘policy councils’ to act on the information (Chapter IV).

Since there is a framework of annual objectives in terms of activities or outputs, but not outcomes, covering each part of the budget, the score is B.

## 8.2. Performance achieved for service delivery

### Performance level and evidence for scoring the dimension

Annually, the Management Control Unit of the Finance and Budget Department collects the performance information across all administrations of the Brussels Regional Government and incorporates this information in the Annual Report on Management Control. This report should cover all strategic and operational objectives included in the ‘orientation notes’ presented to the Parliament in the first budget, and thereafter in the orientation letters accompanying each subsequent budget. This report is also annexed to the general explanatory note to the budget submitted to the Parliament. Thus the 2021 Budget included both the forward-looking orientation letters for 2021 and the report on achievements in 2019. In practice, even though a few units did not supply any material, the latter is a voluminous report in two volumes amounting in total to more than 500 pages with an abundant extent of performance information in qualitative and quantitative terms.<sup>4</sup> The first volume covers almost all sections of SPRB, while all first category OAAs (which are budget units) except the Environment Institute are included in the second volume, together with some major second category OAAs (including STIB and Actiris). Altogether there is detailed coverage of well over 75 per cent of expenditure. Reports also cover progress against the strategic targets set by the Government at the beginning of its 5-year term of office. Performance information is only included for the operational objectives and is predominantly related to outputs. Consequently, few performance indicators that measure higher level outcomes are reported on an annual basis. BFB point out that responsibility for the review of the impact of Government policies on society as a whole is part of the remit of the autonomous Brussels Institute for Statistics and Analysis (IBSA).

As limited annual information on outcomes is published, the score for the present dimension is B.

## 8.3. Resources received by service delivery units

### Performance level and evidence for scoring the dimension

The Brussels Capital Region Government does not provide education and health services as that mandate belongs to the linguistic community authorities. The service delivery that belongs to the

<sup>2</sup> Adopted by the Brussels Regional Parliament on 30 October 2019 (A-37/2 - 2019/2020)

<sup>3</sup> Besluit van de Brusselse Hoofdstedelijke Regering betreffende de modaliteiten van de beheerscontrole (C 2014/32029).

<sup>4</sup> [http://financien-begroting.brussels/a37\\_3\\_rapportcglpdf](http://financien-begroting.brussels/a37_3_rapportcglpdf)

mandate of BCR encompasses transport related services (such as parking, public transport, and port services) and social housing. The agencies that are responsible for service delivery such as the emergency (Fire and Ambulance) services, regional parking agency, the public transport company (STIB/MIVB), the Port of Brussels and Brussels Regional Housing company, each provide separate annual financial reports (including full balance sheets) which are completely consolidated in the budgetary and reporting system in line with the ESA classification. All sources of funds for each institution are reported; there are no significant accruals of resources in kind. The finance and budget department of BCR thus has full information about all the resources received by each of these 'service delivery units.

Hence, the score for the present dimension is A.

## 8.4. Performance evaluation for service delivery

### Performance level and evidence for scoring the dimension

In the administration of the Brussel Region, the following actors are mandated to carry out evaluations or policy research into the efficiency and effectiveness of service delivery:

- The national Supreme Audit Institution (SAI), the Court of Auditors (Cour des Comptes/ Rekenhof), is mandated to conduct performance audits covering sub-national government including the Brussels regional government;
- The internal audit department has a general mandate to report on the efficiency of operation in Brussels Regional Public Services and in a number of other bodies directly financed from the budget;
- Brussels Institute for Statistics and Analysis (IBSA) has a specific task ([perspective.brussels](https://perspective.brussels)) that includes a mandate to carry out policy evaluation for the policies of the BCR government.<sup>5</sup>

On a further scrutiny of the performance evaluations done by these three actors, few reports that evaluate the efficiency and/or effectiveness of the service delivery of the Brussels regional government were observed.

- The SAI conducted one policy evaluation in the last three years. This thematic evaluation, published in October 2019, covered the Brussels policies that deal with homelessness in the capital region. Other audits conducted by the SAI in the domain of the Brussels Capital Region did not address efficiency and effectiveness, but focused on compliance issues in procurement, payroll management and subsidies.<sup>6</sup>
- The internal audit did not push its mandate beyond assessment of the functioning of control systems. IBSA has one publication in the last three years included under the heading policy evaluations.<sup>7</sup> In addition, IBSA publishes short reviews of the current situation on various social-economic themes. Although some of these publications provide excellent groundwork for policy evaluations, these publications do not qualify as policy evaluations as they do not take the government policy as the focus of the research.

Based on the analysis and supporting evidence, only one performance evaluation was conducted, namely the evaluation of the Brussels policies to support homeless citizens. For a score of C or above, evaluations must cover at least 25 per cent of the Ministries or agencies concerned. Hence, the score for the present dimension is D.

<sup>5</sup> <https://bisa.brussels/opdrachten> of <https://ibsa.brussels/missions>

<sup>6</sup> Sources are the Annual Reports of the Rekenhof for 2017, 2018 and 2019. Annex 6 of these Annual Reports categorize its audit reports into the different layers of the Belgian government including the Brussels Capital Region.

<sup>7</sup> The consequences of the Economic and Monetary Union for the Brussels Capital Region ("*De gevolgen van het VSCB voor het Brussels Hoofdstedelijk Gewest en de GGC*").

### **Recent or ongoing reform activities**

To professionalize the implementation of the 'Decision of the Brussel Capital Region regarding the modalities of the management control' approved on 24 October 2014, the Brussels Institute for the Environment has developed a web-based tool 'ATHENA' to monitor the annual Performance Operational Plans (POP), which are defined in terms of quantified activities or output targets. While the POPs were previously prepared in Excel and Word, ATHENA supports standardisation and client friendliness in preparing and monitoring the POPs. ATHENA is not yet used across the entire regional government as its use is voluntary. It is expected that its use will increase in the coming years, including outcomes to be achieved in the medium-term.

The Brussels Regional Government is currently piloting the application of spending reviews in the mobility and social housing areas with the support of EU's Structural Reform Support Programme managed by DG REFORM. Following the results of the pilot projects, it will be decided how spending reviews will be structurally introduced into the budgetary process.

## PI-9. Public access to fiscal information

Table 21 - PI-9: Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-9. Public access to fiscal information	D	Publication has hitherto been subject to extensive delays.

### General description of the characteristics of the indicator within the scope covered

This indicator assesses the comprehensiveness of fiscal information available to the public based on specified elements of information to which public access is considered critical. There is one dimension. The details are shown in the following table.

Table 22 - Fiscal information

Element/ Requirements	Met (Y/N)	Evidence used/Comments
<b>Basic elements</b>		
<b>1. Annual executive budget proposal documentation.</b> A complete set of executive budget proposal documents (as presented by the country in PI-5) is available to the public within one week of the executive's submission of them to the legislature.	N	Publication under the control of Parliament only takes place once the submissions which run to several hundred pages have been printed and proof-read, which typically takes at least 2 weeks.
<b>2. Enacted budget.</b> The annual budget law approved by the legislature is publicized within two weeks of passage of the law.	N	Publication of the enacted budget in the Official Gazette (Moniteur Belge) takes place several weeks after the enactment of the budget, again because of printing delays there.
<b>3. In-year budget execution reports.</b> The reports are routinely made available to the public within one month of their issuance, as assessed in PI-27.	N	In-year budget execution reports are not currently published.
<b>4. Annual budget execution report.</b> The report is made available to the public within six months of the fiscal year's end.	N	The annual general accounts of the Regional Entity, which also contains the account of execution of the budget, is ready only at the end of August of the following year.
<b>5. Audited annual financial report, incorporating or accompanied by the external auditor's report.</b> The reports are made available to the public within twelve months of the fiscal year's end.	Y	The annual report by the Court of Auditors on the general account of the Brussels Regional Entity (which consolidates the accounts of government departments with those of the subordinate institutions in both the first and second categories) is normally ready by the end of October of the following year. The 2019 report was published on 30 October 2020.
<b>Additional elements</b>		

6. <b>Prebudget statement.</b> The broad parameters for the executive budget proposal regarding expenditure, planned revenue, and debt is made available to the public at least four months before the start of the fiscal year.	N	The Federal Bureau du Plan publishes the economic prospects for the following year in June each year which provides the context for BCR's budget preparation, but the BCR Government does not give any advance indication of its intended approach to budget decisions.
7. <b>Other external audit reports.</b> All nonconfidential reports on central government consolidated operations are made available to the public within six months of submission.	N	CoA includes all its audit findings on the Brussels Regional Entity in its annual report on the general account.
8. <b>Summary of the budget proposal.</b> A "citizen's budget", and where appropriate translated into the most commonly spoken local language, is publicly available within two weeks of the executive budget proposal's submission to the legislature and within one month of the budget's approval.	N	Brussels Finance and Budget intends to do this from now on in the "Budget for Everybody", but it was not done at the time of enactment of the 2021 budget.
9. <b>Macroeconomic forecasts.</b> The forecasts, as assessed in PI-14.1, are available within one week of their endorsement.	Y	The Federal Bureau du Plan publishes updated economic forecasts at least twice a year.

The requirements are met for only one basic element out of 5 and one additional element out of 4.  
Score: D

## PI-9bis Public consultation

Table 23 PI-9-bis Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-9bis SNG Public consultation</b>	B	
9bis.1 Public consultation on budget preparation	D	There is no consultation other than through the budgetary process in Parliament.
9bis.2 Public consultation on design of service delivery programmes	B	A consultative panel was set up in 2017 to make recommendations concerning public transport and the public infrastructure, which are the most important services provided by BCR. The results were reflected in the Government's Good Move proposals which were the subject of a wide-ranging public consultation in 2019. Responses to the consultation were published in January 2020.
9bis.3 Public consultation on investment planning	A	There has been extensive public consultation on the Government's Good Move mobility programme of investment, and a summary of the public's responses was published in January 2020.

This Indicator asks about public consultation in budget preparation, in the design of service delivery programmes, and in investment planning.

### 9-bis.1 Public consultation in budget preparation

There are no public consultations in advance of submission of the Budget to the Parliament.  
The score is D



**9-bis.2 Public consultation in the design of service delivery programmes**

A consultative panel was established by the BCR Parliament in 2017 to prepare recommendations which were taken into account in the Government's Good Move plans for public transport and the public infrastructure, and many other aspects of urban living. The Government's proposals were the subject of a comprehensive analysis of their impact on the environment and socio-economic conditions, which served as the basis for a wide-ranging consultation in 2019 on all aspects of the Government's policies, including traffic management, encouragement to use bicycles, restrictions on some vehicles, and other measures to improve environmental quality, as well as public investments. The results of the wide-ranging consultation were published in January 2020. More generally the OAA Perspective Brussels has the remit to encourage participatory democracy, including collecting reactions to many different Government policies, including local planning questions and employment opportunities. Score: B

**9-bis.3 Public consultation in investment planning**

The Government's Good Move investment plans for infrastructure and public transport were submitted for public consultation between June and October 2019, following publication of a comprehensive environment and economic assessment. This report included a summary of the socio-economic and environmental implications of the proposals aimed at ordinary citizens. The consolidated public responses from almost all BCR municipalities, a wide range of local organisations, and many members of the general public, were published in January 2020. Since these plans cover more than 75 per cent of BCR's public investment, the score is A.

## PILLAR THREE: Management of assets and liabilities

### PI-10. Fiscal risk reporting

Table 24 - PI-10: Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-10. Fiscal risk reporting</b>	C+	
10.1 Monitoring of public corporations	B	Audited financial statements are published by most PCs within 6 months of year-end, and subsequently included in the consolidated report of the Regional Entity.
10.2 Monitoring of subnational governments	C	Unaudited reports on the financial position and performance of the majority of municipalities are published annually within 6 months of year- end.
10.3 Contingent liabilities and other fiscal risks	C	Budget documents include full details of contingent liabilities arising from guarantees, but Public-Private Partnership obligations have not yet been included.

#### General description of the characteristics of the indicator within the scope covered

This indicator measures the extent to which fiscal risks to government are reported. Fiscal risks can arise from adverse macroeconomic situations, financial positions of municipalities or public corporations, and contingent liabilities from the government's own programs and activities, including extra-budgetary units. They can also arise from other implicit and external risks such as market failure and natural disasters. This indicator contains three dimensions and uses the M2 (AV) method for aggregating dimension scores.

#### 10.1. Monitoring of public corporations

##### Performance level and evidence for scoring the dimension

All the OAAs which form part of the Brussels Regional Entity, both those in the first category whose revenue and expenditure is fully integrated into the budget, and those in the second category where only the transfers to them are voted by Parliament, are required to submit financial reports by the end of May each year to Brussels Finance and Budget for consolidation into the general account of the Regional Entity, and to the Court of Auditors for audit. The second category OAAs, most of which are established as companies, submit their financial reports after audit by commercial auditors; in accordance with company law, the reports are published on the website maintained by the Banque Nationale de Belgique. The 2019 expenditure of the Public Corporations (second category OAAs) included in the consolidated account of the regional entity, with the date of publication of their audited accounts, are shown in Table 25 below.

Table 25 Dates of Publication of Public Corporations 2019 accounts

Public Corporation	2019 Expenditure (Euro millions)	Date of Publication
STIB (Public Transport)	1,239.0	12 June 2020
SLRB (Public Housing)	270.0	26 May2020
Cooperative Housing Fund	343.9	14 July2020
Parking	43.7	9 July 2020

IRISteam	42.6	7 July 2020
ABAE (Support for enterprise)	35.3	29 June 2020
Port of Brussels	28.4	29 June 2020
Brusoc	6.3	8 July 2020

Source: Database of National Bank of Belgium

Since audited reports on most of the bodies established as corporations are published within 6 months of year-end, and subsequently included in the consolidated financial report of the Regional Entity, the score is B. Although these Public Corporations are included in the consolidated accounts, there is no separate report on the performance of the public corporations sector.

## 10.2. Monitoring of subnational governments

### Performance level and evidence for scoring the dimension

The 19 municipalities within the territory of BCR are subject to “tutelle” by Brussels Pouvoirs Locaux (BPL) whereby their budgets and execution statements are subject to approval on behalf of the Regional government. Budget execution statements should be submitted to BPL by 30 June of the following year, but there is no formal audit. Each municipality publishes its own report as soon as it is approved by the municipal Council. The 2019 reports were approved by 14 of the 19 municipalities within 6 months of year-end. There is no legal requirement for publication of consolidated information, but consolidated statistics are published by BPL in order to inform the general public. The score is C.

## 10.3. Contingent liabilities and other fiscal risks

Budget documentation includes a full description of all BCR’s contingent liabilities from the issue of guarantees, including information about the extent to which the guaranteed debts have been repaid and the repayment schedule for outstanding debt. The consolidated annual accounts include details of off-balance sheet potential liabilities and claims. But obligations amounting to 487.6m Euro over the next 25 years arising from Public-Private Partnerships have not so far been included. Brussels does not appear to be at much risk from natural disasters or market failure. Since specific disclosure of PPP obligations is required by the 2020 PEFA criteria for subnational government reports for any score of B or above, the score is C.

## PI-11. Public investment management

Table 26 - PI-11: Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-11. Public investment management</b>	C	
11.1 Economic analysis of investment projects	B	Economic analyses are carried out for major mobility projects that require an environmental impact assessment based on legal guidelines. In the domain of housing, a feasibility study underlies each project. The Inspectorate of Finance reviews all analyses before an investment proposal is submitted to the Government for decision-making. Environmental impact assessments are public, but the feasibility studies in the domain of housing and the value for money analysis of the investments in rolling stock are not.
11.2 Investment project selection	C	The allocation of investment funds between thematic areas is a political decision constrained by the fiscal space. Investments projects with common characteristics are structured in multi-annual investment plans for specific thematic areas such as tunnels, bridges, public transport, and housing. Within those plans, prioritisation is not based on objective standard criteria (and thus they are not published). Instead, prioritization is based on criteria that are not readily measurable (such as risk to safety), or on political motives and practical arguments including feasibility.
11.3 Investment project costing	D	The projections of the total capital cost of major investment projects are included in the multi-annual investment plans. The budget documents focus on the next year allocations and do not include the multi-annual costs of the major investment projects.
11.4 Investment project monitoring	C	The total cost and physical progress of each multi-annual investment plan (including the major investment projects) are monitored annually and for some MIP twice or three times a year. They follow standard procedures and rules. However, the monitoring reports are not published. The public information on progress on investments is limited. No detailed information on financial and physical progress is provided by the BCR financial statement and the Annual Report on Management Control. The two main public corporations (STIB/MIVB and BGHM only provide a general overview in their annual reports.

### General description of the characteristics of the indicator within the scope covered

This indicator assesses the economic appraisal, selection, costing, and monitoring of public investment projects by the government, with emphasis on the major investment projects. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores.

Investment by the Brussels Regional Government can be broken down into:

- i. Direct investment expenditures by the Brussels Regional Government;

- ii. Investments by public corporations (STIB-MIVB, BGHM) that are partly funded through investment subsidies from the Brussels Regional Government.

The PEFA criteria focus only on investment directly undertaken by the government, excluding that implemented by bodies constituted as public corporations. Since investments in the transport and housing sectors, which constitute the vast majority of investment financed directly or indirectly from the budget, are planned as whole, and closely controlled by the Government even when executed by public corporations, they are all considered to be within the scope of this Indicator. The fiscal implications arising from the financing of these large investments were an important consideration in the decision to undertake this PEFA assessment.

Total investment directly funded from the budget in 2019 amounted to nearly 650 m Euro (budget code 07 – investment expenditures). Table 27 provides the details of the 10 largest budget lines and shows that the main entities with an investment budget are STIB-MIVB, BGHM and Brussels Mobility.<sup>8</sup>

**Table 27 List of budget classification 07 (investment expenditures) in 2019**

#	Entity in charge	Project description	Project expenditure in 2019
1	STIB-MIVB	Expenditure for investment works related to construction and equipment for metro and pre-metro	81,982,620
2	STIB-MIVB	Investment in buildings	72,949,173
3	STIB-MIVB	Purchase of vehicles	72,475,655
4	STIB-MIVB	Purchase of other equipment (IT, client communication)	69,915,248
5	STIB-MIVB	Other goods and services	63,222,433
6	SPRB-GOB	investment works on roads and road construction works including electrical and electromechanical equipment	30,054,614
7	SPRB-GOB	Investment expenditure for improving safety in road tunnels and additional expenditure for investment in pre-bridges and viaducts	29,394,925
8	SPRB-GOB	Land purchase to facilitate the Mediapark	27,641,000
9	BGHM	Construction costs housing plan	26,205,727
10	STIB-MIVB	Other goods and services	20,878,044
Total			494,719,441

In addition to the amounts in this table a further EUR 528 million was advanced in 2019 to second category OAAs as investment subsidies, largely for STIB (EUR 380 million) and BGHM (EUR 70 million).

The 14 largest investment projects ranked by total capital cost (derived from the multi-annual investment plans (2020-26) of STIB/MIVB, BGHM and Mobility) are set out in Table Y below.

**Table 28 Largest investment projects**

Total multi-annual investment plans (2020-2026)		€ 7,671,154,792
•	Multi-annual investment plan STIB-MIVB (2020-2026)	€ 4,440,629,538
•	Multi-annual investment plan Mobility (2020-2026)	€ 1,771,465,607
•	Multi-annual investment plan BGHM (2020-2026)	€ 1,459,059,647
Largest projects		
1.	Metro Extension North Station - Bordet	STIB-MIVB € 794,175,565

<sup>8</sup> The budget lines aggregate expenditures on different projects and cover only the fiscal year 2019.

2. Metro transformation pre-metro to North Station	STIB-MIVB	€ 528,105,822
3. Purchase IT equipment for passenger information	STIB-MIVB	€ 338,584,694
4. Tram network maintenance	STIB-MIVB	€ 292,443,357
5. Metro rolling materials	STIB-MIVB	€ 245,219,791
6. Tram rolling materials	STIB-MIVB	€ 239,677,830
7. Tram extension of network	STIB-MIVB	€ 239,199,532
8. Bus depots	STIB-MIVB	€ 193,487,340
9. Bus rolling materials	STIB-MIVB	€ 192.434,885
10. Construction costs housing project Dames Blanche	BGHM	€ 196,321,075
11. Renovation tunnels Loi/Belliard	Mobility	€ 153,401,622
12. Construction costs housing project Petit Ile	BGHM	€ 92.367.212
13. Construction costs housing project GAZOMETRE	BGHM	€ 77.329.196
14. Construction costs housing project Erasmus	BGHM	€ 75,365,114
15. Sum of 14 largest investments		€ 3,658,113,035
16. Share of 14 largest in total multi-annual investment		47.7 %

The above largest investments are used to collect evidence for the ratings.

## 11.1. Economic analysis of investment projects

### Performance level and evidence for scoring the dimension

This dimension assesses the extent to which robust appraisal methods, based on economic analysis are used to conduct feasibility or prefeasibility studies for major investment projects on the basis of an analysis of its economic, financial, and other effects; whether the results of analyses are published, and whether the analyses are reviewed by an entity other than the sponsoring entity.

The leading policy framework for Mobility is the Regional Development Plan. This plan is public and was approved following a process of public consultation and economic analysis. It is an overarching plan for spatial development of the region and is thus a relevant policy framework to accommodate the investments in the domain of mobility and housing. However, the plan only provides the policy framework and does not approve specific investments. The leading framework for investment decisions is the multi-annual investment plan (MIP). Such MIPs are prepared for various policy themes including public transport, roads, bridges and tunnels and social housing.

There is no government-wide regulation that requires to conduct an economic cost-benefit analysis for large investment projects as a standard procedure. However, based on the transposition of the EU guideline 85/337/EEG, all projects that can impact the living environment in a significant manner require a positive environmental impact assessment. These environmental impact assessments need to be conducted in line with a methodology that is laid down in legislation. Whether a project requires an environmental impact assessment is decided as part of the decision to issue the building permit. The environmental impact assessments are public documents.

Among the ten largest investment projects of the Brussels (see Table 27), the first two (metro extension and metro transformation/pre metro) are part of a larger policy to transform the public transport (Metro3 project). The Metro3 project has a long history of economic analyses:

- a) Opportunity 2011 – 2013;

- b) Feasibility 2013 – 2015;
- c) Pre-Design 2015 – 2016;

In 2019, an environmental impact assessment was also undertaken, covering all aspects of the Government's mobility plans. The resulting published report includes much economic analysis of the different elements of the plan which underlies more than 75 per cent of BCR's total investment expenditure'.

For some of the large investments in the domain of Mobility, including the purchase of the rolling stock, no separate environmental impact assessment is required given the nature of the investment. The economic analysis for this type of investments is a value for money assessment based on the tender documentation and bid evaluation. The Inspectorate of Finance will be involved in the preparation of the government decision. These analyses are not public.

In the domain of housing, all projects that are included in the MIP for housing are subjected to a separate feasibility study including both technical and financial aspects. The aspects included in the feasibility study are laid down in different regulations and include the cost aspects (purchase of land or buildings) and the commercial viability (rent calculation) and the potential contribution of the government in the form of an investment subsidy. The analysis is part of the final investment decision, which is reviewed consecutively by the BGHM, the independent inter-Federal Inspectorate of Finance and the Brussels Government. It is noted that these feasibility studies are not public documents.

Since economic analyses are undertaken for most major investments, and a general assessment of the overall mobility plan has been published, the score for the present dimension is B.

## 11.2. Investment project selection

### Performance level and evidence for scoring the dimension

The framework for investment project selection are the 'top down' investment ceilings for the various thematic areas and the 'bottom up' multi-annual investment plans (MIPs).

The investment ceilings are determined as part of a political process and the fiscal space as determined by the medium-term fiscal framework.

The prioritization of projects with common characteristics occurs in the framework the MIPs. The Department of Mobility has three MIPs for 'tunnels', 'public transport' and for 'bridges and viaducts'. The Department of Housing has two MIPs: one MIP supports the Regional Housing Plan and one MIP in support of the Programme "Alliance Habitat/Alliantie Wonen".

Neither Mobility nor Housing applies a set of objective standard criteria to determine the prioritization of projects within the MIPs. The prioritization is done based on the interpretation to what extent the project contributes to the applicable government strategies and practical criteria such as the feasibility and the progress in obtaining the permits. Furthermore, political motivations are important in deciding on the prioritization within the MIPs. Some kind of prioritization seems to occur for the MIP of 'tunnels' and 'bridges and viaducts' based on the criterion 'risks to safety'. However, there is no document that operationalizes this prioritization and provides a measurement and ranking of the investment projects. As there are no objective criteria per MIP, there are no analyses and there are no relevant publications. In fact, the MIPs are not public documents as well.

Based on the analysis and supporting evidence, the score for the present dimension is C.

## 11.3. Investment project costing

### Performance level and evidence for scoring the dimension

The MIPs have a time horizon of up to seven years 2020 – 2026 and include the full investment costs. The MIPs are, however, not part of the budget documentation and not public. The full costs of the investments are not included in the annual budget documentation. The budget documentation only includes the aggregate investment costs in a multi-annual perspective and the next year's allocation on investment expenditure per budget line. The annual budget does not provide any information at project level as the budget lines are also aggregates of various projects. Furthermore, there is no detailed overview of the projects that are funded through the investment subsidy to the public corporations such as STIB and BGHM.

There are multi-annual projections of recurrent costs. However, these are not linked to individual investment projects, but they are reflected in multi-annual projections for the outsourcing of maintenance costs as a whole with a breakdown per tender.

Based on the analysis and supporting evidence, the score for the present dimension is D.

