

**MULTI-YEAR ESTIMATE
2022 - 2027**

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1. INTRODUCTION

The annual budget contains an estimate of the expected revenue (resources budget) and expenditure (expenditure budget) for the 2023 calendar year. The initial budget (hereinafter: IB) is also placed in a multi-year perspective. The multi-year estimate is assessed on a yearly basis and adjusted to the changing circumstances, using the initial budget as a starting point. The estimate is thus extended each time by one year.

The multi-year estimate always applies to a six-year period including the current year. The multi-year estimate places the unchanged policy and selected policy options in a multi-annual budgetary perspective, and forecasts the evolution of the Flemish budget.

The multi-year estimate makes a distinction between the forecasts that assume unchanged policy and the budgetary consequences of new policy. In case of unchanged policy, the underlying assumptions for the applied cost drivers and budgetary commitments are continued in the following years.

The policy incentives and budgetary measures for 2023 are not included in the discussion on unchanged policy. They are part of the discussion in chapter 5, which addresses new policy incentives and additional measures resulting from the coalition agreement and the decisions made during the 2022 or 2023 budget negotiations.

Chapter 2 explains which parameters are used to allocate resources from the Special Finance Act (SFA). This section not only includes SFA resources, but also other categories of ESA revenue: gross additional tax on PIT; regional taxes; self-generated, non-fiscal, (non) earmarked revenue and the own ESA revenue of Flemish consolidated institutions.

The next chapter deals with the expenditure budget, consolidated policy appropriations and settlement appropriations by policy area, as well as the evolution by policy area. It discusses the indexation, explains which cost drivers are used and which budgetary commitments have to be met if policy remains unchanged.

Chapter 4 shows the evolution of the Flemish government's consolidated ESA balance given unchanged policy.

The next chapters will estimate the budgetary impact of new policy and budgetary measures in the following financial years. This impact should be considered in conjunction with the evolution of the Flemish government's consolidated debt.

To conclude, we will introduce a new chapter on the expenditure benchmark.

2. RESOURCES BUDGET GIVEN UNCHANGED POLICY

2.1. Total resources

Table 2-1 presents an overview of the inflation and economic growth forecasts used in the 2023 initial budget and the multi-year estimate to estimate the surcharges and allocated share of VAT and PIT (personal income tax). These forecasts are based on the parameters specified in the Economic Budget of 8 September 2022 (IB 2023) and in the Economic Forecast of 17 June 2022 (multi-year estimate). According to the Federal Planning Bureau, the Economic Forecast of 17 June 2022 is considered to be compatible with the Economic Budget of 8 September 2022.

Compared with the 2023 IB, inflation will decrease below 2% from 2024. Following the slowdown in 2023, economic growth will also recover to pre-pandemic levels from 2024 onwards.

Table 2-1: Expected inflation and economic growth in the period 2022-2027

	IB 2023 (EB 9/2022)		2024	2025	2026	2027
	2022	2023				
GDP	2.6%	0.5%	1.60%	1.20%	1.30%	1.40%
CPI	9.4%	6.5%	1.80%	1.70%	1.60%	1.60%
HI	9.1%	7.0%	1.80%	1.70%	1.60%	1.60%

Source: Federal Planning Bureau

Recent inflation forecasts published by the Federal Planning Bureau at the beginning of October 2022 indicate that the national consumer price index (CPI) is estimated at 9.3% in 2022 and 6.7% in 2023. These updated figures have not been included in the present multi-year estimate.

Table 2-2 provides a general overview of ESA-adjusted resources for 2021 and the following budgetary years.

Table 2-2: General categories of ESA revenue (in thousands of euros)

	REA 2021	AB 2022	IB 2023	MYE 2024	MYE 2025	MYE 2026	MYE 2027
Gross additional tax on PIT	7,886,600	8,159,601	9,452,698	10,168,992	10,437,687	10,813,477	11,201,462
Regional resources SFA	2,534,109	3,070,340	3,437,513	3,422,252	3,542,841	3,665,994	3,789,193
Community resources SFA	24,034,444	26,562,649	29,628,434	29,573,205	30,262,538	31,000,096	31,795,245
Specific grants SFA	100,486	108,503	122,225	120,597	122,747	124,825	126,951
Regional taxes	7,461,542	7,455,366	7,658,340	8,027,846	8,258,337	8,464,773	8,677,788
Self-generated, non-fiscal, earmarked revenue	605,010	707,874	696,517	838,119	954,114	1,052,804	1,024,916
Self-generated, non-fiscal, non-earmarked revenue	700,807	957,117	936,640	809,846	519,176	425,468	391,220
Lottery resources	34,801	32,897	35,364	35,364	35,364	35,364	35,364
Separate Management Services	326,956	352,992	336,597	336,597	336,597	336,597	336,597
Consolidated institutions (legal entities)	4,303,798	4,652,466	4,714,108	4,765,628	4,794,203	4,830,885	4,818,713
TOTAL	47,988,553	52,059,806	57,018,437	58,098,446	59,263,604	60,750,283	62,197,448

Source: FB Departement

In the present multi-year estimate, the ESA revenue of most consolidated institutions remains at the same level as in the 2023 initial budget.

3. EXPENDITURE BUDGET GIVEN UNCHANGED POLICY

3.1. Introduction

In case of unchanged policy, the underlying assumptions for the applied cost drivers and budgetary commitments are continued in the following years. The indexation of the expenditure budget and the indexation parameters have a significant impact on the evolution of the expenditure budget assuming unchanged policy. The following sections will zoom in on both evolutions given unchanged policy.

3.2. Discussion assuming unchanged policy

3.2.1. Indexation in relation to current competences

Table 3-1 shows the various index parameters used in the present multi-year estimate.

Table 3-1: Index parameters

	2023			2024	2025	2026	2027
Expected evolution of health index	7%			1.8%	1.7%	1.6%	1.6%
Pivot index overrun	Dec/22	Feb/23	Jul/23	Jul/24	Sep/25	-	May/27
Adjustment of social security benefits	Jan/23	Mar/23	Aug/23	Aug/24	Oct/25	-	Jun/27
Wage adjustment	Feb/23	Apr/23	Sep/23	Sep/24	Nov/25	-	Jul/27
Index of wages outside provision	7%			1.8%	1.7%	1.6%	1.6%
Index of operating appropriations	-			-	1.7%	1.6%	1.6%

Table 3-2 shows the cumulative increase in policy appropriations compared with the 2023 initial budget due to indexation assuming unchanged policy. For this purpose, the appropriations foreseen in the 2023 initial budget on the index provision are allocated to the policy areas concerned.

