

## DESCRIPTION OF THE ISSUER

This document dated 1 June 2023 (the “**Description of the Issuer**”) contains a description of Région wallonne (the “**Issuer**”) and its financial position.

The information contained in the Description of the Issuer must be read in conjunction with:

The offering circular dated 1 June 2023 with respect to the Issuer's EUR 25,000,000,000 Euro Medium Term Note Programme (into which it is incorporated by reference) (the “**Offering Circular**”).

The Offering Circular is available in an electronic form on the website of the Luxembourg Stock Exchange (<http://www.luxse.com>) and on the Issuer's website (<https://finances.wallonie.be/accueil-entreprises/finances-wallonnes/instruments-financiers/programme-emtn.html>);

The Description of the Issuer contains the following information:

### 1. INSTITUTIONS, POWERS AND ECONOMIC SITUATION OF THE ISSUER

- 1.1. Belgium as a federal state
- 1.2. Political structure
- 1.3. Geographical location and demography
- 1.4. Economic structure

### 2. FINANCES AND BUDGETS OF THE ISSUER

- 2.1. Public finances
- 2.2. Budgets
- 2.3. Consolidation perimeter (S.1312)

### 3. THE CASH AND DEBT MANAGEMENT OF THE ISSUER

- 3.1. Cash management
- 3.2. Debt management

### 4. RATING

The Description of the Issuer does not constitute a prospectus pursuant to Part II of the Luxembourg Act of 16 July 2019 on prospectuses for securities (the “**Luxembourg Prospectus Act**”) and does not constitute a prospectus or an information note for the purposes of the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when

securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the “**Prospectus Regulation**”) or the Belgian Law of 11 July 2018 concerning the public offering of investment instruments and the admission to the trading on a regulated market of investment instruments (the “**Belgian Prospectus Law**”). The Description of the Issuer does not purport to meet the format and the disclosure requirements of the Prospectus Regulation and the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing the Prospectus Regulation as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 nor of the Belgian Prospectus Law.

The Description of the Issuer has not been approved by, nor been submitted to, and no advertising or other offering materials have been filed with the CSSF (Commission de Surveillance du Secteur Financier), the FSMA (Financial Services and Markets Authority) or any other competent authority within the meaning of the Prospectus Regulation, the Luxembourg Prospectus Act, the Belgian Prospectus Law or any other legal basis.

This Description of the Issuer and its distribution do not constitute a public offering or involve an investment service in Belgium or elsewhere.

The information provided in this Description of the Issuer is valid at the date of its publication and might be subject to modification over time. Pursuant (and without prejudice) to any statements made in the Offering Circular or the prospectus, the Issuer shall prepare an amendment or supplement to the Offering Circular or prospectus, or publish a new Offering Circular or prospectus for any subsequent offering of Notes. The Issuer shall provide each Dealer with the number of copies of the amendment or supplement to the Offering Circular or the prospectus as the Dealer may reasonably request, if, at any time during the Euro Medium Term Note Programme or the multi-currency treasury notes programme, a significant change affecting any matter contained in the Offering Circular or prospectus (including the “Description of the Issuer”) is made which inclusion in the Offering Circular or prospectus would reasonably be required by investors and their professional advisers for the purpose of making an informed assessment of the assets and liabilities, financial position and prospects of the Issuer and the terms and conditions of the Notes.

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# 1. INSTITUTIONS, POWERS AND ECONOMIC SITUATION OF THE ISSUER

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## 1.1. BELGIUM AS A FEDERAL STATE

### 1.1.1. Overview of the federalisation process

Belgium became a federal state after a legislative process of nearly 50 years. The six main phases of the federalisation process can be summarised as follows:

- 1970 :**
- Creation of "cultural communities";
  - Creation of the first regional institutions: regional economic councils and regional development companies.
- 1980 :**
- Transformation of the cultural communities into Communities ("*Communautés*");
  - Extension of the powers of the Communities to personal matters and creation of the Regions ("*Régions*").
- 1989 :**
- Devolution of new powers to the Communities and Regions;
  - Adoption of the Special Finance Act of 16 January 1989 (the "**Special Finance Act**"), which changed the financing system based on national grants into a financing system based on the contributory capacity of the Communities and Regions.
- 1993 :**
- Completion of the federal structure;
  - Amendment of the Special Finance Act;
  - Constitutive autonomy was granted to the Communities and Regions.
- 2001 :** Extension of the Communities and Regions' powers.
- 2014 :** Agreement on the Sixth State Reform leading to a significant evolution of the Belgian federal system.

The first part of this institutional reform relates to the division of the Brussels-Halle-Vilvoorde district (BHV). In addition to the separation of the electoral constituency, BHV was also subject to a review of its judicial organization.

The second part of the reform ended in the beginning of 2014. On 6 January 2014, two related Statutes were published (i) the Special Statute on the Sixth State Reform <sup>1</sup> and (ii) the Special Statute on the reform of the financing system of Communities and Regions, on the expansion of fiscal autonomy of the Regions and on the financing of the new powers<sup>2</sup>.

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<sup>1</sup> Source : [http://www.ejustice.just.fgov.be/cgi\\_loi/change\\_lg.pl?language=fr&la=F&table\\_name=loi&cn=2014010654](http://www.ejustice.just.fgov.be/cgi_loi/change_lg.pl?language=fr&la=F&table_name=loi&cn=2014010654)

<sup>2</sup> Source : [http://www.ejustice.just.fgov.be/cgi\\_loi/change\\_lg.pl?language=fr&la=F&table\\_name=loi&cn=2014010648](http://www.ejustice.just.fgov.be/cgi_loi/change_lg.pl?language=fr&la=F&table_name=loi&cn=2014010648)

The amendments to the Constitution, the special statutes and the statutes which execute the Sixth State Reform were published in the Belgian Official Gazette on 31 January 2014.

Those texts regulate the delegation of additional powers to the Communities and Regions and introduce a significant reform of the Special Finance Act (the budget for the Regions and the Communities being expected to grow with more than 40 %).

The list of powers that were transferred is particularly long and covers, *inter alia*, family benefits, healthcare, labour market/employment policy, social assistance to the elderly, road safety, tenancy regulation, driving education, technical inspection, houses of justice and fiscal expenses (on mortgage credits).<sup>3</sup>

Other significant outcomes of the reform include:

- More flexibility granted to the Regions and the Communities to pursue different policies, taking into account their own specific needs.
- More fiscal autonomy for the Regions, in particular with respect to fiscal control.

This results in a shift from a system with uniform taxes throughout Belgium, the proceeds of which are divided between the authorities via endowments to a system of joint taxes via regional additions.

- A confirmed financial solidarity among the Regions and Communities.
- Refinancing of the Brussels-Capital Region.
- Compensatory measures (“*socles compensatoires*”) in nominal terms during a period of 10 years (transition mechanism).

They ensure budget neutrality during the first year of the reform. After that, the compensatory measures will decrease and disappear at the end of the following period of 10 years.

- Involvement of the Regions and the Communities in the betterment of the public accounts and the burden arising from the ageing population.

**2015** Pursuant to the Sixth State Reform the Walloon Region (the Issuer) was transferred new powers in diverse domains such as environment, agriculture, employment policy, mobility and road safety, health, social policies, urban planning, housing policies, economy and energy.

**2019** Pursuant to the Sixth State Reform, powers related to family allowances were transferred from the Federal State to the Walloon Region (the Issuer).

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<sup>3</sup> Source : Articles 5, 6 11, 12, 15, 22 and 23 of the Special Statute on the Sixth State Reform of 6 January 2014 ([http://www.ejustice.just.fgov.be/cgi\\_loi/change\\_lg.pl?language=fr&la=F&table\\_name=loi&cn=2014010654](http://www.ejustice.just.fgov.be/cgi_loi/change_lg.pl?language=fr&la=F&table_name=loi&cn=2014010654))

### 1.1.2. The Belgian Constitution

The first article of the Belgian Constitution states that Belgium is a federal state composed of Communities and Regions.

The country is organised as a federal state, with three main levels of authority:

- one federal authority: the Federal State;
- three regional authorities: the Flemish Region, the Walloon Region (the Issuer) and the Brussels-Capital Region;
- three community authorities: the Flemish Community, the French Community and the German-speaking Community.

Each authority has its own institutions, which consist of (i) a legislative power, (*i.e.* the federal, regional and community parliaments which members are directly elected), and (ii) an executive power (*i.e.* the federal, regional and community governments).

The powers of the Regions are based on the notion of “territoriality” and mainly relate to economic matters, such as economic policy, town and country planning, foreign trade, public works and environment<sup>4</sup>, whereas the powers of the Communities are based on the notion of “personality” and mainly relate to person-related matters, such as education and culture.

There is no hierarchy between the federal authority, the Regions and the Communities. Their powers are divided in such a way that an authority is in principle not authorised to interfere with the exclusive powers that are under the jurisdiction of another authority. As a consequence, the decrees or ordinances adopted by the Regions and the Communities have the same legal force as federal laws.

### 1.1.3. The powers of the Issuer

The Issuer is competent regarding the following matters:

- Local authorities;
- Economy, employment and research;
- Mobility and waterways;
- Buildings and roads (safety);
- Territory planning, housing, cultural heritage and energy;
- Agriculture, natural resources, environment and animal welfare;

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<sup>4</sup> <https://www.aviq.be/handicap/pdf/documentation/legislation/tableau-comp%C3%A9tences%20AViQ%20-%C3%A9gislation.pdf>.

- Some aspects of health, family allowances and social policies, and
- Taxation.

The most significant powers transferred to the Issuer in the context of the Sixth State Reform are the following:<sup>5</sup>

- Employment
  - The main part of the powers relates to the reduction of social security contributions, service vouchers and activation policies;
  - The remaining part relates to, amongst others, the control of the availability of the unemployed persons, the activation of the beneficiaries of unemployment benefits and the social aid, paid educational leave, career breaks in the public sector and local employment agencies.
- Healthcare and social assistance
  - Pursuant to the intra-francophone agreement named “de la Sainte-Emilie”, the Issuer is entrusted with exercising the main part of the new powers in this field that had been transferred to the French Community;
  - Intervention with respect to aid for disabled persons, residence for elderly and long-term care, mental healthcare and primary healthcare;
  - Hospital infrastructure and medico-technical services management;
  - The creation of a new entity called “AVIQ” functioning as the headquarter for healthcare assistance on the Walloon territory;
  - Family allowances.
- Taxation
  - Transfer of some fiscal expenditures with respect to the Personal Income Tax, (*i.e.* those linked to housing, energy-saving investment expenditure and tax credit for service vouchers).
- Other transferred powers:
  - Urban policy, the Belgian intervention and restitution office, the Participation Fund, the Disaster Fund, the Fund on reduction of the global energy costs, ...

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<sup>5</sup> Some of these powers were not transferred to the Issuer but the execution of certain powers of the French Community was entrusted to the government and parliament of the Issuer.

#### 1.1.4. Funding of the Issuer

The funding of the Issuer is regulated by the Special Finance Act (as modified in 1993, 2001, 2013 and 2014).<sup>6</sup>

The financing is composed of:

- Non-tax revenues ;
- Tax revenues ;
- A part of the personal income tax;
- The national solidarity intervention;
- The borrowing.

#### 1.1.5. Administrative framework

From an administrative point of view, the Walloon finances are managed by the Minister for Budget.

Pursuant to the decree of 21 December 2022 concerning the budget of the Issuer for the budget year 2023<sup>7</sup>, the said Minister is entitled to, amongst others:

- Enter into loans on behalf of the Issuer (deficit funding, amortisation of the loans, early repayments, ...);
- Issue commercial paper or other financial instruments;
- Conduct the daily management of the Treasury and its financial management (including the investments).

The said Minister may rely on two advisory bodies: the Regional Council of the Treasury and the Common Council of the Treasury (which is shared with the French Community), with which strategic orientations are discussed and which provide advice to the Minister.