## 11.4. Investment project monitoring

### Performance level and evidence for scoring the dimension

The investment subsidies include the accountability arrangements of the public corporations for those investments. Progress reports cover both the infrastructure investments which are undertaken directly by government departments, and the much larger amounts which are managed by the responsible public corporations, but closely controlled by the government. The reporting arrangements are as follows:

- For the MIP bridges and viaducts, the administration updates the MIP four times a year.
- The MIP public transport is updated and monitored each semester, hence twice a year by a Committee including Government representatives.
- The MIP tunnels is updated on an annual basis.
- The MIP Housing is updated each trimester.

The progress reports are both for the MIPs Mobility and MIPs Housing internal documents that are not published. They include both the financial and physical progress.

Publications on the progress in the investment programmes provide only a global perspective. The annual reports of respectively BHGM and STIB/MIVB only provide a global overview of the progress in the investment programs, but not a detailed overview per project. A breakdown per project is neither included in the BCR annual financial statement and Annual Report on Management Control.

Based on the analysis and supporting evidence, the score for the present dimension is C.



## PI-12. Public asset management

Table 29 - PI-12: Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-12. Public asset management</b>	B+	
12.1 Financial asset monitoring	A	The consolidated annual accounts of the Regional Entity include summaries of the financial assets held by the Regional government and its subsidiary bodies at market value. Receipts from holdings of financial assets are reported in the annual
12.2 Nonfinancial asset monitoring	C	The Regional Government and its subsidiary bodies each maintain records of all their non-financial assets. These are recognized in their balance sheets, which are published annually alongside the consolidated accounts of the Regional Entity. But the property registers are not published.
12.3 Transparency of asset disposal	A	Details of the disposals of all non-financial assets are reported in Annexes to the annual consolidated accounts of the Regional Entity, including balance sheet values, sale proceeds, and identity of purchasers.

### General description of the characteristics of the indicator within the scope covered

This indicator assesses the management and monitoring of government assets and the transparency of asset disposal. It contains three dimensions and uses the M2 (AV) method for aggregating dimension scores.

#### 12.1. Financial asset monitoring

##### Performance level and evidence for scoring the dimension

Financial participations owned by, and loans made by the bodies which comprise the Regional Entity are set out in detail in the balance sheets which form part of their annual accounts, including changes in value from the previous year. Credit balances and amounts owed are also shown. Dividends and other receipts arising from financial assets are set out in detail in the presentation of budget revenues. Thus, the Consolidated Account of the Regional Entity includes information on the performance of all the Region's holdings of financial assets. The score is A.

#### 12.2. Nonfinancial asset monitoring

##### Performance level and evidence for scoring the dimension

Records of different types of nonfinancial assets are kept by the responsible sections of Brussels Regional Public Services: Brussels Mobility for Infrastructure, transport facilities and equipment, and works of art, Brussels Synergie for land, buildings and construction, and office equipment. These are recognised in the balance sheets at current values, but the detailed records are not published. The existence of these records is confirmed by the fact that the balance sheet values of each item disposed of (see 12.3 below) are included in the annual financial reports of each institution. Valuation rules are

in accordance with the Royal Decree of 10 November 2009 applicable at all levels of government. Land and buildings are revalued annually in line with market movements, while infrastructure assets are valued at cost and subject to straight line depreciation, which takes into account their age and use. The score is C.

### **12.3. Transparency of asset disposal**

#### **Performance level and evidence for scoring the dimension**

Disposal of assets is regulated by Articles 99-102 of the 2006 Ordinance governing budgetary matters. Disposals of assets worth more than 6.25m Euro require the approval of Parliament. Intended disposals of property must be notified to the owners of nearby properties and publicized in the neighbourhood. All disposals of fixed assets are reported in detail in Annexes to the annual accounts, where balance sheet values, realized prices and the identity of purchasers are listed. The score is A.

## PI-13. Debt management

Table 30 - PI-13: Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-13. Debt management</b>	A	
13.1 Recording and reporting of debt and guarantees	A	Reconciled reports of both direct and guaranteed debt are produced monthly by the Middle Office of the BFB Debt Agency
13.2 Approval of debt and guarantees	A	Debt is managed by the Debt Agency in accordance with the provisions of the 2006 Budget law and policies approved by the Minister of Finance. The issue of new debt is approved by the Parliament as part of the budgetary process.
13.3 Debt management strategy	A	Debt is managed according to a strategy approved by the Minister of Finance which aims to ensure that BCR retains its international AA rating for its debt instruments. Maturities are managed to minimize interest rate risks; there is no exposure to foreign currency borrowing. The debt management strategy is fully reported to Parliament in budget documents.

### General description of the characteristics of the indicator within the scope covered

This indicator assesses the management of domestic and foreign debt and guarantees. It seeks to identify whether satisfactory management practices, records, and controls are in place to ensure efficient and effective arrangements. It contains three dimensions and uses the M2 (AV) method for aggregating scores. At the end of 2019 BCR's total direct and indirect debt (debt of subsidiary bodies whose revenue and expenditure are fully included in the budget) amounted to 6.22 billion Euro, or 128 per cent of BCR annual revenue. If BCR's share of the country's GDP corresponds to its share in personal income tax revenue, total debt would be around 16 per cent of BCR's GDP. By comparison total Belgian public debt amounted to almost 100 per cent of GDP at the end of 2019, and that percentage will have increased subsequently. Debt guaranteed by BCR amounted to just over 3 billion Euro. Debt management – the choice of debt instruments of different maturities, the issue of guarantees, and relations with investors and the Standard and Poor's Rating Agency are the responsibility of the Front Office of the BCR Debt Agency, while reporting and projections of debt service costs are undertaken by the Middle Office. The Back Office Unit manages relations with the Treasury through which debt service payments are made and reconciles the payments and amounts outstanding. Debt is all denominated in Euro, so BCR is not exposed to foreign currency risk.

### 13.1. Recording and reporting of debt and guarantees

#### Performance level and evidence for scoring the dimension

Monthly reports are made to the Minister of Finance covering all aspects of debt management, with full monthly reconciliation of interest payments and amounts outstanding. Movements in amounts covered by guarantees, for which charges are made to the borrowers, are also tracked monthly. All debts are denominated in Euro and issued in Brussels: there are no foreign debts. The score is A.

## 13.2. Approval of debt and guarantees

### Performance level and evidence for scoring the dimension

BCR's authorization to issue debt derives from Article 49 of the special law of January 1989 which governs the financing of the Regions and linguistic communities. The Government Decree of 18 July 2000 makes the Minister of Finance responsible for the region's financial management, including management of debt. Policies concerning the issue and management of debt are approved by the Minister on the recommendations of BFB's Financial Strategy Commission to which the Debt Agency reports. The annual Budget Ordinance enacted by the Parliament gives approval for net new borrowing, and also determines which institutions may receive government guarantees for their borrowing. The score is A.

## 13.3. Debt management strategy

### Performance level and evidence for scoring the dimension

BCR borrows directly on the open market from banks and other lenders, and accordingly attaches great importance to the maintenance of a high rating from the Standard's and Poor's Debt Rating Agency. It does not borrow externally or in currencies other than the Euro. The Front Office is responsible for relations with investors, and for preparing the debt management strategy which guides the amounts, interest rates and maturities of debt issues. The Middle Office makes a projection for at least 5 years ahead, taking into account the expected development of the economy and the government's investment and other expenditure plans. The strategy, including recent experience and medium-term prospects, is described in the Explanatory Note to the annual budget presented to Parliament, and in the annual report of the Debt Agency, both of which are readily available to the general public; the objective is to limit debt service costs while at the same time minimizing interest rate risks. The strategy takes account of the increasing level of aggregate debt implicit in the medium-term fiscal projections, which in turn reflect the medium-term economic forecasts produced by Federal Government institutions. Hitherto BCR has maintained its AA rating, although this was downgraded in 2019 from stable to negative. The score is A.

## PILLAR FOUR: Policy based fiscal strategy and budgeting

### PI-14. Medium-term Budget Strategy

Table 31 - PI-14: Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-14. Medium-term perspective in expenditure budgeting</b>	C+	
14.1 Preparation of the budget	B	Estimates of revenue and expenditure for the budget year are based on full information about transfers, other revenue, and expenditure, taking into account demographic and macroeconomic indicators.
14.2 Fiscal impact of policy proposals	B	In line with section 1.9 of the budget circular and the specific form in Annex 4, the fiscal impact of all new policy proposals needs to be estimated for six fiscal years ahead. Selection of proposals depends on political discussions. The submission to the Parliament only includes information of the fiscal impact in an aggregate manner.
14.3 Medium-term expenditure and revenue estimates	D	The annual budget does not present estimates of expenditure and revenue by type for the two fiscal years following the budget year. Only aggregated projections are presented
14.4 Consistency of the budget with previous year's estimates	C	The section on the medium-term framework starts from the base level reflecting the second year of the medium-term budget presented the previous year. New exogenous developments and new government's strategic priorities that affect the fiscal balance are explained, but only in an aggregate manner. Some of the aggregates are clarified but not all.

#### General description of the characteristics of the indicator within the scope covered

This indicator examines the extent to which expenditure budgets are developed for the medium term within explicit medium-term budget expenditure ceilings. It also examines the extent to which annual budgets are derived from medium-term estimates and the degree of alignment between medium-term budget estimates and strategic plans. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores.

The medium-term perspective in the budgeting methodology applied by the Brussels Regional government is based on the organic PFM law of 2006 of the Brussels Regional Government and the Belgian federal PFM Law (2003)<sup>9</sup>.

The Federal Law stipulates that in article 16/12 that “the budget of each region should fit a fiscal framework for the medium term that covers the mandate of the government with a minimum of three years”. The medium-term budgetary framework should incorporate the following elements:

<sup>9</sup> Federal government budget and internal control N. 2003 — 2559 [C – 2003/03343]

- Multi-annual fiscal targets for the fiscal balance (deficit), public debt or possible other budgetary aggregates;
- Estimates for the important expenditure and revenue items in case of unmodified government policy;
- A description of the fiscal impact on medium term of the planned policy measures in terms of revenues and expenditures;
- A judgment on the sustainability of the government finances and public debt in the long term.

The Federal Law also stipulates that:

- the medium-term budget should be based on the economic estimates of the Institute for National Accounts (ICN);
- the medium-term framework is published together with the (annual) budget documentation;
- Each deviation of the annual budget from the medium-term framework is to be explained in the annual budget documentation.

A newly elected government will amend the medium-term framework based on its own policy priorities. In article 22.2 of the organic PFM law of the Brussels Regional Government of 23 February 2006, it is stipulated that the new government will prepare a medium-term framework together and in agreement with the orientation notes (strategic papers on the various thematic policy areas). The medium-term budget framework should translate the strategic policy decisions into the budgetary estimates for the fiscal years covering the government mandate.

#### 14.1 Preparation of the budget

The budget for the next year is presented with the full breakdown of revenue by economic type, and of expenditure broken down by administrative (mission), programme and economic classifications. These take into account the latest macroeconomic forecasts and the impact of demographic and other indicators, all of which are presented in detail in the Explanatory Note on the budget proposals. As explained below, some information is included about the Government's medium-term plans, including measures consistent with the achievement of a target fiscal balance. But detailed revenue and expenditure figures across the whole budget are not shown beyond the budget year immediately ahead. The score is B.

#### 14.2 Fiscal impact of policy proposals

The budget documentation for 2021 presented to the Parliament in October 2020 includes in Part VII (page 242) the medium-term budgetary framework for 2020-2024.

The High Finance Council of Belgium which brings together Federal, Region, linguistic Communities and municipalities agreed to a consolidated target of net zero fiscal deficit.<sup>10</sup> The agreement of the newly elected government (Declaration de Politique Commune/ Gemeenschappelijke Algemene Beleidsverklaring) sets the objective of achieving fiscal balance, subject to the exclusion of strategic investments from the calculations. It does not set out in detail how this is to be achieved.

A macro-fiscal framework is prepared by the Middle Office of the debt agency in cooperation with the Inspectorate of Finance (IF) and the budget department. For this purpose, the Middle Office makes use of an economic model labelled 'the Calculator', which shows the extrapolations of exogenous and endogenous developments, and arrives at zero net deficit in 2024 on the assumption that strategic investments will not be counted in the calculation. Only the first year is presented in detail; for the subsequent years policies are assumed to remain constant except where specific decisions are taken

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<sup>10</sup> Although there is agreement on the fiscal target of zero-deficit, there is ongoing discussion on the incorporation of strategic investments in the calculation of the allowable deficit.

on strategic investments or other matters. Thus, the medium-term projections do not include any detailed consideration of possible cost increases and other changes in ongoing programmes.

Inputs in the calculator are the economic indicators of the ICN of September 2020, the multi-annual perspective of the Federal Planning Agency of June 2020 and the estimates of the fiscal keys underlying the federal transfer by the Federal Government Service in Finance of July 2020. BCR receives its percentage share of personal income tax payments applied to the total Federal amounts provided to the Regions, with some addition reflecting the fact that its income tax share is less than its percentage of the total population of the country. The estimates of the economic indicators are included in Part VII of the budget documentation (see Table 1).

**Table 32 Economic indicators as basis for the medium-term budget perspective 2020 - 2024 (source Budget Documents 2020)**

Indicators	2020	2021	2022	2023	2024
<b>Inflation</b>	0.8 %	1.4 %	1.6 %	1.7 %	1.8 %
<b>Growth</b>	7.4 %	6.5 %	3.3 %	1.4 %	1.4 %
<b>Regional share in Federal Income Tax <sup>11</sup></b>	8.249 %	8.374 %	8.323 %	8.329 %	8.326 %
<b>Population</b>	10.572 %	10.600 %	10.562 %	10.561 %	10.555 %

Furthermore, the fiscal framework incorporates the following items as from 2021:

- Exogenous expenditures in constant policy;
- A provision for personnel expenditures;
- Expenditures resulting from sectoral strategies and agreements;
- The budgetary implications of the government's 'recovery plan' approved in 2020;
- The budgetary consequences of the regular and strategic investments;
- A provision for supportive measures to alleviate the covid-19 pandemic;
- Specific expenditure resulting from prioritized governmental strategies (climate plan, 'good move', housing strategy and the employment and education strategy).

The budget circular includes as section 1.9 instructions to the different departments to calculate and communicate the fiscal impact of new policy proposals. The specific form (annex 4 to the budget circular) requires them to estimate the recurrent and investment costs for six fiscal years ahead and needs to be submitted to the Budget Department before the 20<sup>th</sup> of July. The 'Monitoring Committee' analyses the impact of the proposals on the fiscal balance and provides recommendations on their affordability to the Minister of Finance and the Government. After selecting of new revenue and expenditure proposals, the Government presents them in an aggregate manner to the Brussels Regional Parliament (see Table X which is included as Part VII of the Budget Documents). In the budget documents for 2021, a specific chapter presents the cost estimates of the additional expenditures that are proposed in response to the COVID-19 pandemic.

**Table 33 General clarification on the medium-term budgetary framework (source Budget Document 2020)**

	2021	2022	2023	2024
<b>Base budget</b>	-740.0	-740.0	-740.0	-740.0
<b>Development of revenues (unchanged policies)</b>	320.4	127.0	323.0	661.2
<b>Development of expenditures (unchanged policy):</b>				
- <b>Unavoidable expenditures;</b>	-164.9	-261.5	-304.0	-338.4
- <b>Impact Relance plan July 2020;</b>	-133.3	-23.9	0.0	0.0

- Provision for personnel costs;	-41.2	-64.7	-94.8	-125.4
- Regular investment;	-179.2	-146.7	-162.9	-159.7
- Strategic investments.	-13.6	-41.6	-39.5	7.1
<b>Impact of sectoral agreements</b>	-39.0	-60.2	-81.9	-103.0
<b>Covid provision</b>	-150.0	-6.7	-6.7	-6.7
<b>New expenditure proposals (climate plan, 'good move', housing strategy and the employment and education strategy)</b>	-188.3	-209.0	-277.0	-295.0
<b>Savings</b>	54.0	110.0	170.0	230.0
<b>Regional deficit before correction</b>	1,915.9	1,317.2	1,213.7	869.8
<b>Assumption of underspending</b>	222.0	220.0	210.0	240.0
<b>Strategic investments excluded from target</b>	513.6	506.6	515.5	492.9
<b>Covid provision excluded from target</b>	150.0			
<b>EU funding</b>	135.0	97.0	125.0	143.0
<b>Adjusted balance</b>	-895.3	-493.6	-359.2	6.1

Estimates of the fiscal impact are made for all proposed policy measures. However, the estimates for the second and subsequent years are only presented in an aggregate manner to the regional Parliament; the fiscal impacts of individual measures are not separately presented to it. Since the impact of proposed changes is only shown in detail for the budget year, the score is B.

### 14.3 Medium-term expenditure and revenue estimates

The budget estimates are presented on an annual basis. Part VII of the annual budget presents the medium-term estimates only presented in an aggregate manner as in Table 31 above. The annual budget does not present comprehensive medium-term estimates of the expenditure (broken down by programme or administrative unit) and revenue by economic type. The score is D.

### 14.4 Consistency of the budget with previous year's estimates

The changes or revisions of the medium-term budget are set against the benchmark of the base-budget (which reflects the second year of last year's medium-term budget). Again, as noted in dimension 3, the changes in the medium-term perspective against this 'base budget' are made in aggregate terms and do not make reference to the medium-term allocations to specific programs. Explanations are given for changes as between the original and revised provision for the current year (2020) and as between the revised provision for 2020 and what is now proposed for the budget year, but no figures were published the previous year (2019) for what is now the budget year (2021).

At the aggregate level, the clarifications in Part VII of the annual budget documentation makes extensive reference to new exogenous developments that affect the fiscal balance and the strategic priorities, such as the COVID pandemic, in the medium term. These clarifications explain the proposed measures and re-allocations in the medium term for some of the aggregated items (as included in Table 31 above). However, the budget documentation does not explain these re-allocations in detail for most of the aggregated items on Table 31.

Hence, the score for the present dimension is C.



## PI-17. Budget preparation process

Table 34 - PI-17: Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-17. Budget preparation process</b>	A	
17.1 Budget calendar	B	A clear budget calendar exists which allows spending units at least 5 weeks to complete their submissions. Submissions are made in accordance with the timetable.
17.2 Guidance on budget preparation	A	A comprehensive budget circular is issued each year. It sets our expenditure ceilings within which all spending units must work. Government approval is given before the issue of the circular.
17.3 Budget submission to the legislature	A	All recent budgets have been submitted to the Parliament before the end of October of the previous year.

### General description of the characteristics of the indicator within the scope covered

This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including political leadership, and whether that participation is orderly and timely. It contains three dimensions and uses the **M2 (AV)** method for aggregating dimension scores. Arrangements for the preparation and enactment of the annual budget are set out in the Government Decree of 13 July 2006, which gives effect to the organic Budget Ordinance of 23 February 2006.

#### 17.1. Budget calendar

##### Performance level and evidence for scoring the dimension

The circular for the 2021 budget, which also covered revisions to the 2020 budget, was issued on 26 June 2020, with preliminary submissions required by 31 July. Thereafter further changes could be made following discussions with BFB until 31 August. The submissions, which are entered directly into BFB's electronic system BRU-BUDGET cover both revisions to the 2020 budget and initial figures for 2021. Budget users all made their submissions in accordance with the timetable set out in the Circular. Since this timetable gave budget users 5 weeks to prepare their submissions, the score is B.

#### 17.2. Guidance on budget preparation

##### Performance level and evidence for scoring the dimension

The circular contains detailed guidance on the limits within which spending units must observe in their submissions. The general principle is that programmes should be kept within the initial budget allocations for the current year except where approved government policies (as in the case of strategic investments) already require increases. Any proposals for increased expenditure must be balanced by offsetting reductions elsewhere. The circular was approved by the Government on 25 June, before its issue to budget users, who then had until the end of August to finalise their proposals in discussion with BFB. The score is A.

### **17.3. Budget submission to the legislature**

#### **Performance level and evidence for scoring the dimension**

The last five budgets – for the years 2017, 2018, 2019, 2020 and 2021 were submitted to Parliament on 28 October 2016, 31 October 2017, 25 October 2018, 30 October 2019, and 30 October 2020. Score: A.

## PI-18. Legislative scrutiny of budgets

Table 35 - PI-18: Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-18. Legislative scrutiny of budgets</b>	B+	
18.1 Scope of budget scrutiny	A	Parliament's review covers medium-term prospects as well as details of revenue and expenditure.
18.2 Legislative procedures for budget scrutiny	B	Ministers are questioned in detail by the Finance Committee before the budget is considered in plenary session. But there are no arrangements for public consultation.
18.3 Timing of budget approval	A	The last 3 budgets have all been approved before the beginning of the year to which they relate.
18.4 Rules for budget adjustments by the executive	A	The government is only able to reallocate provision within programmes without the approval of Parliament.

### General description of the characteristics of the indicator within the scope covered

This indicator assesses the nature and extent of legislative scrutiny of the annual budget. It considers the extent to which the legislature scrutinizes, debates, and approves the annual budget, including the extent to which the legislature's procedures for scrutiny are well established and adhered to. The indicator also assesses the existence of rules for in-year amendments to the budget without ex-ante approval by the legislature. The indicator contains four dimensions and uses the M1 (WL) method for aggregating dimension scores.

#### 18.1. Scope of budget scrutiny

##### Performance level and evidence for scoring the dimension

The budget proposals include full detailed explanations of each element of revenue projected, and each expenditure programme. The resulting fiscal balance is clearly presented, together with the debt management strategy to ensure that funds are available to meet all the government's obligations. A section of the Explanatory Note describes the medium-term fiscal outlook, taking into account the economic forecasts produced by the Federal Bureau du Plan and the government's strategic investment and other expenditure plans. The government's proposals are scrutinized in detail by the Finance Committee of the Parliament, and the responsible Ministers attend the Committee to give further explanations. The score is A.

#### 18.2. Legislative procedures for budget scrutiny

##### Performance level and evidence for scoring the dimension

The Parliament's procedures for scrutiny of the budget proposals are well-established and consistently followed. The main responsibility falls to the Finance Committee, which votes on the allocation to each Mission (administrative unit) in preparation of its report to the plenary session of the Parliament. The Ministers in charge of each mission provide explanations in advance of each vote and respond to questions. If it appeared likely that a proposal would be defeated, the Minister concerned would need

to consider amendments. The different political parties represented in Parliament enable a variety of views to be heard before the budget is enacted, but there is no other provision for consulting the public. The score is B.

### **18.3. Timing of budget approval**

#### **Performance level and evidence for scoring the dimension**

The last three budgets (for 2019, 2020 and 2021) were approved on 21 December 2018, 17 December 2019 and 18 December 2020. The score is A.

### **18.4. Rules for budget adjustments by the executive**

#### **Performance level and evidence for scoring the dimension**

Article 28 of the Organic Budget Ordinance of February 2006 requires the government at least once during each year to propose changes in budget allocations for approval by Parliament. In practice Parliament is invited at the same time to approve changes in the budget of the current year and budget allocations for the next year. Article 29 authorises the government to redistribute budget allocations within programmes, subject to notification to the Parliament and the Court of Auditors. If necessary, the government may take a deliberate decision under Article 26 to authorise additional commitments or payments beyond the amounts previously approved, subject to the presentation of a draft ordinance to ratify the decision. The relevant provision of the Ordinance has been strictly observed. Since reallocation without Parliamentary approval can only be done within programmes (unless a specific exception is included in the annual budget ordinance). The score is A.

## PILLAR FIVE: Predictability and control in budget execution

### PI-19. Revenue administration

Table 36 - PI-19: Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-19. Revenue administration</b>	B	
19.1 Rights and obligations for tax measures	A	The website of BF is comprehensive and provides user-friendly information on tax liabilities and redress procedures.
19.2 Property tax register and valuation	NA	The mandate for property valuation is at the federal level. The last comprehensive valuation of property values was done more than 30 years ago. Since it is outside the control of BCR, score is NA.
19.3 Tax risk management, audit, and investigations	NA	Not applicable as most of the core taxes (93%) are based on registers kept by the Federal Government and for these taxes, BF is not expected to conduct tax audits and compliance risk assessment.
19.4 Tax arrears monitoring	C	Tax arrears as a share of the total tax collection amount to 12.3 %. The share of arrears older than 12 months is 51.7 %.

#### General description of the characteristics of the indicator within the scope covered

“This indicator focuses on the administration of the core taxes of BCG. The indicator assesses the procedures used to collect and monitor the core taxes of the BCG. It contains four dimensions and uses M2 (AV) method for aggregating dimension scores.”

The government department that is responsible for tax collection is Brussels Fiscal (BF). The table below shows the revenues that BCG obtains from taxation. It adds two columns to indicate the mandate of the BCG-BF for these particular taxation types. For some of the taxes, the BCR has the mandate for the tax policy, i.e., for setting the tax rates, but is collection still done by the Finance Department of the Federal Government and not by BF.<sup>12</sup> It is noted that in line with the Federal policy to decentralize policy, the mandate of BF is gradually expanding.

Table 37- BCR Tax Revenues

	Revenues (in mln Euro)		Mandate	
	2019	2020 (est)	Policy	Administration
Regional income tax	855.2	846,8	BCG	FOD Finance
Property tax				
- Regional (BCR)	23.6	25.3	BCG	BCG-BF
- Municipal	668.5	648.5	Municipalities	

<sup>12</sup> Federale Overheidsdienst Financien / Service Public Fédéral Finances (SPF)

- Agglomeration	225.2	322.4	Agglomeration	
Registration duties	578.4	667.4	BCG	FOD Finance
Inheritance tax	337.7	362.3	BCG	FOD Finance
Vehicle tax	188.3	213.2	BCG	BCG-BF
Donation duties	59.5	69.3	BCG	FOD Finance
M <sup>2</sup> (square meter) tax	92.4	90.0	BCG	BCG-BF
Tax on games	37.4	32.4	BCG	FOD Finance
KM duty on trucks	9.9	10.3	BCG	BCG-BF

Based on the mandate and the relative amounts as shown in the Table, the BCG core taxes that are subject to this assessment are the property tax, the vehicle tax, and the M<sup>2</sup>-tax. However, since BCR only took responsibility for the Vehicle tax on 1 January 2020, this tax is not relevant to the assessment based on 2019.