Overall, policy appropriations will increase by 2.7 billion euros in 2027 compared with the 2023 initial budget due to inflation.

Table 3-2: Cumulative effect of indexation on policy appropriations (in thousands of euros)

Policy area	2024	2025	2026	2027
Higher Entities	1,043	1,789	2,446	2,963
Finance and Budget	44,224	73,332	100,386	130,143
Economy, Science and Innovation	17,872	50,778	82,202	113,956
Education and Training	416,272	665,144	906,443	1,089,818
Welfare, Public Health and Family	257,372	427,998	585,794	712,594
Culture, Youth, Sport and Media	18,520	37,760	55,532	71,410
Work and Social Economy	118,750	203,137	287,559	360,055
Agriculture and Fisheries	1,765	4,798	7,608	10,222
Mobility and Public Works	23,124	56,263	86,391	114,086
Environment and Spatial Development	11,554	28,256	43,840	58,623
Public Governance and the Chancellery, Foreign Affairs and Justice	12,390	26,800	39,969	51,688
TOTAL	922,887	1,576,056	2,198,169	2,715,560

3.2.3. Overall evolution of policy and settlement appropriations assuming unchanged policy

Figure 3-1: Policy and settlement appropriations (in thousands of euros)

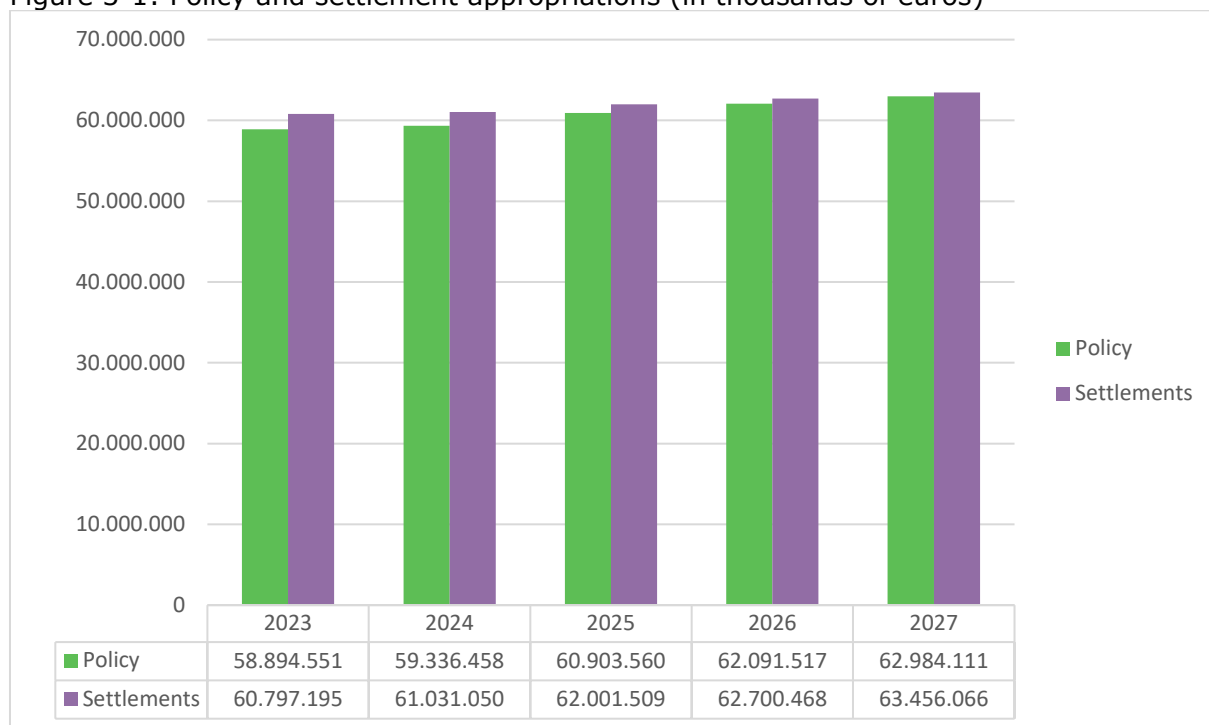


Table 3-3: Policy appropriations by policy area assuming unchanged policy (in thousands of euros)

Policy area	AB 2022	IB 2023	IB 2023 unchanged policy	2023 after index distribution	2024	2025	2026	2027
Higher Entities	138,307	157,105	157,105	158,767	159,810	160,556	161,213	161,730
Finance and Budget	5,269,920	4,002,500	4,046,326	2,887,234	3,011,047	3,356,542	3,574,641	3,809,805
Economy, Science and Innovation	1,704,145	3,194,056	2,868,264 ¹	2,870,021	1,972,898	2,046,422	2,123,043	2,024,448
Education and Training	15,935,043	17,387,739	17,266,461	17,784,079	18,399,207	18,795,749	19,141,948	19,399,642
Welfare, Public Health and Family	13,705,458	16,107,951	15,634,243	16,019,975	16,450,236	16,811,366	17,161,350	17,452,626
Culture, Youth, Sport and Media	1,361,072	1,546,319	1,512,146	1,536,966	1,607,909	1,628,762	1,585,380	1,546,907
Work and Social Economy	3,583,572	3,956,592	4,071,865	4,229,749	4,428,106	4,516,643	4,579,718	4,757,016
Agriculture and Fisheries	217,535	228,427	226,267	228,905	270,669	273,702	276,512	279,126
Mobility and Public Works	4,250,771	4,590,200	4,290,336	4,327,160	4,307,337	4,303,471	4,360,423	4,419,624
Environment and Spatial Development	3,485,124	3,704,166	3,308,015	3,319,646	3,182,160	3,332,081	3,287,673	3,157,054
Public Governance and the Chancellery, Foreign Affairs and Justice	5,156,579	5,773,539	5,513,523	5,532,049	5,547,078	5,678,266	5,839,616	5,976,133
Total	54,807,526	60,648,594	58,894,551	58,894,551	59,336,458	60,903,560	62,091,517	62,984,111

¹ Including 1 billion euros of appropriations provisioned for loans in the context of the Ukraine crisis, to which ESA corrections are applied when calculating the budgetary balance. These appropriations will no longer be available from 2024.