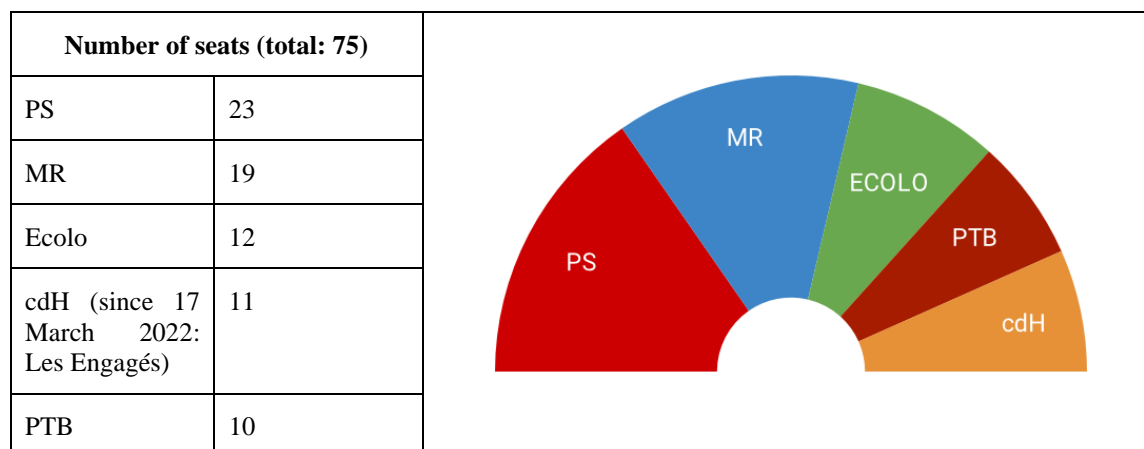
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<sup>6</sup> Source : <http://www.ejustice.just.fgov.be/cgi/api2.pl?lg=fr&pd=2014-01-31&numac=2014003016>

<sup>7</sup> Walloon decree of 21 December 2022 regarding the revenue budget of the Walloon Region for the financial year 2023, source: [http://nautilus.parlement-wallon.be/Archives/2022\\_2023/PARCHEMIN/1135.pdf](http://nautilus.parlement-wallon.be/Archives/2022_2023/PARCHEMIN/1135.pdf) and [http://nautilus.parlement-wallon.be/Archives/2022\\_2023/PARCHEMIN/1134.pdf](http://nautilus.parlement-wallon.be/Archives/2022_2023/PARCHEMIN/1134.pdf)

## 1.2. POLITICAL STRUCTURE

Regional election took place on the 26<sup>th</sup> of May 2019. The elected Walloon Parliament is composed as follows<sup>8</sup>:



The Walloon Government is based on an alliance between the Socialist Party (PS), the Reformist Movement (MR) and the Ecologist Party (ECOLO). The Government has a vast majority in the parliament, with 55 seats on 75 in this Chamber.

### 1.2.1. Economic Plans<sup>9</sup>

#### a. **Historical process**

Since 2006 and the set-up of the initial Marshall Plan, the Issuer adopted a structured approach composed of several actions and objectives, in order to boost the Walloon economy. For each iteration of the plan, the Issuer has requested the help of experts and has built it by taking into account the strengths and weaknesses of the Region.

Name	Period	Budget
The Marshall Plan	2006-2009	€ 1.7 billion
The Green Marshall Plan	2009-2014	€ 2.87 billion
The 4.0 Marshall Plan	2015-2019	€ 2.9 billion

<sup>8</sup> Source : <http://www.parlement-wallon.be/les-deputes-wallons>

<sup>9</sup> Source : <http://www.wallonie.be/fr/actualites/plan-marshall-2vert-la-poursuite-de-la-reussite-0>



## **b. Walloon Recovery Plan<sup>10</sup>**

The Recovery Plan for Wallonia was adopted in October 2021, in the wake of the COVID health crisis and the July 2021 floods. This plan gathers the measures resulting from:

- The Walloon Transition Plan.
- Get Up Wallonia.
- The Walloon part of the Belgian Recovery and Resilience Facility.
- Measures related to the reconstruction of areas affected by flooding.

Initially composed of 319 projects, several elements have led the content of the Recovery Plan to evolve.

First, the Walloon Government has reached an agreement with the social and environmental partners on 28 March 2022, that has led to a reorganization of the Plan. Indeed, the government and the Walloon social and environmental partners have agreed to define a series of priority actions within the projects of the Walloon Recovery Plan. For these priority actions, all stakeholders will be involved in the governance and will work together, with the Government, on their implementation. The objective is to maximize the positive impact of the recovery plan.

Then, the context of the energy crisis as well as the expected reduction in European funding have once again led the Government to adapt the Walloon Recovery Plan. Thus, some projects have been withdrawn from the Plan and others have had their budgets reduced during the budgetary conclave of October 2022.

Since then, the Walloon Recovery Plan includes 423 projects for a budget of EUR 6,893.1 million.

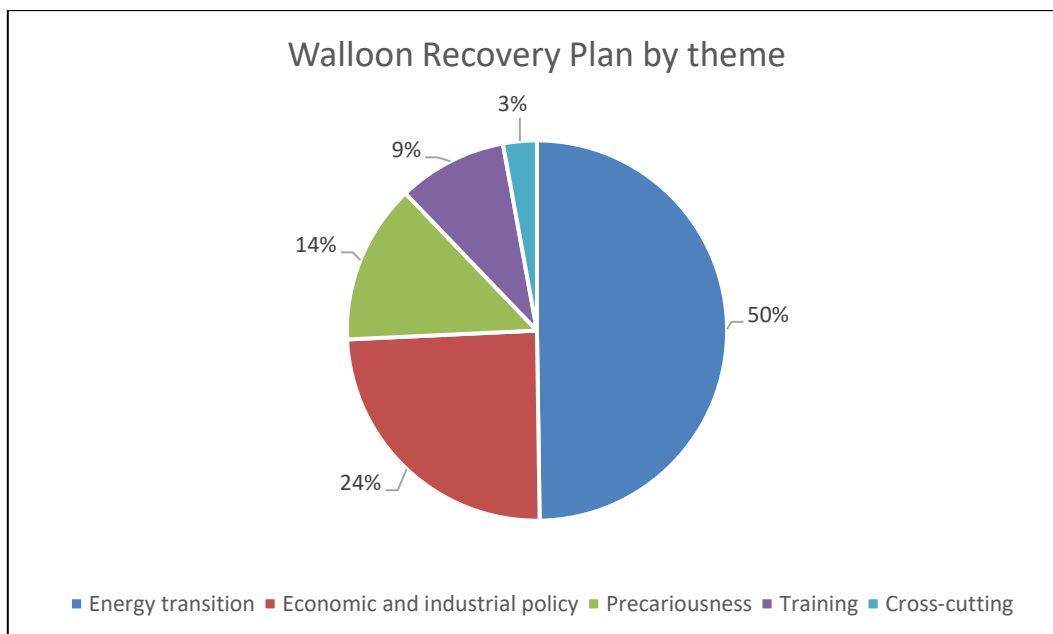
The distribution of these projects can be done in two ways:

### **1. By theme:**

- Getting out of precariousness (935.92 million EUR).
- Economic and industrial policy (1,687.23 million EUR).
- Energy transition (3,431.08 million EUR).
- Training (641.04 million EUR).
- Cross-cutting (projects that do not fall under one of the 4 specific themes but contribute to the success of the Plan in a cross-cutting manner) (197.85 million EUR).

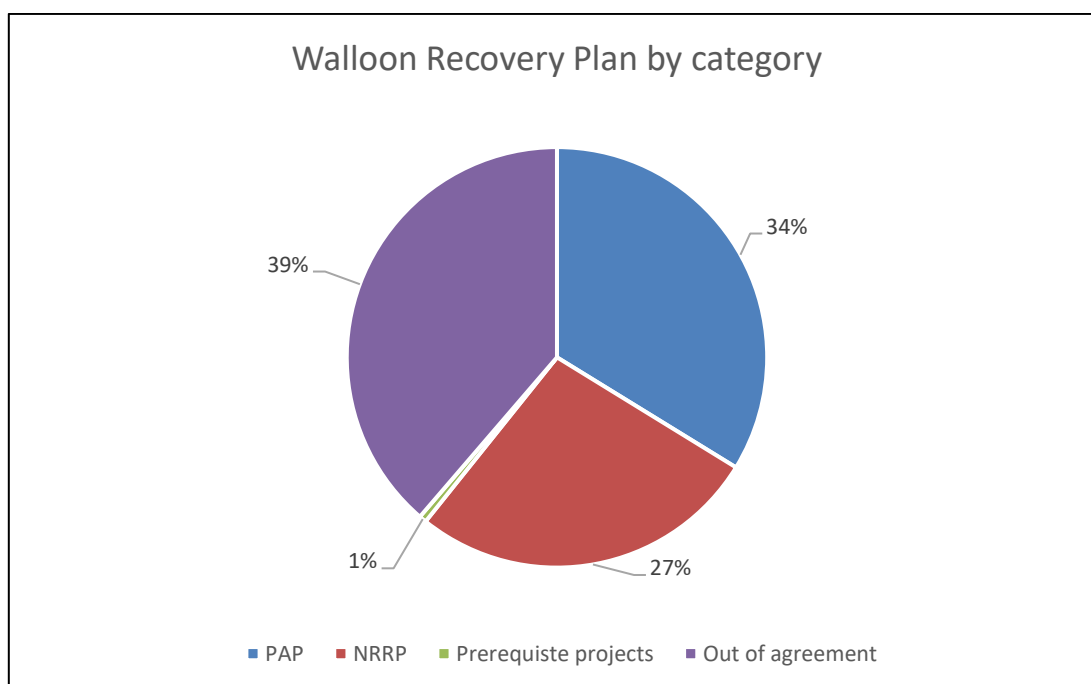
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<sup>10</sup> Source : <https://www.wallonie.be/fr/plans-wallons/plan-de-relance-de-la-wallonie>



2. By category:

- The projects classified PAP (Priority Action Program): these are priority projects targeted in the agreement with the Walloon social and environmental partners (2,328.12 million EUR).
- EU-funded projects under the National Recovery and Resilience Plan (NRRP) (1,859.09 million EUR).
- The prerequisite projects, which are considered as prerequisites for the success of the Priority Action Program (38.72 million EUR).
- The projects outside the NRRP and the agreement between the Walloon Government and the social and environmental partners (2,667.20 million EUR).



### 1.3. GEOGRAPHICAL LOCATION AND DEMOGRAPHY<sup>11</sup>

#### 1.3.1. Geographical location

Wallonia has a gross area of 16 901 sq. km (55.1% of the Belgian territory) and is located in the immediate vicinity of Brussels and other major western European cities.



Wallonia is also located in the centre of the European Union, which is a geographical advantage in terms of trade and commerce. This is especially true because Wallonia is equipped with a very dense road and railroad infrastructure and two international airports. Furthermore, many connections can be made with the large network of canals facilitating waterway traffic between the Rhine, the Maas and the Scheldt.

In March 2021, the Walloon road network was 81,479.72 km long, including 878.82 km of motorways and 6,895.61 km of regional roads.

Wallonia has 451 km of waterways.

#### 1.3.2. Demography

According to the most recent figures available (01/01/2022), the Issuer has a population of 3,662,495 inhabitants. The inhabitants of Wallonia represent 31.6 % of the Belgian population<sup>12</sup>. With a density of 216,7 inhabitants per sq. km, Wallonia is far below the national average of 377.5 inhabitants per sq. km.

In Wallonia, a child becomes subject to compulsory education on 1 September of the calendar year in which they become 5 years old until he or she is 18. Currently, there are more than 3,000 schools on the Walloon territory. Investing in education has been considered as a way to promote workforce diversity through various training opportunities such as those offered by organisms like FOREM, IFAPME and high schools/universities. Finally, statistics indicate that foreigners represent 24 % of the Walloon population<sup>13</sup>.