### 19.1 Rights and obligations for tax measures

The website of the tax agency of the regional government, <https://fiscaliteit.Brussels> ([Bruxelles Fiscalité](#)), presents extensive information for each of the core taxes including the obligations and rights of taxpayers, relevant forms, the timing of payments and the legal basis of the taxation. A distinction is made between companies and citizens. This information is comprehensive, easily accessible, and up to date. Of the three key taxes considered for this dimension, only the M2 tax – a tax on the surface area of non-residential buildings – requires any declaration by the taxpayer: property and vehicle taxes are assessed by the BCR Tax agency on the basis of registries which are the responsibility of the Federal Government.

The redress procedures can also be found on the website under the heading ‘Help’. In addition, the detailed redress procedures are explained on each tax assessment form that is received by a citizen or entrepreneur. The citizen can also raise taxation-related questions to its customer counters. Due to COVID-19 pandemic they are temporarily closed, but citizens can still make an online appointment.

Hence, the score for the present dimension is A.

### 19.2 Property tax cadastre and value assessment

The property tax is based on the property valuation that is registered by the Federal Cadastre which is under the mandate of the Federal Government. The valuation is reflected in the so-called Cadastral Income (KI). The value of the KI was assessed for the last time in the 1970s. Since then, the value has been indexed in line with general inflation and re-valuation has taken place for renovated buildings. However, a general re-valuation of property was only done more than 30 years ago. Since the Cadastre is not controlled by BCR, the score in accordance with the relevant criterion is Not Applicable.

### 19.3 Revenue risk management, audit, and investigations

Out of the three core taxes, only the M<sup>2</sup> tax is based on self-assessment. The other core taxes are based on federal registers for real estate property and vehicles that are maintained by the Federal Department of Finance. The issues concerning risk management, audit and investigation are relevant where the tax payable depends to some extent on declarations by the taxpayer. A small, dedicated unit carries out a programme of inspections to check the accuracy of the M2 declarations, but this does not call for a sophisticated risk assessment. In the cases of property and vehicle tax the assessment is imposed by the tax agency, which then has to enforce collection. Given that the size of

M<sup>2</sup> tax is less than 10 % (7.4 %) of the core taxes and that risk management and compliance audits does not apply to most of the core taxes, this dimension is considered not applicable.

#### 19.4 Revenue arrears monitoring

Table 2 provides an overview of the arrears in the three core taxes of the BCG. With regard to the property tax, no arrears dating from 2020 are registered yet. This is a direct result of the deferral of payment until 30 April 2021 granted by the BCG as a response to the COVID-19 pandemic.

**Table 38 - Arrears in the BCG core taxes (thousand Euro)**

Tax type	Arrears			Total tax collected 2019	Total arrears as share total tax	Share arrears older than 12 months in total arrears
	Older than 12 months	Dating from 2019	Total			
Property tax	54,126.9	54,705.8	108,832.6	841,745.5	12.9%	49.7%
M <sup>2</sup> tax	5,397.4	843.3	6,240.7	94,057.1	6.6%	86.5%
Total	59,534.3	55,549.1	115,073.3	935,802.6	12.3%	51.7%

The table shows that the tax arrears as a share of the total tax collection amount to 12.3 %. The share of arrears older than 12 months is 51.7% %. For the score B total arrears must be less than 20 per cent of collections, and arrears older than 12 months less than 50 per cent of total arrears. Since arrears over 12 months old are more than 50 per cent, the score is C.

#### Recent or ongoing reform activities

The BCG will overtake the mandate to collect inheritance tax, registration duties and taxes in games in the medium term. Also, under the label smartmove.brussels, a reform is in preparation to change the vehicle tax from the property of a vehicle to the use of vehicles.

## PI-20. Accounting for revenue

Table 39 - Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-20 Accounting for revenue</b>	A	
20.1 Information on revenue collections	A	The tax and non-tax data are obtained monthly and consolidated into a report.
20.2 Transfer of revenue collections	A	Tax and non-tax revenues are transferred to the Treasury daily.
20.3 Revenue accounts reconciliation	A	Frequency of reconciling tax revenues is monthly.

### General description of the characteristics of the indicator within the scope covered

This indicator assesses procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling tax revenue accounts. It covers both tax and nontax revenues collected by the central government. It contains three dimensions and uses M1 (WL) for aggregating dimension scores.

Non-tax revenues are collected by the Brussels Regional Public Services (SPRB) while the independent Brussels Regional Service Fiscalite (BF) collects tax-revenues for the Brussels Capital Region. From January 2020, a new interface was launched that allows to integrate tax receipts and tax liabilities in the regional SAP, in order to ultimately achieve a full harmonization of the accounts and the budget.

### 20.1. Information on revenue collections

#### Performance level and evidence for scoring the dimension

The largest amounts of non-tax revenue come from the transfers by the Federal Government to the Communities and Regions under the Financial Act for each financial year.

In December, the year before a new fiscal year the Treasury of the SPRB/GOB receive an e-mail from the Federal Government containing the various amounts in the different sections that will be paid monthly in the upcoming fiscal year. The payment dates are also listed.

Every month the Treasury receives an email with all amounts and dates about a week before the transfer. The amounts and dates usually remain the same for the first 7 months. Usually, a recalculation for the month of August is done, after which the amounts will remain the same until December. The amounts are deposited on the foreseeable dates into the central expenditure account of the SPRB/GOB and recorded. These amounts, which make up about a third of BCR's total revenue are not within the scope of this Indicator. About three quarters of BCR's other revenues come from tax receipts of different kinds, most of which are collected by the Federal Government and then transferred to BCR.

The tax process is mainly based on authentic data sources:

- National Register (RR)
- Bank for Enterprises (CBE)
- Land Registry
- Bank for Social Security (CBSS)
- Vehicle Registration Service (DIV)

In addition, some data is supplied in the form of various files:



- Brussels Mobility (taxis)
- Brussels Environment (parking)

Only the Regional tax payable by owners of built-up properties (m<sup>2</sup>) is based on declaration. Taxes collected by BCR are paid directly into the Treasury. The tax department reconciles its records monthly with those of the Treasury.

Regional taxes collected by the Federal Government are paid to BCR on the last working day of the month (see PI -19). Non-tax revenues from sales of goods and services, property income, administrative charges, and the repayment of loans together account for about 15 per cent of BCR revenue other than grants from the Federal Government (see Annex 4). All revenue, however collected, is paid immediately into BCR's bank accounts controlled by the Treasury.

The Finance and Budget department of the BCR draws up periodic specific reports for the bodies that request this, among others the General Database ('Banque des base de Données') The reports for the General Database are distributed monthly (including internally SPRB/GOB) and include the breakdown of all budget revenues and expenditures.

Since the tax and non-tax data are obtained monthly and consolidated in a report, the score is A.

## 20.2. Transfer of revenue collections

### Performance level and evidence for scoring the dimension

The Federal Government transfers regional taxes on the last working day of the month, which then are immediately transferred to the SPRB/GOB Treasury. Own Tax revenues and non – tax revenues are transferred to the SPRB/GOB Treasury daily.

As the tax and non-tax revenues are transferred daily to the Treasury, the score for the present dimension is A.

## 20.3. Tax accounts reconciliation

### Performance level and evidence for scoring the dimension

All core tax revenues are reconciled by BF on a monthly basis by means of the interface established in 2020 with the regional SAP platform. Individual taxpayers' accounts are updated as payments are received. The system generates monthly reconciliations showing how much is in arrears of each annual assessment.

The score for the present dimension is therefore A.

## PI-21. Predictability of in-year resource allocation

Table 40 - - PI-21: Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-21 Predictability of in-year resource allocation</b>	A	
21.1. Consolidation of cash balances	A	Consolidation is daily.
21.2 Cash forecasting and monitoring	A	The cash flow forecasting and monitoring is weekly.
21.3 Information on commitment ceilings	A	Sufficient cash available during the year, there is no need for commitment ceilings
21.4 Significance of in-year budget adjustments	A	Only once a year a significant adjustment of the BCR budget

### General description of the characteristics of the indicator within the scope covered

This indicator assesses the extent to which the central MoF is able to forecast cash commitments and requirements and to provide reliable information on the availability of funds to budgetary units for service delivery. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores.

Since 2014 the Financial Coordination Center (FCC), as part of the Debt Management Department, is charged with centralizing and coordinating the financing of the treasury of the Brussels Capital Region (BCR) (art. 68.1 OOBCC). The Government of Brussels has contracted a bank as the cashier of the BCR for a specific period via a public tender. (art. 63 OOBCC). All OAAs can make use of this bank for cash pooling and open accounts at the cashier (Art. 68.3 OOBCC). In 2020 the FCC pooled the cash for 20 participants. Four less important OAAs are not participating in the FCC, and another (the Fund for Financing of Water Policy) is not active.

The cash pooling of the bank accounts of the Government and Government Services and of the bank accounts of the OAAs participating in the FCC is managed by the cashier and result in one integrated account balance.

The role of the FCC is to coordinate transfers from transit accounts to the OAA accounts and to centralize OAAs' forecasts and to establish a consolidated cash flow plan. The OAAs must send their 4-week cash flow forecasts to the FCC every week. The FCC transmits then a consolidated cash flow plan for the next 28 days to the Treasury Department on a weekly basis in order to optimize short-term debt management.

The FCC also has an advisory role in financial matters and drafts quarterly and annual reports for the OAAs. It also encourages good financial management. Although the OAAs no longer receive credit interest on their accounts and are no longer authorized to make investments, the FCC annually grants an allocation for sound financial management which rewards OAAs for good cash forecasting and avoiding sharp fluctuations in cash flow.

The integrated cash pooling results in regional gain of approximately € 20 Mio a year thanks to the overall reduction in gross borrowing for BCR as a whole.

The OAAs which are not participating in the FCC represent 0.75 % and 0.74 % of the total 2020 BCR budget on revenues and expenditures respectively, which is well below 5% and means that the PI-21

dimensions can be regarded as if all bank and cash balances, all cash flow forecasts, and all budgetary units have been included in the assessment.

### **21.1. Consolidation of cash balances**

#### **Performance level and evidence for scoring the dimension**

The cashier calculates the cash statements on a daily basis. They are made available to the GOB the following day, via the statements of the central expenditure account and also via online consultation in an online tool of the cashier.

Daily before 6 AM the file with codified account statements with the movements and the balances of all bank accounts of the Government and of the Government Services of the previous working day is automatically entered into SAP4HANA (the ERP system) and automatic postings and settlements are performed. This means that the balances of all bank accounts of participants of the FCC are consolidated daily and are available through different channels, allowing verification of their correctness by comparison of the amounts.

Based on the analysis and supporting evidence, the score for the present dimension is A.

### **21.2. Cash forecasting and monitoring**

#### **Performance level and evidence for scoring the dimension**

At the end of each year, the Treasury Department of the SPRB/GOB prepares a cash flow plan for the following calendar year. These annual forecasts are entered into the treasury planning and are updated on a weekly basis on the basis of information received from SPRB/GOB units and the integrated four-week schedule from the FCC. The Treasury Department carries out a daily check on received information and makes any necessary adjustments on a daily basis, so that the treasury planning is always up to date.

The cash flow planning includes detailed information about actual and planned major expenses and receipts. Major expenditures are all expenditures of an amount greater than EUR 250,000.00 and all deposits into the transit accounts of the OAAs. The expected large receipts include all transfers from the federal government and the prospects for regional taxes collected by the Tax Department. All of these forecasts are based on information obtained from the GOB units, the federal government, and the ERP system, SAP4HANA. A fixed amount per day is provided for the outlook for other expenditure and receipts.

Based on the analysis and supporting evidence, the score for the present dimension is A.

### **21.3. Information on commitment ceilings**

#### **Performance level and evidence for scoring the dimension**

The Treasury of the GOB prepares the treasury plan with the forecast for expenditures and revenues for the Government Services. This planning is updated weekly and used for financing decisions. If needed the Treasury is authorised to borrow cash on the short term ( $\leq 33$  days). Therefore, there is no risk of cash unavailability and need for ceilings on commitments within the year because of cash flow difficulties. Budget users are thus permitted to commit the whole amount of their allocations at any time during the year.

Hence, the score for the present dimension is A.

## 21.4. Significance of in-year budget adjustments

### Performance level and evidence for scoring the dimension

In-year adjustments are regulated in art 28 of the February 2006 OOBCC, which provides that at least once a year, the budget will be examined on the basis of the budgetary targets, with a view to any adjustment of the resources and general expenditure budgets. Where appropriate, draft amendments are to be submitted to Parliament. Article 82 of OOBCC requires the Government to determine its attitude towards any proposals for budget amendments issued by the Parliament, of which the approval could have an impact either on the revenues or on the expenditures. Article 7 of the implementing Decree of July 2006 provides that the Minister of Budget shall draw up the preliminary draft laws on establishing the initial budget and adjusting the budget of the services of the Government and of the autonomous administrative institutions. The annual budget preparation circular also includes specific guidelines on drafting adjusting budgets for all parties involved.

In 2019 the Parliament adjusted once the expenditure and revenues budgets of the BCR (30 October 2019).

Based on the analysis and supporting evidence, the score for the present dimension is A.

## PI-22. Expenditure arrears

**Table 41 - PI-22: Summary of scores and performance table**

Indicator/Dimension	Score	Brief justification for score
<b>PI-22 Expenditure arrears</b>	A	
22.1. Stock of expenditure arrears	A	Stock of arrears during last two years below 2%
22.2 Expenditure arrears monitoring	A	Monitoring is frequent and timely. Except for composition, relevant data are generated. However, nature of arrears is limited, and stock of arrears is low

### General description of the characteristics of the indicator within the scope covered

This indicator measures the extent to which there is a stock of arrears, and the extent to which a systemic problem in this regard is being addressed and brought under control. It contains two dimensions and uses the M1 (WL) method for aggregating dimension scores.

There is no specific legislation on arrears. Article 95 of the “Royal Decree determining the general implementation rules for public contracts” of 13 January 2013 regulates the payment of works. Payment of amounts due to contractors takes place within a period of thirty days from the date of termination of the verification period of thirty days from the date of receipt of the claim and the detailed state of the completed works. The payment term is sixty days for the contracts awarded by providers of healthcare.

In general, the accounting department and the regional accountant’s unit monitors arrears monthly. This monthly report is sent, within 10 days of the end of the month, to the various administrations for analysis and action to expedite payments. The monthly monitoring reports include among others the age and the entity responsible for checking the file but not the type of the arrears (goods, services, court cases, salaries, pensions etc.). There is no annual reporting on arrears.

Although the stock of arrears at the end of the last three fiscal year is well below the 2%, arrears are increasing. The SPRB/GOB 2018 Report (page 146) notes that the validation time of the invoices generally remains much too slow: in 2018 only 65% of the invoices were paid within 35 days after the recording of the invoices (target is >90%), although the system for invoice follow-up had been improved in 2018 and already resulted in a shorter processing time. In 2019 only 69% of the invoices were paid in time. The average time of paying invoices was in 2018 44% higher than the target of 30 days and in 2019 it was 39%. In 2018 50% of the recommendations of the Accounting Directorate of the Finance and Budget Department were not followed up by the technical services. In 2019 this percentage was even less than 40%. The need for improvement is recognized by BFB services.

### 22.1. Stock of expenditure arrears

#### Performance level and evidence for scoring the dimension

At the end of the fiscal years 2017, 2018, 2019 expenditure arrears are presented below.

**Table 42 - PI-22.1: Stock of expenditure arrears: breakdown by different categories**

	Fiscal year 2017	Fiscal year 2018	Fiscal year 2019
Stock of arrears for goods	26,140	735,652	2,666,124
Stock of arrears for services	388,704	1,735,262	2,334,210
Stock of arrears for salary payments	-	22,226	1,364
Stock of arrears for court judgements	-	-	-
Stock of arrears for pensions	-	-	-
<b>Total stock of arrears at the end of the FY (i)</b>	<b>414,844</b>	<b>2,493,140</b>	<b>5,001,699</b>
<b>Total actual expenditure for the FY<sup>13</sup> (ii)</b>	<b>4,600,628,999</b>	<b>5,166,665,980</b>	<b>5,535,209,640</b>
<b>Ratio (i)/(ii)</b>	<b>0.01%</b>	<b>0.05%</b>	<b>0.09%</b>

Total expenditure arrears were less than 2 per cent of expenditure in all three fiscal years.

Hence, the score for the present dimension is A.

## 22.2. Expenditure arrears monitoring

### Performance level and evidence for scoring the dimension

Expenditure arrears are monitored on a monthly basis. Stock, age, responsible entity, supplier, amount and dates of recording, due date and days of payment arrears are recorded. Subject of the deliverables and type of arrears are not recorded.

**Table 43 - PI-22.2: Expenditure arrears monitoring: breakdown by different categories**

Category of arrears	Data generated (Y/N):			Frequency	Timeline
	Stock	Age	Composition		
Goods	Yes	Yes	No	Monthly	10 days
Services	Yes	Yes	No	Monthly	10 days
Salary payments	Yes	Yes	No	Monthly	10 days

Based on the analysis and supporting evidence, the score for the present dimension is A.

<sup>13</sup> As described under PI-1

## PI-23. Payroll controls

Table 44 - PI-23: Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-23 Payroll controls</b>	D+	
23.1 Integration of payroll and personnel records	B	No direct links between personnel and payroll systems but monthly checks of all changes
23.2 Management of payroll changes	A	Adjustments to the personnel and payroll are updated monthly; the total of retroactive adjustment is less than 3% of the salary payments
23.3 Internal control of payroll	A	Changing payroll records is restricted and integrity of data is ensured
23.4 Payroll audit	D	No explicit evidence that a strong system of payroll audit exists

### General description of the characteristics of the indicator within the scope covered

This indicator is concerned with the payroll for public servants only: how it is managed, how changes are handled, and how consistency with personnel records management is achieved. Wages for casual labor and discretionary allowances that do not form part of the payroll system are included in the assessment of non-salary internal controls, PI-25. This indicator contains four dimensions and uses the M1 (WL) method for aggregating dimension scores. The data considered here cover all regular employees of Government Departments and OAAs of the first category which are fully integrated in the budget. Over 60 per cent of employees of Government Departments are “statutory” personnel, with the status of permanent civil servants, but less than 40 per cent of employees of the OAAs are statutory. Annual budget Ordinances regularly include provisions to enable particular tasks to be undertaken by contract rather than statutory personnel as otherwise required by applicable legislation.

Human Resource Management is decentralized. Each institution has its own personnel and payroll system. Therefore, for indicator PI 23 information is gathered from the SPRB/GOB, BCR Fire Brigade and Urgent Medical Assistance Service (BCR Fire Brigade), Brussels Institute for Management of the Environment (Environment Institute) and Regional Agency of Cleaning (Cleaning Agency), which cover about 7,000 of the total 9,170 employees directly paid from BCR budget.

The SPRB/GOB uses Xtremis (time-recording system) and the module Zsalaries in SAP system for recording staff members and salaries and adjustments in stock and personal situations of the staff. The Cleaning Agency uses two software packages, Staff planner for personnel data and Cumulus as payroll system. The Environment Institute also uses two software packages, i.e., MPLéo for personnel data and ARNO as payroll system. BCR Fire Brigade uses Fire plan for personnel data and Cumulus as payroll system.

### 23.1. Integration of payroll and personnel records

#### Performance level and evidence for scoring the dimension

The personnel and payroll systems of the SPRB/Gob are integrated in the SAP system. However, the software packages of the Cleaning agency, the Environment Institute and BCR Fire Brigade are not directly linked. Administrative officers are responsible for the integrity of the data in the files of staff

members. On a monthly basis the payroll officers check the changes in files of the personnel while preparing salary calculations and payments.

The processes of recording recruitment, promotion, absence, dismissal, resignation, pension, and other possible changes in the personnel data such as entitlement of bonuses, teleworking, meal vouchers are initiated by the administrative officers. The administrative officers are fed with information about needed adjustments to personnel situations by other HRM departments such as the time management department, recruiting department etc. After all required documentation is approved the administrative officers encode the changes in the SAP system or software packages. The payroll officers check the documentation on validity and accurateness before salary payments, ensuring that changes from the previous month are fully explained and justified. SAP sent then automatically the payment (XML) files to the cashier Belfius.

The autonomous institutions send payment files to the Treasurer, who does not have modification access to the software of these institutions but checks the payment files, validates them, and sends them to the cashier Belfius.

Since in the autonomous institutions there are no automatic links between the personnel records and the payroll, but there is full documentation of all changes in personnel records with an impact on the payroll, the score for the present dimension is B.

## 23.2. Management of payroll changes

### Performance level and evidence for scoring the dimension

Recalculations are carried out on the remuneration managed by the SPRB/GOB and include SPRB/GOB staff, SPRB staff seconded to the Cabinets of the BCR, staff of the Cabinets of the BCR; and the remuneration of the Vice-Governor.

After each payroll calculation the payroll managers must check whether there are positive or negative recalculations for the previous months and the nature of these recalculations.

The recalculations can be upwards and downwards. Upward recalculations could be needed because information is not known at the time of payroll such information relating to the worker's seniority, quarterly reimbursement of travel expenses. Furthermore, information has not been taken into account as a result of the application of the rules provided for by the Staff Regulations. This data also includes technical errors in the payroll system.

The downward recalculations also are required by the personal situation of the staff member (leave for compelling reasons) or are the consequence of rule changes (half-time medical recalculation). As with the upward recalculations, some data has not been included. These data concern on the one hand a regularization due to a change in the rules (work accident) and on the other hand an error due to a technical problem.

The table below summarizes all the recalculations carried out in 2019:



Table 45 - Pay Recalculations 2019

Type régularisation	Montant rémunérations	Montant des recalculs	Motifs
<i>Régularisations à prendre en compte</i>			
Régularisations "+"		1.482.736,92 €	pourcentage recalculs/rémunérations 2019: 1,39%
Régularisations "-"		211.544,05 €	pourcentage recalculs/rémunérations 2019: 0,20%
<b>TOTAL</b>	<b>106.645.904,35 €</b>	<b>1.694.280,97 €</b>	<b>pourcentage recalculs/rémunérations 2019: 1,59%</b>
<i>Régularisations "hors scope"</i>			
Régularisations "+"		421.909,73 €	pourcentage recalculs/rémunérations 2019: 0,40%
Régularisations "-"		10.802,55 €	pourcentage recalculs/rémunérations 2019: 0,01%
<b>TOTAL</b>	<b>106.645.904,35 €</b>	<b>432.712,28 €</b>	<b>pourcentage recalculs/rémunérations 2019: 0,41%</b>
<b>TOTAL ("scope" et "hors scope")</b>		<b>2.126.993,25 €</b>	<b>pourcentage recalculs/rémunérations 2019: 2,00%</b>

The total amount of upward and downward recalculations is € 2,126,993.25, which corresponds to 2% of the total amount of 2019 remuneration. Comparably detailed information is not available for the autonomous institutions, but their administrative structures and controls are similar to those of SPRB, and there is no reason to expect that their experience of retroactive adjustments would be significantly different.

Based on the analysis and supporting evidence, the score for the present dimension is A.

### 23.3. Internal control of payroll

#### Performance level and evidence for scoring the dimension

The administrative officers and payroll officers of the SPRB/GOB and the sample institutions are authorized to make changes in the SAP modules respectively payroll software packages.

The SAP system foresees in an audit trail. The integrity of the financial data of the SAP modules is further ensured by checks embedded in the SAP system (e.g., names of staff members, beneficiary's bank account, IBAN number), the additional checks by the Treasury (e.g., type of payment, financial year) and checks by the cashier Belfius (e.g., payment file in error, fraudulent accounts, closed bank account).

The software packages of the autonomous institutions provide the possibility to track down who accessed data, when that happened, and which files and fields of those files have been accessed. However, IT-support will be needed to present the audit trail.

Since access to the systems is limited, and there is always the possibility to reconstruct the audit trail, the score for the present dimension is A.

### 23.4. Payroll audit

#### Performance level and evidence for scoring the dimension

During the last three fiscal years the Department Internal Audit of the Brussels Regional Public Service and the internal audit departments of the institutions which are a part of the sample have not carried out pay roll audits.

The Court of Auditors performs annually financial audits of nearly all institutions, which are a part of the PEFA assessment (95%). During those financial audits, the Court of Auditors could be expected to audit the pay roll system as well as other control systems in line with international audit standards.

However, audit reports of the Court do not explicitly mention payroll audits and do not refer to weaknesses in the internal control system. The 2018 Consolidated audit report refers to wrong accounting for holiday pay outstanding, and the audit report of BCR Fire Brigade refers to a mismatch between salary liability and the salary software programme.

The pay roll systems of the Fire Brigade, Cleaning Agency and Environment Institute are also within the scope of the audits by commercial auditors which are carried out before their annual financial reports are submitted to the government. The commercial auditors' reports of the Cleaning Agency and the Environment Institute include unqualified opinions and opinions with reservations but not concerning weaknesses in the pay roll systems of these institutions. The Environment Agency stated that the audit included testing a sample of payroll payments, which had not shown any problems. For a score of C or above, the PEFA criteria require comprehensive audits specifically directed at the payroll, designed to detect ghost workers or employees in positions for which they are not qualified. Since there is no evidence of audits of this kind, the score for this dimension is D.

