PRESS RELEASE

Interregional transfers and solidarity mechanisms via the government budget

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The socioeconomic context prevailing in each of the three Belgian regions displays important variations. These form the basis for the interregional transfers effected via the government budget. The National Bank of Belgium has conducted research on these financial flows between the regions. This research was based largely on the data from the regional household accounts published by the National Accounts Institute.

The analysis shows that the Flemish Region is currently a net contributor to interregional transfers, while the Walloon Region is a net recipient. The Brussels Capital Region is also a net contributor, albeit on a rather limited scale.

These interregional transfers are due largely to differences in each region's contribution capability. The contribution capability of households is significantly higher in the Flemish Region than in the other two regions. That is because of the higher primary income of households per capita in the Flemish Region. These variations are in turn due in part to the fact that the employment rate in the Flemish Region is higher. In the Brussels Capital Region, however, the relatively low contribution capability of households is more than offset by the high contribution capability of enterprises which conduct their business in that region.

These transfers also originate from the regional breakdown of social benefits. For instance, unemployment benefits entail transfers from the Flemish Region to the Walloon Region and the Brussels Capital Region. Conversely, the interregional transfers via pensions currently benefit the Flemish Region, which has seen a relatively sharp rise in the number of its pensioners in the past decade. In the case of health care expenditure, there are hardly any interregional transfers at present.

Furthermore, the projections show that demographic developments will have a considerable influence on interregional transfers. Here, the demographic trend is most favourable for the Brussels Capital Region which has a relatively young population and which, according to the forecasts, should see a further significant expansion in its population of working age. In contrast, the Flemish Region faces the sharpest increase in the number of elderly persons, while the population of working age is already about to begin falling.

The influence of employment on the expected pattern of interregional transfers is also clear from the projections.

If the regions which currently have a relatively low employment rate do not manage to catch up, and if the differences in employment rates between the various regions persist, the interregional transfers paid by the Flemish Region will decline but without disappearing altogether, while the Walloon Region will remain a net recipient. The Brussels Capital Region would be a substantial net contributor to interregional transfers in this scenario.

Conversely, if the regions which have a relatively low employment rate do catch up, and if employment rates converge by 2030, the interregional transfer situation would be totally different from what it is today. In that scenario, although the Walloon Region would still be a net recipient of interregional transfers, the Flemish Region would also eventually become a net recipient. The Brussels Capital Region would then be the only region contributing to interregional transfers and its net contribution would constantly increase.

Finally, an international comparison reveals that interregional transfers in Belgium are relatively small compared to transfers between regions in most of the other EU Member States considered.

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