Wallonie

EDIWALL

Public Debt of Wallonia

Annual Report 2023

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Preface

2023 was set against a global backdrop characterised by complex economic, financial, and political challenges. The post-pandemic recovery has remained difficult, with the lingering effects of global disruptions caused by the health crisis. Added to this are the consequences of various armed conflicts, including the war in Ukraine, which has intensified geopolitical tensions and led to increased energy and raw material prices. 2023 was again marked by persistent inflation, albeit lower than the historic levels reached in 2022. Indeed, despite signs of a slowdown, inflation remained high in many advanced economies, largely due to rising energy and raw material prices, as well as supply chain disruptions.[1] Major central banks were forced to tighten their monetary policies by raising interest rates to counter high inflation, although the pace of rate increases slowed in the second half of the year in response to fears of recession.

In this context, tensions on the global financial markets and economic instability have prompted governments to revise their budgetary priorities while managing increasing social and environmental demands. The European Commission's green and digital transition strategy has intensified debates around energy sovereignty, economic security and the resilience of states in the face of climate and geopolitical crises. Once again, pressures on public finances have increased, pushing some governments to explore structural reforms to ensure the long-term viability of their budgets.

In practice, economic activity in the Euroland, affected by a deteriorating international climate, remained fragile throughout the year[2]. However, the Walloon economy grew by an average of 1.1% in 2023. This exceptional result within the Euroland is explained by a resurgence in the production of intermediate goods for export as well as the production of consumer goods. Growth in activity was boosted by a favourable threshold effect with increased support for private consumption (standing at +2.6% compared to 2.4% for Belgium and 0.7% in the Euroland). Due to the automatic increase in salaries and social benefits whenever the pivot index was exceeded, at a time when inflation was already falling, the purchasing power of Belgian and Walloon households improved in 2023, continuing the partial protection observed in 2022. Similarly, in an economic environment which remains uncertain, investments by Walloon businesses paradoxically displayed resilience in 2023, understanding that this year is focused on the implementation of recovery and transition plans (the Marshall Plan and European funds). Moreover, the successive crises (health and energy) have reminded Walloon businesses of the importance of investing quickly in

[1] Exacerbated by disruptions related to the war in Ukraine.

[2] Tendances économiques n°65: Analyses et prévisions conjoncturelles 2023 (Economic trends no. 65: Cyclical analyses and forecasts)

digital transition and tending towards production processes that are in line with energy and environmental objectives As a result, gross fixed capital formation stood at 4.1% in 2023 for Wallonia (compared to 3.8% for Belgium and 1.4% for the Euroland).

Conversely, in an international environment affected by difficulties in the Chinese economy and a slowdown in activity in the United States, Belgian and Walloon exports have negatively contributed to Belgian and Walloon GDP. According to its latest cyclical analysis[3] of the main macroeconomic components of the Walloon economy, IWEPS estimates a contraction in external demand of around -1.2% on average for 2023 (compared to -1.5% for Belgium).

Despite the significant slowdown in economic activity compared to 2022, the Walloon labour market remained robust in 2023. Employment growth in Wallonia averaged 0.8% annually, representing an increase of 11,000 jobs.[4]

On the regional policy front, Walloon authorities found themselves facing a dilemma: maintaining significant economic support while preserving budgetary sustainability. This debate dominated the political agenda, with calls for reforms to improve the efficiency of public expenditure and optimise the use of European funds. Politicians therefore had to navigate between the requirements of recovery, the necessary reduction of debt and pressure from voters in the run-up to the 2024 elections.

This report aims to provide an overview of the historical and current state of Wallonia's finances. In this respect, the evolution of debt, the sources of financing used and the management of the public treasury are examined in detail. Following on from this introduction, it is essential to study the key figures for Walloon public debt, which reflect the scale of the financial challenges facing the region.

[3] October 2023, report no. 65

[4] From the observations of data collected by IWEPS up to the mid-year.

Key figures

The following table (Key Figures) summarises the key numerical data of the regional debt as of 31 December 2023, offering a comparison with the situation in 2022.

Outstanding debt consists of the stock of long-term direct debt, short-term debt (commercial papers) and the debts of SPABS, FADELS, and SWDE. It is important to note that the internalised debts of SPABS and SWDE are accounted for as direct debt by the INA, while the debt of FADELS is considered as indirect debt.

There was an increase in long-term regional debt of approximately 8.9% compared to 2022, which was relatively offset by a solid and positive cash position. This resulted from a very positive total outstanding amount, which strengthened the Region's own cash position (including pre-financing for the 2024 financial year, estimated at EUR 500 million) and the cash positions of the PAUs affected by centralisation.

The key indicators of Wallonia's debt remained close to 2022 levels. For example, the proportion of variable rate financing remained below the 15% threshold (4.01%), and the stabilisation of the weighted average life span of loans (14.44 years) contributed to this result. The increase in interest rates led to a significant fall in duration from 13.27 years in 2021 to 11.50 years in 2023, also marked by a slight recovery in the implicit financing rate of the outstanding debt (1.48%).