## PI-24. Procurement

Table 46 - PI-24: Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-24 Procurement</b>	B+	
24.1 Procurement monitoring	A	Databases are maintained with complete and accurate data for all procurement methods.
24.2 Procurement methods	A	Value of contracts through competitive methods is more than 80%
24.3 Public access to procurement information	C	Only 3 requirements out of the 6 key procurement elements are met.
24.4 Procurement complaints management	NA	All requirements regarding the review body are met by the so-called Appeal law, but no evidence is available to confirm that its implementation is satisfactory and the BCR Government has no responsibility or control.

### General description of the characteristics of the indicator within the scope covered

This indicator examines key aspects of procurement management. It focuses on transparency of arrangements, emphasis on open and competitive procedures, monitoring of procurement results, and access to appeal and redress arrangements. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores.

Public Procurement is regulated by the Federal “Government Procurement Act” of 26 June 2016. Appeal procedures are regulated by the Federal “Law on motivation, information and remedies regarding [public contracts, certain contracts for works, supplies and services and concessions]” of 27 June 2013. Public procurement is further regulated by 11 other legal rules. The Public Procurement legislation is partly based on EU directives<sup>14</sup>. The legislation is applicable for the SPRB/GOB services and the first and second level autonomous institutions.

The legislation is supported by guidelines for implementing the procurement regulations and use of E-procurement facilities.

Public Procurement is decentralised; each institution is responsible for the organization of its own purchases. There is no central coordinating institution.

The basis for the rating of PI-24 is the public procurement activities of the SPRB/GOB and information received from the sample institutions Environment Agency, Cleanliness Agency, and Fire Brigade.

### 24.1. Procurement monitoring

#### Performance level and evidence for scoring the dimension

All the bodies concerned maintain full records of their procurements, including what is procured, the value of the contract and the identity of the contractor. The joint decree and ordinance of the Brussels-Capital Region, the ‘Joint Community Commission’ and the ‘French Community Commission’ on the transparency of administration in the Brussels institutions of 16 May 2019 stipulates that the institutions have to publish yearly an inventory of their procurements:

<sup>14</sup> EU Directives 2009/52, 2012/27, 2014/24 and 2014/25

<http://www.ejustice.just.fgov.be/eli/decreet/2019/05/16/2019012673/justel#LNK0003>. But it does not prescribe the format or precise content of the published inventories. The score is A.

## 24.2 Procurement methods

### Performance level and evidence for scoring the dimension

The 2016 Procurement law regulates the different types of procurement. The annexes to the annual accounts include procured goods, services or works above € 8,500 but are not summarized and totalized for the different types or methods of procurement but list merely the procurements during the year. The inventories are subject to the annual financial audit of the Court of Audit. The reports of the Court of Audit do not include findings on incompleteness or inaccuracy but only on missing inventories in some of the financial statements of the autonomous institutions.

Below table presents data on methods of procurement of the SPRB/GOB for 2019 (in thousands of euros).

**Table 47 - Methods of procurement of the SPRB/GOB for 2019**

Method	Goods		Services		Works		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Open Tender	9	9,726,919	67	45,836,397	46	94,593,677	122	150,156,993
Limited tender	2	8,675,133	6	3,277,695	2	4,424,904	10	16,377,732
Framework contract			19	2,443,900	12	37,299,863	31	39,743,763
Request for quotations								
Direct contract	17	1,465,853	184	15,012,338	14	1,907,771	215	18,385,962
Design and build			1	1,800,000			1	1,800,000
<b>Total</b>	<b>28</b>	<b>19,867,905</b>	<b>277</b>	<b>66,570,330</b>	<b>74</b>	<b>140,026,215</b>	<b>379</b>	<b>226,464,450</b>

The method without any form of competition (direct contracting) represents 8% of the total of SPRB/GOB purchases in 2019. The advice of the Financial Inspectorate is required above a threshold of € 31,000 for services and € 62,000 for goods and works, whenever procurement is not through open or limited tender; where tenders are limited, the thresholds are € 125,000 for goods and works, and € 62,000 for services. For open tenders, the thresholds are € 125,000 for services and € 250,000 for goods and works. Specific government approval is required for open tenders of more than € 2.5m, limited tenders worth more than € 1.25m, and direct contracts above € 250,000.

There is no information available of the total value of contracts carried out under the thresholds.

Based on the analysis and supporting evidence, the score for the present dimension is A.

### 24.3. Public access to procurement information

#### Performance level and evidence for scoring the dimension

**Table 48 - Key procurement information to be made available to the public**

Element/ Requirements	Met (Y/N)	Evidence used/Comments
(1) legal and regulatory framework for procurement	Yes	2016 Procurement Law defines the allowed methods for procurement of goods, services and works; a 2013 Law defines possible appeal procedures; further there 11 other rules for procurement and guidance material for implementation of the laws and rules.
(2) government procurement plans	No	Each institution has its own procurement plan; no coordination form Government side and no overall procurement plan
(3) bidding opportunities	Yes	The website www.publicprocurement.be creates the federal electronic procurement platform, including applications for notifications, tendering, awarding/ auctions, and catalogue. By means of the platform the SPRB/GOB opens its Freemarket tool to announce bidding opportunities
(4) contract awards (purpose, contractor, and value)	Yes	The inventories are published in an annex to the annual financial accounts, which are published on the websites of the institutions. Contractor, value, type of contract, method of procurement, date is presented in inventories. Although the purpose of the contract is not always published, it is published for a majority of the procurements. The format of publishing contract awards is at the discretion of the institutions concerned
(5) data on resolution of procurement complaints	No	Data on the resolution of complaints is not published.
(6) annual procurement statistics	No	Only the inventories with procured goods, services and works are available and published

The requirements are met for 3 elements out of 6. Hence, the score for the present dimension is C.

### 24.4. Procurement complaints management

#### Performance level and evidence for scoring the dimension

The Law on motivation, information and remedies regarding [public contracts, certain contracts for works, supplies and services and concessions] of 27 June 2013 regulates complaints on procurement (hereafter 'Appeal law') of all methods of procurement. The Appeal law is based on EU directives.<sup>15</sup> There is not a separate review body. Complaints will have to be addressed to the department Administrative Law of the Judicial Council. The law contains clauses on motivation of decisions, information to tenderers, timeframe, redress procedures and correction mechanisms. There are no statistics available about the nature of

<sup>15</sup> EU directives 89/665/EEC ; 92/13/EEC ; 2009/81/EG ; 2014/23, 24 and 25/EU

complaints, the results of appeals, or the timeliness of decisions. Since as in the case of the cadastre (PI-19.2) BCR has no responsibility for the arrangements for appeals, this dimension is considered Not Applicable.

**Table 49 - Procurement complaints management**

Element/ Requirements	Met (Y/N)	Evidence used/Comments
(1) is not involved in any capacity in procurement transactions or in the process leading to contract award decisions	Yes	Art 24.2 of the Appeal law regulates those complaints should be addressed to the department Administrative law of the Judicial Council.
(2) does not charge fees that prohibit access by concerned parties	Yes	The Appeal law does not foresee in charging fees. Concerned parties can appeal for free on the basis of articles 14-27 of the Appeal law.
(3) follows processes for submission and resolution of complaints that are clearly defined and publicly available	Yes	The submission and resolution of complaints is regulated in articles 14-27 of the Appeal law.
(4) exercises the authority to suspend the procurement process	Yes	The department Administrative Law of the Judicial council has the authority to suspend the procurement process (art. 14 -17 of the Appeal law)
(5) issues decisions within the timeframe specified in the rules/ regulations	Yes	Art 23 of the Appeal law defines a time frame for issuing decisions of 60 days
(6) issues decisions that are binding on every party (without precluding subsequent access to an external higher authority)	Yes	Decisions of the department Administrative Law have legal force and are binding

It appears that the requirements are met for element (1), and 5 additional elements out of 5. But there is no specific evidence available to confirm this, and it is entirely outside BCR's responsibility or control. The score is therefore NA.

## PI-25. Internal controls on non-salary expenditure

Table 50 - PI-25: Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-25 Internal controls on non-salary expenditure</b>	A	
25.1 Segregation of duties	A	Segregation of duties is clearly regulated
25.2 Effectiveness of expenditure commitment controls	A	The system of commitment controls is effective.
25.3 Compliance with payment rules and procedures	A	Payment rules and procedures are defined and executed

### General description of the characteristics of the indicator within the scope covered

This indicator measures the effectiveness of general internal controls for non - salary expenditures. Specific expenditure controls on public service salaries are considered in PI-23. It contains three dimensions and uses the M2 (AV) method for aggregating dimension scores.

Internal control is regulated in the OOBCC. Art. 72 of the Ordinance defines that internal control is carried out by each managing department or autonomous institution based on written procedures. Articles 73- 77 describe a system of specialized internal control functions, which are performed by the departments of the Directorate Brussels Finance and Budget (BFB). Art. 73 - 75 regulate the control of commitments and payments. Art. 76 regulates the control on the bookkeeping and art. 77 the control on sound financial management. These controls are independent of the managing services and autonomous institutions that initiated a transaction.

Commitment controls are carried out by the Controller of Commitments and Settlements (CCS) and payment controls by the Treasury. The Entity of the Regional Bookkeeping is among other things responsible for the bookkeeping controls and the department Financial Control and Sound Financial Management evaluates ex-post allocated grants and subsidies.

Art. 78 and 79 regulates the control to be carried by the management of each budgetary unit. Art. 80 regulates the internal audit function.

Art. 81- 83 defines that the Finance Inspectorate fulfils the function of budgetary and financial advisor to the minister with whom they are accredited. Finance inspectors deliver their opinions in full independence and in accordance with the deontology of the inter-federal Corps of the Inspectorate of Finance. Finance inspectors carry out their assignment on records and on the spot. They have access to all files and all archives of the ordinance subject to government departments and autonomous institutions of first category and receive from these services and institutions all the information they asked for.

The scope of the specialised controls is limited. Therefore, for indicator PI 25 also information is gathered from the sample institutions (see PI-23).

## 25.1. Segregation of duties

### Performance level and evidence for scoring the dimension

The Government decree of October 2006 defines the authority of different types of authorizing officers, bookkeepers, and treasury functions.

The responsibilities of authorizing officers for expenditures are laid down in art. 52 - 58 of the OOBCC. The recording of expenditures in the books is regulated in the art. 31 - 46 of the OOBCC. Article 45 of the OOBCC defines the tasks of the Regional Accountant, which among other things is establishing and validating the accounting systems and, where appropriate, validating the systems established by the authorizing officer for the purpose to provide or justify accounting information;

Art. 63 – 69 regulate the responsibilities of the treasury functions. Art 63-67 regulates the central treasury functions, art. 68 the function of the Financial Coordination Centre (see PI – 27) and art. 69 specify the tasks of the different treasury functions in the Brussels regional Public Services and autonomous institutions.

Art. 72 – 79 regulate specific control functions, while art 80 -84 regulate the internal audit and advisory function of the Finance Inspectorate.

The sample institutions have institutionalized an own system of segregation of duties. The functions are regulated by above government ordinance OOBCC and Government decree of October 2006.

All expenditure (public contract, subsidy, contribution, internal and external expense report, bonuses) is subject to an electronic validation process in the accounting system. The commitment process includes a validation by the operational division (expenditure manager, head of department, operational program manager, agent) and legal validations (authorizing officers, commitment controller), for each expenditure, independent of the amount concerned.

To settle an invoice in the accounting system, the same electronic validation circuit is necessary (also independent of the amount concerned), systematically supplemented by a written agreement for qualitative and quantitative reception by the file manager as well as validation by the accounting.

At the accounting level, the functions are strictly divided: officers who enter an incoming invoice or who verify the accuracy of payment proposals do not have access to the creation of third parties in the system. The central treasurer verifies the accuracy of the proposed file and takes care of payments. The sample institutions are audited by a private external auditor and the Court of Audit.

Since the administrative structures in all cases ensure an appropriate segregation of duties, the score for the present dimension is A.

## 25.2 Effectiveness of expenditure commitment controls

### Performance level and evidence for scoring the dimension

Based on art. 74 of the OOBCC the Controller of Commitments and Settlements (CCS) performs commitment controls. The CCS is active for all government departments and 11 autonomous institutions, including the BCR Fire Brigade and Cleanliness Agency. (The Treasury does not have a function in controlling commitments).



Each authorising officer has to request a visa from the CCS for a budget and legal commitment from the authorizing officers, i.e., an action whereby the authorizing officer creates an obligation or states that a charge will be due. This concerns the awarding of government contracts and the allocation of subsidies. After the check of the CCS, it allows then for a bookkeeping commitment, i.e., an action whereby the authorizing officer reserves the required credits in the budget to cover the judicial commitment he or she wishes to enter.

The CCS checks each commitment within 48 hours with 7 staff members.

The Environment Institute is not part of the CCS and has its own system of commitment controls (see 25.1). There is no specific confirmation that these commitment controls are functioning appropriately. However, the 2019 audit report of the Court of Auditors about this institution did not include findings on weaknesses in commitment controls. Further, PI-21 concludes that there is no risk of cash unavailability and need for ceilings on commitments within the year because of cash flow difficulties.

Based on the analysis and supporting evidence, the score for the present dimension is A.

### 25.3. Compliance with payment rules and procedures

#### Performance level and evidence for scoring the dimension

Based on art 74 of the OOBCC the CCS also has a role in payments. After being informed by his or her accountant to start a payment procedure, the authorizing officer are required to request a settlement visa, i.e., an action whereby the authorizing officer ascertains the existence of established rights in favour of third parties. It concerns checking and recognizing the obligation to carry out a payment with regard to an expenditure, once that all the documentation justifying this expenditure has been gathered in accordance with the rule of established rights (art 37 OOBCC).

After the check of the CCS that all the legal requirements have been met, the CCS allows the settlement, which means that

- \* For a grant that the convention has been signed by all parties; and that the settlements are paid according to the instalments described in the decree.
- \* For public procurement that the contract is still on-going and that the terms of the contract are respected.

The CCS also checks if the right bank account will be used for the payment.

After the visa for the settlement has been submitted, SAP will automatically unblock the documentation and the Treasury will process the payment order based on a SAP report with all targeted and unblocked budget orders, then the payment runs are executed, the payment files are created and sent to the cashier (Belfius) and sent by the Treasury in the Cashier's online program.

The checks carried out at the Treasury:

- 1) When booking the settlements in SAP, there is an automatic check on the beneficiary's bank account. (e.g., certain bank keys are prohibited).
- 2) When registering the targeted budget orders (including payment method, type of document, financial year, due date ≠ weekend / Bank holiday).
- 3) During the implementation of the payment proposal in SAP (including: IBAN number, link between invoice and a credit note, payment proposal, subscription list?)
- 4) Checks are also performed at the cashier Belfius (payment file in error, check for fraudulent accounts)

5) Post-checks at the Cashier and the banks (closed bank account

Since all government departments and the Fire Brigade are covered by the centralized ex ante control of commitments and payments, and the other autonomous institutions have comparable ex ante controls on all payments, no payment can be made which has not satisfied the different controls described above. The score is A.

## PI-26. Internal audit

Table 51 - PI-26: Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-26 Internal audit</b>	D+	
26.1 Coverage of internal audit	D	Coverage of the internal audit activities was less than 50% of 2019 expenditures
26.2 Nature of audits and standards applied	A	Internal audit is based on the international internal audit standards; audits deal with compliance and adequacy and effectiveness of internal control.
26.3 Implementation of internal audits and reporting	A	90% of the planned audits were completed and reported on
26.4 Response to internal audits	A	Auditees respond positively on recommendations; IA organises follow up each 6 months

### General description of the characteristics of the indicator within the scope covered

This indicator assesses the standards and procedures applied in internal audit. It contains four dimensions and uses the M1 (WL) method for aggregating dimension score.

In April 2003, the Government of the Brussels-Capital Region (BCR) established internal audit (IA) and the Audit Committee of the Brussels Regional Public Service (SPRB). The scope of IA and Audit Committee was limited to SPRB.

Article 80 of the OOBCC of February 2006 stipulates that internal audit covering the Regional Entity should be implemented by means of a Government decree. However, such a decree has never been drawn up.

In 2016 there were plans to extend the activities of the IA of the SPRB to the OAAs of the first and second categories within the meaning of art. 80 of the OOBCC and even more broadly to any public organization.

Also in 2016, a study revealed a low maturity of the control environment of many OAAs and the absence of internal audit in the vast majority of these institutions. Following this study, in 2017 an action plan and a draft decision were presented to the Government of the BCR. However, the decision was put on hold due to a lack of budget.

In 2019 the Audit Committee of the SPRB discussed the issue of extending the remit of the IA function with the offices of the Minister-President and the Minister responsible for Budget, Finances and Public Office of the new regional Government. Discussions have since taken place within the Audit Committee with a view to extending the scope of the IA function of SPRB to the other Regional Public Services and OAAs of the first category, but no final decision has been taken yet. In its annual report the Court of Audit reiterates every year the need to provide for an implementation decision in accordance with art. 80 of the OOBCC.

### 26.1. Coverage of internal audit

#### Performance level and evidence for scoring the dimension

Besides the Directorate IA of the SPRB (DIA) there are IA units in STIB/MIVB and Actiris. Together their mandates cover 75 % of the total expenditures of 2019 consolidated account. However, due to limited

resources the units whose operations were audited were responsible for less than 50% of total BCR expenditures and revenues during the last three years.

Hence, the score for the present dimension is D.

## 26.2. Nature of audits and standards applied

### Performance level and evidence for scoring the dimension

The DIA of the SPRB is a unit of 4 staff. One of the 'Big Four' external audit firms is supporting the DIA in its work since 2018. An audit methodology including a risk-based audit approach and quality control and quality assurance has been developed based on the standards of the Institute of Internal Auditors.

A sample of audit reports of 2018, 2019 and 2020 all dealt with compliance with rules and regulations and the effectiveness of internal controls; for example, a procurement audit recommended to introduce a segregation of duties between the main phases in the purchase process: placing the order, receiving the goods/services, and booking the invoice.

Based on the analysis and supporting evidence, the score for the present dimension is A.

## 26.3. Implementation of internal audits and reporting

### Performance level and evidence for scoring the dimension

For the period 2018-2020 the DIA of the BRPS had a rolling forward audit plan. At the end of the period 90 per cent of the scheduled audits were completed. Due to a lack of resources and anti-Covid measures 3 of the 9 scheduled audits were not fully complete at the end of 2020.

The audit reports were submitted for comments to the auditee (e.g., a Directorate), the Department, the Audit Committee, the Court of Audit, and the Financial Inspectorate.

Since 90 per cent of the audit work was completed, the score for the present dimension is A.

## 26.4. Response to internal audits

### Performance level and evidence for scoring the dimension

The auditees generally respond within one month of the audit reporting. Actions are generally carried out in a timely manner. The DIA of the BRPS has since 2019 been monitoring the implementation in a data analysis tool (dashboard) and following up its recommendations every six months. For the three years 2018-20 100 per cent, 95 per cent and 96 per cent respectively of the DIA recommendations were accepted. In 2019 and 2020 68 per cent and 51 per cent respectively of DIA recommendations were already implemented, which justifies the score A. (Comparable data for 2018 is not available.)

## PILLAR SIX: Accounting and reporting

### PI-27. Financial data integrity

Table 52 - PI-27: Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-27 Financial data integrity	A	
27.1 Bank account reconciliation	B	Bank reconciliation occurs monthly
27.2 Suspense accounts	A	Reconciliation and clearing of suspense accounts occurs monthly
27.3 Advance accounts	NA	There are no advance accounts
27.4 Financial data integrity processes	A	Restriction for access to records is ensured. A unit is responsible for verifying data integrity.

#### General description of the characteristics of the indicator within the scope covered

This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores.

Articles 63 -72 of the OOBCC regulate the functions of the cashier (Bank Belfius), accounting officers and the Financial Coordination Centre that is in charge with centralizing and coordinating the financing of the treasury of the regional entity. Article 63.2 of the OOBCC requires that OAAs entrust their financial accounts to the cashier Bank Belfius.

The Government Decree of 19 October 2006 defines the roles and responsibilities of the accounting officers. The delegation of authority to sign for financial matters to the civil servants of ministries is regulated by Government decree of 25 March 1999.

Payments are processed by the SAP accounting system. However, not all budget and extra-budgetary units within the scope of the PEFA participate in the SAP-platform. These budget units use their own separate (often also different) accounting software that is also not automatically linked to the central regional SAP platform. But the units are entering their data in the Bru-Budget monthly.

#### 27.1. Bank account reconciliation

##### Performance level and evidence for scoring the dimension

In general, the SAP system automatically reconciles payments of invoices and declarations of receivables on a daily basis. Items are automatically matched the next day between the bank and the SAP via a secure FTP transmission.

This reconciliation procedure applies to the accounting of expenses, disputes, and arrears. In general, all other financial transfers such as foreign payments, transactions for short-term financing, salary payments) are manually reconciled the next business day of the financial transaction performed. Transit payments are reconciled monthly.

The revenue accountant has to transfer his/her balance once a month to the Treasury and reconcile then the operations. Budget units with own accounting software reconcile monthly when entering their data in the Bru-Budget.

Based on the analysis and supporting evidence, the score for the present dimension is a B.

## 27.2 Suspense accounts

### Performance level and evidence for scoring the dimension

Suspense accounts include amounts of (budget-relevant) payments that are returned to the Treasury for various reasons. For example, a bank account was closed, or it concerns a bank account of the prohibited type, or a check was not cashed within the period of 3 months, etc., but there are also amounts deposited into the Treasury for which the destination is not clear.

The suspense accounts are reconciled and cleared at least once a month.

Hence, the score for the present dimension is A.

## 27.3. Advance accounts

### Performance level and evidence for scoring the dimension

Advance accounts do not exist. Hence, the score for the present dimension is NA.

## 27.4. Financial data integrity processes

### Performance level and evidence for scoring the dimension

The department Financial Control and Sound Financial Management (FCSFM) of Brussels Finance and Budget manages access to the financial accounts of the regional cashier Belfius of Government Services, ministerial offices and eight first and second category OAAs. On the basis of the Government Decree on Financial Actors of 19 October 2006 requests to change signing authorities, closing a financial account, opening a financial account, or ordering a payment card, should be addressed to the FCSFM department for approval. The top management of Actiris, which accounts for almost all EBU expenditure (see PI-6 above) operates comparable procedures in supervising and restricting access to bank accounts.

By ministerial decree, drawn up by the FCSFM department, accounting officers and one or more deputies are appointed for each bank account they manage. Based on that decree the FCSFM department then completes the necessary formalities for access to SAP, for authorization to sign the bank account at the cashier Belfius and for access to the online programme of Belfius. The FCSFM department has developed procedures/checklists/templates for the different phases of opening, modification or closing bank accounts and for amending signing powers. Similar procedures are operated by Actiris.

The integrity of the financial data is further ensured by checks embedded in the SAP system (e.g., on the beneficiary's bank account, IBAN number), the daily additional checks by the Treasury (e.g., type of payment, financial year) and checks by the cashier Belfius (e.g., payment file in error, fraudulent accounts, closed bank account). The Regional Accountant department of Brussels Finance and Budget is in charge of the overall control on internal bookkeeping and verifying data integrity. This structure of controls safeguarding the integrity of data justifies the score A.

## PI-28. In-year budget reports

Table 53 - PI-28: Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-28 In-year budget report</b>	C+	
28.1 Coverage and comparability of reports	A	Comparison of budget execution with original budget of all items is possible
28.2 Timing of in-year budget reports	B	In-year reports are produced monthly after two weeks of from the end of each month
28.3 Accuracy of in-year budget reports	C	The source of the monthly reports is reliable, but the reports lack analysis of presented data.

### General description of the characteristics of the indicator within the scope covered

This indicator assesses the comprehensiveness, accuracy, and timeliness of information on budget execution. In-year budget reports must be consistent with budget coverage and classifications to allow monitoring of budget performance and, if necessary, timely use of corrective measures. This indicator contains three dimensions and uses the M1 (WL) method for aggregating dimension scores.

An IT application (Bru-Budget) can produce reports at any time of the day on the budget implementation versus the budget estimates (initial or adjusted, or current budget (including credit transfers made during the year, for example)). Each user can generate and download his own reports autonomously at any time, consult reports on screen and also convert them to Excel (which can be downloaded and edited) or generate PDFs.

Bru-Budget is a module of the “regional SAP platform”; almost all ‘budgetary units’ also work on this platform. This platform is the central accounting application of the Brussels Capital Region. Institutions, which are not (yet) integrated into the SAP platform, must upload their implementation data in a specific format in Bru-Budget every month. This is also prescribed by a circular of 2013.

The budget structure of assignments (missions), programs, activities, and the individual basic allocations, which are consolidated by all GOBs (ministries) and regional consolidated institutions, has a high stability; budgets and budget implementations can easily be compared over the years. The stable structure of the regional budget allows for easy reporting to federal and European or international authorities through correct use of the economic and functional classifications.

The Finance and Budget Department produces different reports for monitoring purposes.

On a monthly basis the Budget Department produces reports on the evolution of budget figures over the years. These reports compare budget execution figures for a given month in year t (cumulative figures) as a percentage of the last budget of the current year t in relation to the execution of the same month of the year t-1 as a percentage in the final budget of the previous year t-1. In this way management can determine an acceleration or a deceleration of the rate of execution of credits starting from the level of the SPRB/GOB Ministers (and their overall and own budget envelopes) and then descending in more detail of budget items, by missions, by programme, by budget item of the SPRB and differentiating between commitment and liquidation credits. For the autonomous administrative bodies, the monitoring report is nevertheless limited to a comparison at the level of the overall totals of commitment and liquidation credits.