Table 3-4: Settlement appropriations by policy area assuming unchanged policy (in thousands of euros)

Policy area	AB 2022	IB 2023	IB 2023 unchanged policy	2023 after index distribution	2024	2025	2026	2027
Higher Entities	138,307	157,105	157,105	158,767	159,810	160,556	161,213	161,730
Finance and Budget	6,838,183	5,335,928	5,379,754	4,220,662	3,898,784	3,744,892	3,711,194	3,790,496
Economy, Science and Innovation	1,792,028	3,145,766	2,824,474 ²	2,826,231	1,869,864	1,876,870	1,910,840	1,943,801
Education and Training	15,994,720	17,582,666	17,524,388	18,042,006	18,636,550	19,043,282	19,373,554	19,610,704
Welfare, Public Health and Family	13,673,246	15,925,365	15,470,280	15,856,012	16,302,638	16,659,331	16,990,129	17,275,422
Culture, Youth, Sport and Media	1,378,785	1,542,803	1,509,130	1,533,950	1,600,948	1,616,978	1,563,586	1,519,888
Work and Social Economy	3,594,026	3,952,208	4,067,481	4,225,365	4,423,722	4,512,058	4,581,496	4,739,176
Agriculture and Fisheries	203,682	221,952	219,792	222,430	262,445	263,891	265,765	267,880
Mobility and Public Works	4,754,465	5,131,996	4,927,132	4,963,956	4,970,316	5,073,256	5,052,893	5,021,290
Environment and Spatial Development	3,342,155	3,651,368	3,290,217	3,301,848	3,313,351	3,356,815	3,239,838	3,144,952
Public Governance and the Chancellery, Foreign Affairs and Justice	5,209,115	5,681,005	5,427,442	5,445,968	5,592,621	5,693,580	5,849,959	5,980,727
Total	56,918,712	62,328,162	60,797,195	60,797,195	61,031,050	62,001,509	62,700,468	63,456,066

² Including 1 billion euros of appropriations provisioned for loans in the context of the Ukraine crisis, to which ESA corrections are applied when calculating the budgetary balance. These appropriations will no longer be available from 2024.

4. BUDGETARY BALANCE GIVEN UNCHANGED POLICY

As is the case for annual budgets, the estimated appropriations described in the previous chapters are used to calculate the budgetary balance from a multi-year perspective. This includes the evolution of revenue and expenditure assuming unchanged policy.

Next, an underutilisation hypothesis and several ESA corrections are applied to calculate the budgetary balance of the Flemish government.

Table 4-1 shows that the Government of Flanders will record a nominal deficit of 1.5 billion euros in 2024, 1.3 billion euros in 2025 and 0.5 billion euros in 2026, assuming unchanged policy. A 0.2 billion euro surplus would be attained in 2027.

The budgetary target discounts for the main works of the Oosterweel Link and the Flemish Resilience recovery plan: the impact of this correction is estimated at 0.9 billion euros in 2024. In the following years this amount will change to 0.4 billion euros in 2027.

Table 4-1: Budgetary balance assuming unchanged policy 2022-2027 (in thousands of euros)

	AB 2022	IB 2023	IB 2023 unchanged policy	2024	2025	2026	2027
ESA revenue Flemish Community (1)	47,407,339	52,304,329	52,262,317	53,320,805	54,457,389	55,907,386	57,366,724
ESA revenue Flemish legal entities (2)	4,652,466	4,714,108	4,717,108	4,768,628	4,797,203	4,833,885	4,821,713
Consolidated ESA revenue (3=1+2)	52,059,805	57,018,437	56,979,425	58,089,434	59,254,592	60,741,271	62,188,436
Primary ESA expenditure Flemish Community (4)	31,886,386	34,413,858	33,694,174	33,511,641	34,084,766	34,622,087	35,199,746
Primary ESA expenditure Flemish legal entities (5)	24,546,729	27,238,303	26,427,020	26,675,585	26,927,169	26,943,812	26,975,257
Consolidated primary ESA expenditure (6=5+4)	56,433,115	61,652,161	60,121,194	60,187,226	61,011,935	61,565,899	62,175,003
Consolidated primary ESA balance (7=3-6)	-4,373,310	-4,633,724	-3,141,769	-2,097,792	-1,757,343	-824,628	13,433
Underutilisation - university colleges and universities	148,371	243,003	243,003	243,003	243,003	243,003	243,003
Underutilisation - other	1,080,940	1,147,325	1,147,325	1,176,218	1,198,330	1,213,460	1,227,786
Underutilisation (8)	1,229,311	1,390,328	1,390,328	1,419,221	1,441,333	1,456,463	1,470,789
Consolidated primary ESA balance after underutilisation (9=7+8)	-3,143,999	-3,243,396	-1,751,441	-678,571	-316,010	631,835	1,484,223
Interest expenditure (10)	485,597	676,001	676,001	843,824	989,575	1,134,569	1,281,063
Consolidated ESA balance after underutilisation (11=9-10)	-3,629,596	-3,919,397	-2,427,442	-1,522,395	-1,305,585	-502,734	203,160
Correction for FWO	1,555	422	422	0	0	0	0
Correction for provision of loans in the context of Ukraine crisis	0	1,000,000	1,000,000	0	0	0	0
Correction for Flemish Parliament and parliamentary institutions	0	0	0	0	0	0	0
Corrections based on Court of Audit report	0	0	0	0	0	0	0
ESA corrections consolidation and moment of settlement (12)	1,555	1,000,422	1,000,422	0	0	0	0
VAT on completed schools DBFM Schools of Tomorrow	-2,707	-2,739	-2,739	0	0	0	0
Terneuzen Sea Lock	62,909	0	0	0	0	0	0
Deficit correction De Lijn	55,000	0	0	0	0	0	0
ESA corrections enhanced European budgetary supervision(13)	115,202	-2,739	-2,739	0	0	0	0
Government budgetary balance (14=11+12+13)	-3,512,839	-2,921,714	-1,429,759	-1,522,395	-1,305,585	-502,734	203,160
Construction costs Oosterweel (incl. interest)	306,434	339,283	339,283	411,965	455,650	430,400	424,150
Revenue Flemish Resilience recovery plan	-639,300	-501,369	-501,369	-363,723	-147,519	-46,867	0
Expenditure Flemish Resilience recovery plan	1,600,000	1,140,915	1,140,915	823,635	345,944	150,057	0
Corrections for budgetary target review (15)	1,267,134	978,829	978,829	871,877	654,075	533,590	424,150
Government budgetary balance after corrections for budgetary target review (16=14+15)	-2,245,705	-1,942,885	-450,930	-650,518	-651,510	30,856	627,310