<sup>11</sup> Source : Chiffres clés de la Wallonie, Edition 2022, Institut Wallon de l'Évaluation, de la Prospective et de la Statistique (IWEPS) – updated on 13/10/2022: <https://www.iweps.be/publication/cc2022/>

<sup>12</sup> Source : <https://statbel.fgov.be/fr/themes/population/structure-de-la-population>

<sup>13</sup> Source : <https://statbel.fgov.be/fr/themes/population/origine>

## 1.4. ECONOMIC STRUCTURE<sup>14</sup>

### 1.4.1. Economic sectors

In 2021, the industrial sector's added value (in basic prices approach) in current prices was divided up as follows:

*STRUCTURE OF THE ADDED VALUE IN MANUFACTURING INDUSTRIES (PART IN % OF THE NACE C TOTAL)*

	2020	2021	Corresponding NACE
Chemical industry	47.2	38.5	CE to CF
Machinery and other equipment (incl. Electric & transport equipment)	11.1	14.1	CI to CL
Food & agricultural industry	12.2	12.7	CA
Metal industry	9.9	12.2	CH
Mineral product industry	10.2	11.5	CG
Others	9.3	10.9	

Source: NAI, Regional accounts (<https://www.nbb.be/en/statistics/nationalregional-accounts>), NBB.Stat

The next table shows the contribution of the different sectors to the global added value of the Issuer. Starting from the recession year 2009, we can observe that the contributions remain quite stable. The share of the corporate sector has slightly increased from 2009 to 2021. The share of households has slightly decreased during the same period. In 2021, due to the COVID-19 pandemic, the global added value of the Issuer was composed of a smaller contribution of the corporate sector and a higher contribution of the public sector.

*STRUCTURE OF THE GLOBAL ADDED VALUE (CURRENT PRICES AND PARTS IN % OF THE TOTAL)*

	2009		2020		2021	
	Million €	%	Million €	%	Million €	%
Total economy	72,335	100.0	95,912	100.0	102,774	100.0
Corporations	41,912	57.9	56,873	59.3	62,005	58.9
Public administration	15,390	21.3	20,452	21.3	21,340	21.8
Households (incl. self-employed)	14,274	19.7	17,469	18.2	18,267	18.1
Non-profit institutions serving households	0,759	1.0	1,119	1.2	1,162	1.2

Source: NAI, Regional accounts (<https://www.nbb.be/en/statistics/nationalregional-accounts>), NBB.Stat

### 1.4.2. Economic growth

In order to analyse the economic growth of the Issuer, we must take the evolution of the added value as a whole into account, i.e., the Walloon Gross Domestic Product. We present the annual change from 2009 to 2021.

*EVOLUTION OF THE GROSS DOMESTIC PRODUCT (IN VOLUME, BASE 2015)*

	Million EUR	Annual % change	% of Belgium
2009	88,115		23.2
2010	91,723	4.1	23.5

<sup>14</sup> Institut Wallon de l'Évaluation, de la Prospective et de la Statistiques (IWEPS) – 2023-04-27 Update.

2011	92,467	0.8	23.3
2012	92,300	-0.2	23.1
2013	92,547	0.3	23.0
2014	94,337	1.9	23.1
2015	95,390	1.1	22.9
2016	96,837	1.5	22.9
2017	98,567	1.8	23.0
2018	101,495	3.0	23.3
2019	104,109	2.6	23.3
2020	97,875	-6.0	23.2
2021	102,572	4.8	22.9

Source: NAI, Regional accounts and IWEPS calculations

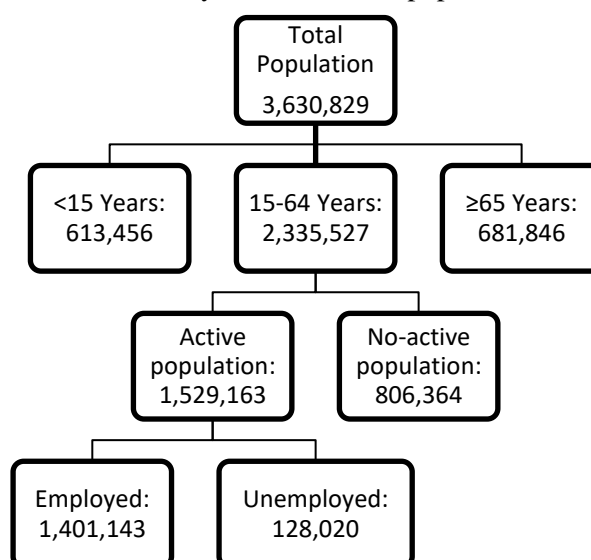
In the table above, we can see some quantitative elements which enable us to appreciate the current situation of the Walloon economic development.

The Walloon gross domestic product reached the amount of 115,394 million euro in 2021 (in current prices), which represents an average product of 31,569 euro per inhabitant. Considering the purchasing power parity<sup>15</sup>, the Walloon GDP equalled 88% of the European GDP/inhabitant (source: Eurostat, EU27<sup>16</sup>).

### 1.4.3. Labour Market

#### 1.4.3.1. *Working population*

The following diagram shows the activity structure of the population in the Issuer in 2022<sup>17</sup>.



Source: Statbel, Labour force survey and IWEPS calculations.

<sup>15</sup> Note: For international comparison purpose, GDP is expressed in purchasing power standards, which means that the price levels between countries are erased.

<sup>16</sup> EU27 represents the European Union of 27 Member States after 1 February 2020.

<sup>17</sup> Data for 2022 have been published at the end of March 2023.

This scheme shows that 64.3% of the total Walloon population is at the legal age to work (15-64 years). Among these individuals, 65.5% participate in the labour market<sup>18</sup>. From the active population, 1,401,143 individuals are employed and 8.4% (128,020) are unemployed.

#### **1.4.3.2. Domestic employment**

The regional domestic employment corresponds to the employment created in a specific regional area with no distinction of the regional origin of the workers (1,323,460 persons in 2021). The sectors which represent the biggest part of the employment in Wallonia are Health and social work activities (Q) (199,709 persons in 2021), Wholesale and retail trade (G) (165,094), Public administration (141,463) and Manufacturing (130,401).<sup>19</sup>

#### **1.4.3.3. Employment and unemployment rates**

The following table illustrates the evolution of the employment and unemployment rates of the population of working age for the period 2008-2022:

<b>EMPLOYMENT AND UNEMPLOYMENT RATE IN WALLONIA</b>		
	<b>Employment rate</b>	<b>Unemployment rate</b>
2008	57.2%	10.1%
2009	56.2%	11.2%
2010	56.7%	11.5%
2011	57.0%	9.5%
2012	57.3%	10.1%
2013	57.0%	11.4%
2014	56.5%	12.0%
2015	56.2%	12.0%
2016	57.1%	10.6%
2017	57.7%	9.8%
2018	58.4%	8.5%
2019	59.2%	7.2%
2020	59.2%	7.4%
2021	59.6%	8.9%
2022	60.0 %	8.4%

Source: Statbel, Labour force survey (<https://statbel.fgov.be/en/themes/work-training/labour-market/employment-and-unemployment>)

From 2004 until 2008, the unemployment rate has decreased and the employment rate (calculated in relation to the working age population, *i.e.* 15 to 64 years) has been constantly increasing.

In 2009, because of the economic crisis, the employment rate has decreased, and the unemployment rate increased in 2009 and 2010. After a short recovery, the labour market worsened again with the employment rate declining and the unemployment rate increasing during the period following a new economic recession (in 2012-2013, see *supra*). Labour market indicators improved again recently, in

<sup>18</sup> From LFS 2018, there is no longer information about the student number.

<sup>19</sup> Source: NAI, *Regional accounts*, <https://www.nbb.be/en/statistics/nationalregional-accounts>.

2016, 2017<sup>20</sup>, 2018 and 2019. Due to the COVID-19 crisis, the unemployment rate increased, quite slowly in 2020 from 7.2% to 7.4% and strongly in 2021, to 8.9% but subsequently decreased in 2022, to 8.4%.<sup>21</sup> Nevertheless, in aggregate the employment rate increased very slowly during those years.

#### 1.4.4. Foreign trade

As illustrated in the following table, Walloon exports of products are concentrated as regards their type.

The first three groups of products represent 73.5% of the Walloon exports in 2022. After the decrease in 2020 due the COVID-19 crisis and the increase in 2021, Walloon exports increased very strongly in 2022, by 55.0 %; from 58,9 € billion to 91,1 € billion.

Compared to 2021 and due the conflict between Ukraine and Russia, the share of “Mineral products” increased very strongly in 2022 (from 13.1% to 39.4%). However, the share of all other products fell, especially “Chemical industry products”, “Base metals and articles of base metal” and “Transport materials”.

The sharp increase in “Mineral products” exports, i.e. 233.5% comes mainly from trade with Germany (increase by 26.1 € billion), Luxembourg (increase by 1.1 € billion) and France (increase by 886 € million). The strong increase in “Prepared foodstuffs, beverages, and tobacco” (720 € million) and Base metals and articles of base metal” (860 € millions) comes mainly from trade with France and The Netherlands for the first one (increase by 268 € million) and with France for the second one (increase by 328 € million). The strong decrease in “Transport materials” came mainly from Canada (- 572 € million between 2021 and 2022).

***DISTRIBUTION OF WALLOON EXPORTS: MAIN PRODUCTS IN 2022***

	Millions EUR	%
<b>Total</b>	<b>91,142</b>	<b>100.0</b>
Mineral products	35,896	39.4
Chemical industry products	23,322	25.6
Base metals and articles of base metal	7,801	8.6
Machinery and electrical equipment	4,368	4.8
Prepared foodstuffs, beverages, and tobacco	3,691	4.0
Plastic and rubber	3,665	4.0
Transport materials	2,817	3.1
Other (< 3%)	9,582	10.5

*Source: NAI.*

<sup>20</sup> The Labour Force Survey underwent a major reform in 2017. So, from 2017, they are working with a rotating panel and use different data collection methods, and the weighting method has been heavily revised. This resulted in a break in the results between 2017 and the previous years. The figures obtained with the old method are therefore no longer comparable to those obtained with the new method. Furthermore, in 2021, a new European framework regulation (EU Regulation 2019/1700) came into force. The questionnaire has been thoroughly revised, among others, to bring it in line with the adjusted operational definitions of employment and unemployment of the International Labour Office (ILO). Therefore, the labour market figures of 2021 cannot simply be compared with the figures before 2021.

<sup>21</sup> The change is within the confidence interval. For more information, please check those indicators or others indicators made with the LFS data : <https://www.iweps.be/indicateur-statistique/structure-dactivite-de-population-wallonne/>  
<https://www.iweps.be/indicateur-statistique/taux-demploi-bit/>

In terms of destination, as shown in the following table, Walloon exports are essentially concentrated with bordering countries:

**GEOGRAPHICAL SHARING OUT OF WALLOON EXPORTS IN 2022 (\*)**

	Millions EUR	%
<b>World</b>	<b>91,142</b>	<b>100.0</b>
<b>Europe</b>	<b>78,822</b>	<b>86.5</b>
<i>France</i>	<i>36,517</i>	<i>40.1</i>
<i>Germany</i>	<i>17,250</i>	<i>18.9</i>
<i>Netherlands</i>	<i>5,942</i>	<i>6.5</i>
<i>Spain</i>	<i>3,108</i>	<i>3.4</i>
<i>Luxembourg</i>	<i>2,943</i>	<i>3.2</i>
<i>Italy</i>	<i>2,671</i>	<i>2.9</i>
<i>United Kingdom</i>	<i>2,080</i>	<i>2.3</i>
<i>Rest of Europe</i>	<i>8,311</i>	<i>9.1</i>
<b>America</b>	<b>7,507</b>	<b>8.2</b>
<i>United-States</i>	<i>6,317</i>	<i>6.9</i>
<b>Asia</b>	<b>3,385</b>	<b>3.7</b>
<i>China</i>	<i>0,706</i>	<i>0.8</i>
<b>Others</b>	<b>1,427</b>	<b>1.6</b>

Source: NAI.

\*Countries with at least a share of 3% of Walloon exports + China and United-Kingdom

The exports to France, Germany, and The Netherlands amount to 65.5% of the total exports for 2022 and this share increased quite sharply (51.0% in 2021) due to the Issuer's new main customer, i.e. Germany (a consequence of the conflict between Russia and Ukraine with the embargo of Russian mineral products) who has seen its share rise from 16.6% to 40.1%. Thus, the share of exports from the Walloon Region to most of countries fell in 2022, except for the share of the exports to France, Germany, and Luxembourg.