A monitoring committee convenes a few times a year to discuss the financial results of year t-1, the adjustments to the budget of year t, and consequences for the multi annual planning including the budget for t+1; it may also meet if needed for specific reasons such as the COVID 19 crisis. The reports present the budget execution of consolidated initial and additional budget for revenues and expenditures in general terms with recommendations for action by the Government.

The Finance and Budget department also draws up periodic specific reports for the bodies that request this (e.g., the rating agency Standard & Poor's, the Federal Government, the Planning Office, the General Database, the National Accounts Institute, the Regional Monitoring Committee, the Budget Cabinet, etc.). The reports for the General Database ('Banque des base de Données') are monthly distributed (including internally SPRB/GOB) and include all budget items and expenditures and revenues of OAAs.

As the reports generated for the General Database ('Banque des base de Données') are more in line with requirements of PI -28, these reports have been subject for the rating of PI-28.

### **28.1. Coverage and comparability of reports**

#### **Performance level and evidence for scoring the dimension**

The Bru-Budget budget application can generate reports in real time. All basic allocations (expenditure and income items) of all "budgetary units" and "extra-budgetary units" and "public corporations" can be requested. The real-time reports of each budget unit cover and classify data and includes all items of budget estimates. The monthly reports for the General Database ('Banque des base de Données') are readily available, and s include all budget items as well as expenditures and revenues of OAAs. The score therefore is A.

### **28.2. Timing of in-year budget reports**

#### **Performance level and evidence for scoring the dimension**

The monthly reports for the General Database ('Banque des base de Données') are distributed in the second half of each month in accordance with the requirements set by the Database.

Hence, the score for the present dimension is B.

### **28.3. Accuracy of in-year budget reports**

#### **Performance level and evidence for scoring the dimension**

The data accuracy of the monthly reports is guaranteed by the sources (SAP) and controls on the data. Commitments are covered as well as payments. However, the data presented in the monthly reports include tables but are not accompanied with an analysis of deviations from the expected path of budget execution.

Based on the analysis and supporting evidence, the score for the present dimension is C.

### **Recent or ongoing reform activities**



The monthly reporting by the Finance and Budget department will be part of the so-called Qlik-Sense platform. This platform will make consulting the monthly reports more user-friendly.

## PI-29. Annual financial reports

Table 54 - PI-29: Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
<b>PI-29 Annual financial reports</b>	D+	
29.1 Completeness of annual financial reports	D	In the annual Budget Execution Account the comparison is with revised not original budget flow statement.
29.2 Submission of reports for external audit	C	The annual report is submitted to the CoA within 9 months of year-end
29.3 Accounting standards	C	Variations between International and National accounting standards are not inventoried and explained.

### General description of the characteristics of the indicator within the scope covered

This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards. This is crucial for accountability and transparency in the PFM system. It contains three dimensions and uses the M1 (WL) method for aggregating dimension scores.

Articles 60 and 90 of the OOBCC specify the dates by which the annual accounts of the Government and the OAAs, and the consolidated account of the regional entity, should be sent for certification to the Court of Audit. The accounts are mainly based on the Royal Decree of 10 November 2009 on the accounting plan and valuation rule, applicable for the Federal and Regional Governments. In line with the rating of PI 1-3 for PI 29 the financial report of the SPRB/GOB is taken into account.

### 29.1. Completeness of annual financial reports

#### Performance level and evidence for scoring the dimension

The 2019 BCR Government report includes the consolidated Financial Statement of the Regional Entity, with information on expenditures, revenues, financial and tangible assets, liabilities, guarantees and long-term obligations. A cash-flow statement is lacking. The report also includes a Budget Execution statement with a comparison of the approved budget of commitments and expenditures and the realized commitments and expenditures, but it does not contain a budget summary comparable with that included in the original budget, and the comparisons are with the revised not the original budget.

Table 55 - PI-29.1: Financial reports of BCR

Financial report <sup>16</sup>	Date annual report submitted for external audit	Content of annual financial report (Y/N):			Reconciled cash flow statement (Y/N)
		Expenditures and revenues by economic classification	Financial and non-financial assets and liabilities	Guarantees and long-term obligations	
2019 Financial Statement and	25 May 2020	Yes	Yes	Yes	No

<sup>16</sup> This may be a consolidated financial report or a list of financial reports from all individual BCG units.

Budget statement	Execution SPRB/GOB					
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Because the budget execution statement is not comparable with the original budget, the score for the present dimension is D

## 29.2. Submission of reports for external audit

### Performance level and evidence for scoring the dimension

Article 90 of the OOBCC determines that the general accounts of the Government and the OAAs of the 1st category have to be sent to the CoA by 31 May following the year to which it relates, while those of the institutions of the 2nd category have to be drawn up by their management body by 31 May following the year to which it relates, sent to the government for approval, and then delivered to the CoA without delay after approval by the government. The consolidated account of the regional entity has to be submitted to the CoA before 31 August following the year to which it relates. The statements should be received in their entirety before the deadlines.

In 2020 the financial report of the SPRB/GOB was submitted to the CoA in time according to the legislation. But the Budget Execution Account including the first category OAAs whose operations are fully included in the budget was not submitted until 31 August, 8 months after year-end, resulting in the score C.

## 29.3. Accounting standards

### Performance level and evidence for scoring the dimension

The basis the 2019 accounts of the SPRB/GOB is the Royal Decree of 10 November 2009 on the accounting plan and valuation rule, applicable for the Federal and Regional Governments. The OOBCC and the decree of the government on financial actors of 19 October 2006 and other legislation related to the accounting of companies as well as the opinions of the commission of accounting standards (required to be used by companies) are applicable too but are strictly speaking not statutory accounting requirements.

The preface of the 2019 SPRB/GOB accounts (applicable accounting standards for the regional entity) refer to the 2006 OOBCC and some Royal Decrees (Circulars). Under the heading 'Legal, Regulatory and Mandatory Framework' in the Annex to the 2019 accounts the national standards used are listed but also the standards which yet have to be developed.

Legal requirements to implement IPSAS do not exist, nor a national or regional strategy to implement them. Variations between international and national standards are not inventoried and not explained. However, the SPRB/GOB Government is of the opinion that its accounting system is relatively well developed and sophisticated (double entry, recorded entitlement, etc.) and for a great deal "IPSAS compliant". Because there is no explanation of variations between national and international accounting standards, which is a requirement for A or B scores, the score is C.

## 4. Conclusions of the analysis of PFM systems

### 4.1. Integrated assessment of PFM performance

1. This subsection summarizes key strengths and weaknesses of PFM as identified by the performance indicators in Section 3 and explains them in terms of the overall implications for the seven pillars of PFM performance.

#### Pillar I Budget reliability

2. The reliability of the budget of the BCR Government is high. As reflected by the highest scores in PI 1 and 2, there is little variation between the budget estimates and the actual outturns, both at aggregate and disaggregate levels. Much of BCR expenditure by economic type takes the form of transfers to independently managed bodies, much of which is to finance investment. Much of the BCR revenues are from Federal transfers.
3. The good performance on budget reliability results from a number of good practices. First, the predictability of the federal transfer to the BCR government is high. About 95 per cent of transfers from the Federal Government to BCR are shares of tax revenues. These amounts accruing to BCR are forecast with precision using the forecasts of the Federal Bureau du Plan. Second, BCR's strong performance in cash management ensures that the allocations approved in the original budget can be executed and there are no in-year restrictions due to lack of cash. The mechanisms of cash pooling brought about by the Financial Coordination Center (FCC) of the Debt Management Department provides continuous cash availability while unused cash reserves are avoided. Finally, the BCR's extensive financial controls are able to ensure that no commitments are undertaken beyond the approved budget ceilings (see PI 25.2).
4. A slight underperformance in revenue collection is reflected in the score B on PI-3. Revenue shortfalls were larger than 3% in two of the last three fiscal years arising from a shortfall of receipts from charges by the Cleaning Agency and the slippage of a substantial amount of receipts from the Brussels Agglomeration (a predecessor organisation to BCR which collects contributions towards the costs of services provided by BCR from the surrounding municipalities). BCR has demonstrated the ability to manage any shortfall in revenues in part by adjusting its expenditures. In line with the lower revenues, the expenditures were reduced to 92.7, 96.8 and 96.5 per cent of planned expenditures which are still sufficiently high to qualify for the A score in PI 1 and PI 2. BCR makes only one budget revision per year, in parallel with the discussion of the following year's budget.

#### Pillar II Transparency of public finances

5. The performance of the BCR on transparency is mixed. While it adheres to the highest standards on the technical transparency elements, its performance is below standards with regard to public transparency.
6. BCR's high standards in technical transparency is reflected in the comprehensive budget classification and budget documentation. The budget classification allows BCR to show the administrative, programmatic, and economic details of the expenditures in its budget documents and reports. Furthermore, technical transparency is reflected in the comprehensiveness of the budget documentation. Except for one element, all good practices captured for budget documentation included in PI-5 are adhered to by the BCR. Even on the missing element, quantification of tax expenditures, the BCR provides partial information. Finally, the budget documentation is also

complete and covers all government operations. In addition to the central BCR administration, the annual financial report also includes the revenues and expenditures of all extra-budgetary institutions which form part of the Regional Entity.

7. The strong technical performance is not duplicated in public transparency. Out of the nine good practice elements required by PI-9, only two were met by the BCR in 2020: an audited annual financial report and macroeconomic forecasts published by the Federal Bureau du Plan. The other elements are either not published (in-year budget execution reports) or later than expected by the good practice norms mostly as a result of procedural reasons or operational (printing) delays which are controlled by the Parliament and the (federal) Government publications office. The first publication of a 'citizen's budget' designed to be readily accessible to non-experts took place in 2021.
8. The mixed performance of the BCR on transparency is also reflected in its practice to produce performance information. Each time a new Government is elected it produces a "Note d'Orientation" setting out its objectives for its 5-year term of office alongside its first budget. "Orientation letters" are then produced to accompany each subsequent year's budget, with targets for the activities and outputs concerned. Annual reports are prepared by BFB Management Control Unit of progress against the previous year's targets. The documentation is very voluminous, and the targets are generally expressed only in terms of outputs, not outcomes. There is considerable scope for making the reports more user-friendly, so that issues of importance can be seen more easily, and for indicating more clearly the extent of progress towards the objectives in the Note d'Orientation.

### **Pillar III Management of assets and liabilities**

9. The management of assets and liabilities also shows a mixed performance. While the management of debt adheres to high standards in transparency and decision-making procedures, the management of investments falls short of good practice as measured by the PEFA criteria.
10. The weaknesses in investment management are especially notable given the significant size of the investment budget of the BCG and the relative autonomy of the public corporations that are responsible for the investments that are mostly funded by means of investment subsidies. The majority of the investments are based on multi-annual investment plans in public transport, housing, and infrastructure (roads, bridges and tunnels) that are prepared by the departments and OAAs responsible in each case (only the costs of the tunnel and bridge infrastructure managed by Brussels Mobility are financed directly from the budget; the other investments are managed by STIB and the Housing Institutions responsible). While there are ample economic analyses done to justify the selection of particular investments in public transport rather than alternatives, less attention is given to phasing the execution of the multi-annual plans and to the comparative claims of the different sectors, given the limited resources available. No generally applicable criteria have been devised to guide prioritization as between different investments. As a consequence, prioritization between programs is an exclusively political decision at Government level which is not informed by detailed preparation by administrative staff. Parliamentary scrutiny could be improved through the inclusion of the full investment costs in budget documents. Furthermore, once a program is funded, monitoring is done exclusively by the implementing authority, with little in the way of reporting to Parliament and the general public.

### **Pillar IV Policy-based fiscal strategy and budgeting**

11. The preparation of the Annual Budget is an orderly process that is steered effectively by the BFB. A clear budget calendar exists which includes expenditure ceilings within budget users have to work and which allows spending units at least 5 weeks to complete their submissions. The draft budgets are

submitted to the Parliament in good time for its scrutiny and are generally approved before the beginning of the years to which they relate. The element that could be improved, in view of international good practice, is the medium-term perspective including a detailed assessment of the ongoing costs of each programme, and the incorporation of the full costs of investment decisions. By and large, the budget of the BCR is presented in an annual framework and no detailed revenue and expenditure figures are presented beyond the budget year immediately ahead. While the annual budget documentation incorporates a medium-term budget outlook that is clearly based on demographic and macroeconomic indicators, it does not include a fully articulated fiscal medium-term strategy. Furthermore, the budget presentation includes the overall impact in the medium term of new policy proposals and investments, but these are not shown in detail year by year.

#### **Pillar V Predictability and control in budget execution**

12. With regard to expenditures, the BCR has implemented a comprehensive financial control system including an extensive system of checks before a transaction is approved. The comprehensive control framework covers commitment control, procurement management, payroll controls and its effectiveness are subject to internal audit. Except for a certain lack of transparency in procurement and limited resources (and, consequently, limited coverage) of internal audit in BCR's autonomous administrative institutions, BCR's internal control practices score well against the PEFA criteria. It may be noted, however, that neither the Inspectorate of Finance which advises on all significant proposals concerning Government organization, staffing, investment, and procurement, nor the BFB Control of Commitments and Payments have any record of the impact of their interventions in preventing wasteful or irregular expenditure.
13. Although BCR fixes the rates of most taxes, collection of the majority of its tax revenue remains in the hands of the Federal Government (personal income tax, taxes on property transfers, inheritance taxes); only the annual property tax (where the revenue is shared with the municipalities and the Agglomeration) and taxes on motor vehicles and office space (m2) are wholly managed by the BCR tax department. Tax administration generally works well, with enforcement by BCR avoiding any large build-up of tax arrears; only the m2 tax depends on declarations by the taxpayers

#### **. Pillar VI Accounting and reporting**

14. Accounting and reporting are adequate. The function is facilitated by an integrated accounting system (SAP) that is rolled out to all departments and most OAAs. The integrity of the financial data is high and is based on the system's automatic reconciliation of payments and bank accounts and monthly reconciliation of suspense accounts. Access to the system is limited and specific control measures apply to staff that have been given access. The budget module of the SAP system (Bru-Budget) can produce reports at any time of the day on the budget implementation in comparison to the budget estimates (initial or adjusted). Each user can generate and download his own reports autonomously at any time. On the basis of Bru-Budget, monthly reports comparing the implementation rate of the current year with that of the previous year, are presented to the minister of Budget. In addition, a high-level monitoring committee has been established. It convenes a few times a year to review multi annual planning, in-year budget execution and the possible need for corrective measures.
15. Each year, BFB prepares a Budget Execution statement and a consolidated Financial Statement (FS). The budget execution statement reports on actual expenditures compared to the budget estimates. The consolidated FS includes information on expenditures, revenues, financial and tangible assets, liabilities, guarantees and long-term obligations, but lacks a cash-flow statement. It is submitted for audit before 31 May following the year to which it relates. The accounting standards used are

considered to be largely compliant with international public accounting standards, but there is no information about possible divergences from international standards.

## 4.2. Effectiveness of the internal control framework

16. An effective internal control system plays a vital role across every pillar in addressing risks and providing reasonable assurance that operations meet the four control objectives: (i) operations are executed in an orderly, ethical, economical, efficient, and effective manner; (ii) accountability obligations are fulfilled; (iii) applicable laws and regulations are complied with; and (iv) resources are safeguarded against loss, misuse and damage.
17. The Explanatory Note of the 2006 OOBCC indicates that the COSO Internal Control framework was chosen as the standard for internal control within the BCR and laid down in the Chapter V of the OOBCC (art 72-83 OOBCC). A BCR Decree of 18 October 2007 regulates the (COSO) methodology to be followed with regard to internal control. A BCR Decree of 24 October 2014 regulates modalities of financial management, among other things responsibilities and setting objectives.
18. Control environment: The 2007 Decree requires that the control environment should include the culture regarding the organization's risk management, its degree of risk appetite, supervision exercised by the Government, the integrity, the ethical values, the competence of staff, policy of delegation of powers and responsibilities, organization, and development of the employees.

The OOBCC, the 2006 decree of Financial Actors and the above 2014 decree formally clearly define roles and responsibilities and the extent of delegation of decision-making authorities, which are applicable for all BCR institutions. Management has established, with Government oversight, organisational structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives. PEFA does not directly test the commitment of staff to integrity and ethical values or assess the behaviour of institutions in holding their staff accountable for the achievement of objectives.

19. Risk Management: The 2007 Decree requires that each institution specifies objectives with sufficient clarity to enable the identification and assessment of internal and external risks relating to the objectives. The entity's risk appetite determines the level of risk it is willing to take accept it to achieve its objectives.

Management should identify and assess risks of possible events, which if they occur can affect the organization positively or negatively in its aim achieve its objectives. Management should evaluate the likelihood and impact of those events and determine a response to the risks. The potential opportunities should also be identified. Each organization should assess whether the balance of risks and opportunities is in line with its risk appetite.

In practice, strategic objectives of the Government are converted in operational objectives in a policy paper, called 'Orientation Note produced at the beginning of its 5-year term'. These 'orientation notes' provide a framework of performance indicators relating to outputs and outcomes covering five years that applies to the entire Brussels regional administration. Orientation letters are then produced alongside the budget each year, with targets for outputs or activities in line with the objectives. (PI – 8.1 and 8.2, score B).

Implementation of the Risk Management (RM) process as required by the 2007 Decree, including the development of risk registers and the implementation of risk mitigating measures, is not specifically reported. Implicitly, it can be concluded that RM is a part of the multi-annual and annual planning.

Indeed, the BFB Orientation Note 2019-2024 refers to risks at several places, for example risks regarding debt and cash management.

The managing of financial risks is embedded in the internal control legal framework. The OOBCC includes the requirement for establishing specific functions for mitigating risks of financial irregularities such as the function of Controller on Commitments and Settlements (art. 73 - 75), the Finance Inspectorate (art.81 OOBCC), the supervision of accounting by the Regional Accountant – art. 76 OOBCC), and the Financial Control and Sound Financial Management department (art. 77 OOBCC). Moreover, the establishment of the Financial Coordinating Service (art 69 OOBCC) for coordinating the cash management is a risk mitigating measure. The personal responsibility of accountants for mistakes with financial consequences can be regarded as a risk mitigating measure too (art.69 OOBCC).

In 2015 BFB started a RM project which includes the description of business processes and the introduction of risk registers. For the time being out of the 132 existing processes in BFB only two core-business processes per administrative unit and one operational process, which are key for achieving one of the BFB's strategic objectives, have been evaluated.

20. Control activities: The 2007 decree requires institutions deploy control activities through policies that establish what is expected and procedures that put policies into place to ensure that the risks are addressed management wishes to be effectively implemented. They should include a range of activities from diverse nature such as validation, authorization, verification, comparison of data and the summary.

In practice, control activities within the BCR are developed and well-functioning.

- Authorizing, processing, recording, reviewing transactions are regulated. The OOBCC and the Government Decree on Finance Actors regulate the mandate for authorizing, recording, and verifying commitments and payments of transactions and salaries. Specific functions are established for verifying commitments and settlements (Controller on Commitments and Settlements - art. 73-75 OOBCC), coordinating the cash management (Financial Coordinating Service – art. 69 OOBCC), and supervising the accounting (the responsibility of the Regional Accountant – art. 76 OOBCC). In addition, for public procurement contracts (above a certain threshold), subventions, staff plans and procedures, and decisions which could have an impact on the budget execution, the independent Finance Inspectorate will have to be consulted for advice (art. 83 OOBCC).
- Further, the Treasury checks payments, also from the autonomous institutions which are not part of the automated budget, accounting, payment, and salary platform (SAP4HANA). The internal control dimension of PI- 23 and the whole PI -25 score A.
- Financial Integrity is ensured. Bank account and suspense reconciliations take place monthly (PI – 27, score B and A). Revenue, Cash and Debt management are solid (PI – 21 and PI - 13, score A). There are hardly arrears, which are well under 2% (PI - 22, score A). Financial and non- financial assets are recorded and presented in balance sheets (PI- 12.1 and 12.2, score A and C).
- Evaluation of service delivery is underdeveloped, mainly because the coverage of internal audit has so far been very limited and the Court of Audit focuses on financial audit (PI - 8.4, score D). The Financial Control and Sound Financial Management department of BFB has the task of ensuring that the objectives of BCR institutions are economical, effective and are effectively achieved and that budget appropriations are issued only for the purposes stated



and within approved limits (art. 77 OOBCC). The Management Control Unit department collects the performance information across the BCR administration included in the Orientation Notes and incorporates this information in an annual report on management control. This voluminous report only includes information for the operational objectives and is generally related to activities and outputs, not outcomes. (PI - 8.1 and 8.2 –B). It also gives an overall report on progress towards the Government’s 5-year strategic targets.

21. Information and the communication: The 2007 Decree requires that relevant information is identified, collected, and disseminated in a format and within a period in which everyone can assume their responsibilities. With all collected data risks should be managed and well-considered decisions could be made. All employees should be informed about their role in the internal control process and the interaction between their activities and those of the other staff members. They must have the means of communication with which they can call up important information. Communication with external partners such as the customers, the suppliers, the stock managers, and the shareholders should be efficient.

Relevant information is collected and disseminated in different formats. The BRU-budget and the SAP platform generate (reliable) financial and non-financial information about budget execution, payments, personnel, and salaries. Autonomous institutions, which are not participating in the BRU-budget system and SAP platform, record this type of information by means of software packages.

The budget documentation includes four basic elements in a transparent manner (PI-5; score A); expenditure and revenue information from autonomous institutions are included in the consolidated accounts (PI – 6; score A).

The automated information systems allow for different reports for different purposes. Each manager can in real-time generate budget execution reports. On a monthly basis budget execution information compared with information of the previous budget year is available for the Minister of Finance, as is information about debts (PI 13; score A) and cash availability (PI – 21; score A). BFB also prepares reports in response to specific requests, for example to meet the requirements of a rating agency, and reports for the Monitoring Committee.

22. Monitoring: The 2007 Decree requires that steering of operations should focus on RM by means of monitoring ongoing management operations, specific evaluations, or a combination of the two. The steering operations should be part of the ordinary management activities.

The size and frequency of the specific evaluations should mainly depend on the assessment of the risks and the effectiveness of control procedures. The shortcomings of the mechanism of risk management should be communicated hierarchically and serious problems should be brought to the attention of the general management and Government.

The information systems described above can generate diverse reports for monitoring purposes. The PEFA assessment highlighted some areas with good monitoring results:

- Quality of central government financial asset monitoring (PI-12.1; score A). Summaries of the financial assets held by the Regional government and its subsidiary bodies are included in consolidated accounts
- Cash forecasting and monitoring (PI-21.2, score A). The cash flow forecasting and monitoring is weekly.
- Expenditure arrears monitoring (PI – 22.2, score A). Monitoring is frequent and timely. Nature of arrears is limited, and stock of arrears is low.

- Procurement monitoring (PI – 24.1, score A). Databases are maintained with complete and accurate data for all procurement methods.

But the PEFA assessment also highlighted some areas where monitoring activities could be improved:

- Investment project monitoring. (PI-11.4, score C). The monitoring reports are not published and the public information on progress on investments is limited.
- Quality of central government non-financial asset monitoring (PI-12.2, score C) Property registers are not published.
- Evaluations are not carried out frequently. Based on the analysis of three actors that have a mandate to carry out performance evaluation on service delivery (the national SAI, the internal audit department and the Brussels Institute for Statistics and Analysis), only one performance evaluation was observed (PI 8.4, score D).
- Internal audit has been established in Brussels Regional Public Service and in a few autonomous institutions. The coverage of BCR expenditures budget is approximately 72% but in practice much less than 50% of the budget execution is audited due to limited available resources (PI – 26, score D+)

### 4.3. PFM strengths and weaknesses

23. This subsection analyses the extent to which the performance of the assessed PFM system appears to be supporting the overall achievement of three important fiscal and budgetary outcomes: aggregate fiscal discipline, strategic allocation of resources, efficient use of resources for service delivery.

#### Fiscal discipline

24. Aggregate fiscal discipline aims to maintain a balance between revenues and expenditures, the debt level, and other fiscal aggregates. It requires setting clear limits based on fiscal policies and to control these limits during budget execution.

Overall, the statistics for 2017-19 show that BCR has been able to maintain adequate fiscal discipline. It is supported in this discipline by predictable transfers from the Federal Government, a clear annual budgeting process that is informed by reliable forecasts, credible ceilings for budget organisations, adequate debt management and strict commitment controls. However, the recent experience has resulted in annual fiscal deficits which could not be sustained indefinitely. Total debt at the end of 2019 exceeded 6 billion Euro, having increased by nearly 20 per cent in the last year, following an increase of nearly 12 per cent in 2018. This situation has arisen as a result of commitments to an investment programme in the transport and social housing sectors together with ongoing commitments on current expenditure programmes which are incompatible overall with a balanced budget, given the level of revenue prospectively available. For the time being the BCR Government's policy is to treat these investments as "strategic" and thus outside the framework which requires the achievement of zero net deficit.

25. Debt at the end of 2019 was already 128 per cent of annual revenue. The impact of Covid19 in reducing revenue and adding to expenditure can only result in a further substantial increase in the debt burden beyond the prospect which already implied continuing deficits in excess of 1,000 million Euro each year from 2021 to 2024. This situation points to the need to strengthen the budgetary process so as to ensure that all expenditure is fully justified, and to manage the phasing of investment programmes within available resources.