5. BUDGETARY MEASURES AND NEW POLICY

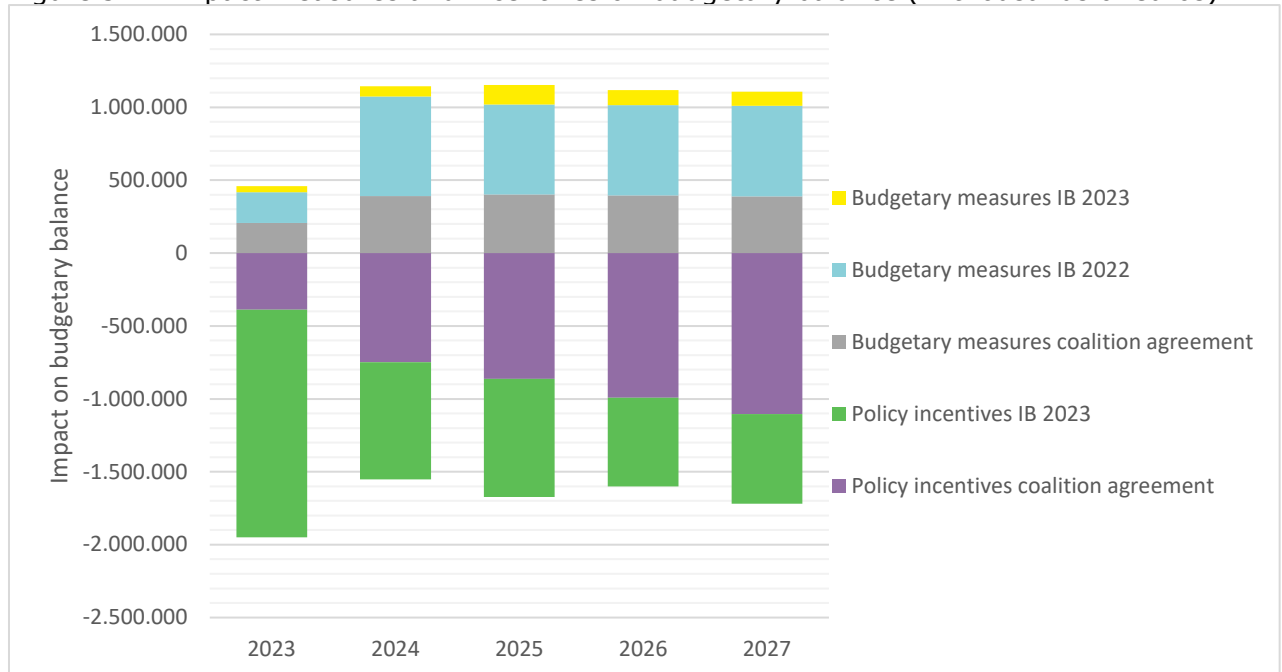
5.1. Introduction

Considering the evolution of resources, the increase in expenditure assuming unchanged policy and the budgetary targets, budgetary savings measures are required to enable policy decisions, while also allowing for new investments and policy incentives.

Table 5-1: Impact measures and incentives on budgetary balance (in thousands of euros)

Impact on budgetary balance	2023	2024	2025	2026	2027
Budgetary measures coalition agreement	207,152	391,620	401,041	395,592	389,247
Policy incentives coalition agreement	-389,541	-749,111	-863,171	-991,712	-1,103,591
Budgetary measures IB 2022	210,348	681,842	617,468	619,563	621,595
Budgetary measures IB 2023	40,938	71,816	135,107	102,482	95,797
Policy incentives IB 2023	-1,560,852	-802,289	-808,751	-607,951	-614,709
Total	-1,491,955	-406,122	-518,306	-482,026	-611,661

Figure 5-1: Impact measures and incentives on budgetary balance (in thousands of euros)



5.2. Implementation coalition agreement

5.2.1. Budgetary measures coalition agreement

The budgetary measures have a positive impact on the government budgetary balance and result in an improved ESA budgetary balance, either through higher revenue or lower expenditure.

Table 5-2: Overview budgetary measures coalition agreement (in thousands of euros)

	(Impact on budgetary balance in thousands of euros)	Type of appropriation	2023	2024	2025	2026	2027
Taxation reforms	Housing tax – phasing out of home bonus	CA and SA	92,309	184,836	184,836	184,836	184,836
	Tax deduction for PWA and service vouchers from 30% to 20%						
	Reduction of regional tax credit for legal entities	Revenue	1,008	2,017	2,017	2,017	2,017
Efficiency and core tasks	Flemish government staff	CA and SA	20,284	41,088	41,088	41,088	41,088
	Savings on the operational level of Flemish public administration						
	Flemish public broadcaster VRT - specific trajectory						
Moderated growth paths	Growth paths education (secondary education, part-time arts education and adult education)	CA and SA	84,807	147,515	156,936	151,487	145,142
	Universities – skip 2 clicks (Education and Training)						
	Universities – skip budgetary increase integration (ESI)						
	Growth paths Welfare (indexation child benefit, growth of family care and mobility aids)						
Specific measures	Educational guidance services and pupil guidance centres	CA and SA	6,940	12,440	12,440	12,440	12,440
	Reduced funding for Flemish Infocentre on Agriculture and Horticulture						
	Housing – cap on real interest income						
	Increased km charge on heavy goods vehicles (above 32 tonnes)	Revenue	1,804	3,724	3,724	3,724	3,724
Total	Impact on budgetary balance		207,152	391,620	401,041	395,592	389,247
	Revenues		2,812	5,741	5,741	5,741	5,741
	Commitment appropriations (CA)		-204,340	-385,879	-395,300	-389,851	-383,506
	Settlement appropriations (SA)		-204,340	-385,879	-395,300	-389,851	-383,506

5.2.2. New policy incentives coalition agreement

The new policy incentives have a negative impact on the government budgetary balance and result in a deterioration of the ESA budgetary balance. The full impact on the budgetary balance is included in Table 5-3. Table 5-4 provides a more detailed overview of the commitment appropriations for additional investments. The aggregated impact of these extra investments is also shown in Table 5-3.