Key figures

Amounts in EUR millions as at 31 December	2020	2021	2022	2023
Long-term debt (LT)	16 642,01	19 948,14	22 467,99	24 482,47
Direct debt	15 536,43	18 842,56	21 442,43	23 536,91
Internalised debt (SPABS+SWDE+FADELS)	1 105,58	1 105,58	1 205,57	945,56
Considered as direct by INA (SPABS and SWDE)	795,37	795,37	795,36	795,35
Considered as indirect by th INA (FADELS)	310,21	310,21	230,21	150,21
Short-term debt (ST) - commercial paper	917,50	806,00	716,50	805,00
Regional debt (gross)	**17 559,51**	**20 754,14**	**23 184,49**	**25 287,47**
Balance of the outstanding total treasury (*)	-2 556,49	-3 652,73	-4 459,15	-3 342,97
Regional debt (net)	**15 003,02**	**17 101,41**	**18 725,34**	**21 944,50**

(*) Here, the negative amounts represent a contribution which is deducted from th amount of the debt

LT direct debt instruments (EUR million)	15 536,43	18 842,56	21 442,43	23 536,91
Bank loans	1 471,93	1 326,74	1 269,11	1 193,59
Schuldschein	2 477,50	2 522,50	2 502,50	2 502,50
Bond Issues	11 587,00	14 394,50	17 132,00	19 027,00
Standalone	382,00	382,00	180,00	140,00
Medium Term Notes	605,00	355,00	325,00	90,00
Euro Medium Term Notes (pprivate placements)	5 900,00	6 757,50	7 727,00	7 697,00
Euro Medium Term Notes (benchmark)	4 700,00	6 900,00	8 900,00	11 100,00
EU Loan (SURE & BEI)	-	598,80	598,82	873,82
Loan to SPABS	-	-	-60,00	-60,00
Secured debt	**9 413,21**	**9 290,04**	**9 573,80**	**10 057,39**
Senior debt	8 651,82	8 562,50	8 640,40	9 195,39
Junior debt	761,38	727,54	933,40	862,00

Long-term regional debt characteristics	2020	2021	2022	2023
Fixed rate	90,58%	93,73%	94,99%	95,99%
Variable rate	9,42%	6,27%	5,01%	4,01%
Veighted average life span (in years)	14,98	14,67	14,48	14,44
Implicite rate	1,61%	1,51%	1,34%	1,48%
Duration (years)	13,84	13,27	11,8	11,5

Table 1 - Key regional debt figures

Part I - The institutional framework in Wallonia

Part I - The institutional framework in Wallonia

Since June 2011 and in accordance with the decisions of the Parliament and the Government, all standard communication is conducted with the official designation "Wallonia". Since the Constitution was not modified, texts with legal scope[5] refer to the "Walloon Region" designation. In the present report, we will mostly use the "Wallonia" designation. However, the designation has not been modified in the extracts of legal articles referred to hereinafter.

1.1. Belgium : a federal State

In 1993, Belgium officially became a Federal State made up of Communities and Regions (article 1 of the Constitution[6]). Articles 2 and 3 of the Constitution stipulate that Belgium is comprised of three Communities (French-speaking Community, Flemish Community and German-speaking Community) and three Regions (Walloon Region, Flemish Region and Brussels-Capital Region).

The organisation of the country is therefore structured around three levels of independent authority:

- The Federal State;
- The three Regions;
- The three Communities;

Each federated entity sovereignly exercises its competences through its own parliamentary and governmental institutions. However the reader will observe that since 1980, the Flemish Community has exercised the competences of the Flemish Region with one Government and one Parliament. In 1993 and in 2015, the French-speaking Community transferred the exercise of certain powers to the Walloon Region (see below).

The Belgian territory is further sub-divided in administrative terms, into 10 provinces and 581 municipalities (262 in the Walloon Region, 19 in the Brussels-Capital Region and 300 in the Flemish Region).

1.2. Explanation of the concepts of Community and Region

Article 4 of the Constitution stipulates that Belgium includes four linguistic regions: the French-speaking region, the Dutch-speaking region, the bilingual Brussels-Capital region and the German-speaking region. The linguistic regions are

[5] These are primarily: standard-setting legislation such as draft decrees and decree proposals of the Government of the Walloon Region; agreements, employment contracts, lease contracts, loan contracts or provision contracts, documents pertaining to public procurement contracts, etc.

[6] Consolidated constitution on 17 February 1994

simple territorial subdivisions which do not have any political or administrative body and which as a result should not be confused with the three main Walloon, Brussels and Flemish Regions.

The Communities exercise their competences in the corresponding linguistic region, with specific rules for the bilingual Brussels-Capital region. These competences, based on people and culture, extend to six areas: cultural matters, education, the use of languages, person-based matters (healthcare[7] - except social security - and assistance to individuals) as well as international cooperation and scientific research in community matters.