## Strategic allocation of resources

26. Strategic allocation of resources aims to ensure close alignment between the planning and execution of the budget and the government priorities aimed at achieving policy objectives.

The strategic allocation of resources is guided by the published programmes of newly elected coalition governments at the beginning of their mandate (Declaration de Politique Commune/Gemeenschappelijke Algemene Beleidsverklaring). As noted above, these programmes are set out in policy 'orientation' notes for a multi-annual period. In addition to the fiscal cost implications, these notes also contain multi-annual performance indicators to demonstrate the political ambitions. Further implementation of the strategic allocation decisions is facilitated by a number of good practices demonstrated by BCR such as the orderly annual budget preparation process (PI-17), the use of a medium-term framework for internal purposes and a high-level monitoring committee to advise on fiscal decisions at administrative level (PI-14). On the other hand, there is room to improve the strategic allocation of resources, given that the spending plans of each of the government departments and OAs are not systematically challenged, and that the effectiveness of policies and their implementation is not systematically monitored (PIs 8 & 11). The importance of achieving improvements in resource allocation is emphasized by the current situation in which investment ambitions together with other ongoing commitments risk increasing debt levels beyond prudent limits.

## Efficient use of resources for service delivery

27. Efficient use of resources for services delivery requires using budgeted revenues to achieve the best levels of public services within available resources.

In many respects BCR's performance in this area is strong. Good practices in debt and cash management limit overall borrowing costs and ensure that operations are not interrupted by cash flow difficulties (PIs 13, 21, 27). Commitment ceilings for service delivery units are, therefore, highly predictable and such units do not experience unexpected budgetary interventions in their operations. Consequently, arrears are negligible. The accounting system and its application Bru-Budget allows continuous monitoring on the availability of resources by the central BFB and the managers in service delivery units (PI-28). On the other hand, as in the case of the strategic allocation of resources, more needs to be done not just to ensure that resources are used correctly in accordance with the law and budgetary provision by all government services and OAs, but also to see that they are used as economically as possible in the achievement of the designated objectives (PIs 8 & 11). The justification for all expenditures needs to be challenged through a process of spending reviews.

## 5. Government PFM reform process

### 5.1. Approach to PFM reforms

This assessment constitutes an essential step in the BCR Government’s approach to PFM reform. Its purpose is to identify where there might be scope for PFM improvements which would free resources to accommodate new priorities and enable the Government to undertake much needed public investment. The results will be used, together with those of the current spending reviews in the transport and housing sectors, to establish an action plan for PFM reform. Alongside its ambitious plans for strategic investments and for responding to economic and social challenges, particularly those posed by the need to move to a low carbon economy, the Government has made clear its commitment, in the interests of all its citizens, to the simplification of administrative processes and greater transparency in all its operations. In addition to the spending reviews currently being undertaken, there are already a number of initiatives being carried forward to improve the presentation of the budget and make it more transparent. In addition to its proposals for a higher level of public investment, the national Recovery and Resilience Plan<sup>17</sup> produced at the end of last year by the Federal Government (“Plan National pour la Reprise et la Resilience”) puts particular emphasis on rationalizing and improving online services throughout the country and widening their use by ordinary citizens. Initiatives are also intended to reduce the burden compliance with federal regulations places on ordinary people, and to enable smaller businesses to compete for public contracts by making more information readily available about bidding opportunities and providing analytical statistics of public procurement which are currently entirely lacking (see PI-24 above). This should over time offer the prospect of significant administrative savings across all levels of government, so freeing resources for more productive use in BCR as well as in the other regions and communities.

## Annex 1: Performance indicator summary

*This annex provides a summary table of the performance at indicator and dimension level. The table specifies the scores with a brief explanation for the scoring for each indicator and dimension of the current and previous assessment. It also includes columns to capture scores from a previous assessment where the PEFA 2016 methodology was applied. However, annex 1 cannot be used to compare scores with a previous assessment that used the 2005 or 2011 versions of the framework. Tracking performance changes in these circumstances will require assessors to complete a supplementary annex (See Annex 4: Tracking changes in performance based on previous versions of PEFA). The supplementary annex should be prepared in compliance with the Guidance on reporting performance changes in PEFA 2016 from previous assessments that applied PEFA 2005 or PEFA 2011 at [www.pefa.org](http://www.pefa.org).)*

<sup>17</sup> <https://dermine.belgium.be/sites/default/files/articles/FR%20-%20Plan%20national%20pour%20la%20reprise%20et%20la%20re%CC%81silience.pdf>

COUNTRY NAME:		Current assessment	
Pillar	Indicator/Dimension	Score	Description of requirements met
	<b>HLG-1 Transfers from HLG</b>	<b>A</b>	
	(i) Out-turn of transfers	A	Actual transfers were between 97% and 106% of budget in 2 of the 3 years 2017-19
	(ii) Composition out-turn	A	Variance was less than 5% in all 3 years 2017-19
	(iii) Timeliness of transfers	A	Transfers are received on a predictable path through year as income taxes are paid
	(iv) Transfers predictability	A	Forecasts based on ICN predictions which have proved accurate
	<b>HLG-2 Fiscal rules</b>	<b>NA</b>	
	(i) Fiscal limits	NA	BCR Government is sovereign
	(ii) Debt limits	NA	Federal Government does not control debt amounts
	(iii) Federal monitoring	NA	There is no formal monitoring by Federal Government
Budget Reliability	<b>PI-1 Aggregate expenditure out-turn</b>	<b>A</b>	Expenditure was between 95% and 105% of budget in 2 of 3 years 2017-19
	<b>PI-2 Expenditure composition outturn</b>	<b>B+</b>	
	(i) Expenditure composition outturn by function	A	Variance of expenditure by function was less than 5% in all 3 years 2017-19
	(ii) Expenditure composition outturn by economic type	B	Variance of expenditure by economic type was less than 10% in all 3 years 2017-19
	(iii) Expenditure from contingency reserves	A	No expenditure was charged to contingency in 2017-19
	<b>PI-3 Revenue outturn</b>	<b>B</b>	
	(i) Aggregate revenue outturn	B	Total actual revenue was between 94% and 112% of budget in 2 of 3 years 2017-19
	(ii) Revenue composition outturn	B	Variance of revenue was less than 10% in 2 of 3 years 2017-19
Transparency of Public Finances	<b>PI-4 Budget Classification</b>	<b>A</b>	Budget formulation, execution and reporting are based on consistent and detailed administrative, programme and economic classifications
	<b>PI-5 Budget Documentation</b>	<b>A</b>	All 4 basic elements are provided, and 7 others
	<b>PI-6 Central government operations outside financial reports</b>	<b>A</b>	
	(i) Expenditure outside financial reports	A	Consolidated annual accounts of the Regional Entity include almost 100% of expenditure by extra-budgetary units and public corporations
	(ii) Revenue outside financial reports	A	Consolidated annual accounts of the Regional Entity include almost 100% of revenue of EBUs and PCs
	(iii) Financial reports of extra-budgetary units	B	Most EBUs and PCs submit their annual financial statements to the Regional Accountant by 31 May each year
	<b>PI-7 Transfers to subnational governments</b>	<b>A</b>	
	(i) System for allocating transfers	A	General transfers are allocated by formulae set out in a 2017 law, and are fixed for 3-year periods, increasing by 2% a year

		(ii) Timeliness of information on transfers	A	Municipalities are notified in September and October of the previous year of the amounts they can expect to receive in general transfers
	<b>PI-8</b>	<b>Performance information for service delivery</b>	<b>B</b>	
		(i) Performance plans for service delivery	B	“Orientation letters” annexed each year to the General Explanation of the budget include performance targets for outputs or activities of most programmes
		(ii) Performance achieved for service delivery	B	The Annual Report on Internal Control presents performance information against targets set out in the Orientation Notes
		(iii) Resources received by service delivery units	A	The BFB accounting system captures full information about the resources received by each service delivery unit
		(iv) Performance evaluation for service delivery	D	There was only one performance evaluation (of support for the homeless) during 2017-19
	<b>PI-9</b>	<b>Public access to information</b>	<b>D</b>	Only one of 5 basic elements is satisfied, and one other. Publication is delayed, or does not take place
	<b>PI-9bis</b>	<b>Public consultation</b>	<b>B</b>	
		(i) Budget preparation	D	There are no arrangements for public consultation in the course of budget preparation.
		(ii) Service delivery	B	There was full public consultation on the design of the Government’s plans for public transport and the public infrastructure.
		(iii) Investment planning	A	There were consultations following publication of the Government’s Good Move investment plans, and a summary of the responses was published.
Management of assets and liabilities	<b>PI-10</b>	<b>Fiscal risk reporting</b>	<b>C+</b>	
		(i) Monitoring of public corporations	B	Audited reports were submitted by most PCs to BFB within 6 months of year-end, and were then included in the consolidated account of the Regional Entity
		(ii) Monitoring of sub-national government (SNG)	C	Unaudited budget execution statements were published by 14 of the 19 municipalities within 6 months of year-end.
		(iii) Contingent liabilities and other fiscal risks	C	There is full publication of BCR’s exposure to risks from guarantees given for borrowing by bodies of different kinds. But there has been no mention of continuing obligations resulting from a Public-Private Partnership contract.
	<b>PI-11</b>	<b>Public investment management</b>	<b>C</b>	
		(i) Economic analysis of investment proposals	B	Economic analyses are carried out where projects require an environmental assessment. These are reviewed by the Inspectorate of Finance, and published
		(ii) Investment project selection	C	Major investment projects in the fields of public transport, infrastructure and housing are prioritized within multi-annual investment programmes by the responsible Government departments, taking into account the results of environmental assessments and also other less readily quantifiable factors such as risks to public safety.
		(iii) Investment project costing	D	Annual budgets do not show the total capital costs of major investments.
		(iv) Investment project monitoring	C	The costs and physical progress of investment projects are monitored by the responsible departments at least once a year following standard procedures, but the reports are not published.
	<b>PI-12</b>	<b>Public asset management</b>	<b>B+</b>	
		(i) Financial asset monitoring	A	The consolidated annual accounts of the Regional Entity include summaries of the financial assets held by the

				Regional government and its subsidiary bodies at market value. Receipts from holdings of financial assets are reported in the annual accounts.	
		(ii) Nonfinancial asset monitoring	C	The Regional government and its subsidiary bodies each maintain records of all their non-financial assets. These are recognized in their balance sheets, which are published annually alongside the consolidated accounts of the Regional Entity. But the property registers are not published.	
		(iii) Transparency of asset disposal	A	Any disposal of financial assets would be reflected in the annual accounts as a cash inflow, with the amount received compared with the balance sheet valuation. The disposal on non-financial assets is governed by the organic budget law, with balance sheet values, sale proceeds and the identity of purchasers all disclosed in the annual accounts.	
	<b>PI-13</b>	<b>Debt management</b>	<b>A</b>		
		(i) Recording and reporting of debt and guarantees	A	Reconciled reports of both direct and guaranteed debt are produced monthly by the Middle Office of the BFB Debt Agency.	
		(ii) Approval of debt and guarantees	A	Debt is managed by the Debt Agency in accordance with policies approved by the Minister of Finance. The issue of new debt is approved by Parliament as part of the budgetary process.	
		(iii) Debt management strategy	A	Debt is managed according to a strategy approved by the Minister of Finance which aims to ensure that BCR's debt instruments retain their AA rating in the financial markets.	
<b>Policy-based fiscal strategy and budgeting</b>	<b>PI-14</b>	<b>Macroeconomic and fiscal forecasting</b>	<b>C+</b>		
		(i) Underlying forecasts for medium-term budget	B	The medium-term budget outlook based on key demographic and macroeconomic indicators is reported in the budget, but it does not include a fully articulated fiscal strategy.	
		(ii) Fiscal impact of policy proposals	B	The budget presentation includes the overall impact in the medium term of new policy proposals, but these are not shown in detail year by year.	
		(iii) Medium-term expenditure and revenue estimates	D	No detailed revenue and expenditure figures are presented beyond the budget year immediately ahead.	
		(iv) Consistency of the budget with previous year's estimates	C	The section on the medium-term framework starts from the base level constituted by the second year of the last medium-term budget, and some of the differences are explained in an aggregate manner.	
		<b>PI-17</b>	<b>Budget preparation process</b>	<b>A</b>	
		(i) Budget calendar	B	A clear budget calendar exists which allows spending units at least 5 weeks to complete their submissions.	
		(ii) Guidance on budget preparation	A	A comprehensive budget circular is issued each year after approval by the Government, which includes expenditure ceilings within budget users have to work.	
		(iii) Budget submission to the legislature	A	The last 3 budgets were submitted to Parliament in October of the previous year.	
		<b>PI-18</b>	<b>Legislative scrutiny of budgets</b>	<b>B+</b>	
	(i) Scope of budget scrutiny	A	The review covers medium-term prospects as well as details of revenue and expenditure.		

		(ii) Legislative procedures for budget scrutiny	B	Ministers are questioned in detail by the Parliament's Finance Committee before the budget is voted in plenary. But there are no arrangements for public consultation.
		(iii) Timing of budget approval	A	The last 3 budgets have all been approved by Parliament before the beginning of the years to which they relate.
		(iv) Rules for budget adjustments by the executive	A	The Government can only reallocate provision within programmes without the approval of Parliament.
Predictability and control in budget execution	<b>PI-19</b>	<b>Revenue administration</b>	<b>B</b>	
		(i) Rights and obligations for revenue measures	A	Taxpayers have ready access to all information, including their own accounts and redress procedures
		(ii) Property tax cadastre and valuation	NA	There has been no general revaluation since 1970, but BCR has no control or responsibility for the cadastre. Property valuation belongs to the Federal Government.
		(iii) Revenue risk management & audit and investigation	NA	Not applicable as most of the core taxes (93%) are based on registers kept by the Federal Government and for these taxes, BF is not expected to conduct tax audits and compliance risk assessment.
		(iv) Revenue arrears monitoring	C	Tax arrears under the control of BCR were less than 20% of 2020 collections, but arrears older than 12 months were 58% of the total.
	<b>PI-20</b>	<b>Accounting for revenues</b>	<b>A</b>	
		(i) Information on revenue collections	A	Full monthly reports are produced covering all revenues
		(ii) Transfer of revenue collections	A	All revenues are paid into the Treasury as they are received
		(iii) Revenue accounts reconciliation	A	There is full monthly reconciliation of assessments, collections, arrears, and payments into the Treasury. Individual taxpayers' accounts are updated as revenue is received
	<b>PI-21</b>	<b>Predictability of in-year resource allocation</b>	<b>A</b>	
		(i) Consolidation of cash balances	A	Full consolidation daily
		(ii) Cash forecasting and monitoring	A	There is weekly monitoring of cash flow against forecast
		(iii) Information on commitment ceilings	A	There is no need for commitment ceilings, given that there are difficulties in making cash available
		(iv) Significance of in-year budget adjustments	A	A significant budget adjustment takes place only once a year
	<b>PI-22</b>	<b>Expenditure arrears</b>	<b>A</b>	
		(i) Stock of expenditure arrears	A	Stock of arrears is far below 2% of annual expenditure
		(ii) Expenditure arrears monitoring	A	There is monthly monitoring of arrears
	<b>PI-23</b>	<b>Payroll controls</b>	<b>D+</b>	
		(i) Integration of payroll and personnel records	B	There are no automatic direct links between personnel records and the payroll, but monthly checks of all changes
		(ii) Management of payroll changes	A	Personnel records and the payroll are updated monthly, and retroactive adjustments are less than 3% of payroll expenditure
		(iii) Internal control of payroll	A	Internal controls are strong, and an audit trail is always assured.
		(iv) Payroll audit	D	There is no evidence of any specific focus in audit reports on the integrity of payroll systems



Accounting and Reporting	<b>PI-24</b>	<b>Procurement</b>	<b>B+</b>	
		(i) Procurement monitoring	A	Databases are maintained with complete and accurate data for all procurement methods.
		(ii) Procurement methods	A	Value of contracts let through competitive methods is more than 80%
		(iii) Public access to procurement information	C	Only 3 of 6 elements are satisfied. Consolidated plans, procurement statistics and results of procurement appeals are not published.
		(iv) Procurement complaints management	NA	All requirements are met by the arrangements for appeals heard by the Administrative Law Department of the Judicial Council, but no information is available about the operation of the appeals machinery. BCR has no control or responsibility for the operation of appeals.
	<b>PI-25</b>	<b>Internal controls on non-salary expenditure</b>	<b>A</b>	
		(i) Segregation of duties	A	Segregation of duties is required by legislation and achieved in practice
		(ii) Effectiveness of expenditure commitment controls	A	There are fully effective controls on commitments
		(iii) Compliance with payment rules and procedures	A	Procedures are clearly specified and cannot be circumvented
	<b>PI-26</b>	<b>Internal audit effectiveness</b>	<b>D+</b>	
		(i) Coverage of internal audit	D	Coverage of IA activities was less than 50% of 2019 expenditures
		(ii) Nature of audits and standards applied	A	Audits meet international standards and focus on the effectiveness of internal control
		(iii) Implementation of internal audits and reporting	A	Over 90% of planned audits were completed
		(iv) Response to internal audits	A	Auditees respond positively to findings and IA arranges follow-up after 6 months
	<b>PI-27</b>	<b>Financial data integrity</b>	<b>A</b>	
		(i) Bank account reconciliation	B	There is monthly reconciliation of all bank accounts
		(ii) Suspense accounts	A	There is monthly reconciliation and clearing of suspense accounts
		(iii) Advance accounts	NA	There are no advance accounts
		(iv) Financial data integrity processes	A	There are no doubts about the integrity of data, and a special team controls the personnel with access to data
	<b>PI-28</b>	<b>In-year budget reports</b>	<b>C+</b>	
	(i) Coverage and comparability of reports	A	Comparison of budget execution with original budget is possible in every detail	
	(ii) Timing of in-year budget reports	B	In-year reports are produced monthly in the second half of each month	
	(iii) Accuracy of in-year budget reports	C	There are no doubts about accuracy, but the reports do not contain any analysis	
<b>PI-29</b>	<b>Annual financial reports</b>	<b>D+</b>		
	(i) Completeness of annual financial reports	D	The out-turn is not presented in the same way as the original budget summary, and comparisons are with the revised, not the original, budget.	
	(ii) Submission of reports for external audit	B	The SPRB annual report is submitted for audit within 6 months of year-end	
	(iii) Accounting standards	C	Differences between national and international accounting standards are not identified and explained	

## Annex 2: Summary of observations on the internal control framework

Internal control components and elements	Summary of observations
<b>1. Control environment</b>	
1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organisation	The PEFA assessment has shown widespread concern for internal control.
1.2 Commitment to competence	BCR Administration has demonstrated competence in responding to PEFA.
1.3 The “tone at the top” (i.e., management’s philosophy and operating style)	Senior management has shown that a cooperative spirit operates in SPRB.
1.4 Organisational structure	The organisational structure of the BCR and roles and responsibilities of key players concerning the Internal Control are clearly defined in legislation and functioning likewise.
1.5 Human resource policies and practices	The statute governing the terms of employment of permanent staff and Belgian labour legislation covering contractual employees give considerable protection to staff.
<b>2. Risk assessment</b>	
2.1 Risk identification	Risk assessment is defined and elaborated on in the 2007 decree on Internal Control but there is no explicit information available that risk assessment is implemented in line with this decree.
2.2 Risk assessment (significance and likelihood)	There is no explicit information available that risk assessment is implemented in line with the 2007 decree
2.3 Risk evaluation	There is no explicit information available that risk assessment is implemented in line with the 2007 decree.
2.4 Risk appetite assessment	The elaboration on the 2006 OOBCC in the 2007 decree on Internal Control defines ‘risk appetite’ as ‘take into account risk by the entity’. Risk appetites are not defined but the strong focus on control is an indication that risk appetite is low.
2.5 Responses to risk (transfer, tolerance, treatment, or termination)	It seems that the general response to risk is to limit it by layers of control.
<b>3. Control activities</b>	
3.1 Authorization and approval procedure	The authorization and approval procedure is regulated in the OOBCC, the Decree of Financial Actors and 2007 Decree on Modalities of Internal Control. In practice these procedures are implemented and functioning.
3.2 Segregation of duties (authorizing, processing, recording, reviewing)	Segregation of duties are well defined in the OOBCC, the Decree of Financial Actors and 2007 Decree on Modalities of Internal Control
3.3 Controls over access to resources and records	Compliance with payment rules and procedures is rated ‘A’

	<p>in 25.3. All payments are compliant with regular payment procedures. All exceptions are properly authorized in advance and justified.</p> <p>Financial data integrity processes are rated 'A' in 27.4. Restriction for access to records is ensured. A unit is responsible for verifying data integrity.</p>
3.4 Verifications	<p>Commitments and payments are verified by a specific function, the Controller on Commitments and Settlements. Payments are also checked by the Treasury. The Finance Inspectorate is required to be consulted for procurement issues, subventions, staff plans and procedures. (PI 25.2 and PI 25.3, score A)</p>
3.5 Reconciliations	<p>Cash movements are reconciled daily as cash is consolidated (PI- 21.1, score A). Bank account and suspense reconciliations take place monthly (PI – 27, score B and A)</p>
3.6 Reviews of operating performance	<p>Evaluation of service delivery is underdeveloped, mainly because internal audit is not yet widespread and the Court of Auditors focuses on financial audit (PI - 8.4, score D).</p>
3.7 Reviews of operations, processes, and activities	<p>Internal audit has been established but not in whole BCR. The coverage of audits of operations and processes is low.</p>
3.8 Supervision (assigning, reviewing, and approving, guidance and training)	<p>The department of the Regional Accountant provides advice, guidance material, training, and assistance to autonomous institutions on accounting management. Treasury supervises the payments by the autonomous institutions, which are not participating in the SAP platform</p>
<b>4. Information and communication</b>	<p>Financial information systems are automated and can generate reports with reliable information for different purposes (PI – 13, score A, and PI - 21, score A). Annually the BFB reports on the state of play on Management Control.</p>
<b>5. Monitoring</b>	
5.1 Ongoing monitoring	<p>The information systems can generate diverse reports for monitoring purposes. The BFB also produces several monitoring reports, which are used in practice. The PEFA assessment highlighted some areas with good monitoring results (PI PI-12.1; score A; PI-21.2, score A; PI – 22.2, score A; PI – 24.1, score A) but also some areas where monitoring activities could be improved (P I- 11.4, score C; PI-12.2, score C)</p>
5.2 Evaluations	<p>Evaluations are not carried out frequently; only one performance evaluation was observed (PI 8.4, score D). Internal audit has been established as monitoring tool for management but has low audit coverage of budget execution. (PI – 26; score D+). The Court of Auditors annually carries out financial audits, but the reports do not contain evidence that systemic and control risks are addressed.</p>
5.3 Management responses	<p>Managements are shown to have generally responded adequately to internal and external audit findings, although the coverage of these has been limited.</p>

## Annex 3: Sources of information

### Annex 3A: Related surveys and analytical work

- IMF Country reports 20/91 and 20/92
- EC Structural Reform Support Services Report: Flanders – Integrating Spending Reviews in Budget Systems, 2019
- EC 2019 Report on Belgian Economy
- Neoliberalism, New Public Management and Public Accountability: 30 years of Reform of Belgian Public Accounting, 2019

## Annex 3B: List of people interviewed

Institution and Name	Position
<b>Cabinet of the Minister responsible for finance, budget, civil service, the promotion of multilingualism and the image of Brussels</b>	
Sigrid Callebert	Deputy Head of Cabinet of Finance Minister
Karolien Kaisz	Advisor to Finance Minister
<b>Cabinet of the Minister responsible for mobility, public works, and road safety</b>	
Anton Houthuys	Deputy Director of the Office general policy and COCOM
Arthur De Heusch	Advisor
<b>Brussels Region Public Services</b>	
Julie Fizman	Secretary-General
Bart de Bondt	Director, Internal Audit
Daveau Baptiste	Director facilities
Dewulf Marie	Attaché
Francisco Guillan-Suarez	Premier Attaché
Mark Van Roy	Director Quality and Performance
<b>Brussels Finance and Budget</b>	
Julie Fizman	Director-General
Mark Dehoux	Director head of department of Budget
Carole De Groef	Director of Treasury
Josianne Happi Kalla	Director of Accounting
Serge Dupont	Director of Debt Agency Front Office
Elisa Spadaro	Expert advisor
Frederick Troussart	Director of Debt Agency Middle Office
Jean-Yves Gosset	Premier Attaché
Olivier Leclercq	Premier Attaché
Leila Abdelqaoui	Attaché
Anne-Chantal Faucon	Counsellor, Control of Commitments and Settlements
Eric Fondeur	Regional Accountant
Alice Fransolet	Premier Attaché
Abderrahmane Jaichi	Director, Financial Control and Sound Financial Management Department
Dominick Torfs	Attache, Budget Department
Chahbouni Ali	BFB Coordinator of PEFA assessment
<b>Brussels Fiscalite</b>	
Dirk de Smedt	Director-General
<b>Brussels Pouvoirs Locaux</b>	
Olivier Filot	Premier Attache
<b>Brussels Mobility</b>	
Thibert Vincent	First engineer

Eric Monami-Michaux	Director head of department
<b>Brussels Environment</b>	
Samuel Zeyen	Strategic Advisor & PMO