Table 5-3: New policy incentives coalition agreement (in thousands of euros)

	(Impact on budgetary balance in thousands of euros)	Type of appropriation	2023	2024	2025	2026	2027
Taxation reforms	Flemish job bonus	CA and SA	-7,000	-14,000	-14,000	-14,000	-14,000
Increased investments	1.65 billion euros of extra investments	CA	-138,000	-312,000	-300,000	-300,000	-300,000
		SA	-16,500	-62,900	-140,000	-221,800	-284,000
	Local governments, e.g. transfer of 50% accountability contribution and support to local authorities for open space planning	CA and SA	-51,930	-137,066	-185,088	-231,829	-281,508
Warm Flanders	Welfare, incl. <ul style="list-style-type: none"> • persons with disabilities • elderly care (care intensity and affordability) • integrated youth support (including juvenile delinquency) • childcare • mental health care 	CA	-150,970	-252,261	-252,261	-252,261	-252,261
		SA	-150,970	-252,261	-252,261	-252,261	-252,261
	Poverty reduction and Housing	CA and SA	-8,377	-9,166	-9,166	-9,166	-9,166
	Justice: assistance and services for detainees and psychiatric internees + increased number of judicial assistants	CA and SA	-5,000	-5,000	-5,000	-5,000	-5,000
Excellence	Economy & Innovation: R&D growth path	CA and SA	-60,000	-120,000	-120,000	-120,000	-120,000
	Education, incl. <ul style="list-style-type: none"> • strengthening primary education • teacher career pact • funding for degree programmes at university colleges (teaching load units) • language integration courses 	CA and SA	-52,076	-99,156	-99,156	-99,156	-99,156

	(Impact on budgetary balance in thousands of euros)	Type of appropriation	2023	2024	2025	2026	2027
	• boarding schools						
Mobility	Mobility and public works, incl. tailored transport and operating costs De Lijn	CA and SA	-8,000	-17,000	-17,000	-17,000	-17,000
Environment	Environment, incl. 20.000 ha of additional nature areas under effective management, 10.000 ha of additional forest and signal areas	CA and SA	-5,250	-10,500	-10,500	-10,500	-10,500
Other	Foreign Affairs	CA	-16,891	-6,609	500	500	500
		SA	-12,938	-10,562	500	500	500
	Public Governance and the Chancellery + Home Affairs and Public Governance	CA and SA	-5,000	-3,000	-3,000	-3,000	-3,000
	Civic Integration and Coexistence	CA and SA	-2,000	-4,000	-4,000	-4,000	-4,000
	Culture, incl. strengthening VAF (Flemish Audiovisual Fund) and VFL (Flemish Literature Fund)	CA and SA	-4,500	-4,500	-4,500	-4,500	-4,500
Total	Impact on budgetary balance		-389,541	-749,111	-863,171	-991,712	-1,103,591
	Additional commitment appropriations		514,994	994,258	1,023,171	1,069,912	1,119,591
	Additional settlement appropriations		389,541	749,111	863,171	991,712	1,103,591

Table 5-4: Additional investments – commitment appropriations (in thousands of euros)

(in thousands of euros CA)	2023	2024	2025	2026	2027
Mobility and Public Works	50,000	110,000	110,000	110,000	110,000
School infrastructure (incl. rental allowance)	70,000	130,000	130,000	130,000	130,000
R&D infrastructure (incl. strategic research centres, key clusters and higher education)	5,000	35,000	35,000	35,000	35,000
Cultural top infrastructure	-7,000	27,000	15,000	15,000	15,000
Hospitals	10,000	10,000	10,000	10,000	10,000
Sport (top class and supralocal sports)	5,000	10,000	10,000	10,000	10,000
IT investments VRD II	5,000	-10,000	-10,000	-10,000	-10,000
Total additional investments (commitment appropriations)	138,000	312,000	300,000	300,000	300,000

5.3. Additional measures IB 2022

During the negotiations about the 2022 initial budget it was decided to reduce the budget deficit. The measures taken will not only impact the year 2022, but will be fully operational by the end of the legislative term, as the overview in Table 5-5 shows.

5.3.1. Budgetary measures IB 2022

Table 5-5: Budgetary measures IB 2022 (in thousands of euros)

(Impact on budgetary balance in thousands of euros)	Type of appropriation	2023	2024	2025	2026	2027
Housing and Finance & Budget:						
• Efficiency gains FSHC/Flemish Housing Agency	CA and SA	4,000	9,000	9,000	9,000	9,000
• Budgetary increase for emergency housing						
• Increased road tax for classic cars	Revenue	8,700	8,700	8,700	8,700	8,700
Labour market reforms:						
• Target group reduction	CA and SA	70,000	140,000	140,000	140,000	140,000
Real estate market reforms:						
• Abolition of transferable property sales tax						
• Abolition of property tax benefit for newly built houses	Revenue	500	141,000	141,000	141,000	141,000
• Abolition of property tax benefit for newly built houses	CA and SA	4,500	9,000	9,000	9,000	9,000
Education	CA and SA	70,045	70,045	70,045	70,045	70,045
Welfare:						
• Updated indexation basic amounts Growth Package						
• Indexation maintenance lump sum	CA and SA	40,603	80,847	100,473	102,568	104,600
• Updated growth paths Welfare						
Mobility and Public Works:						
• Compensation kilometre charge transport sector	CA and SA	12,000	24,000	24,000	24,000	24,000
• Real estate transactions	Revenue	0	34,000	0	0	0
Agency for Integration and Civic Integration	CA and SA	0	3,500	3,500	3,500	3,500

(Impact on budgetary balance in thousands of euros)	Type of appropriation	2023	2024	2025	2026	2027
Local governments: urban renewal projects	CA and SA	0	3,000	3,000	3,000	3,000
Real estate transactions	Revenue	0	50,000	0	0	0
Budgetary increases coalition agreement are put on hold:	CA and SA	0	108,750	108,750	108,750	108,750
Total:						
Impact on budgetary balance		210,348	681,842	617,468	619,563	621,595
Revenues		9,200	233,700	149,700	149,700	149,700
Commitment appropriations (CA)		-201,148	-448,142	-467,768	-469,863	-471,895
Settlement appropriations (SA)		-201,148	-448,142	-467,768	-469,863	-471,895

5.4. Additional measures IB 2023

When drawing up the 2023 initial budget, a number of adjustments had to be made due to the energy crisis. The government reconfirmed its aim for a sustainable Flemish budgetary policy in the medium term, but is also prepared to make the necessary efforts to help Flemish citizens and viable companies get through this crisis. An overview of all these efforts can be found in Table 5-7 in the next subsection.