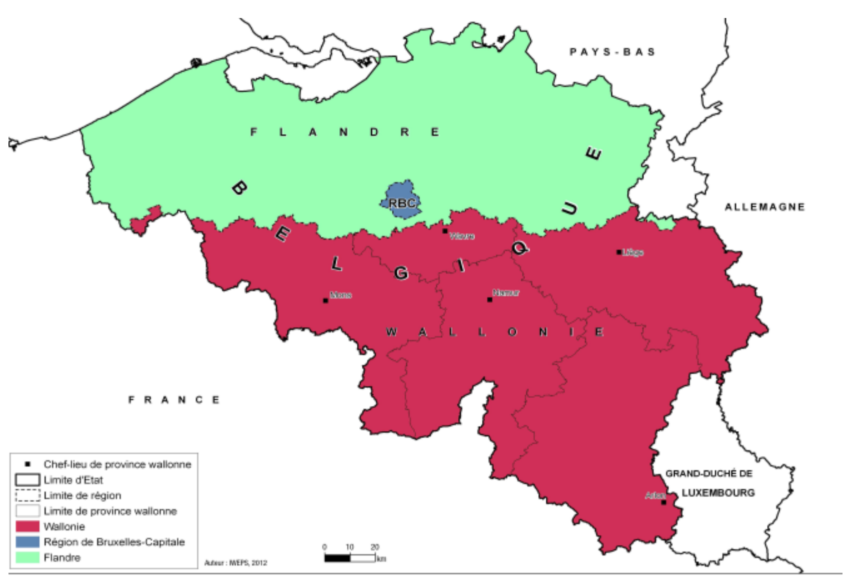
The Regions exercise their competences within their respective territory. These competences are based on the management of the territory (urban development, environment, natural resources, agriculture, transport, housing, infrastructure, energy, etc.) and economic development (employment policy, grants to companies, foreign trade, applied research, etc.).

This dual-level federalism stems from the historical evolution of Belgian state reform.

1.3. Wallonia

1.3.1. Competences

The competences of Wallonia are exercised with regard to the people based within its territory.



[7] It should be noted that the French Community (Wallonia-Brussels Federation) has delegated the competence for healthcare to the Walloon Region (Sainte-Emilie agreements)

The powers and functions of Wallonia are set out by the Belgian Constitution as well as by the special law concerning institutional reform (LSRI) of 8 August 1980, as modified in particular in 1988 and 1993. Matters falling within its functions are:

- Local authorities, social action and health (see point 1.3.4 – 6th reform),
- Businesses, employment an research,
- Mobility and waterway,
- Roads and buildings,
- Urban development, housing, patrimony and energy
- Agriculture, natural resources and the environment,
- Taxation.

In 1993,[8] the French-speaking Community, whose designation since June 2011 has been the "Wallonia-Brussels Federation", transferred the exercise of certain functions to Wallonia and the French-speaking Community Commission of the Brussels-Capital Region. This transfer specifically concerned sports infrastructure, tourism, vocational training, social promotion, and also policies relating to healthcare and assistance to individuals.

Additional matters are transferred to Wallonia, from the federal authority and social security as well as from the Wallonia-Brussels Federation (Sainte-Emilie agreements) and are presented in point 3.4.

These competences are not only exercised by Wallonia itself, but also through Public Administration Units (PAU), and notably regional companies[9] and separate management bodies.[10]

1.3.2. Institutions

The institutional organisation of the federated entities is defined by the Constitution and by the special law concerning institutional reforms of 8 August 1980, as modified in 1988 and 1993.

The Walloon Parliament is a single-chamber assembly made up of 75 deputies, who are elected by direct universal suffrage, according to proportional representation, for a 5 year term. It exercises legislative power through decrees which have force of law. The right of initiative belongs both to the Government which introduces draft decrees,

[8] See in particular the Decree II of 19 July 1993 transferring the exercise of certain competences of the French-speaking Community to the Walloon Region and the French-speaking Community Commission (which came into force on 1 January 1994).

[9] Only the Walloon Waste Agency falls within this category. It does not have its own legal personality.

[10] The Walloon Agency for Air and Climate (AWAC) and the Organisme Payeur de Wallonie (OPW) fall within this category.

and to deputies who introduce decree proposals. Parliament votes on budgets and accounts, on the proposal of the Government, and exercises a dual supervision function over the latter by designating the members of the Government (nine at the most), and regularly questioning them on their actions and decisions.

The Walloon Government currently has seven members.[11] In charge of the executive power, the Government promulgates the Walloon decrees, instructs their publication in the Belgian Official Journal, and makes the necessary orders and regulations to implement them. The Government is accountable to the Parliament.