## Annex 3C: Sources of information used to extract evidence for scoring each indicator

Indicator/dimension	Data Sources
<b>Budget reliability</b>	
<b>HLG-1 Transfers from a higher level of government</b>	
1.1 Outturn of transfers from HLG	Data extracted from budget documents and expenditure records by BFB staff Discussion with BFB officials
1.2 Transfers composition outturn	
1.3 Timeliness of transfers from HLG	
1.4 Predictability of transfers	
<b>HLG-2 Fiscal rules and monitoring of fiscal position</b>	
2.1 HLG control of fiscal balance	Discussion with BFB officials
2.2 HLG control of borrowing	
2.3 Required reporting to HLG	
<b>PI-1 Aggregate expenditure outturn</b>	Data extracted from budget documents and expenditure records by BFB staff
<b>PI-2. Expenditure composition outturn</b>	
2.1. Expenditure composition outturn by function	Data extracted from budget documents and expenditure records by BFB staff
2.2. Expenditure composition outturn by economic type	
2.3. Expenditure from contingency reserves	
<b>PI-3. Revenue outturn</b>	
3.1. Aggregate revenue outturn	Data extracted from budget documents and revenue records by BFB staff
3.2. Revenue composition outturn	
<b>Transparency of public finances</b>	
<b>PI-4. Budget classification</b>	
4.1 Budget classification	2019 Budget Estimates and Account of Budgetary operations
<b>PI-5. Budget documentation</b>	
5.1 Budget documentation	2021 Budget documentation
<b>PI-6. Central government operations outside financial reports</b>	
6.1. Expenditure outside financial reports	Consolidated Account of the Regional Entity 2019
6.2. Revenue outside financial reports	
6.3. Financial reports of extra-budgetary units	
<b>PI-7. Transfers to subnational governments</b>	
7.1. System for allocating transfers	Distribution formulae in Ordinance of 27 July 2017
7.2. Timeliness of information on transfers	Amounts and dates shown in notifications by Brussels Pouvoirs Locaux to each municipality
<b>PI-8. Performance information for service delivery</b>	
8.1. Performance plans for service delivery	Note d'orientation for Government operations 2019-24, and subsequent orientation letters for 2021 budget. Management control report for 2019. Discussions with BFB officials
8.2. Performance achieved for service delivery	
8.3. Resources received by service delivery units	
8.4. Performance evaluation for service delivery	
<b>PI- 9. Public access to fiscal information</b>	
9.1. Public access to fiscal information	Evidence provided by BFB officials about the content and timing of publication of budgetary information
<b>PI-9bis Public consultation</b>	
9.1 Consultation about shape of budget	Discussion with BFB officials
9.2 Consultation about design of service delivery	

9.3 Consultation about public investment planning	
<b>Management of assets and liabilities</b>	
<b>PI-10. Fiscal risk reporting</b>	10.1 Information from Regional Accountant
10.1. Monitoring of public corporations	10.2 Information from Brussels Pouvoirs Locaux and Institut Bruxellois de Statistique et Analyse which publishes consolidated data
10.2. Monitoring of sub-national government	10.3 Information from Regional Accountant and Brussels Mobility
10.3. Contingent liabilities and other fiscal risks	
<b>PI- 11. Public investment management</b>	
11.1. Economic analysis of investment proposals	Information provided by Brussels Mobility and Brussels Regional Housing Company
11.2. Investment project selection	
11.3. Investment project costing	
11.4. Investment project monitoring	
<b>PI-12. Public asset management</b>	
12.1. Financial asset monitoring	Consolidated Account of the Regional Entity for 2019
12.2. Nonfinancial asset monitoring	
12.3. Transparency of asset disposal.	
<b>PI-13. Debt management</b>	
13.1. Recording and reporting of debt and guarantees	2019 Annual Report of BFB Debt Agency
13.2. Approval of debt and guarantees	
13.3. Debt management strategy	
<b>Policy-based fiscal strategy and budgeting</b>	
<b>PI-14. Medium-term Budget Strategy</b>	
14.1. underlying forecasts for medium-term budget	2021 Budget documentation Evidence from Director of Debt Agency Middle Office
14.2. Fiscal impact of policy proposals	
14.3. Medium-term expenditure and revenue estimates	
14.4 Consistency of budget with previous year's estimates	
<b>PI-17. Budget preparation process</b>	
17.1. Budget calendar	BFB documents and Parliamentary records
17.2. Guidance on budget preparation	
17.3. Budget submission to the legislature	
<b>PI-18. Legislative scrutiny of budgets</b>	
18.1. Scope of budget scrutiny	Evidence from Parliamentary Secretariat
18.2. Legislative procedures for budget scrutiny	
18.3. Timing of budget approval	
18.4. Rules for budget adjustments by the executive	
<b>Predictability and control in budget execution</b>	
<b>PI-19. Revenue administration</b>	
19.1. Rights and obligations for revenue measures	Evidence from Director-General of Brussels Fiscalite
19.2. Revenue risk management	
19.3. Revenue audit and investigation	
19.4. Revenue arrears monitoring	
<b>PI-20. Accounting for revenues</b>	
20.1. Information on revenue collections	Evidence from Director-General of Brussels Fiscalite and Director of BFB Treasury
20.2. Transfer of revenue collections	
20.3. Revenue accounts reconciliation	
<b>PI-21. Predictability of in-year resource allocation</b>	
21.1. Consolidation of cash balances	Evidence and presentations by BFB Treasury and Debt Agency Financial Coordination Centre
21.2. Cash forecasting and monitoring	
21.3. Information on commitment ceilings	



21.4. Significance of in-year budget adjustments	
<b>PI-22 Expenditure arrears</b>	
22.1. Stock of expenditure arrears	Evidence from Regional Accountant
22.2. Expenditure arrears monitoring	
<b>PI-23. Payroll controls</b>	
23.1. Integration of payroll and personnel records	Evidence from SPRB, Fire Brigade, Environment Agency, Sanitation Department
23.2. Management of payroll changes	
23.3. Internal control of payroll	
23.4. Payroll audit	
<b>PI-24. Procurement</b>	
24.1. Procurement monitoring	Evidence from SPRB, Fire Brigade, Environment Agency, Sanitation department
24.2. Procurement methods	
24.3. Public access to procurement information	
24.4. Procurement complaints management	
<b>PI-25. Internal controls on non-salary expenditure</b>	
25.1. Segregation of duties	Evidence from SPRB, Fire Brigade, Environment Agency, Sanitation Department
25.2. Effectiveness of expenditure commitment controls	
25.3. Compliance with payment rules and procedures	
<b>PI-26. Internal audit</b>	
26.1. Coverage of internal audit	Evidence from SPRB, Fire Brigade, Environment Agency, Sanitation Department
26.2. Nature of audits and standards applied	
26.3. Implementation of internal audits and reporting	
26.4. Response to internal audits	
<b>Accounting and reporting</b>	
<b>PI-27. Financial data integrity</b>	
27.1. Bank account reconciliation	Evidence from Treasury, Regional Accountant and BFB Sound Financial Management section
27.2. Suspense accounts	
27.3. Advance accounts	
27.4. Financial data integrity processes	
<b>PI-28. In-year budget reports</b>	
28.1. Coverage and comparability of reports	Evidence from Budget Director and Monitoring Reports
28.2. Timing of in-year budget reports	
28.3. Accuracy of in-year budget reports	
<b>PI-29. Annual financial reports</b>	
29.1. Completeness of annual financial reports	Evidence from Regional Accountant
29.2. Submission of the reports for external audit	
29.3. Accounting standards	

## Annex 4: Calculations for HLG-1, PI-1, PI-2, and PI-3

### Calculation Sheet for Dimensions PI-1.1, PI-2.1 and PI-2.3

Step 1: Enter the three fiscal years used for assessment in table 1.

Step 2: Enter the **administrative OR functional** head for up to 20 heads.

The 21st line will be the sum of figures for all remaining heads (if any).

Step 3: Enter **budget** and **actual** expenditure data for each of the three years in tables 2, 3, and 4 respectively.

Step 4: Enter **contingency** data for each of the three years in tables 2, 3, and 4 respectively.

Step 5: Read the results for each of the three years for each indicator in table 5.

Step 6: Refer to the scoring tables for indicators PI-1 and PI-2 respectively in the Performance Measurement Framework in order to decide the score for each indicator.

**Table 1 - Fiscal years for assessment**

Year 1 =	2017
Year 2 =	2018
Year 3 =	2019

**Table 2**

Data for year =		2,017					
administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent	
General public administration (FC 01)	1,541,000,171	1,512,721,219	1,429,842,142.9	82,879,076.1	82,879,076.1	5.8%	
Public order and safety (FC 03)	207,877,000	180,885,624	192,882,064.9	-11,996,440.8	11,996,440.8	6.2%	
Economic Affairs (FC 04)	2,040,310,000	1,899,855,492	1,893,134,911.1	6,720,581.1	6,720,581.1	0.4%	
Environmental protection (FC 05)	431,439,000	406,317,304	400,317,712.9	5,999,590.6	5,999,590.6	1.5%	
Housing and communal facilities (FC 06)	200,872,000	163,911,027	186,382,361.4	-22,471,334.7	22,471,334.7	12.1%	
Health (FC 07)	420,000	338,739	389,703.9	-50,964.4	50,964.4	13.1%	
Recreation, culture and religion (FC 08)	33,326,000	34,865,811	30,922,072.6	3,943,738.6	3,943,738.6	12.8%	
Education (FC 09)	53,884,000	53,559,228	49,997,148.3	3,562,079.4	3,562,079.4	7.1%	
Social protection (FC 10)	297,199,000	209,112,844	275,760,939.5	-66,648,095.0	66,648,095.0	24.2%	
21 (= sum of rest)	12,276,000	9,452,256	11,390,486.8	-1,938,230.9	1,938,230.9	17.0%	
allocated expenditure	4,818,603,171	4,471,019,544	4,471,019,544.3	0.0	206,210,131.6		
interests	144,647,000	129,609,455					
contingency							
total expenditure	4,963,250,171	4,600,628,999					
aggregate outturn (PI-1)						92.7%	
composition (PI-2) variance						4.6%	
contingency share of budget						0.0%	

Table 3

Data for year =		2,018				
	budget	actual	adjusted budget	deviation	absolute deviation	percent
administrative or functional head						
General public administration (FC 01)	1,612,271,919	1,583,110,511	1,569,218,228.5	13,892,282.2	13,892,282.2	0.9%
Public order and safety (FC 03)	242,953,000	212,501,100	236,465,246.2	-23,964,145.9	23,964,145.9	10.1%
Economic Affairs (FC 04)	2,165,450,000	2,099,747,937	2,107,624,385.6	-7,876,449.0	7,876,449.0	0.4%
Environmental protection (FC 05)	467,298,000	440,041,649	454,819,395.6	-14,777,746.1	14,777,746.1	3.2%
Housing and communal facilities (FC 06)	255,607,000	259,802,823	248,781,337.1	11,021,485.7	11,021,485.7	4.4%
Health (FC 07)	425,000	353,846	413,650.9	-59,805.0	59,805.0	14.5%
Recreation, culture and religion (FC 08)	39,588,000	47,320,227	38,530,852.3	8,789,374.8	8,789,374.8	22.8%
Education (FC 09)	54,984,000	54,510,621	53,515,721.5	994,899.7	994,899.7	1.9%
Social protection (FC 10)	317,543,000	340,262,311	309,063,414.2	31,198,896.5	31,198,896.5	10.1%
21 (= sum of rest)	28,456,000	8,477,325	27,696,118.4	-19,218,792.9	19,218,792.9	69.4%
allocated expenditure	5,184,575,919	5,046,128,350	5,046,128,350.3	0.0	131,793,877.9	
interests	151,491,000	120,537,630				
contingency						
total expenditure	5,336,066,919	5,166,665,980				
aggregate outturn (PI-1)						96.8%
composition (PI-2) variance						2.6%
contingency share of budget						0.0%

<b>Table 4</b>						
<b>Data for year =</b>		<b>2,019</b>				
	<b>budget</b>	<b>actual</b>	<b>adjusted budget</b>	<b>deviation</b>	<b>absolute deviation</b>	<b>percent</b>
administrative or functional head						
General public administration (FC 01)	1,737,684,146	1,716,225,409	1,685,379,104.1	30,846,304.8	30,846,304.8	1.8%
Public order and safety (FC 03)	243,982,000	236,627,361	236,638,036.6	-10,675.6	10,675.6	0.0%
Economic Affairs (FC 04)	2,388,347,000	2,336,503,465	2,316,456,725.8	20,046,739.2	20,046,739.2	0.9%
Environmental protection (FC 05)	494,233,000	453,788,493	479,356,373.7	-25,567,880.3	25,567,880.3	5.3%
Housing and communal facilities (FC 06)	278,205,000	269,051,949	269,830,909.6	-778,960.4	778,960.4	0.3%
Health (FC 07)	425,000	274,465	412,207.3	-137,741.9	137,741.9	33.4%
Recreation, culture and religion (FC 08)	41,421,000	41,239,754	40,174,210.0	1,065,544.2	1,065,544.2	2.7%
Education (FC 09)	56,036,000	54,893,406	54,349,292.2	544,114.0	544,114.0	1.0%
Social protection (FC 10)	315,563,000	299,107,824	306,064,417.7	-6,956,593.9	6,956,593.9	2.3%
21 (= sum of rest)	28,277,000	8,375,000	27,425,850.1	-19,050,850.1	19,050,850.1	69.5%
allocated expenditure	5,584,173,146	5,416,087,127	5,416,087,127.2	0.0	105,005,404.5	
interests	153,976,000	119,122,512				
contingency						
total expenditure	5,738,149,146	5,535,209,640				
aggregate outturn (PI-1)						96.5%
composition (PI-2) variance						1.9%
contingency share of budget						0.0%

**Table 5 - Results Matrix**

year	for PI-1.1	for PI-2.1	for PI-2.3
	total exp. Outturn	composition variance	contingency share
2017	92.7%	4.6%	
2018	96.8%	2.6%	0.0%
2019	96.5%	1.9%	

## Calculation Sheet for Expenditure by Economic Classification Variance PI-2.2

Step 1: Enter the three fiscal years used for assessment in table 1.

Step 2: Enter **budget** and **actual** expenditure data for each of the three years in tables 2, 3, and 4 respectively.

Step 3: Read the results for each of the three years for each indicator in table 5.

Table 1 - Fiscal years for assessment

Year 1 =	2017
Year 2 =	2018
Year 3 =	2019

Table 2

Economic head	Data for year =		2017			
	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees (21)	449,675,000	439,233,508	416,821,190.5	22,412,317.6	22,412,317.6	5.4%
Use of goods and services (22)	325,834,000	264,637,248	302,028,166.5	-37,390,918.7	37,390,918.7	12.4%
Capital expenditure (23)	229,017,000	180,980,680	212,284,735.8	-31,304,055.7	31,304,055.7	14.7%
Interest (24)	144,647,000	129,609,455	134,078,912.0	-4,469,457.4	4,469,457.4	3.3%
Subsidies (25)	598,074,000	549,538,787	554,377,976.7	-4,839,189.6	4,839,189.6	0.9%
Grants (26)	1,143,670,000	1,110,563,361	1,060,112,060.7	50,451,300.6	50,451,300.6	4.8%
Grants to Consolidated extrabudgetary units and public corporations (266)	1,429,491,000	1,383,677,624	1,325,050,626.3	58,626,997.4	58,626,997.4	4.4%
Social benefits (27)	159,315,000	139,293,766	147,675,249.8	-8,381,484.0	8,381,484.0	5.7%
Other Expense (28)	483,527,171	403,094,570	448,200,080.6	-45,105,510.2	45,105,510.2	10.1%
<b>Total expenditure</b>	<b>4,963,250,171</b>	<b>4,600,628,999</b>	<b>4,600,628,998.9</b>	<b>0.0</b>	<b>262,981,231.2</b>	
composition variance						5.7%

Table 3

Economic head	Data for year =		2,018			
	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees (21)	488,785,000	470,561,069	473,267,833.7	-2,706,764.2	2,706,764.2	0.6%
Use of goods and services (22)	344,196,000	307,589,127	333,269,014.6	-25,679,887.7	25,679,887.7	7.7%
Capital expenditure	314,190,000	337,064,344	304,215,597.2	32,848,747.1	32,848,747.1	10.8%
Interest (24)	151,491,000	120,537,630	146,681,705.4	-26,144,075.6	26,144,075.6	17.8%
Subsidies (25)	588,221,000	532,927,966	569,547,098.2	-36,619,132.1	36,619,132.1	6.4%
Grants (26)	1,201,315,000	1,213,191,063	1,163,177,568.1	50,013,495.1	50,013,495.1	4.3%
Grants to Consolidated extrabudgetary units and public corporations (266)	1,568,427,000	1,537,479,977	1,518,635,082.0	18,844,895.2	18,844,895.2	1.2%
Social benefits (27)	133,870,000	101,979,511	129,620,108.8	-27,640,597.4	27,640,597.4	21.3%
Other Expense (28)	545,571,919	545,335,292	528,251,972.3	17,083,319.7	17,083,319.7	3.2%
<b>Total expenditure</b>	<b>5,336,066,919</b>	<b>5,166,665,980</b>	<b>5,166,665,980.2</b>	<b>0.0</b>	<b>237,580,914.0</b>	
composition variance						4.6%

Table 4

		Data for year =		2,019			
Economic head		budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees (21)		516,286,000	493,989,763	498,026,658.3	-4,036,895.2	4,036,895.2	0.8%
Use of goods and services (22)		342,938,000	366,773,174	330,809,408.2	35,963,765.4	35,963,765.4	10.9%
Capital expenditure (23)		386,908,000	372,025,979	373,224,333.6	-1,198,354.6	1,198,354.6	0.3%
Interest (24)		153,976,000	119,122,512	148,530,374.1	-29,407,861.7	29,407,861.7	19.8%
Subsidies (25)		548,065,000	536,030,496	528,681,739.4	7,348,757.1	7,348,757.1	1.4%
Grants (26)		1,263,340,000	1,298,973,905	1,218,659,809.7	80,314,095.4	80,314,095.4	6.6%
Grants to Consolidated extrabudgetary units and public corporations (266)		1,708,395,000	1,676,233,923	1,647,974,674.7	28,259,248.5	28,259,248.5	1.7%
Social benefits (27)		135,720,000	131,211,988	130,920,028.9	291,958.6	291,958.6	0.2%
Other Expense (28)		682,521,146	540,847,899	658,382,612.6	-117,534,713.4	117,534,713.4	17.9%
<b>Total expenditure</b>		<b>5,738,149,146</b>	<b>5,535,209,640</b>	<b>5,535,209,639.7</b>	<b>0.0</b>	<b>304,355,649.9</b>	
composition variance							5.5%

Table 5 - Results Matrix

year	composition variance
2017	5.7%
2018	4.6%
2019	5.5%

## Calculation Sheet for Revenue outturn (Oct 2018)

Step 1: Enter the three fiscal years used for assessment in table 1.

Step 2: Enter **budget** and **actual** revenue data for each of the three years in tables 2, 3, and 4 respectively.

Step 3: Read the results for each of the three years for each dimension in table 5.

Table 1 - Fiscal years for assessment

Year 1 =	2017
Year 2 =	2018
Year 3 =	2019

Table 2

Economic head	Data for year =		2017			
	budget	actual	adjusted budget	deviation	absolute deviation	percent
Taxes on income, profits, and capital gains (111)	905,890,000	904,351,586	873,832,559.3	30,519,026.2	30,519,026.2	3.5%
Taxes on payroll and workforce (112)	0	0	0.0	0.0	0.0	0.0%
Taxes on property (113)	538,998,000	507,043,442	519,924,054.6	-12,880,612.9	12,880,612.9	2.5%
Taxes on goods and services (114)	754,390,000	730,748,783	727,693,808.8	3,054,974.0	3,054,974.0	0.4%
Taxes on international trade and transactions (115)	0	0	0.0	0.0	0.0	0.0%
Other taxes (116)	199,434,000	192,999,568	192,376,472.5	623,096.0	623,096.0	0.3%
Social security contributions (121)	0	0	0.0	0.0	0.0	0.0%
Other social contributions (122)	0	5,555	0.0	5,554.6	5,554.6	0.0%
Grants from foreign governments (131)	0	0	0.0	0.0	0.0	0.0%
Grants from international organizations (132)	25,147,000	13,077,023	24,257,103.4	-11,180,080.3	11,180,080.3	46.1%
			0.0	0.0	0.0	0.0%
Grants from Agglomeration Brussels (1334)	287,943,000	287,943,000	277,753,335.0	10,189,665.0	10,189,665.0	3.7%
Grants from consolidated extrabudgetary units and public corporations (1333)	9,660,000	9,699,331	9,318,154.0	381,177.0	381,177.0	4.1%
Property income (141)	51,510,043	38,082,653	49,687,216.8	-11,604,564.0	11,604,564.0	23.4%
Sales of goods and services (142)	145,509,582	95,923,700	140,360,320.1	-44,436,620.2	44,436,620.2	31.7%
Fines, penalties, and forfeits (143)	18,580,000	36,685,162	17,922,495.0	18,762,666.8	18,762,666.8	104.7%
Repayments of loans, etc (144)	333,683,436	337,286,357	321,875,117.9	15,411,239.5	15,411,239.5	4.8%
Miscellaneous and unidentified revenue (145)	11,460,000	12,208,934	11,054,456.0	1,154,478.4	1,154,478.4	10.4%
<b>Total revenue</b>	<b>3,282,205,061</b>	<b>3,166,055,093</b>	<b>3,166,055,093.3</b>	<b>0.0</b>	<b>160,203,754.8</b>	
overall variance						96.5%
composition variance						5.1%

Table 3

Economic head	Data for year =		2,018			
	budget	actual	adjusted budget	deviation	absolute deviation	percent
Taxes on income, profits, and capital gains (111)	826,346,000	835,992,927	807,783,671.9	28,209,255.4	28,209,255.4	3.5%
Taxes on payroll and workforce (112)	0	0	0.0	0.0	0.0	0.0%
Taxes on property (113)	579,515,000	599,728,447	566,497,271.8	33,231,175.0	33,231,175.0	5.9%
Taxes on goods and services (114)	752,887,000	757,629,680	735,974,791.9	21,654,888.1	21,654,888.1	2.9%
Taxes on international trade and transactions (115)	0	0	0.0	0.0	0.0	0.0%
Other taxes (116)	185,825,000	203,733,415	181,650,786.5	22,082,628.8	22,082,628.8	12.2%
Social security contributions (121)	0	0	0.0	0.0	0.0	0.0%
Other social contributions (122)	2,000	5,833	1,955.1	3,878.3	3,878.3	198.4%
Grants from foreign governments (131)	0	0	0.0	0.0	0.0	0.0%
Grants from international organizations (132)	19,800,000	10,098,489	19,355,229.8	-9,256,740.6	9,256,740.6	47.8%
			0.0	0.0	0.0	0.0%
Grants from Agglomeration Brussels (1334)	287,951,000	255,926,851	281,482,715.6	-25,555,864.5	25,555,864.5	9.1%
Grants from consolidated extrabudgetary units and public corporations (1333)	9,771,000	10,168,010	9,551,512.6	616,497.3	616,497.3	6.5%
Property income (141)	50,529,047	40,765,238	49,394,005.6	-8,628,767.4	8,628,767.4	17.5%
Sales of goods and services (142)	196,165,928	124,959,472	191,759,424.3	-66,799,952.3	66,799,952.3	34.8%
Fines, penalties, and forfeits (143)	32,045,000	25,124,915	31,325,168.6	-6,200,253.7	6,200,253.7	19.8%
Repayments of loans, etc (144)	253,800,500	255,794,958	248,099,343.2	7,695,614.7	7,695,614.7	3.1%
Miscellaneous and unidentified revenue (145)	12,110,000	14,785,612	11,837,971.3	2,947,641.0	2,947,641.0	24.9%
<b>Total revenue</b>	<b>3,206,747,474</b>	<b>3,134,713,848</b>	<b>3,134,713,848.3</b>	<b>0.0</b>	<b>232,883,156.9</b>	
overall variance						97.8%
composition variance						7.4%



Table 4

Economic head	Data for year =		2,019			
	budget	actual	adjusted budget	deviation	absolute deviation	percent
Taxes on income, profits, and capital gains (111)	853,125,000	855,117,066	763,020,926.5	92,096,139.9	92,096,139.9	12.1%
Taxes on payroll and workforce (112)	0	0	0.0	0.0	0.0	0.0%
Taxes on property (113)	574,858,000	478,424,576	514,143,512.1	-35,718,936.1	35,718,936.1	6.9%
Taxes on goods and services (114)	794,355,000	766,685,990	710,458,008.0	56,227,981.9	56,227,981.9	7.9%
Taxes on international trade and transactions (115)	0	0	0.0	0.0	0.0	0.0%
Other taxes (116)	197,649,000	207,302,257	176,774,005.1	30,528,251.9	30,528,251.9	17.3%
Social security contributions (121)	0	1,222,433	0.0	1,222,432.7	1,222,432.7	0.0%
Other social contributions (122)	5,000	4,798	4,471.9	326.1	326.1	7.3%
Grants from foreign governments (131)	0	0	0.0	0.0	0.0	0.0%
Grants from international organizations (132)	13,041,000	13,529,807	11,663,655.3	1,866,151.6	1,866,151.6	16.0%
			0.0	0.0	0.0	0.0%
Grants from Agglomeration Brussels (1334)	293,710,000	135,139,955	262,689,378.8	-127,549,424.0	127,549,424.0	48.6%
Grants from consolidated extrabudgetary units and public corporations (1333)	9,950,000	12,921,660	8,899,115.9	4,022,544.3	4,022,544.3	45.2%
Property income (141)	53,849,059	47,924,307	48,161,710.0	-237,402.6	237,402.6	0.5%
Sales of goods and services (142)	181,143,775	100,337,224	162,012,004.0	-61,674,780.0	61,674,780.0	38.1%
Fines, penalties, and forfeits (143)	39,478,000	30,170,452	35,308,472.0	-5,138,020.3	5,138,020.3	14.6%
Repayments of loans, etc (144)	270,364,652	274,597,479	241,809,684.3	32,787,794.6	32,787,794.6	13.6%
Miscellaneous and unidentified revenue (145)	10,800,000	21,226,282	9,659,341.8	11,566,940.0	11,566,940.0	119.7%
<b>Total revenue</b>	<b>3,292,328,485</b>	<b>2,944,604,286</b>	<b>2,944,604,285.9</b>	<b>0.0</b>	<b>460,637,126.1</b>	
overall variance						89.4%
composition variance						15.6%

Table 5 - Results Matrix

year	total revenue deviation	composition variance
2017	96.5%	5.1%
2018	97.8%	7.4%
2019	89.4%	15.6%

## Calculation Sheet for HLG 1.1 and HLG 1.2

Step 1: Enter the three fiscal years used for assessment in table 1.