On the other hand, limited budgetary measures were introduced in order to free up extra resources for partially financing the additional efforts. This overview can be found in Table 5-6.

5.4.1. Budgetary measures IB 2023

Table 5-6: Budgetary measures IB 2023 (in thousands of euros)

	(Impact on budgetary balance in thousands of euros)	Type of appropriation	2023	2024	2025	2026	2027
Budgetary measures	Target group policy	CA and SA	40,938	71,816	135,107	102,482	95,797
Total	Impact on budgetary balance		40,938	71,816	135,107	102,482	95,797
	Commitment appropriations (CA)		-40,938	-71,816	-135,107	-102,482	-95,797
	Settlement appropriations (SA)		-40,938	-71,816	-135,107	-102,482	-95,797

5.4.2. *New policy incentives IB 2023*

Table 5-7: New policy incentives IB 2023 (in thousands of euros)

	(Impact on budgetary balance in thousands of euros)	Type of appropriation	2023	2024	2025	2026	2027
Crisis support for families	Growth Package: bonus of 100 euros for children entitled to social allowances Flemish public service obligations Reinforced minimum supply of natural gas and extension to customers with electric heating Other (energy scan, family support, reinforcement of energy centres, public social welfare centres and centres for general welfare work, ...)	CA and SA	-258,820	-22,000	-1,500	-1,500	-1,500
	Other (payment extension for social loans)	Revenue	-3,000	0	0	0	0
Crisis support for businesses	Implementation temporary EU state aid framework	CA and SA	-250,000	0	0	0	0
Crisis support for subsidized entities	Local governments Other entities (education, welfare, culture, Flemish Public Broadcaster VRT, ...) Flemish Public Transport Company De Lijn: compensation for operating loss	CA and SA	-301,000	-125,000	-143,900	9,200	9,200
Lower energy consumption	Lower energy consumption (insulation, renovation and energy saving)	CA and SA	-9,200	-5,000	0	0	0
Higher renewable energy production	Investments Flemish government buildings Support for families	CA and SA	-50,400	0	0	0	0
	Additional resources from climate change funds	Revenue	60,000	0	0	0	0
	Use of additional climate change funds	CA and SA	-60,000	0	0	0	0
Reinforced social policy	Job bonus Growth Package: higher indexation, extended and increased social allowances Childcare Education Pupil transport	CA and SA	-384,832	-469,039	-493,101	-499,901	-506,659

	(Impact on budgetary balance in thousands of euros)	Type of appropriation	2023	2024	2025	2026	2027
	Implementation budgetary increases coalition agreement Other (child poverty, civic integration & coexistence, and sectoral agreement Flemish civil servants) Abolition Flemish energy tax	Revenue	-30,000	-10,000	-20,000	-20,000	-20,000
Reinforced spatial policy (investments)	Investments Environment and Spatial Development (incl. blue deal) Investments Mobility and Public Works Other (youth infrastructure and justice centres)	CA	-347,200	-130,750	-38,750	-35,750	-35,750
	Implementation budgetary increases coalition agreement	SA	-259,200	-168,750	-88,750	-35,750	-35,750
Other	Implementation budgetary increases coalition agreement Strategic protective equipment Other (contribution World Expo Osaka and Flemish Brussels Fund)	CA and SA	-14,400	-2,500	-61,500	-60,000	-60,000
Total	Impact on budgetary balance		-1,560,852	-802,289	-808,751	-607,951	-614,709
	Revenues		27,000	-10,000	-20,000	-20,000	-20,000
	Commitment appropriations (CA)		1,675,852	754,289	738,751	587,951	594,709
	Settlement appropriations (SA)		1,587,852	792,289	788,751	587,951	594,709

6. BUDGETARY BALANCE INCLUDING MEASURES AND NEW POLICY

Table 6-1 shows the evolution of the government budgetary balance including budgetary measures and new policy. A distinction is made between the measures and new policy that result from the coalition agreement, and the additional measures and policy incentives that were decided upon during the negotiations about the 2022 and 2023 initial budget.

The government budgetary balance given unchanged policy is used as the starting point for 2023 (see column '2023') and the following years. To illustrate the connection with the 2023 IB General Summary, the figures for the 2023 financial year are shown directly in column 'IB 2023', without adjustments for budgetary measures and policy incentives. Next, the corrections for the budgetary target review are applied (i.e. Oosterweel main works and Flemish Resilience recovery plan) to calculate the budgetary balance including budgetary target review corrections.