It should be noted that the results of federal elections do not have any direct impact on the regional political landscape and consequently, by extension, on parliamentary and governmental representations. As such, the Regional Governments can have coalitions which are different to those of the federal Government, and even Community Governments.

1.3.3. Financing : the Special Law on Financing

The financing of federated entities (Communities and Regions) is governed by the Special Law of 16 January 1989 on the financing of the Communities and Regions (SLF), as modified in 1993, 2001 and 2014.

This Law stipulates in its Article 1 § 2, that the financing of the Regions is guaranteed by:

- non-tax revenues ;
- tax revenues under this law ;
- revenues from the exercice of fiscal autonomy in terms of income tax referred to in Title III/1 ;
- allocated parts from the procceds of taxes and collections ;
- federal contributions ;
- a national solidarity mechanism ;
- borrowings.

Tax revenues concern the following regional taxes:

1° tax on amusement machines;
2° the tax on the sale of fermented drinks;
3° the succession duties of inhabitants of the Kingdom

[11] Having regard to the Decree of the Walloon Government of 28 July 2017 setting out the distribution of competences between the Ministers and governing the signature of Government acts (Belgian Official Journal of 7 August 2017).

and transfer duties upon death of non-inhabitants of the Kingdom;

4° withholding tax on income from real estate;

5° registration duties on transfers for consideration of immoveable property situated in Belgium, with the exclusion of transmissions resulting from an investment in a company, except in the event that it is an investment made by a private person, in a Belgian company, a house;

6° registration duties on:
- the constitution of a mortgage on an immoveable property situated in Belgium;
- the partial or total division of such property situated in Belgium and the conversions set out in Articles 745c and 745d of the Civil Code, even if there is no indivision;

7° registration duties on donations inter vivos of moveable or immoveable goods;

8° the circulation tax on vehicles;

9° the road fund tax;

10° euro vignette road tax on lorries;

11° tax on the CO2 emission difference by motor vehicles put into circulation by a private individual (Malus);

12° taxes, charges and levies collected under the 1997 decree-programme;

13° taxes and charges collected on waste;

14° taxes on machines;

15° taxes on abandoned housing;

16° taxes on abandoned business sites;

17° radio and television fees;

18° tax on gambling and betting,

1.3.4. 6th State Reform and transfer of powers

The 6th State Reform, which falls within the objective of restructuring the Belgian institutional framework, set out a new transfer of powers to the federated entities. It is stipulated that, even though the laws and decrees governing this 6th State Reform date from 1 July 2014, the elements pertaining to the financing of this reform take effect from 1 January 2015.

In summary, the additional powers which have now been transferred to the regions (from the federal government and social security and the Wallonia-Brussels Federation), are the following:

- Employment policy:[12] monitoring job seekers (sanctions and training) ;
- Mobility, energy, agriculture and local authority policies;
- Tax expenditure: housing bonus, service vouchers and Local Employment Agency cheques ;
- Healthcare and assistance to individuals:[13] assistance for people with disabilities, home assistance for the elderly, extended care ;
- The transfer of family allowance began on 1 July 2014.
- Financing of hospital infrastructure and medical-technical services (since early 2016).

To finance these new powers, new revenue sources are granted to the Regions, in addition to the pre-existing sources of finance.

These new resources are:

- Additional percentages on personal income tax (PIT) ;
- Transfer of PIT revenues from the federal government ;
- Levy of a "national solidarity contribution" on the PIT revenues of the federal government.

Due to these new sources of finance, the fiscal autonomy of Wallonia has been strengthened.

1.4. Rules governing the indebtedness of federated entities

1.4.1. Legal bases

Pursuant to Article 49, § 1 of the SLF of 16 January 1989, the Communities and Regions are allowed to contract loans. They do not benefit directly from the guarantee of the Federal State pursuant to Article 15 of the Special Law on Institutional Reforms of 8 August 1980.

[12] Competences transferred from the federal government and social security

[13] Transfer of powers from the Wallonia-Brussels Federation to Wallonia

It should be noted however that Article 54 of the SLF stipulates in § 2 that Wallonia has the right - if the Federal State is late in transferring the funds which it is obliged to transfer to the federated entities under the SLF, or only transfers part of the funds - to borrow funds whilst benefiting from a legal guarantee from the Federal State, and for which the financial service is fully and directly at the expense of the latter.

Through certain provisions of the SLF, the federal authorities have ensured that there is a framework for the borrowing capacity of federated entities. There are two objectives in this respect: firstly, the safeguarding of the economic and monetary union (both at the European and national level) and secondly, the prevention of a structural deterioration of financing needs (Article 49 § 6). This is also why Cooperation Agreements have been signed between the federated entities and the Federal State, which establish an annual budgetary objective for each entity. To this end, a "Public Authorities Financing Needs" division has been set up within the High Council of Finance (HCF). This body, which is made up of representatives from the federal and federated entities, is tasked with advising on their financing needs, and on the way in which they have met the objective established in the Cooperation Agreements. This division can also give its opinion to the (federal) Minister of Finances with the aim of limiting the borrowing capacity of a federated entity. Using such a provision means however that strict consultation rules must be respected between the parties concerned. It should be noted that the opinions and recommendations provided annually by the HCF have acquired considerable influence over the debt policy of the federated entities.