Most of the Walloon exports are realised within Europe (86.5%). Other exports, outside Europe, are mainly to the USA, although its relative importance decreased to 6.9% in 2022 from 11.5% in 2021.



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## 2. PUBLIC FINANCES AND BUDGET OF THE ISSUER

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### 2.1. PUBLIC FINANCES

#### 2.1.1. Before 1989

The Special Finance Act of 16 January 1989 regulates the current financing system of the Communities and Regions.

Before the implementation of the Special Finance Act, 75% of the needs of the Communities and Regions was funded through grants (“*dotations*”) provided by the Federal State.

Even though the Communities and Regions could obtain additional funds through public lending, neither of them borrowed additional funds.

#### 2.1.2. The Special Finance Act of 1989 (as amended in 2014)

The Special Finance Act radically changed the financing system which was based on grants from the Federal State by imposing more financial responsibility on the Communities and Regions. However, as the financing system of grants before 1989 was supplemented by regional taxes, the Regions already had a certain degree of fiscal autonomy.

It was expected from the Communities and the Regions, in the long term, to rely on their own resources only (principle of “*fair return*”). In order to allow the Communities and the Regions to implement the new financial system which was based on the contributory capacity of the Communities and Regions, the new system provided for a transition period of 10 years (which started in 2000) before the date on which the system had to be implemented and complied with.

In case of delayed or insufficient payment by the Federal State, the Communities and Regions can borrow the amounts that were not yet paid by the government. The interests of the loan will be borne by the Federal State and a state guarantee will also be provided as security.

Moreover, in order to supervise the debts at the different levels of authority and to preserve the cohesion of the economic and monetary union, the Superior Finance Council annually formulates recommendations on the need to restrict the borrowing capacity of any public authority.

In the context of the Sixth State Reform, the Special Finance Act was amended on 6 January 2014. Main features of the amended Act include the partial regionalisation of individual income taxes and tax expenses. The enhanced tax autonomy of the Regions, also designed to ensure their fiscal accountability regarding the exercise and the funding of their newly allocated powers, is supplemented by several solidarity and transition mechanisms, designed to compensate the effects of the reform during the first ten years following its entry into force.

The Constitution and the Special Finance Act list the means which should allow the Issuer to finance its budget.

#### **a. Own tax revenues:**

The Constitution grants the Issuer the power to impose taxes.

The fiscal power of the Issuer includes, in principle, defining the object of taxation as well as fixing the tax base and rates and granting exemptions.

This power has been exercised by the Issuer (*inter alia* in the fields of water and waste).

**b. Non-tax revenues**

Own non-tax revenues which the Issuer obtains from exercising its powers (property revenue, service retributions, etc...).

**c. The part of national tax revenues which is allocated to the Issuer**

The Issuer derives most of its funding from “shared taxation”. In the system of “shared taxation”, the object of taxation, the tax base, tax rates, tax exemptions and the collection are determined / occur at national level, but a part of the revenues from this taxation is allocated to the Issuer (generally in proportion to its contribution).

These taxes are called "joint taxes", as the Issuer is allowed to impose additional taxes (e.g. in addition to the income tax).

**d. Regional taxes**

The revenues of regional taxes are fully or partially refunded to the Issuer depending on where the taxes were imposed.

The Issuer has certain privileges with respect to these regional taxes (e.g. the Issuer can intervene in the modification of the tax rate, exemptions, etc...)

Regional taxes, include (but are not limited to):

- Property taxes;
- Registration fees;
- Succession duties;
- Taxes on games and gambling;
- Taxes on automatic leisure machines;
- Taxes on the opening of drinking establishments.

**e. National solidarity grant**

An annual national solidarity grant is allocated to the Regions whose income tax revenue is below the national average.

**f. Loans and bonds**

The Communities and Regions can borrow on the Belgian market or abroad.

## 2.2. BUDGETS

The budget of the Issuer contributes to the conversion of its strategy and plans into facts and figures. The following table shows the budgetary balances for 2022 and 2023.

A specific focus on the expenses of COVID-19 measures is inserted below. Accordingly, the numbers referred to herein in respect of the 2022 budgetary balances might be substantially affected and differ materially from the actual situation of the Issuer as a result of the abovementioned sanitary crisis.

**Initial budget 2023<sup>22</sup> compared with initial<sup>23</sup> and adjusted<sup>24</sup> budget 2022 (EUR million)**

Budget	Initial 2022	Adjusted 2022	Initial 2023
<b>Income (1)</b>	19,767.49	19,608.23	21,005.93
<b>Expenses (2)</b>	19,643.31	20,265.40	20,910.99
<b>Gross Budget (3) = (1) - (2)</b>	124.18	-657.17	94.94
<b>Depreciation and debt repayment (4)</b>	-4,249.75	-3,319.31	-3,226.84
<b>Net Budget (5) = (3) + (4)</b>	-4,125.57	-3,976.48	-3,131.90

### COVID-19 Expenses (EUR million)

Initial 2021	Adjusted 2021	Execution 2021	Initial 2022	Adjusted 2022	Execution 2022	Initial 2023
678.10 <sup>25</sup>	1,713.48	1,612.71	352.57	447.39	372.51	79.53

<sup>22</sup> Sources : [http://nautilus.parlement-wallon.be/Archives/2022\\_2023/PARCHEMIN/1135.pdf](http://nautilus.parlement-wallon.be/Archives/2022_2023/PARCHEMIN/1135.pdf) (2023 initial expenses) and [http://nautilus.parlement-wallon.be/Archives/2022\\_2023/PARCHEMIN/1134.pdf](http://nautilus.parlement-wallon.be/Archives/2022_2023/PARCHEMIN/1134.pdf) (2023 initial income)

<sup>23</sup> Source : [http://nautilus.parlement-wallon.be/Archives/2021\\_2022/PARCHEMIN/728.pdf](http://nautilus.parlement-wallon.be/Archives/2021_2022/PARCHEMIN/728.pdf) (2022 initial expenses) and [http://nautilus.parlement-wallon.be/Archives/2021\\_2022/PARCHEMIN/727.pdf](http://nautilus.parlement-wallon.be/Archives/2021_2022/PARCHEMIN/727.pdf) (2022 initial income)

<sup>24</sup> Source : [http://nautilus.parlement-wallon.be/Archives/2021\\_2022/PARCHEMIN/1004.pdf](http://nautilus.parlement-wallon.be/Archives/2021_2022/PARCHEMIN/1004.pdf) (2022 adjusted expenses) and [http://nautilus.parlement-wallon.be/Archives/2021\\_2022/PARCHEMIN/1003.pdf](http://nautilus.parlement-wallon.be/Archives/2021_2022/PARCHEMIN/1003.pdf) (2022 adjusted income)

<sup>25</sup> Amount from adjusted budget 2021.

2.2.1. Resources of the Issuer in 2022 and 2023

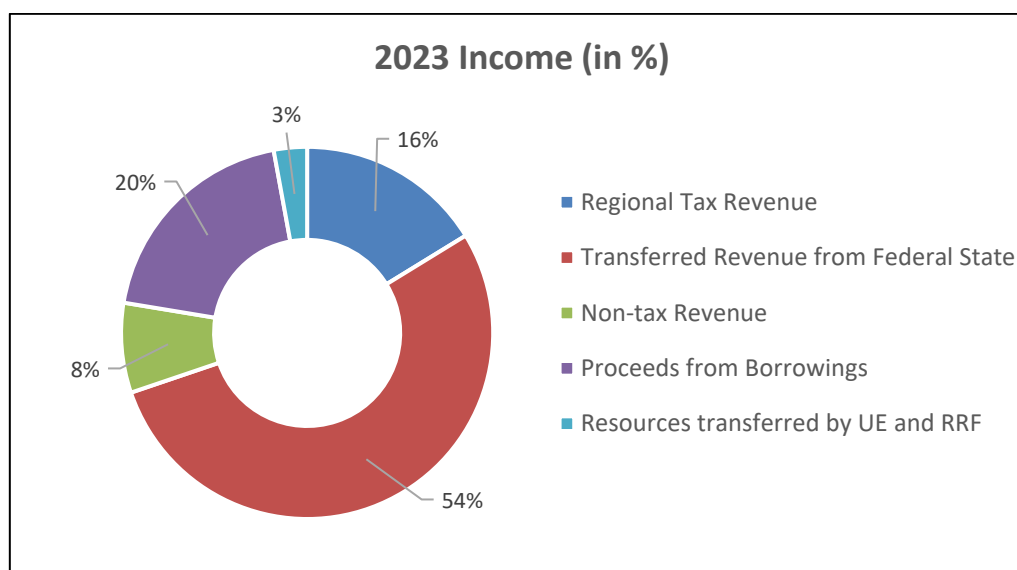
The below table breaks down the income sources of the Issuer.

**Breakdown of the 2022 and 2023 income<sup>26</sup> (in EUR million):**

Income (EUR million)	Adjusted 2022	Initial 2023
<b>TAX INCOME (split below)</b>	<b>3,145.94</b>	<b>3,411.10</b>
Regional taxes	3,025.89	3,286.10
Other regional tariff	20.58	17.64
Other regional assigned tariff	99.47	107.36
<b>TRANSFERRED INCOME from Federal State (split below)</b>	<b>9,875.68</b>	<b>11,250.66</b>
Transferred competences	2,997.84	3,336.43
Tax expenditures	2,638.40	3,199.00
Sainte-Emilie revenue	4,195.49	4,658.28
Traffic fines	43.95	56.95
<b>NON-TAX INCOME (split below)</b>	<b>1,821.50</b>	<b>1,639.88</b>
Resources transferred by the French Community	415.33	467.21
Others revenue	982.02	732.36
Other assigned revenue	424.16	440.31
<b>Proceeds from Borrowings</b>	<b>4,295.67</b>	<b>4,098.29</b>
<b>Resources transferred by UE and RRF</b>	<b>469.44</b>	<b>606.00</b>
<b>TOTAL INCOME</b>	<b>19,608.23</b>	<b>21,005.93</b>

Almost half of the income is composed of new income from the Sixth State Reform and the implementation of the Special Finance Act (resources related to transferred powers and additional income from the personal income tax). Moreover, the registration fees on immovable property, the inheritance rights and the transfer duty upon death represent a significant share of regional income.