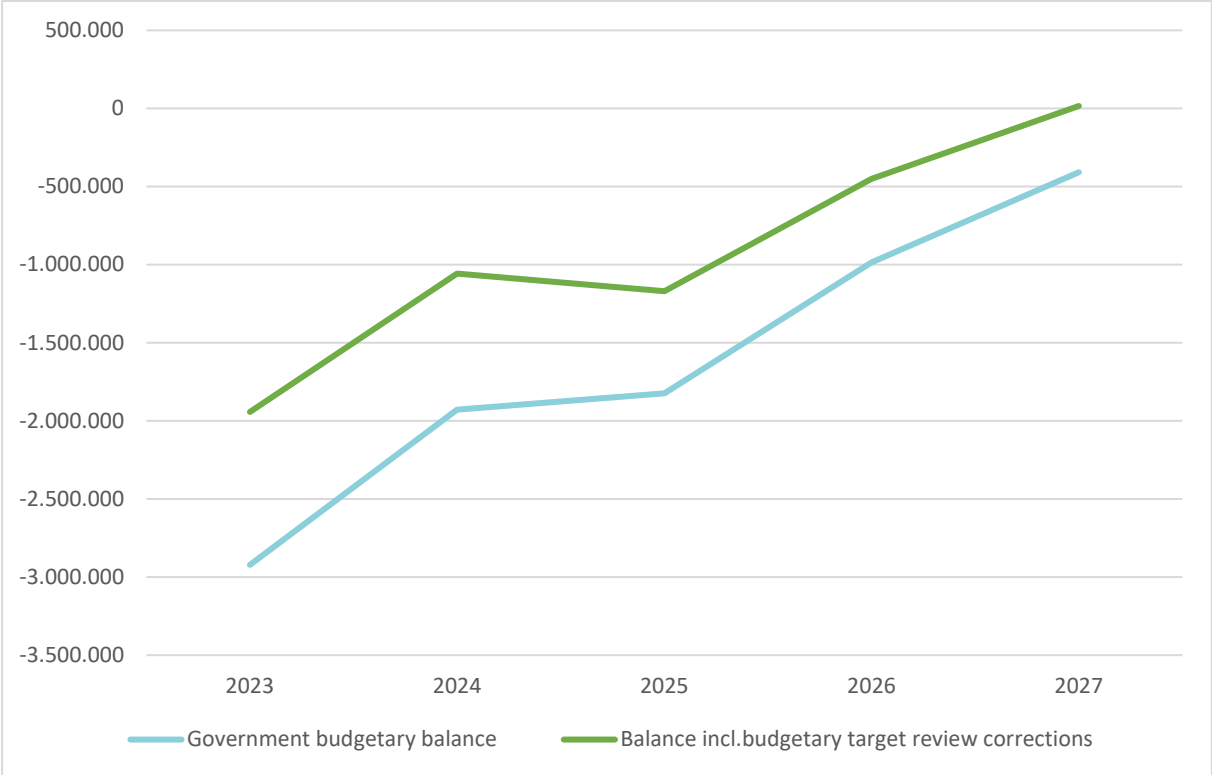
The estimated budgetary impact of the policy decisions made in the coalition agreement are illustrated in Table 6-1. The initial budget allows for adjustments to be made. Both the 2022 IB and 2023 IB include decisions that have a significant budgetary impact, progressing towards sustainable public finances while also providing the necessary support during the current energy crisis.

This evolution is also illustrated in Figure 6-1.

Table 6-1: Government budgetary balance including measures and new policy (in thousands of euros)

	AB 2022	IB 2023	2023	2024	2025	2026	2027
Budgetary balance given unchanged policy	-3,512,839	-2,921,714	-1,429,759	-1,522,395	-1,305,585	-502,734	203,160
Corrections for budgetary target review	1,267,134	978,829	978,829	871,877	654,075	533,590	424,150
Government budgetary balance including budgetary target review corrections given unchanged policy	-2,245,705	-1,942,885	-450,930	-650,518	-651,510	30,856	627,310
Budgetary measures coalition agreement			207,152	391,620	401,041	395,592	389,247
New policy incentives coalition agreement			-389,541	-749,111	-863,171	-991,712	-1,103,591
Budgetary measures IB 2022			210,348	681,842	617,468	619,563	621,595
Budgetary measures IB 2023			40,938	71,816	135,107	102,482	95,797
New policy incentives IB 2023			-1,560,852	-802,289	-808,751	-607,951	-614,709
Government budgetary balance			-2,921,714	-1,928,517	-1,823,890	-984,760	-408,501
Government budgetary balance including budgetary target review corrections			-1,942,885	-1,056,640	-1,169,815	-451,170	15,649

Figure 6-1: Government budgetary balance and balance including budgetary target review corrections (in thousands of euros)



7. CONSOLIDATED DEBT INCLUDING MEASURES AND NEW POLICY

In the period 2023-2027 the consolidated debt (incl. hospital infrastructure debt) will increase from 36.6 billion euros at the end of 2022 to 52 billion euros at the end of 2027.

Table 7-1: Evolution of consolidated debt (in million euros)

	2021	2022	2023	2024	2025	2026	2027
Direct debt	17,815.70	21,924.63	28,404.76	32,586.72	36,362.18	39,383.79	41,984.96
VIPA (Flemish Infrastructure Fund for Person-related Matters)	1,270.41	1,159.68	1,044.25	924.03	798.57	667.76	532.76
FSHC	5,302.15	5,037.19	4,768.71	4,495.98	4,216.61	3,938.68	3,660.44
Flemish Housing Fund	2,074.60	1,904.06	1,731.42	1,557.59	1,381.56	1,203.87	1,023.81
Hospital infrastructure	3,341.39	3,105.47	2,874.86	2,649.86	2,429.86	2,214.86	2,004.86
Autonomy factor	813.70	752.84	684.63	629.63	574.63	519.63	464.63
Other	2,828.22	2,713.97	2,736.83	2,636.83	2,536.83	2,436.83	2,336.83
Total estimated consolidated debt	33,446.17	36,597.84	42,245.46	45,480.65	48,300.24	50,365.42	52,008.29
Estimated consolidated debt (excl. hospital infrastructure)	30,104.78	33,492.37	39,370.61	42,830.79	45,870.38	48,150.56	50,003.43
ESA revenue	47,988.55	52,059.81	57,018.44	58,315.87	59,387.03	60,873.71	62,320.88
Debt ratio (excl. hospitals) compared to ESA revenue	62.73%	64.33%	69.05%	73.45%	77.24%	79.10%	80.24%

8. EXPENDITURE BENCHMARK

What?

Methodologically developed budgetary compass designed to monitor the evolution of our public finances and keep or bring them back on track.

How?

Sets a maximum allowed growth path for public expenditure, while taking into account the established budgetary targets.

Why?

To guarantee the sustainability of public finances in all circumstances, encourage stability-oriented policies and discourage ad hoc adjustments.

Please refer to the commission's discussion in the Flemish Parliament on 27 October 2020, January 2021 and 15 March 2022 for more detailed background information about the Flemish expenditure benchmark.

Table 8-1: Parameters and determinants expenditure benchmark³

Expected real GDP growth rate	[t-5, t+4]	1.30%
Expected CPI	[t, t+4]	2.64%
Expected health index	[t, t+4]	2.74%

Source: FPB EB September 2022 + EF June 2022

Revenue evolution

The starting point for estimating trend-based revenue is the ESA-chargeable revenue.