In 2003, following an agreement reached at the Inter-ministerial Budget and Finance Conference (21 March 2002), the European System of Accounts (ESA 95) entered into force. This system is a reference framework which enables the budgetary results of federated entities to be evaluated. These budgetary objectives, expressed in ESA terms, no longer correspond to a maximum authorisation of borrowing. It is an accounting result into which elements are integrated which have no influence on the treasury and debts.

In response to the new objectives established by the Treaty on the Functioning of the European Union, it became necessary to review the standards which defined the statistical tools. It was with this in mind that the European System of national and regional Accounts was revised, and the ESA 95 was reworked and supplemented to become a more exhaustive version: ESA 2010.

"To ensure that the concepts, methodologies and accounting rules set out in this volume are strictly applied, it has been decided, following a proposal from the Commission, to give it a solid legal basis. ESA 2010 was thus adopted in the form of a regulation of the European Parliament and of the Council dated 21 May 2013." [14]

1.4.2. Types of loans

The Special Law of 13 July 2001 on the refinancing of Communities and Regions also substantially modified these entities' terms for contracting loans. Article 49 of the SLF stipulates the following:

- "§ 1 The Communities and Regions can contract loans in euros or other currencies."
- "§ 2 The planning of public borrowing (in the strict sense of the term)[15] is established by the (federal) Council of Ministers, after consultation with the (community and regional) governments. The conditions, as well as the timetable, for issuing any public loans are submitted to the (federal) Minister of Finances for approval. In the event that the (federal) Minister of Finances does not give approval, the (community or regional) government concerned can request that the matter is brought before the (federal) Council of Ministers for a decision."
- "§ 3 The Communities and Regions can issue private loans as well as short-term securities, after having informed the (federal) Minister of Finances. [...].".

The entry into force of these arrangements was set for 1 January 2002. This means that since this date, one single procedure to inform the federal Minister of Finance has had be observed prior to contracting a loan. The terms of the communication and the content of this information (in particular, the amount and duration of the loan, the financial conditions, the co-contracting party) were subject to a convention[16] between the (federal) Minister of Finances and the Community and Regional Governments.

Therefore, only loans which are arranged with individuals are subject to the approval of the Federal Minister of Finances; all other borrowing is the subject of simple notification.

[14] Document: European System of Accounts ESA 2010, EUROSTAT, European Commission

[15] In other words loans intended for individuals.

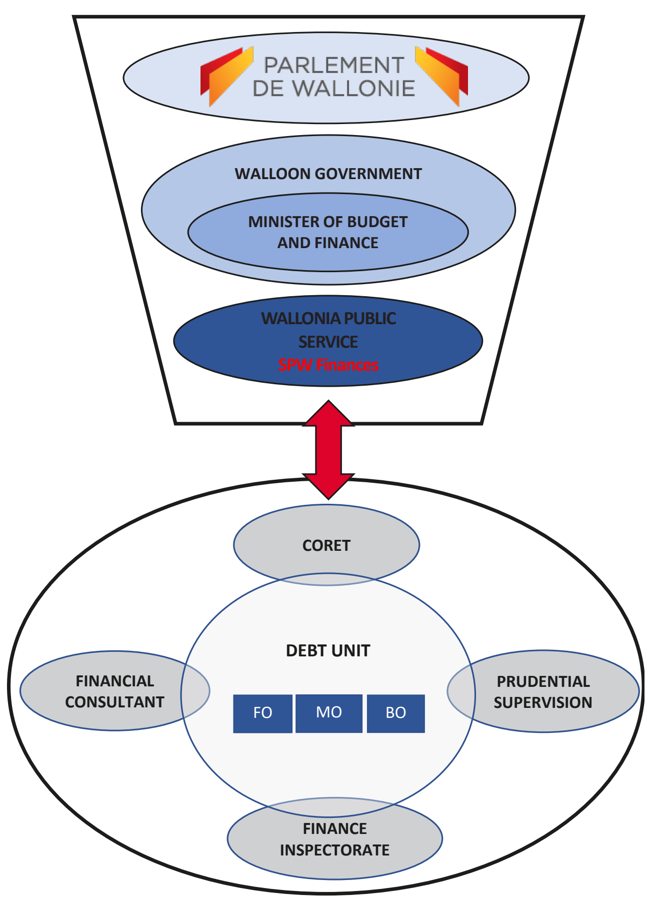
[16] Convention of 29 April 1991 pertaining to Article 49 of the SLF

Part II - Administrative framework for regional treasury and debt management

Part II - Administrative framework for regional treasury and debt management

2.1. Principles of Governance

Wallonia's finances are managed by the Minister who is assigned responsibility for the Budget. Pursuant to the provisions contained within the mechanism governing the regional budget of revenues, the Budget Minister is authorised to subscribe loans and conclude any financial management transaction dictated by the general interest of the Treasury. This authorisation is renewed each year during the vote by the Walloon Parliament on the decree containing the general budget of revenues.