<sup>26</sup> Source : [https://www.ccrek.be/Docs/2022\\_48\\_Budget2023RW.pdf](https://www.ccrek.be/Docs/2022_48_Budget2023RW.pdf)

**Breakdown of the 2023 income (in%)****2.2.2. Expenditures of the Issuer in 2022<sup>27</sup> and 2023<sup>28</sup>**

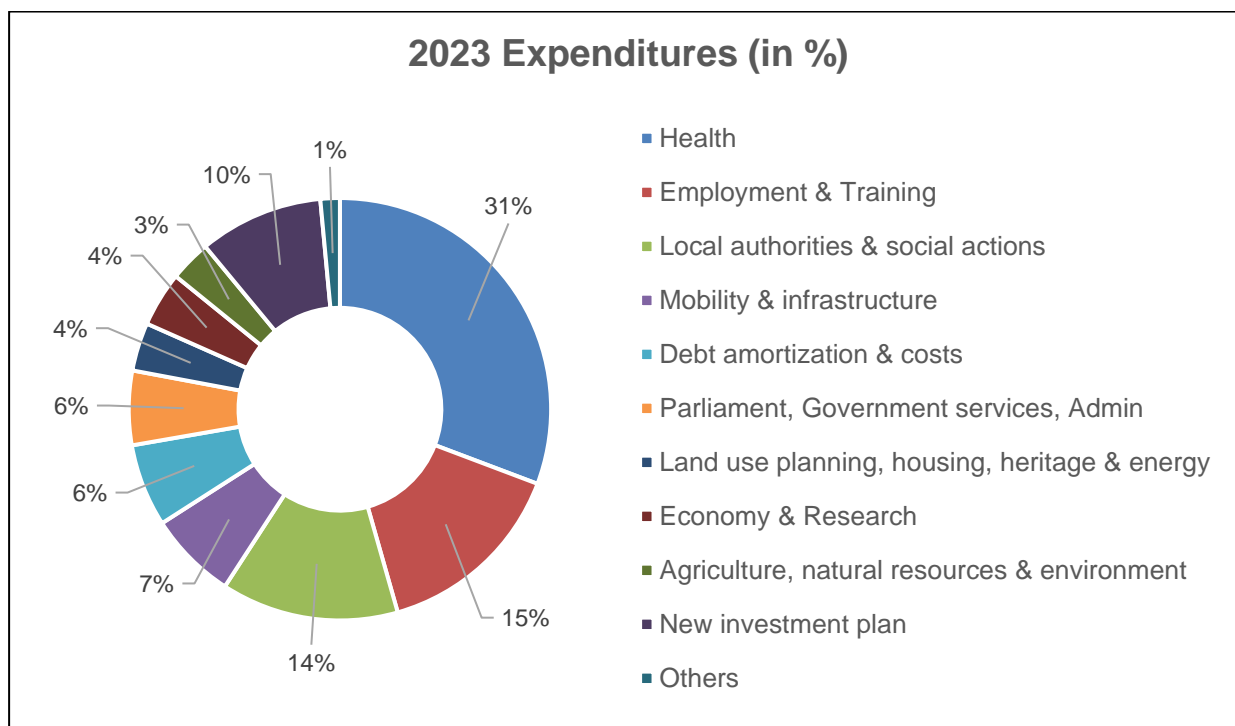
Expenditures (EUR million)	Adjusted 2022	Initial 2023
Health	5,955.12	6,429.09
Employment & training	2,843.20	3,103.16
Local authorities & social actions	2,853.15	2,839.77
Mobility & infrastructure	1,468.05	1,414.99
Debt amortization & costs	1,428.10	1,323.76
Parliament, government services, administration	1,175.12	1,188.77
Land use planning, housing, heritage & energy	882.61	772.75
Economy & research	924.45	877.84
Agriculture, natural resources & environment	599.42	660.38
New investment plan <sup>29</sup>	1,908.15	1,989.99
Others	228.04	310.47
<b>Total</b>	<b>20,265.40</b>	<b>20,910.99</b>

<sup>27</sup> Source : [http://nautilus.parlement-wallon.be/Archives/2021\\_2022/PARCHMIN/1004.pdf](http://nautilus.parlement-wallon.be/Archives/2021_2022/PARCHMIN/1004.pdf)

<sup>28</sup> Source : [http://nautilus.parlement-wallon.be/Archives/2022\\_2023/PARCHMIN/1135.pdf](http://nautilus.parlement-wallon.be/Archives/2022_2023/PARCHMIN/1135.pdf)

<sup>29</sup> Walloon Recovery Plan and European Recovery and Resilience Facility.

### Breakdown of the 2022 expenditures (in %)



## 2.3. CONSOLIDATION PERIMETER (S.1312)

The Walloon Region is obliged to produce statistics and accounts for the European authorities in accordance with the methodology of the European System of National and Regional Accounts in the European Union (ESA)<sup>30</sup>.

The country's economy is divided into sectors and sub-sectors, bringing together units with similar economic behaviour. Communities and regions belong to the sub-sector State government (S.1312) which is part of sector 13 General government.

The scope of the general government is defined by the National Bank of Belgium (NBB) and the National Accounts Institute (NAI), which regularly publish the list of public sector units<sup>31</sup>.

The revenues and expenditures of the Walloon Region and its consolidation perimeter (S.1312 entities controlled by the Walloon Region) are summarised below.

The transfers between the Walloon Region and the entities of its scope (S.1312) have been cancelled out in the consolidation. The data are presented excluding public debt revenues and expenditures<sup>32</sup>.

### 2.3.1. Revenue

(Sub-) group	DESCRIPTION	Provisional implementation 2022 (in euro thousands)	Initial budget 2023 (in euro thousands)
0	UNALLOCATED REVENUE	998	17,412
1	CURRENT RECEIPTS FOR GOODS AND SERVICES	406,550	324,550
2	INTEREST AND PROPERTY INCOME	375,622	350,752
3	INCOME TRANSFERS FROM OTHER SECTORS	2,829,817	3,110,872
4	INCOME TRANSFERS WITHIN THE GENERAL GOVERNMENT SECTOR	10,912,867	11,857,009
5	CAPITAL TRANSFERS FROM OTHER SECTORS	870,742	1,078,071
6	CAPITAL TRANSFERS WITHIN THE GENERAL GOVERNMENT SECTOR	3,550	615,511
7	DISINVESTMENTS	36,412	58,234
8	REPAYMENTS OF LOANS, LIQUIDATIONS OF HOLDINGS, OTHER FINANCIAL INCOME AND ADVANCES	830,313	919,231
	<b>TOTAL REVENUE (excl. public debt)</b>	<b>16,266,871</b>	<b>18,331,641</b>

### 2.3.2. Expenditures

(Sub-) group	DESCRIPTION	Provisional implementation 2022 (in euro thousands)	Initial budget 2023 (in euro thousands)
0	UNALLOCATED EXPENDITURE	450	2,565,154
1	CURRENT EXPENDITURE ON GOODS AND SERVICES	3,178,265	3,399,971
2	INTEREST	591,691	666,363
3	INCOME TRANSFERS TO OTHER SECTORS	7,330,541	7,626,351
4	INCOME TRANSFERS WITHIN THE GENERAL GOVERNMENT SECTOR	3,345,455	3,913,230
5	CAPITAL TRANSFERS TO OTHER SECTORS	317,175	712,137
6	CAPITAL TRANSFERS WITHIN THE GENERAL GOVERNMENT SECTOR	504,495	1,157,927
7	INVESTMENTS	698,851	960,479
8	LENDING AND EQUITY INVESTMENTS; OTHER FINANCIAL INCOME AND ADVANCES	1,436,186	1,719,405
	<b>TOTAL GENERAL EXPENDITURE (excl. public debt)</b>	<b>17,403,109</b>	<b>22,721,018</b>

<sup>30</sup> Governed by Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 (ESA 2010)

<sup>31</sup> List of public entities: <https://inr-icn.fgov.be/fr/publications/comptes-nationaux-et-regionaux>

<sup>32</sup> Public debt revenue mainly includes proceeds from borrowing, advances and equity contributions. Public debt expenditure includes mainly the amortisation of loans.

The data, as presented, are based on the economic classification<sup>33</sup> used by the different entities of the central government<sup>34</sup> in order to codify the different expenditure and revenue operations on the same basis.

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<sup>33</sup> <https://bosa.belgium.be/fr/themes/budget-et-comptabilite/les-budgets-en-belgique/base-documentaire-generale/classifications-0>

<sup>34</sup> The central government is made up of the federal government, the communities, the regions and the community commissions.



### **3. THE CASH AND DEBT MANAGEMENT OF THE ISSUER**

#### **3.1. CASH MANAGEMENT**

From the first day of its autonomy (1 January 1991), the Issuer has been able to manage an efficient treasury that is mainly based on:

- Automatic cash flow management;
- Inflow estimates (receipts);
- Outflow parameterisation (expenses);
- Maintenance of credit facilities. It should be noted that the Issuer benefits from a rolling overdraft facility under the following conditions:
  - EUR 3 billion from 1<sup>st</sup> January 2023 to 31 August 2023;
  - EUR 2.5 billion from 1<sup>st</sup> September 2023 to 30 September 2024;
  - EUR 1.7 billion from 1<sup>st</sup> October 2024.
- Centralisation of all cash movements with a single cashier. The Issuer is in charge of the treasury management of its related companies, which at the end of 2022 amounted to EUR 4,459.15 million. This provides the Issuer with additional flexibility as it could – if ever needed – use these cash facilities temporarily to manage any liquidity shortfall.

Regional revenues are composed of the following two categories:

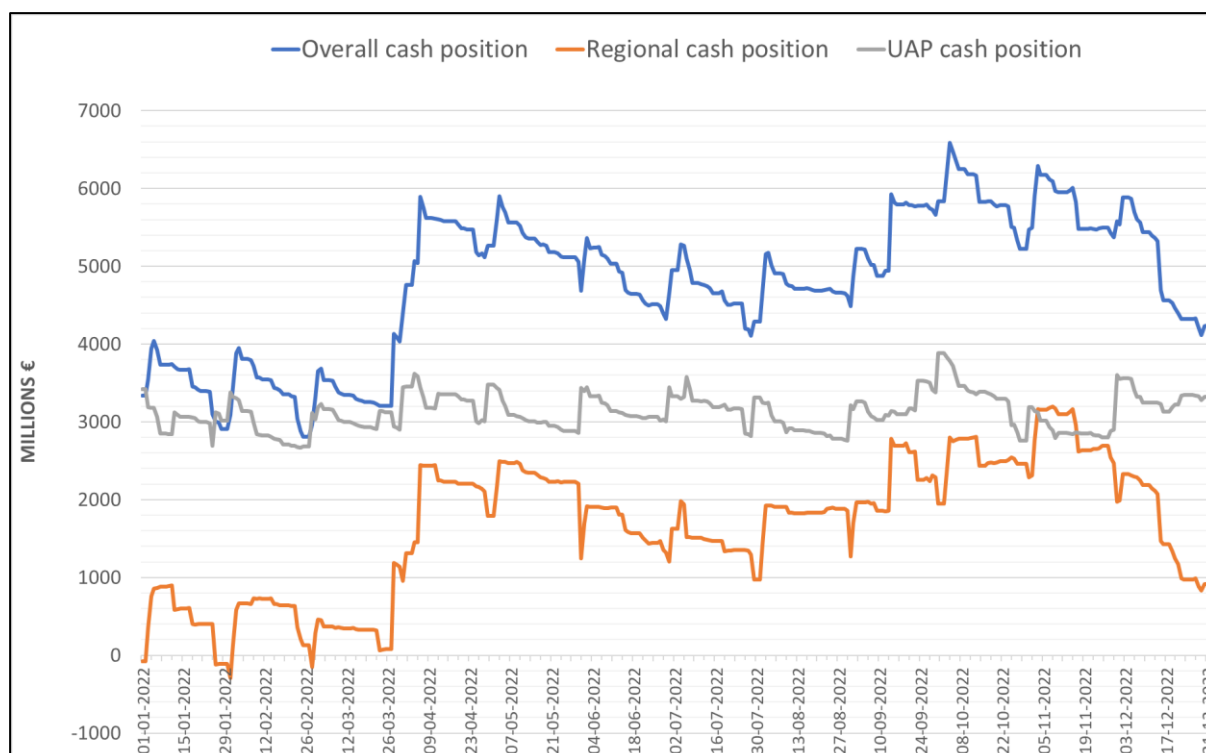
- Allocated means received from the Federal State and the French Community; and
- Revenues which are directly collected by the Issuer itself.

The regional expenses can be divided in the following two categories:

- Parameterised expenses for which amounts and disbursement dates are predetermined. Parameterisation is based on budgetary data (amounts) and legal, decretal, regulatory or conventional norms (payment dates). These forecasts are constantly adjusted to budget modifications and effective expenses during the budgetary year.
- Other expenses, which represent around 1/3 of the total expenses and which are more difficult to forecast.

To have a coherent cash management, all balances are consolidated to determine a global cash state.

The following graphic illustrates the annual cash cycle and enables us to analyse the evolution of the daily global state of the Issuer in 2022:



The grey curve represents the balance of all public administration entities (“*Unités d’Administration Publiques*”) (UAP) being centralized within the global cash position of the Issuer, with a total balance being EUR 3,323.68 million dated 31/12/2022.

The orange curve represents the Issuer’s global balance, being EUR 912.14 million dated 31 December 2022.

The blue curve integrates UAP’s contributions with the Issuer’s global balance, displaying a consolidated treasury balance of EUR 4,235.82 million dated 31 December 2022.

In summary, the consolidated treasury balance evolved from around EUR 2,127.42 million in December 2020 to around EUR 3,286.68 million in December 2021 and to reach 4,235.82 at the end of 2022 as the result of a cash rich position of UAP’s being centralized within the Issuer and the Issuer’s global balance.