The expected revenue for 2022 in the 2022 adjusted budget (AB 2022) is used as the starting point. The settlement of SFA grants is allocated to the year to which it relates. The estimate for the 2022 surcharges is based on the expected revenue for the 2022 fiscal year (with a collection rate of 99.66%). The regional taxes for 2022 are based on the forecast of 28 September 2022. One-off revenues are not considered in this calculation.

The next step is to calculate the expected growth of ESA-chargeable revenue in 2023, based on the (average) expected real GDP growth rate (provisionally 1.30%), the expected CPI (2.64%), the expected health index (2.74%) and other assumptions such as the expected allocation key for Special Finance Act (SFA) grants. **The nominal growth rate of structural revenues amounts to 3.99%.**

Expenditure evolution

The first step is to calculate the nominal growth rate of structural revenues.

The maximum nominal growth rate, as derived above, amounts to 3.99% for all expenses included in the benchmark. In fact, we want to gain insight into the actual policy space available and into the allowable real expenditure growth. The effect of inflation on expenditure should therefore be counterbalanced. In other words: to what extent should we resort each year to the nominal revenue growth rate in order to cover a series of expenses linked to the health index?

³ See [Vlaamse uitgavennorm - Fin \(vlaanderen.be\)](#) (in Dutch) for a detailed explanation on how the benchmark parameters and determinants are calculated.

During the second step, the nominal growth rate is therefore converted into a real growth rate for government spending in the reference period by applying the so-called Flemish deflator^{4,5}. This deflator corrects the average revenue growth for the average effect of expected indexations on (index-linked) expenditure.

If the current measure regarding nominal zero growth of operational appropriations is continued, the Flemish deflator amounts to 1.94% in case of an average expected health index (HI) increase of 2.74%. If operational appropriations are indexed again, the deflator amounts to 2.16% (in principle, this deflator applies from 2025 onwards).

The expenditure benchmark is a budgetary compass designed to keep the budget on track or bring it back on track if it deviates from the medium-term budgetary objective. In case of deviation, real growth rate calculations for all benchmark expenditure must take into account not only the Flemish deflator, but also the so-called convergence margin.

The budgetary objective has not yet been achieved, which means that a convergence margin is applied to the expenditure benchmark. This margin ensures that expenditure growth remains below the expected revenue so that the medium-term budgetary objective will be met. Without this convergence margin, such budgetary objective would never be achieved.

The medium-term budgetary objective consists in delivering a balanced budget by 2027. The allowable real expenditure growth for the period 2024-2027 is thus calculated while applying a convergence margin. The expected revenue in 2027 (based on an expected nominal revenue growth of 3.99%) and recurrent budget expenditure in 2023 (i.e. 52.7 billion euros) are both known. With the same underutilisation of expenditure as in the multi-year estimate, a real growth rate of 0.920% for irreducible expenses in 2024 and an average yearly real growth of 0.699% in the period 2025-2027, we are heading towards a balanced budget in 2027.

It should be noted that if the budget were balanced, **the real growth rate for all benchmark expenditure would amount to 2.05% and 1.83% from 2025**. The growth rate is calculated as follows: 3.99% (nominal revenue growth) minus the Flemish deflator 1.94% (2.16% from 2025), or $3.99\% - 1.94\% = 2.05\%$ (1.83% from 2025).

The real expenditure growth rate is calculated in the second step, while the nominal growth rate for the given year is calculated in step 3. Given the various index regimes, this third step actually consists in correctly adjusting the index provision in the initial budget (IB) and adjusted budget (AB): how much money should be provided to make up for the expected pivot index overrun(s) in the respective budget year? Indexation is also applied to expenditure that is linked to the expected health index instead of the pivot index.

This means that in the 2023 initial budget, the expected HI (for the given year) is applied to expenditure to be indexed but excluded from the index provision. The estimated value of these index-related expenses amounts to 436,572 thousand euros. The 2022 pivot index overruns will have full impact in 2023 with 2,381,004 thousand euros of index-related expenses.

⁴ A deflator is a figure that is used to change current prices or wages so that they can be compared to past prices or wages, by removing the effect of inflation (source: Cambridge Dictionary).

⁵ A hypothetical inflation of 2% is used as the starting point to calculate the Flemish deflator so that the effect of one pivot index overrun corresponds to a period of 1 year and equals the effect of inflation on appropriations linked to the evolution of the HI in that same year. The deflator is calculated with settlement appropriation indexation in the numerator and the total sum of all settlement appropriations in the denominator. Financial transactions (so-called PA and LE articles: equity participations and loans) are not taken into account, both in the numerator (index on PA and LE articles) and denominator (total sum of all settlement appropriations on PA and LE articles).

The 2023 index provision also includes 1,162,606 thousand euros of resources for the expected pivot index overruns in December 2022, February and July 2023 (i.e. a year-to-year increase of 42,620 thousand euros; the index provision in the 2022 adjusted budget included 1,119,987 thousand euros for pivot index overruns in 2022).

Table 8-2: From nominal to real expenditure growth

	2023-2024	2025-2027
Nominal growth	3.99%	
Deflator	1.94%	2.16%
Convergence margin	1.06%	1.06%
Real expenditure growth	0.99%	0.77%
Real growth excl. irreducible expenses	0.920%	0.699%

The expenditure benchmark applies to all ESA expenditure in ministerial budgets. Grants issued to all Flemish entities classified under sector 13.12 of the ESA Regulation are also included in the expenditure benchmark. As a result, expenses made with these grants are regulated and expenses which are financed by own revenue can evolve at the same pace as this revenue type.

Table 8-3: Overview of allowable expenses according to expenditure benchmark with convergence margin towards the 2027 balanced budget target

(in thousands of euros)	2022	2023	2024	2025	2026	2027
Allowable real expenditure minus irreducible expenses	46,482,054	48,236,457	48,706,634	49,074,785	49,450,988	49,835,275
Irreducible expenses (home bonus + interest expenditure)	1,463,244	1,593,780	1,644,977	1,674,103	1,727,673	1,793,467
Index	0	2,860,196	3,939,797	4,723,176	5,502,866	6,190,863
Total allowable expenditure in nominal terms	47,945,298	52,690,433	54,291,408	55,472,064	56,681,527	57,819,605