Graph 1 - Diagram of the administrative framework

The strategic approaches to debt management are debated within the Regional Treasury Council (CORET) and the Joint Treasury Council (COCOT) which provide[17] opinions to the Budget Minister.

Ministerial decisions on the management of regional debt and treasury were executed by the Debt Unit within the Wallonia Public Service (SPW) until 31 December 2023.

Since 1 January 2024, the Debt Unit has been transferred to Wallonie Finances Expertises (CeSEFFB under its legal designation).[18] The creation of this new entity will allow new synergies between complementary services, namely the Monitoring Support Unit, the Fiscal Unit, the Financial Information Unit and the Debt Unit. The objectives, missions and responsibilities of this new centre remain unchanged from the respective roles of the various merged units.

In practical terms, the Debt Unit ensures the management of the cash flow cycle, the management and financial service of the direct and indirect debt and the monitoring of secured debt in accordance with the opinions issued by the Regional Treasury Council, the Joint Treasury Council, as well as decisions taken by the Minister.

With the financial centralisation of the treasuries of the Walloon Public Administration Units (PAU), the Debt Unit is also responsible for handling the treasury forecasts submitted by these organisations in order to optimise the management of Wallonia's net cash position resulting from the overall position of the Region and the overall position of these organisations. It should also be noted that the Debt Unit maintains the accountancy for the bridging loan for the SPABS (GESFIN[19] accounts managed within the Unit by an Accounting Officer appointed for this purpose). [20]

The administrative structure of the Debt Unit is based on that currently applied in the banking sector, namely a "front, middle and back office" type structure subject to "prudential" supervision.

[17] For more details concerning these two committees, refer to section 1.3 "Advisory bodies - the Joint Treasury Council and the Regional Treasury Council".

[18] Decree of the Walloon Government of 25 April 2024 on the creation of the Centre Stratégique d'Expertise Fiscale, Financière et Budgétaire (Strategic Centre for Fiscal and Financial Expertise), abreviated to: CeSEFFB. Available via : https://wallex.wallonie.be/eli/arrete/2024/04/25/2024005858

[19] Open accounts for every public administrative company for school buildings (SPABS).

[20] Loans concluded in the context of the guarantee granted by Wallonia for the loans contracted by the five Walloon public administrative companies in charge of school and education buildings organised by the public authorities (SPABS).

Such a structure allows for a clear distinction between those people who carry out the operations (front office), those responsible for supervising them (middle office) and those who handle the processing (back office). This structure ensures the existence of internal control.

- The Front Office (FO) is competent for the dynamic management of the cash flow cycle, as well as borrowing on money and capital markets. It is also responsible for the dynamic management of debt via the use of derivative products. It is assisted in this by the financial consultant for the Walloon Region. [21] The front office is also responsible for monitoring the procedures applied when PAUs operating under the regional guarantee use the loan.
- The middle office is responsible for the internal supervision of operations carried out by the front office (the two pairs of eyes principle). It is also competent for payment schedules and drawing up budget estimates.
- The back office is responsible for processing the bank confirmations related to the operations and also the budgetary and accountancy monitoring of these operation (commitment and validation of expenditure, the allocation of revenues, management of the treasury accounts relating to the debt).

2.2. Internal and external controls

The management activities of the Debt Unit are subject to various controls, both internal and external to the Administration. Essentially, there are three inspection bodies: the Finance Inspectorate, the Court of Auditors, and the prudential supervision exercised by an external Auditor approved by the FSMA.

As an illustration, and in line with market best practice, the management of short-term liquidities is based on the centralisation of the cash balances of the associated entities for the calculation of interest charges; this makes it possible to have an overall view of the cash position and to achieve considerable savings with regards to the cost of financing and transaction fees. The competitive procedure is in line with market best practice; the financing products and hedging instruments used are a mix of diversified products adapted to the benchmark; the procedures for processing confirmations and marking operations constitute sound

[21] The Financial Consultant for the Walloon Region is responsible for:

- Treasury management;
- Debt management;
- Financial centralisation of the treasuries of the Public Administration Units;
- General consultancy;
- Daily management assistance.

management and cash flow practices; the procedures in place respect the principle of the separation of functions, ...