Step 2: Enter **budget** and **actual** revenue data for each of the three years in tables 2, 3, and 4 respectively.

Step 3: Read the results for each of the three years for each dimension in table 5.

Table 1 - Fiscal years for assessment

Year 1 =	2017
Year 2 =	2018
Year 3 =	2019

Table 2

		Data for year = 2017					
Earmarked grant		budget	actual	adjusted budget	deviation	absolute deviation	percent
Fire Department		10400000	2792811.75	10,043,295.9	-7,250,484.2	7,250,484.2	72.2%
46bis		38977000	39071599	37,640,148.7	1,431,450.3	1,431,450.3	3.8%
Non-earmarked		1346071000	1305721862	1,299,902,828.3	5,819,033.8	5,819,033.8	0.4%
<b>Total revenue</b>		<u>1,395,448,000</u>	<u>1,347,586,273</u>	1,347,586,272.9	0.0	14,500,968.4	
overall variance							96.6%
composition variance							1.1%

Table 3

		Data for year = 2,018					
Economic head		budget	actual	adjusted budget	deviation	absolute deviation	percent
Fire Department		10400000	11594654.93	10,417,062.9	1,177,592.0	1,177,592.0	11.3%
46bis		40231000	40491146	40,297,005.7	194,140.3	194,140.3	0.5%
Non-earmarked		1376114000	1377000012	1,378,371,744.3	-1,371,732.3	1,371,732.3	0.1%
<b>Total revenue</b>		<u>1,426,745,000</u>	<u>1,429,085,813</u>	1,429,085,812.9	0.0	2,743,464.7	
overall variance							100.2%
composition variance							0.2%

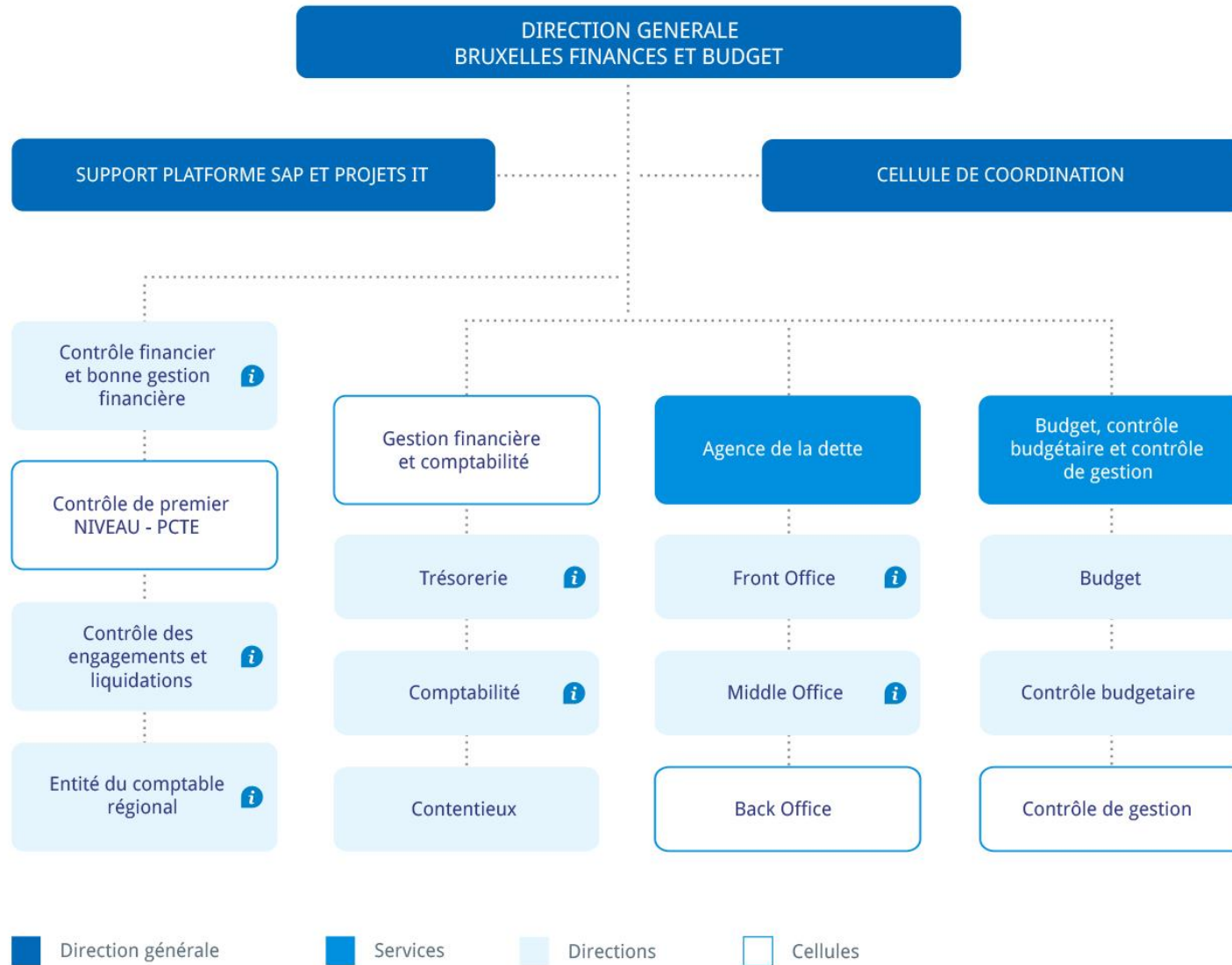
Table 4

		Data for year = 2,019					
Economic head		budget	actual	adjusted budget	deviation	absolute deviation	percent
Fire department		12554000	9641424.03	12,644,483.3	-3,003,059.3	3,003,059.3	23.7%
46bis		41748000	41502629	42,048,900.0	-546,271.0	546,271.0	1.3%
Non-earmarked		1422351000	1436151967	1,432,602,637.2	3,549,330.3	3,549,330.3	0.2%
<b>Total revenue</b>		<u>1,476,653,000</u>	<u>1,487,296,020</u>	1,487,296,020.5	0.0	7,098,660.5	
overall variance							100.7%
composition variance							0.5%

Table 5 - Results Matrix

year	total revenue deviation	composition variance
2017	96.6%	1.1%
2018	100.2%	0.2%
2019	100.7%	0.5%

## Annex 5: Organisation chart of BFB



## Annex 6: Gender budgeting

The Public Expenditure and Financial Accountability (PEFA) supplementary framework for assessing gender responsive public financial management (GRPFM)—the PEFA GRPFM framework—is a set of supplementary indicators that builds on the PEFA framework to collect information on the degree to which a country’s public financial management (PFM) system addresses the government’s goals with regard to acknowledging different needs of men and women and promoting gender equality.

The BCR has taken a few policy measures to promote gender equality. The ordonnance of 29 March 2012 requires ‘gender mainstreaming’ in the policies of the Brussels administration. The Decision of 14 July 2016 specifies the policy of gender mainstreaming to the financial management and requires integration of the gender dimension in the budget cycle.

These policy directions are at the basis of three instruments to support gender equality via the budget cycle:

- Categorization of budget lines in three ‘gender categories’;
- The equal opportunity test (through the regulation of 4 October 2018 supplemented by the Decree of 22 November 2018);
- The annual Gender Note that is annexed to the Budget Documents since 2020.

Based on these initiatives, the GOB PFM systems is rated as follows on the nine GRPFM indicators of the assessment framework:

**Table 56 -- GRPFM indicators of the assessment framework**

Indicator/Dimension	Score	Brief justification for score
GRPFM–1 Gender Impact Analysis of Budget Policy Proposals	A	
GRPFM–1.1 Gender impact analysis of expenditure policy proposals	A	An equal opportunity test is mandatory (through the regulation of 4 October 2018 supplemented by the Decree of 22 November 2018) since November 2018 for all legislative or regulatory drafts (including both expenditure and revenue policy proposals).
GRPFM–1.2 Gender impact analysis of revenue policy proposals	A	
GRPFM–2 Gender Responsive Public Investment Management	C	The equal opportunity test is conducted for all major investment subsidies to the main public corporations and reviewed by the Inspectorate. However, the results are not published.
GRPFM–3 Gender Responsive Budget Circular	C	The Budget Circular requires that each budget line is categorized in terms of gender impact, but it does not require budgetary units to provide a gender-based justification in proposed new spending initiatives. Also, it

		does not require budgetary units to include sex-disaggregated performance data.
GRPFM–4 Gender Responsive Budget Proposal Documentation	A	The budget documentation provides an overview of government’s policy priorities for improving gender equality under the Task (‘Opdracht’) 05. The documentation includes also details of budget measures aimed at strengthening gender equality in the budgetary table under the heading of Task 05. Finally, the Gender Note, that is published together with the budget documentation, provides a broader assessment of the impacts of budget policies on gender equality.
GRPFM–5 Sex-Disaggregated Performance Information for Service Delivery	D	
GRPFM–5.1 Sex disaggregated performance plans for service delivery	D	Except for the orientation note of Equal.Brussels, none of the Ministries provide specific sex-disaggregated performance information on gender.
GRPFM–5.2 Sex-disaggregated performance achieved for service delivery	D	The annual reports do not report results on sex disaggregated performance.
GRPFM–6 Tracking Budget Expenditure for Gender Equality	A	Bru.Budget contains a specific budget classification to track expenditure that are specifically classified as relevant to reduce the gender gap.
GRPFM–7 Gender Responsive Reporting	D	There are various streams of information on gender-related issues, but the GoB does not publish in a systematic manner annual reports including gender-related expenditures and impacts on gender inequality.
GRPFM–8 Evaluation of Gender Impacts of Service Delivery	D	According to the applicable regulation, the Annual Internal Control Report should contain a report on the results of gender-related expenditure and the achievement of the objectives. However, no such analysis was observed in the latest available Annual Internal Control Report of 2019.
Legislative Scrutiny of Gender Impacts of the Budget	C	
GRPFM–9.1 Gender responsive legislative scrutiny of budgets	B	The Committee for Equal Opportunities is one of the permanent Committees of the

			Parliament of the Brussels Region since January 2020. It has the mandate to discuss the annual budget documents and it has done so extensively as demonstrated by the report of the Committee to the Plenary Session on the budget 2021.
	GRPFM–9.2 Gender responsive legislative scrutiny of audit reports	D	Het Rekenhof, the SAI covering the Brussels Regional Government, has not prepared audit conclusions on the issue of gender-budgeting.

## GRPFM–1 Gender Impact Analysis of Budget Policy Proposals

### Guiding question

Does the government’s analysis of proposed changes in expenditure and revenue policies include information on gender impacts?

### Description

This indicator assesses the extent to which the government prepares an assessment of the gender impacts of proposed changes in government expenditure and revenue policy. It contains two dimensions (sub-indicators) and uses the **M1** (weakest link) method for aggregating dimension scores.

### GRPFM–1.1 Gender impact analysis of expenditure policy proposals

The key instrument to ensure that gender impact is analysed before policy changes are endorsed is the so-called ‘equal opportunity test’. The tool analyses the impact of the policy change on a number of criteria: gender, handicap, ethnic origin, sexual orientation, and social class.<sup>18</sup>

Since November 2018 is the equal opportunity test obligatory (through the regulation of 4 October 2018 supplemented by the Executive Order of 22 November 2018) for each of the following decisions:

1. Legislative or regulatory drafts;
2. Draft management agreements;
3. Draft strategic planning documents;
4. Draft contract and concession documents concerning intended public contracts and concessions. The Government shall determine the amount of the threshold of application;
5. Draft subsidy guides;<sup>19</sup>
6. Drafts of decisions to grant subsidies.

Given that all expenditure policy proposals are guided by legislation or regulation, the equal opportunity test applies to all decisions relating to expenditure policy.

Furthermore, the BCR has prepared a gender note that summarizes the analysis of each budget line included in the consolidated Budget on gender inequality. This analysis is based on the categorization of each budget line in category 1, 2 or 3:

- Category 1: budget lines without a gender dimension;

<sup>18</sup> More info on [www.test.equal.brussels](http://www.test.equal.brussels).

<sup>19</sup> For subsidies higher than Euro 30.000, the equal opportunity test is obligatory in the preparation of the subsidy regulation as well as in the allocation decisions of the subsidy.

- Category 2: budget lines that are aimed to reduce the gender gap;
- Category 3: budget lines with a potential gender dimension.

Chapter II of the Gender Note 2020 bundles all budget lines of the second category. With regard to category III, the Gender Note reports on the number of budget lines (categorized as '3') that were analysed on the applicability of a gender dimension. In 2019, these analyses were only done for entities that were part of the BCR extra-budgetary entities.

**Table 57 - Budget lines analysed by Brussels Regional Government in 2019**

BCR	Number of analysed budget lines
Brussels Regional Coordination (BGC)	15
Brussels Economy and Employment (BEW)	7
Brussels Local Boards (BPB)	1
Brussels Finance and Budget (BFB)	9
Brussels Mobility (BM)	4
Brussels Housing (BH)	1
Total	37
As a % of the total number of 641 budget lines categorized as '3'	6 %

## GRPFM–1.2 Gender impact analysis of revenue policy proposals

The gender / equal opportunity test is also applicable to legislation and regulation covering revenue policy. In 2019, 17 equal opportunity tests were carried out by Brussel Fiscal (BF) in order to comply with the legislation. On this basis, the dimension was rated 'A'.

## GRPFM–2 Gender Responsive Public Investment Management

### Guiding question

Does the government analyse the impacts of major public investment projects on gender as part of the economic analysis of investment proposals?

### Description

This indicator assesses the extent to which robust appraisal methods, based on economic analysis, of feasibility or prefeasibility studies for major investment projects include analysis of the impacts on gender. There is one dimension for this indicator.

## GRPFM–2.1 Gender responsive public investment management

As identified in PI-11, government investments are done directly (via the BCR budget) or via investment subsidies to public corporations.

In 2019, the BCR provided 528 mln Euro in investment subsidies to a variety of recipients. Table x provides an overview of the largest subsidies. The latter mechanism is significantly more important. In 2019, EURO 528 mln was conducted via investment subsidies. See Table 58 below.

**Table 58 - Investment subsidies in 2019 (derived from BFB, budget code 0616)**

#	Entity in charge	Description	Project expenditure in 2019 (in Euro)
1	STIB/MIVB	Investment subsidy	194,651,000
2	STIB/MIVB	Special subsidy for big investments in public transport not covered by Beliris	184,929,000
3	BGHM	Purchase, construction, renovation of social housing and the neighbourhoods	37,000,000
4	BGHM	Construction of social and medium-size houses incorporated in the Regional Housing Plan	33,796,000
5	Brussel Prevention and Safety	Investment subsidy	26,268,000
6	Parking Brussels	Investment subsidy	16,000,000
7	Others		37,716,133
<b>Total</b>			<b>528,360,133</b>

The equal opportunity test is mandatory for subsidies of more than 30.000 €. If the test is applied to all investment subsidies included in Table X, the analysis of the majority of investments includes analysis of the impacts on gender. Given that the equal opportunity test is part of the file that is submitted to the Cabinet, the analysis is also reviewed by the (independent) Inspection des Finances.

However, there is no evidence that on the criterion that the analysis is made public. For this reason, the rating is C *“Economic analyses to assess some major investment projects include analysis of the impacts on gender”*.

## GRPFM–3 Gender Responsive Budget Circular

### Guiding question

Does the budget circular(s) require budgetary units to include information on the gender-related impacts of their spending proposals?

### Description

This indicator measures the extent to which the government’s budget circular(s) is gender responsive. There is one dimension for this indicator.



## GRPFM–3.1 Gender responsive budget circular

The decision on ‘gender budgeting’ of 14 July 2016,<sup>20</sup> requires that gender is to be integrated in the budget cycle. This has been operationalised by using a categorisation to each budget line included in the consolidated budget for expenditures and revenues. The categorisation is threefold:

- Category 1: budget lines without a gender dimension;
- Category 2: budget lines that are aimed to reduce the gender gap;
- Category 3: budget lines with a potential gender dimension.

The Gender Note (which annexed to the budget documents that are submitted to Parliament) has reviewed the categorization. The total budget allocation that is categorized in category 2 in the budget document of 2020 is EURO 3.572.000 as against 5,825,000,000 total expenditures.

Based on the requirement included in the Budget Circular to categorize each budget line and basis allocation, **the indicator is rated C**. A higher rating is not applicable as the Budget Circular does not require additional clarification including a requirement for budgetary units to provide a gender-based justification (or the effects on men and women) in proposed new spending initiatives, or proposed reductions in expenditures. The Budget Circular does also not require budgetary units to include sex-disaggregated data for actual or expected results.

## GRPFM–4 Gender Responsive Budget Proposal Documentation

### Guiding question

Does the government’s budget proposal documentation include information on gender priorities and budget measures aimed at strengthening gender equality?

### Description

This indicator assesses the extent to which the government’s budget proposal documentation includes additional information on gender priorities and budget measures aimed at strengthening gender equality. There is one dimension for this indicator.

### GRPFM–4.1 Gender responsive budget proposal documentation

The indicator is rated A. The government’s published budget documentation as submitted to the legislature for scrutiny and approval includes three of the required types of information:

- In the general memorandum, an overview of government’s policy priorities for improving gender equality (as part of the general label ‘equal opportunities’) is included under the Task (‘Opdracht’) 05. The overall general policy framework for equal opportunities is stipulated in a separate orientation note, that was adopted at the beginning of the Government period and updated annually. However, this orientation note is not part of the budget documentation.
- Details of budget measures aimed at strengthening gender equality are explicitly described in the budgetary table under the heading of Task 05.
- A broader assessment of the impacts of budget policies on gender equality is provided by the Gender Note that is published together with the budget documentation. The Gender Note

<sup>20</sup> [C – 2016/31650] 14 JULI 2016. — Besluit van de Brusselse Hoofdstedelijke Regering tot invoering van een methode om de genderdimensie te integreren in de begrotingscyclus

provides a more elaborate analysis of the entire budget on the impact on gender equality. This analysis is not limited to Task 05 but includes all budget lines that are categorized as 2 or 3.

## GRPFM–5 Sex-Disaggregated Performance Information for Service Delivery

### Guiding question

Do the executive’s budget proposal or supporting documentation and in-year or end-year reports include sex-disaggregated information on performance for service delivery programs?

### Description

This indicator measures the extent to which the executive’s budget proposal or supporting documentation and in-year or end-year reports include sex-disaggregated information on performance for service delivery programs. It contains two dimensions (sub-indicators) and uses the M2 (averaging) method for aggregating dimension scores.

### GRPFM–5.1 Sex disaggregated performance plans for service delivery

Performance plans of the BCR are provided by the ‘orientation notes on the various policy areas. Except for the orientation note of Equal.Brussels, the Ministry that is mandated to promote equal opportunities, these orientations do not include a specific window on gender or sex-disaggregated performance information.

A second source of sex-disaggregated performance information is the Gender Note which is annexed to the budget documents that are submitted to Parliament. This Note reports on all budget lines that are categorized as ‘2’ and includes some analysis of category 3 budget lines. However, it does not include performance information or indicators.

In view of the above evidence, a score ‘D’ is applicable.

### GRPFM–5.2 Sex-disaggregated performance achieved for service delivery

The annual reports do not report on performance information and do not include results on sex disaggregated performance. Therefore, a score ‘D’ is applicable.

## GRPFM–6 Tracking Budget Expenditure for Gender Equality

### Guiding question

Does the government have the capacity to track gender equality–related expenditure?

### Description

This indicator measures the government’s capacity to track expenditure for gender equality throughout the budget formulation, execution, and reporting processes. There is one dimension for this indicator.

### GRPFM–6.1 Tracking budget expenditure for gender equality

The budget classification and chart of accounts includes three categories indicating their relevance for gender equality:

- Category 1: budget lines without a gender dimension;
- Category 2: budget lines that are aimed to reduce the gender gap;

- Category 3: budget lines with a potential gender dimension.

Expenditures categorized as '2' can be monitored in the budget software BRU-BUDGET. Hence, the rating 'A' is applicable.

## GRPFM–7 Gender Responsive Reporting

### Guiding question

Do the government's published annual reports include information on gender-related expenditure and the impact of budget policies on gender equality?

### Description

This indicator measures the extent to which the government prepares and publishes annual reports that include information on gender-related expenditure and the impact of budget policies on gender equality. There is one dimension for this indicator.

### GRPFM–7.1 Gender responsive government annual reports

The indicator assesses the provision of four type of reporting information:

1. an analysis of gender equality outcomes;
2. data on gender-related expenditure;
3. assessment of the implementation of budget policies and their impacts on gender equality;
4. sex-disaggregated data on budgetary central government employment.

With respect to '1', the BCR (Equal.Brussels) has published a report / brochure) in 2019 on 'gender in the Brussels region'.<sup>21</sup> The Publication analyses the available information until April 2019 in the different policy domains mandated to the BCR including housing, mobility, and employment. However, the report is an incidental activity and there is no evidence (or obligation) to publish the report annually.

With respect to '2', the annual budget execution report of the BCR includes the expenditure on Task 05 'equal opportunities' which incorporates several programmes on 'gender'. However, the report does not include a consolidated analysis of the expenditures categorized with gender classification '2'.

With respect to '3', the performance of the BCR on gender should be derived from the annual 'control report'. The decision of the BCR of 14 July 2016 to integrate gender in the budget cycle also includes the requirement that the realisation of the gender objectives is incorporated in the annual control report (see article. 8.1). The report reports on the implementation of various activities linked to gender. For example, it is reported on the fact that pilot projects on gender were implemented and that the gender note was prepared. However, the Annual Control Report 2019 does not provide an analysis on impact of the activities on the gender dimension. Also, no publication on the analysis of the implementation of budget policies and their impacts on gender equality can be found on the website of the Ministry Equal.Brussels.

With respect to '4', sex-disaggregated data on budgetary central government employment can be found on the website of the public administration of the BCR.<sup>22</sup> It shows that the staff of the BCR consists of 50 % male and 50% females. There is no reference to a report that includes the information.

As none of the four types of reporting information is annually reported in a report, the score is 'D.'

<sup>21</sup> GENDER IN HET BRUSSELS HOOFDSTEDELIJK GEWEST: Een cijfermatig overzicht", 2019

<sup>22</sup> <https://jaarverslag-gob.brussels/copie-de-2019/copie-de-nos-chiffres>

## GRPFM–8 Evaluation of Gender Impacts of Service Delivery

### Guiding question

Does the government include an assessment of gender impacts as part of evaluations of efficiency and effectiveness of service delivery?

### Description

This indicator measures the extent to which independent evaluations of the efficiency and effectiveness of public services include an assessment of gender impacts. There is one dimension for this indicator.

### GRPFM–8.1 Evaluation of gender impacts of service delivery

The relevant regulation (Part III of the Decision of the BCR of 14 July 2016) to integrate the gender dimension in the budget cycle refers to the role of the Annual Control Note to report on the results of gender-related expenditure and the achievement of the objectives.

The PEFA team did not observe that such an analysis is included in the latest available Annual Control Note of the year 2019. Hence, this indicator is rated with the score 'D.'

## GRPFM–9 Legislative Scrutiny of Gender Impacts of the Budget

### Guiding question

Does the legislature's budget and audit scrutiny include the examination of the gender impacts of the budget?

### Description

This indicator measures the extent to which the legislature's budget and audit scrutiny include a review of the government's policies to understand whether policies equally benefit men and women by ensuring the allocation of sufficient funds. It contains two dimensions (sub indicators) and uses the M2 (averaging) method for aggregating dimension scores.

### GRPFM–9.1 Gender responsive legislative scrutiny of budgets

The Committee for Equal Opportunities is one of the permanent Committees of the Parliament of the Brussels Region since January 2020. It has the mandate to discuss the annual budget documents and to report to Plenary Session of the Parliament.

A review of the Committee's meeting minutes since its establishment demonstrates that this mandate has been used.<sup>23</sup> The minutes provide ample evidence that the gender-responsive budget and/or the gender note has been discussed in the Commission and reported to the Plenary Session on 7 December 2020.

Although committee meetings are accessible to the public, no evidence of active public consultation has been demonstrated.

Hence, in view of the evidence above, the rating B is applied.

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<sup>23</sup> A-267/3- 202/2021 (deel 2) 7 DECEMBER 2020

## **GRPFM–9.2 Gender responsive legislative scrutiny of audit reports**

The Belgium Court of Audit (Het Rekenhof) is the Supreme Audit institution for the Brussels Regional Government. The PEFA team has reviewed the audit report on the supplementary budget for 2020 and the budget documents for 2021. The SAI has not commented on the gender classification and or the annexed gender note. Furthermore, no performance audits with a special focus on gender were conducted. Hence, a score: D is assigned.