## 3.2. DEBT MANAGEMENT

Several concepts of debt coexist which are clarified below. The Walloon Region's Administrative Debt Unit Management distinguishes the following three concepts:

- **Direct debt:** the regional debt accumulated since the regionalisation of 1989 corresponding to the sum of the amounts raised each year by the Region in the strict sense.
- **Indirect debt:** various outstanding debts inherited from the federal State during the regionalisation of 1989 relating to specific competences (social housing, water and school buildings). These outstanding amounts have been or are still being repaid each year by the Region.
- **Guaranteed debt:** loans contracted by third parties since regionalisation (social housing, public transport, airports, etc.) and which benefit from the Walloon Region's guarantee. In some cases, the Region can also intervene in the costs of guaranteed loans (for example for social housing investment programmes implemented by the Walloon Housing Company).

### 3.2.1. The principles of regional debt management

Four main principles govern the Issuer's regional debt management:

#### 1. Harmonisation of debt financing and management operations

All operations pertaining to the financing and management of the direct and indirect debt have been harmonised. Consequently, a separate budget for all debt costs, whether direct or indirect, is provided for in the budget of the Issuer.

Moreover, the accounts department manages these matters without interference of the functional services.

#### 2. Optimal diversification of debt components

It is through the definition of a fixed rate/floating rate ratio that this second principle of management is implemented. This ratio, periodically adapted according to the evolution of the interest rate curve, has mainly allowed reducing the financing costs.

#### 3. Active use of financial instruments

Financial instruments and the best adapted products have been actively used since 1993 within the context of the debt management of the Issuer. Speculation was systematically excluded.

The Issuer uses instruments such as interest rate swaps, forward rate agreements (FRA's), futures and options.

#### 4. Set up of financing programs

The issuer has set up an EMTN program and two local programs (Medium Term Notes) enabling it to attract short and long-term financing.

The use of these programs has three advantages:

- a reduction of the financing costs compared to the common long-term conditions;
- the possibility of prompt reaction, which makes it possible to take advantage of opportunities on the capital markets (stand-alone documentation is a lengthier process);
- an increase and diversification of the investor base.

### 3.2.2. Regional direct debt

The regional debt is the total amount of money that the Issuer directly owes to the private sector.

The outstanding debt is composed of the stock of direct long-term debts and short-term debts (commercial paper). In addition, the Issuer owns the reimbursement of financial charges and/or amortization of debts contracted by 3 external entities, i.e. SPABS<sup>35</sup>, FADELS<sup>36</sup> and SWDE<sup>37</sup>.

On 31 December 2022, it amounted to EUR 1,025,568,073, of which EUR 795,354,370 are loans from SPABS for which the Issuer reimburses all the charges, EUR 230,209,800 are from the FADELS for which the Issuer reimburses charges to the Federal State and EUR 3,903 are loans from SWDE for which the Issuer reimburses part of the charges.

#### Remark

For simplification purposes, all the following numbers and figures relating to the outstanding debt of the Issuer include the mentioned external debts.

While the debt has grown in the period between 2014 and 2019 in the area of 11% to 15% in relative value year on year, it increased significantly in 2020, rising to 37% in relative value, from EUR 12,824 million end December 2019 to EUR 17,559 million on 31 December 2020. This change can be explained by an increase of the amount borrowed in 2020 and 2021, mainly to cover the unplanned financing needs linked to the COVID-19 health crisis and the floods that hits Wallonia in July 2021. Measures were taken by the Issuer to fight against socio-economic consequences of these two crises. Although the outstanding debt stock continues to growth in absolute terms, the trend has slowed down in 2022. The relative growth is about 11%, reaching a total debt stock of EUR 23,184 million. It should also be noted that the exercise carried out in 2022 will make it possible to pre-finance the financing needs for 2023 to an approximate amount of EUR 500 million.

#### **Outstanding debt (in EUR million):**

The evolution of the outstanding debt of the Issuer is presented in the figure below for the period 2014-2022. It is composed of the following elements:

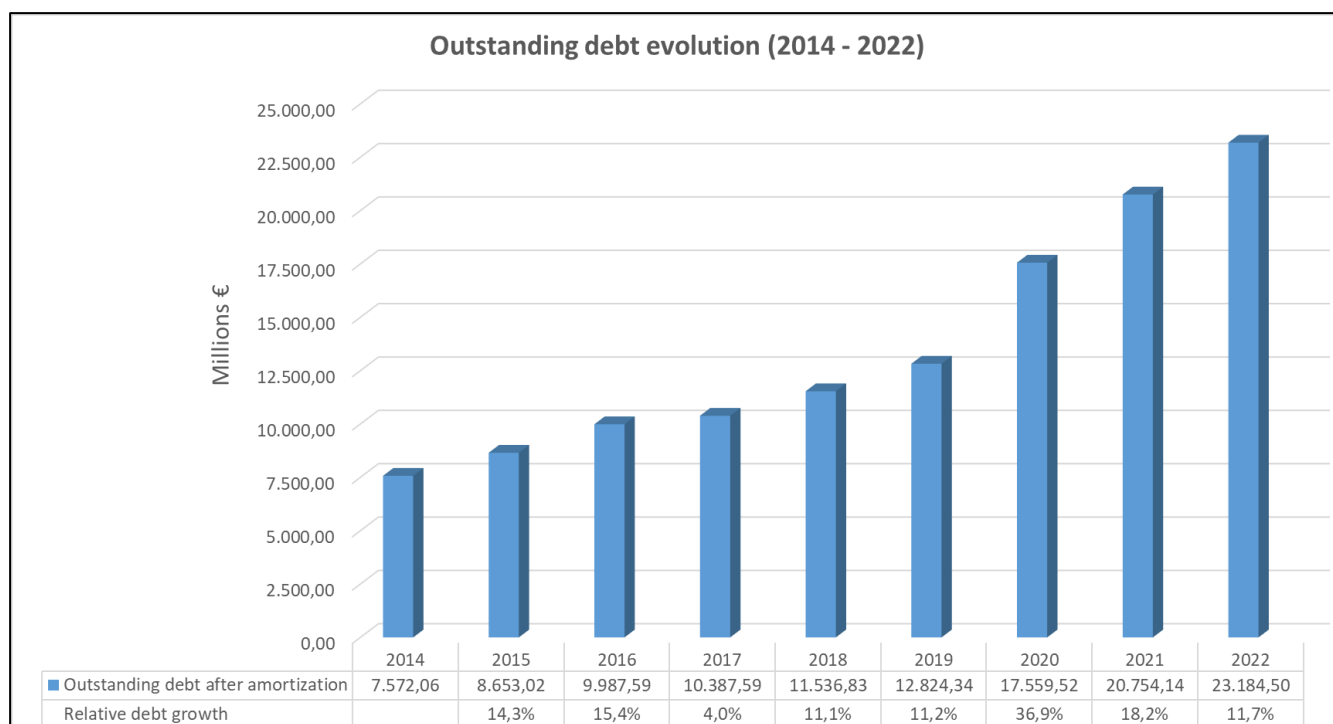
- Long term direct debt (including SPABS, FADELS & SWDE)
- Short term debt
- Cash balance (centralized treasury)

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<sup>35</sup> SPABS (Public society for the administration of school buildings).

<sup>36</sup> FADELS (Amortization funds for the social housing debts).

<sup>37</sup> SWDE (Public society for water production and distribution).



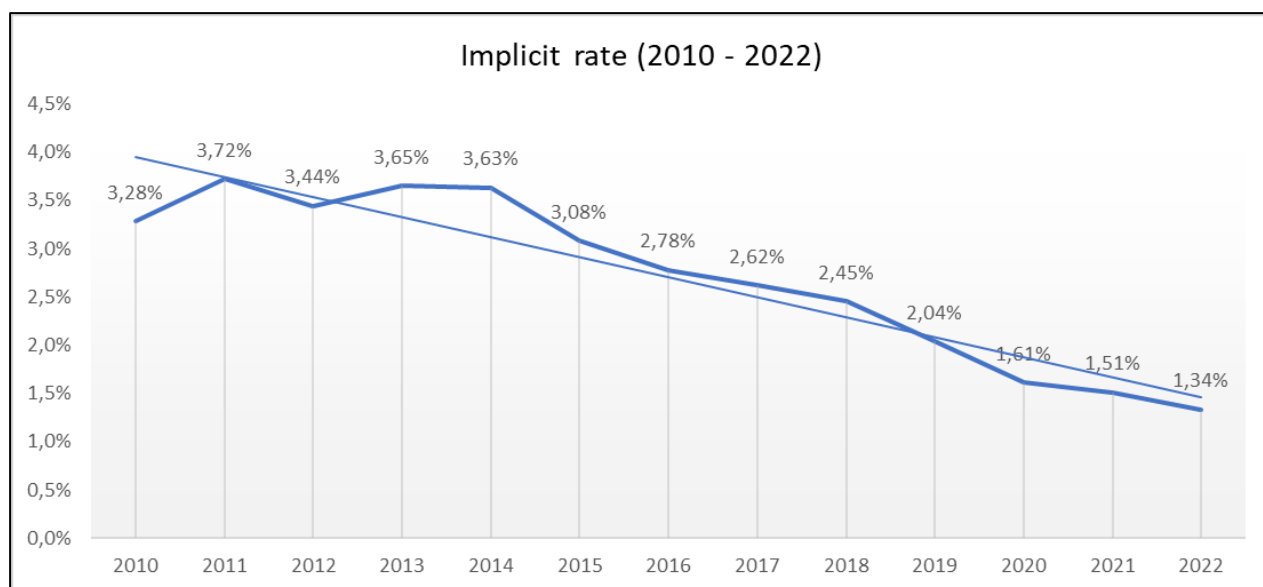
The table below compares the main ratios between 2020 and 2022:

REGIONAL DEBT - KEY RATIOS	31 Dec 2020	31 Dec 2021	31 Dec 2022
Outstanding short term debt	-917.50	-806.00	-716.50
Outstanding long term debt	-16,642.01	-19,948.13	-22,467.99
Cash balance	2,556.33	3,599.50	4,459.15
<b>NET OUTSTANDING DEBT (€ million)</b>	<b>-15,003.18</b>	<b>-17,154.63</b>	<b>-18,725.35</b>
Implicit rate of LT debt (all in)	1.61%	1.51%	1.34%
Average life span of LT debt (years)	19.81	19.93	20.42
Fixed rate ratio of LT debt	90.58%	93.73%	94.99%
Duration of LT debt (years)	13.84	13.27	11.80