2.3. Advisory bodies

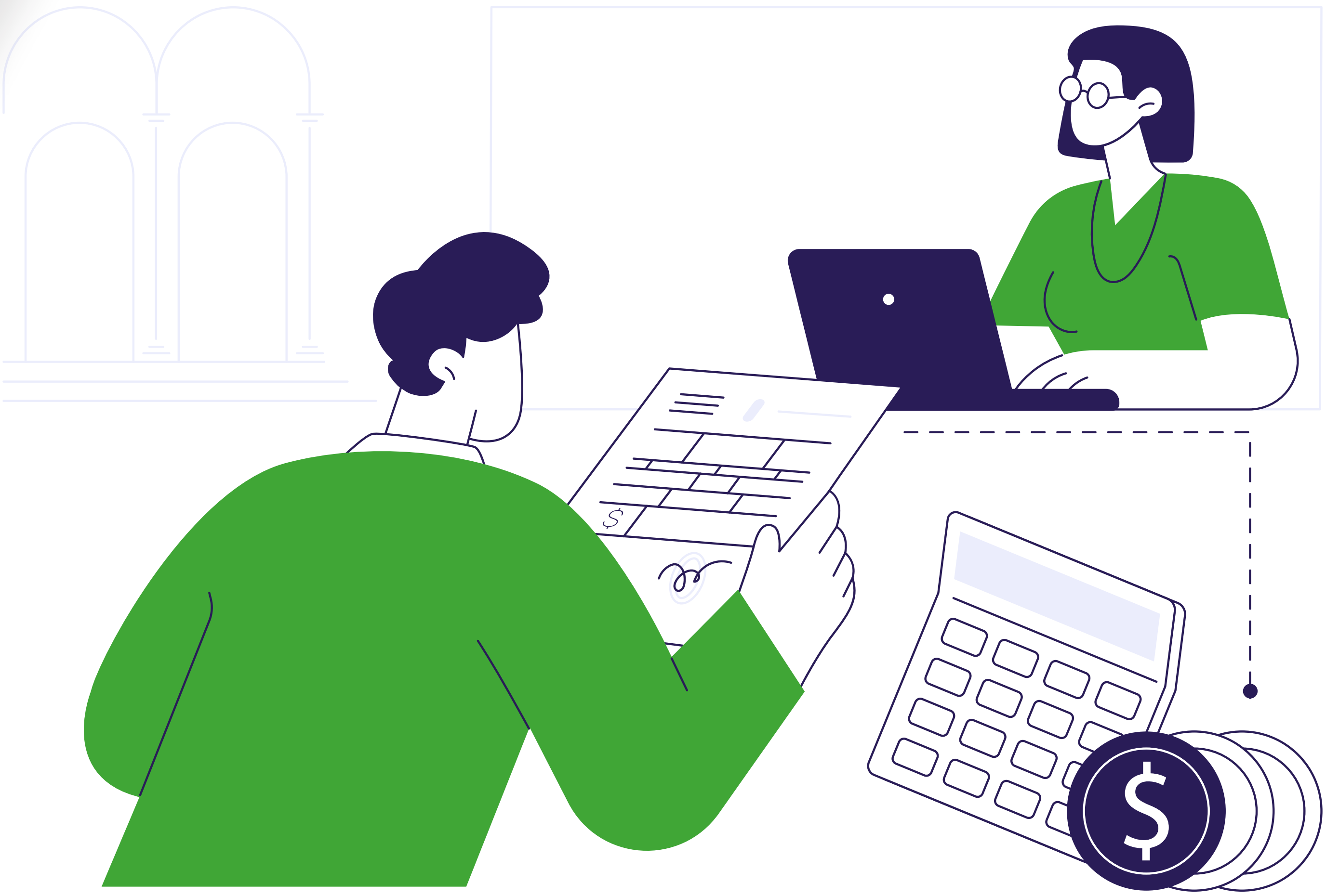
In order to optimise the management of regional and community finances, organisational synergies between Wallonia and the Wallonia-Brussels Federation have been established, in particular by the creation of a ***Joint Treasury Council***[22] where the strategic approaches to debt and treasury management are debated, as well as the coordination of community and regional financial policy, the determination of joint management principles and the intensifying of synergies in light of the institutional frameworks. This advisory body is chaired by a representative chosen by mutual agreement by the Community and Regional Ministers responsible for the Budget and Finances, and is made up of representatives from the Minister Presidents, Vice Presidents and (regional and community) Administrations. The Finance Inspectorate, the Court of Auditors, the external Auditors and external experts all participate in the meetings of the Council. The Joint Council is composed of a ***Community Treasury Council***[23] and a ***Regional Treasury Council***[24] which are tasked with assisting their respective Government in matters of day-to-day debt and treasury management, and with implementing the strategic decisions proposed by the Joint Council, and decided on by the Minister concerned.

In 2023, the ***Regional Treasury Council*** met twice to discuss the strategic guidelines for managing the regional debt and treasury, before presenting a detailed opinion for the approval of the Minister of Budget and Finance of the Walloon Region.

[22] Cooperation agreement of 19 May 2010 modifying the cooperation agreement of 10 December 2004 establishing a Joint Treasury Council for Wallonia and the Wallonia-Brussels Federation.