### **Implicit rate**

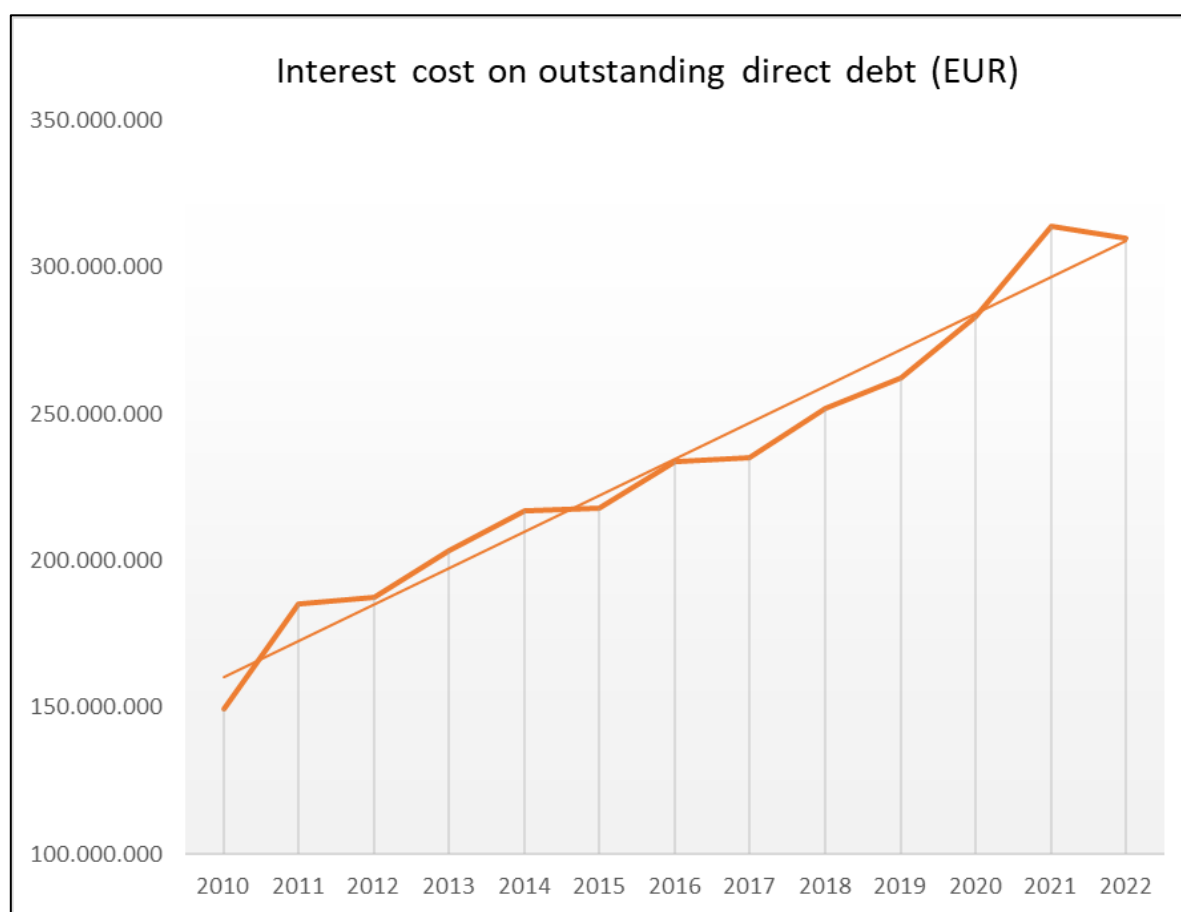
The implicit rate of the outstanding debt evolved favourably between 2014 and 2022, as illustrated in the figure below.

For the last four years (2019 – 2022), the implicit rate is calculated on the long term outstanding direct debt, including the external debts from SPABS, FADELS and SWDE.



By virtue of a dynamic debt management and the low interest rates in the financial markets, the Issuer has been seen its implicit rate falling to 1.34% in 2022, while keeping the level of risk under control.

It contributes to keeping the amount of interests yearly paid by the Issuer under control, despite the significant increase of the debt itself. At the end of 2022, the Issuer effectively paid interests for a total of EUR 309.612 million, compared to EUR 313.820 million in 2021 (- 1.4%), as shown in the figure below.

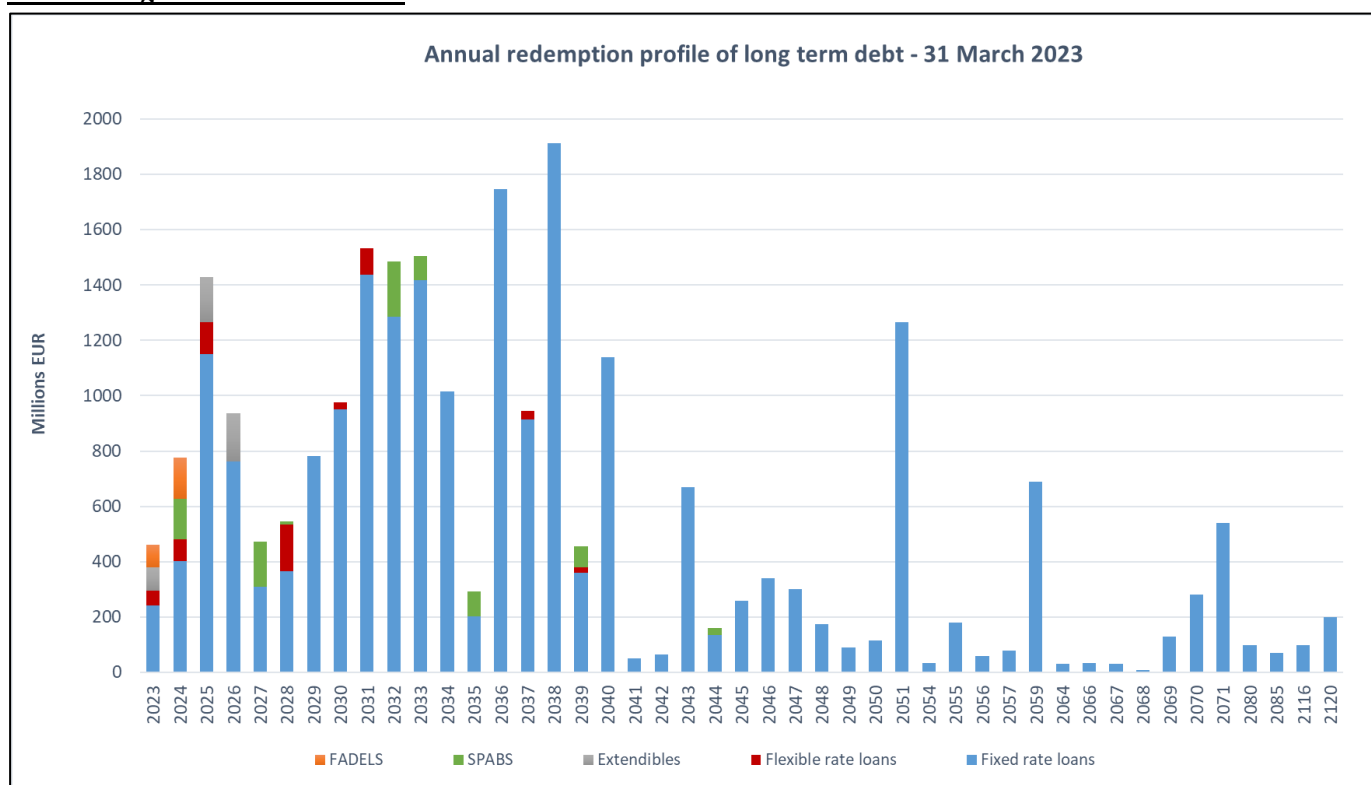


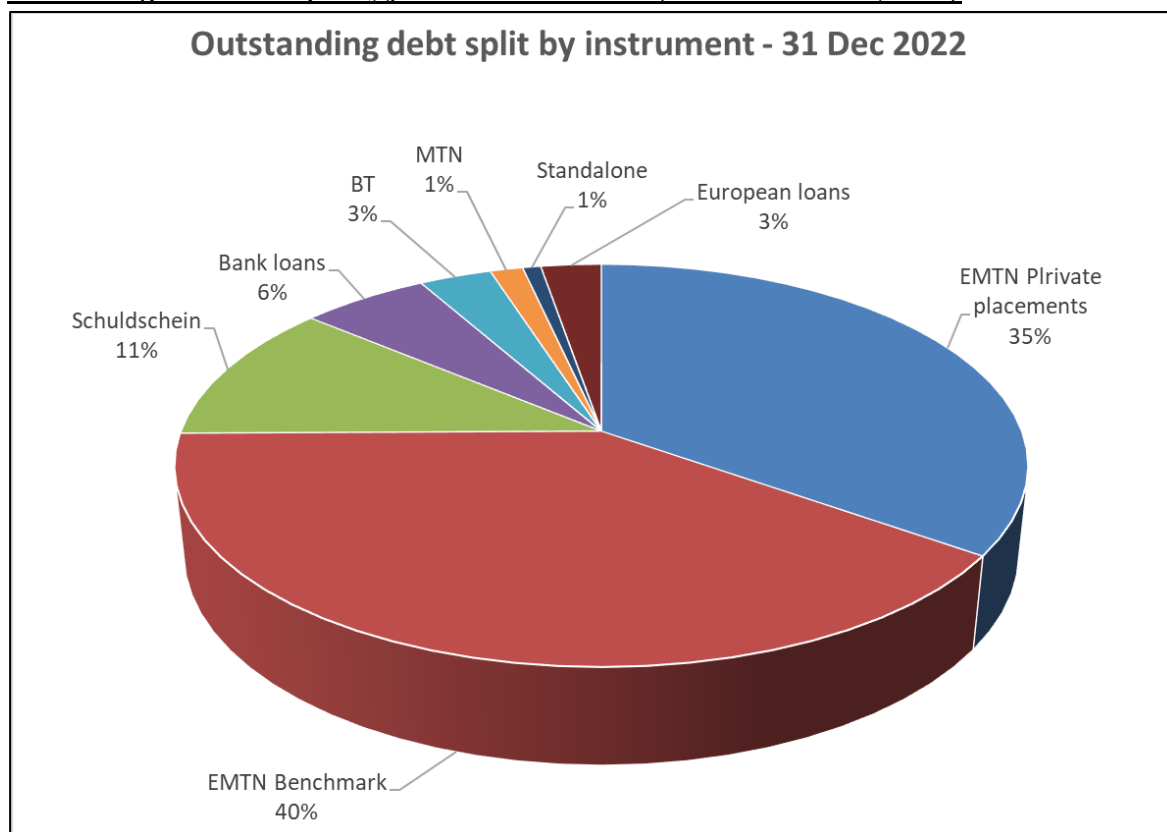
### Average term of the debt

The following table illustrates the weighted average term of the direct debt of the Issuer end of year for the period 2014 - 2022:

	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Average term (in years and months)</b>	8 years & 5 months	11 years & 1 month	11 years & 8 months	11 years & 10 months	12 years & 5 months	13 years & 7 months	17 years & 2 months	16 years & 6 months	15 years & 6 months

### Outstanding direct debt schedule



**Outstanding direct debt split by financial instruments (on December 31<sup>st</sup>, 2022)**

Under its EMTN programme, the Issuer organized a benchmark-sized issue in 2019 for an amount of EUR 1,000 million, followed by 3 additional benchmark-sized issues in 2020, for a total amount of EUR 3,700 million. For 2021, the Issuer made 3 more benchmark-sized issues for a total amount of EUR 2,200 million. In 2022, the Issuer organized 2 benchmark-sized issues for a total amount of EUR 2,000 million benchmark issue size but this one is not incorporated in the graph above.

This fundraising trend was endorsed by the Regional Treasury Council, given the financing needs of the Region projected for the coming years.

In the future, the Issuer considers that around two thirds of its annual financing plan should be based on these benchmark-sized issues, being social, green, sustainability or regular bonds.

On 31 December 2022, EMTN borrowings represented a total of 75% of the outstanding direct debt, with respectively 35% in private placements and 40% in benchmarks.



### 3.2.3. Guaranteed debt

The financial investment forecasted for identified public law entities (“Public Administration Units”, or “Unités d’Administration Publiques”, i.e. “UAP”) is determined annually in the budget decree (considered as a reference framework). A ministerial ruling related to the budget decree to be adopted by the Walloon Government can further fix the amount that will be guaranteed by the Government with regards to the investment or financial needs of the company. Some companies have been designated to represent the Walloon Government for delegated missions.

The following table presents the evolution of the 1st rank guaranteed debt over the last three years. On 31 December 2022, the outstanding first rank guaranteed debt amounted to EUR 8,640.43 million<sup>38</sup>, implying an increase of EUR 34.9 million (sign of stabilization of this debt).

#### **Evolution of the guaranteed debt (1<sup>st</sup> rank) until December 31<sup>st</sup>, 2016 to 2022<sup>39</sup> (in EUR thousand)**

31.12.2016	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021	31.12.2022
7,024,586.16	6,570,205.91	5,830,852.94	8,767,114.07	8,651,823.24	8,605,571.79	8,640,431.50

Note that the Issuer has also provided a guarantee in second rank for certain indebtedness. This concerns primarily guarantees under the economic expansion laws and performance guarantees, where the guarantee from the Issuer will only be called upon if a loss remains after enforcing the first ranking guarantee or security interest. A typical example are guarantees in the context of social mortgages allowing borrowers who do not have sufficient personal funds to obtain a loan to acquire a house. In this context, the Issuer undertakes to intervene in the loss incurred by the lending organization for the part of the loan exceeding 70% of the current value of the house. The payment of the Issuer will only come for the loss remaining after realization of the mortgage. The aggregate amount of debt guaranteed in second rank by the Issuer amounted to EUR 933,372 million<sup>40</sup> on 31 December 2022.

The table hereunder shows how the guaranteed debt is distributed among the different UAP for the last two years. We can see that about 57% of the guaranteed debt concerns the housing sector. Financial means are managed by three companies (SWCS, FLFNW, SWL) involved in this area, working independently from public institutions. Housing companies generate a balanced financial position. Their financial performances are supervised by the Issuer.

#### **Stock of guaranteed debt (1<sup>st</sup> rank) until December 31<sup>st</sup>, 2020 to 2022<sup>41</sup> (in EUR thousand)**

Concerned entities	31.12.2020	31.12.2021	31.12.2022
CRAC	2,473,784.90	2,332,856.73	2,190,713.06
Grand Hôpital de Charleroi	NC	NC	125,000.00
Groupe Santé CHC ASBL	125,000.00	120,303.40	115,530.25
FLFNW	1,016,535.55	1,144,072.91	1,303,876.22

<sup>38</sup> Still temporary amount. Audited amount to be published later in 2023.

<sup>39</sup> Still temporary amount. Audited amount to be published later in 2023.

<sup>40</sup> Still temporary amount. Audited amount to be published later in 2023.

<sup>41</sup> Still temporary amount. Audited amount to be published later in 2023.

Hôpital psychiatrique Les Marronniers	3,517.55	4,000.00	2,745.88
Le Circuit de Spa Francorchamps	16,420.00	14,480.10	13,441.60
SOFICO	643,733.90	612,070.77	587,195.64
SOWAER	202,758.08	187,241.45	165,739.31
OTW (SRWT)	291,269.34	299,987.98	323,022.26
SWCS	2,580,581.57	2,673,811.99	2,680,071.41
SWDE	16.58	11.05	5.53
SWL	1,298,205.78	1,216,735.39	1,133,090.35
<b>Total</b>	<b>8,651,823.24</b>	<b>8,605,571.79</b>	<b>8,640,431.50</b>

\*NC: not yet disclosed

### 3.3. CONSOLIDATED DEBT

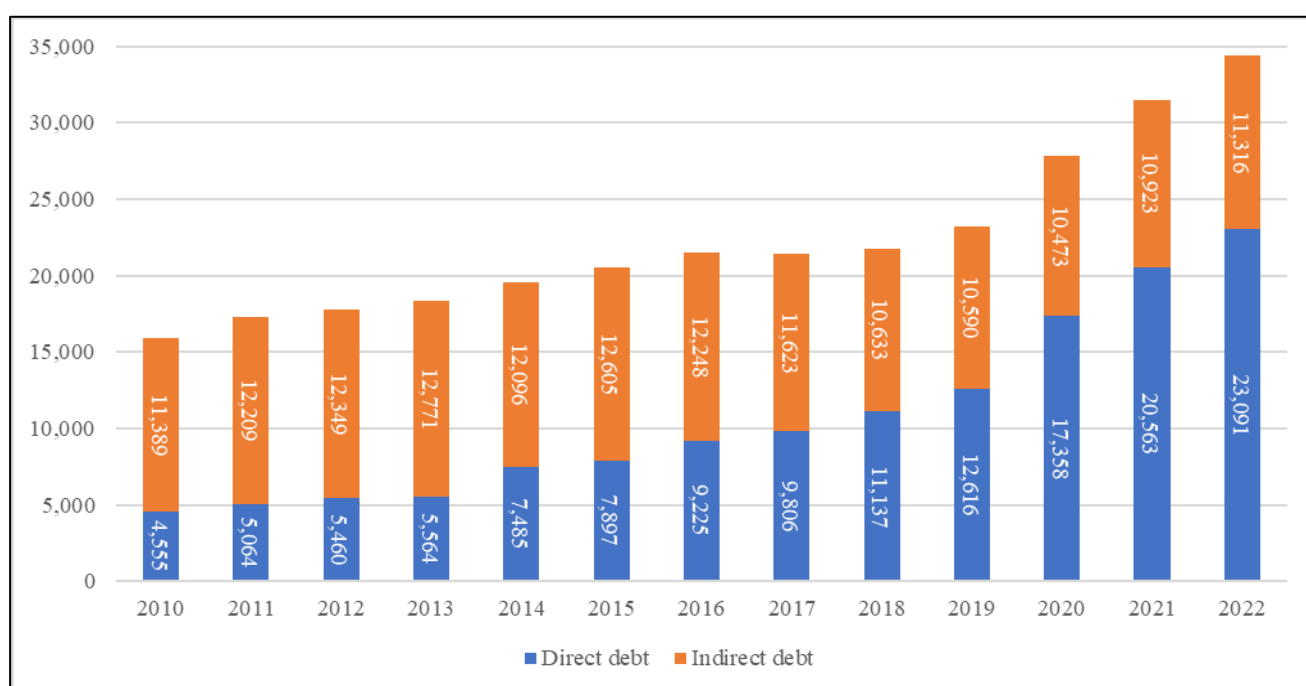
In the framework of European governance, the reference concept is that of consolidated gross debt. The consolidated gross debt is calculated by the National Accounts Institute (NAI) which distinguishes between:

- Direct debt: this corresponds globally to the concept of direct debt established by the Walloon Region's Administrative Debt Management Unit.
- The indirect debt: it includes the debts of the public administration units included in the consolidation scope S.1312 of the Walloon Region within the meaning of the ESA, the European system of national and regional accounts. The concept of indirect debt in the NAI therefore includes that of the Administrative Debt Management Unit. It also includes a large part of the guaranteed debt (as long as the borrower is part of the regional S.1312) as well as the outstanding amounts relating to the so-called alternative financing of investments (mainly of local authorities).

In preparation for the entry into force of the ESA 2010 in September 2014, the NAI carried out a revaluation of the Belgian general government sector (S.13) which led to a significant expansion of the latter. The indirect debt was mechanically revised accordingly. The most notable impact resulted from the integration in the Walloon consolidation perimeter of the social housing bodies (SWL, SWCS and FLW) whose debts are guaranteed by the Region and were therefore included in the guaranteed debt figures of the Administrative Debt Management Unit.

The graph below illustrates the evolution of the direct and indirect components of the Region's consolidated gross debt as established by the NAI.

#### **Evolution 2010-2022 of the direct and indirect components of the consolidated gross debt of the Walloon Region in NAI definition (€ millions)**

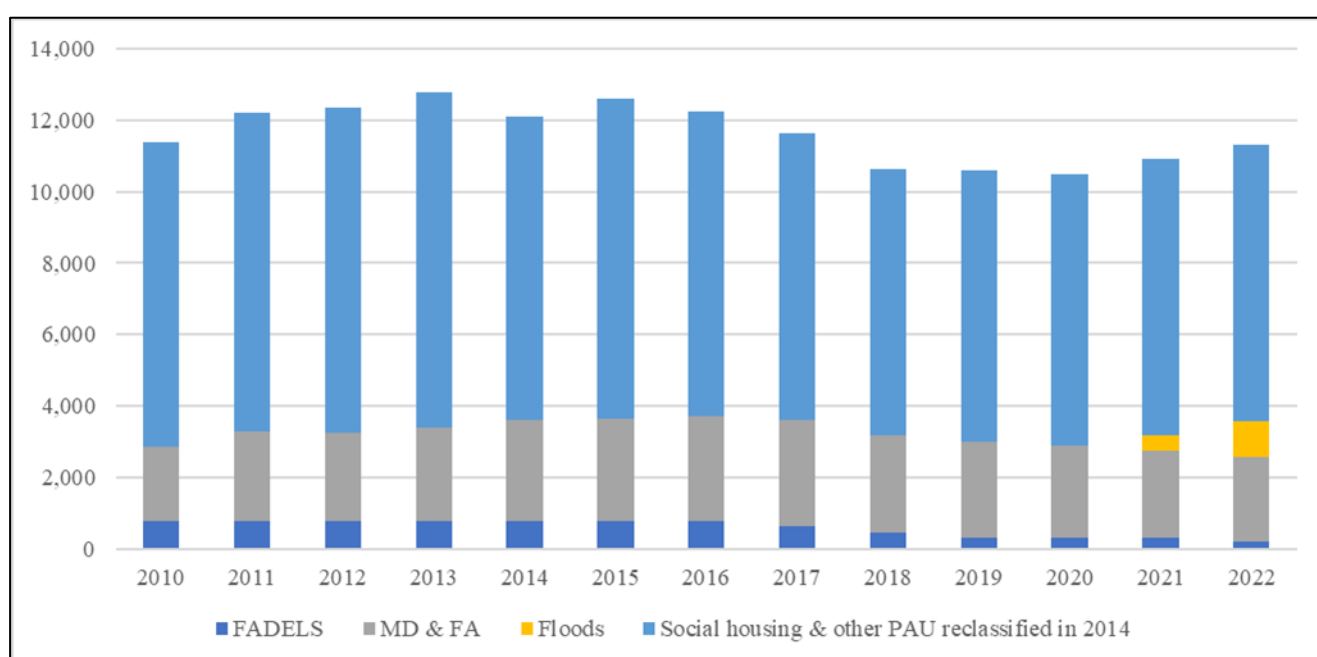


Sources: NAI and own calculations.

This graph shows a substantial increase in the direct debt from 2020 onwards. This is attributable to the exceptional charges which have burdened the Walloon budget in the context of the COVID-19 health crisis, as well as to the financing of the measures of the Walloon Recovery Plan adopted in October 2021 by the Government. These measures will be partly financed by European subsidies under the Recovery and Resilience Facility within the framework of Next Generation EU. Fiscal year 2022 was again marked by the consequences of the war in Ukraine as well as the substantial increase in energy costs and more generally the inflationary context of the last 18 months.

The following graph details the main components of indirect debt as defined by the NAI.

**Evolution 2010-2022 of the components of the indirect debt of the Walloon Region in NAI definition (€ millions)**



Sources: NAI and own calculations.<sup>42</sup>

The graph shows the integration from 2021 onwards of a debt owed by the Region to Belgian insurers following the exceptional floods that hit Wallonia in the summer of 2021. It represents an outstanding amount of €1,016 million at 31/12/2022. The insurers have in fact pre-financed the public share of the compensation of the flood victims. This debt will be repaid as from 2024.

<sup>42</sup> MD & FA : "Missions Délégées & Financement Alternatif"

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## 4. RATING

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### Moody's periodic review of the rating of the Issuer, 16<sup>th</sup> December 2022<sup>43</sup>

*"This publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Credit ratings and outlook/review status cannot be changed in a portfolio review and hence are not impacted by this announcement."*

*"The credit profile of the Walloon Region (A3 stable) reflects a mature and robust legislative background, prudent but sophisticated debt management and its unquestioned market access as well as its tax autonomy. Our assessment of the Walloon Region's creditworthiness also takes into account the recurring financing deficits we expect the region to post going forward and our expectation that the region's debt burden will remain very high. The Walloon Region benefits from a high likelihood of support from the government of Belgium (Aa3 stable) if it were to face acute liquidity stress."*

### Rating outlook – A3 (stable)

*"The stable outlook reflects our view that strong debt and liquidity management as well as strong market access and high debt affordability are consistent with an A3 rating."*

*"The credit profile of the Walloon Region, as expressed in its A3 rating, combines a Baseline Credit Assessment (BCA) of baa2 and the high likelihood of extraordinary support from the federal government if the entity were to face acute liquidity stress."*

### Analysis of the current rating

#### *"Credit strengths*

- *A mature and robust legislative background with well-defined responsibilities amid a complex Belgian institutional system*
- *Sophisticated but prudent debt management underpins unquestioned market access*
- *Revenue flexibility is high, and the region is committed to increasing its expenditure flexibility and to proceeding with spending cuts"*

#### *"Credit challenges*

- *The region's debt burden will remain very high on the back of recurring financing deficits*
- *An economy which compares unfavorably with national and European peers"*

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<sup>43</sup> Periodic Review, Moody's, 16<sup>th</sup> December 2022 (extract).