[23] See also the Decree of the Government of the French-speaking Community of 21 January 2005 repealing the Decree of the Government of the French-speaking Community of 7 December 1998 establishing the Community Treasury Council.

[24] See also the Decree of the Walloon Government of 23 December 2004 repealing the Decree of the Walloon Government of 10 July 1997 establishing a Regional Treasury Committee (CORET).



Part III - Regional cash flow and debt

Part III - Regional cash flow and debt

3.1. Regional cash flow

3.1.1. Revenue Management

In 2023, a total of **EUR 19,184.496 million** (including gross allocations and borrowing proceeds, excluding amortizations, as recorded in the budget at the request of the Court of Auditors) was allocated to the revenue budget based on established entitlements.

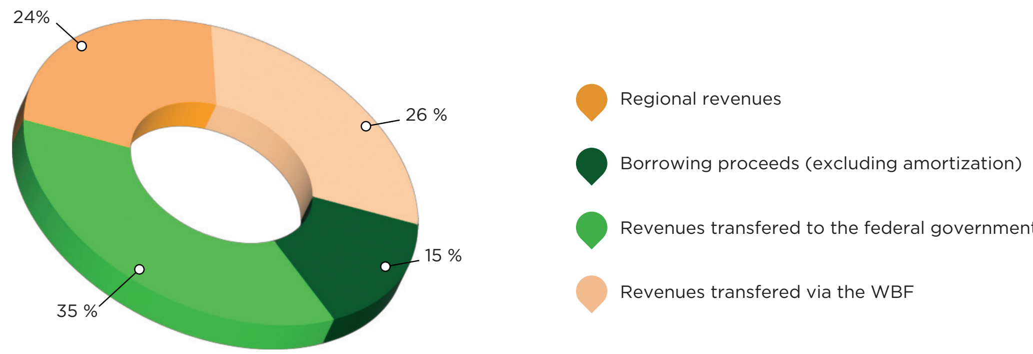
Since 1 January 2013 and pursuant to the Decree of 15 December 2011 pertaining to the organisation of the budget and accountancy of the Services of the Walloon Government, the revenues of the SPW are accounted for based on established entitlements for the financial year.

Borrowing proceeds, excluding repayments of amortizations for 2023 (EUR 799.530 million[25]), amounted to EUR 2,825.00 million, representing 15% of total revenues.

An analysis of total revenues, excluding borrowing proceeds, which amounted to EUR 16,359.496 million, leads to a classification into three major revenue categories, excluding borrowing proceeds :

- The amount of EUR 6,636.196 million, representing 34%, comes from the federal government through allocations for transferred competences and the share related to the regional tax department. This share of revenue is guaranteed and its evolution is established in the Special Financing Law.
- The amount of EUR 5,070.908 million, or 26%, passes through the French Community, relating to the transfer of competences (and associated revenues) defined and guaranteed by the 6th State Reform and reflected in the Sainte-Emilie and Saint-Quentin allocations.
- The amount of EUR 4,652.392 million, representing 24%, comes from the Region's own revenues, which include additional personal income tax, regional taxes, assigned revenues and miscellaneous revenues.

[25] This amount includes the theoretical increase in the borrowing capital related to European inflation (excluding tobacco and volatile compounds)



Graphique 2 - Breakdown of 2023 revenues

(in EUR)	2023 financial year		
REVENUES	**initial Budget**	**Ajusted Budget**	**Allocation based on established entitlements**
Allocated part of the PIT / additionnal PIT	**3 199 00 000**	**3 243 331 000**	**3 285 233 499**
Regional taxes collected by the federal government	*2 466 078 000*	*2 469 370 000*	*2 197 748 459*
IRegional taxes collected by the Region	*820 026 000*	*837 322 000*	*832 734 972*
Regional taxes (total)	**3 286 104 000**	**3 306 692 000**	**3 030 483 432**
Provision for transfered competences	**3 336 429 000**	**3 332 943 000**	**3 332 943 392**
Sainte Emilie provision	**4 658 283 000**	**4 614 916 000**	**4 614 916 261**
Fédéral contribution (road taxes/ property/	**18 290 000**	**18 019 000**	**18 019 334**
games ans Paris)	**467 207 000**	**455 893 000**	**455 992 033**
Franch Community contribution	**788 660 000**	**1 042 546 000**	**910 342 832**
Miscellaneous revenues	**547 665 000**	**620 002 000**	**711 565 881**
Assigned revenues	**606 000 000**	**676 800 000**	**0**
Miscellaneous European revenues	**16 907 640 000**	**17 311 142 000**	**16 359 496 664**
Borrowing proceeds	4 098 293 000	3 763 170 000	2 825 000 000
TOTAL REVENUES	**21 005 933 000**	**21 074 312 000**	**19 184 496 664**

Table 2 - Recettes perçues en 2023

Note :
The change in the amount of borrowing proceeds in table 2 can be explained as follows :

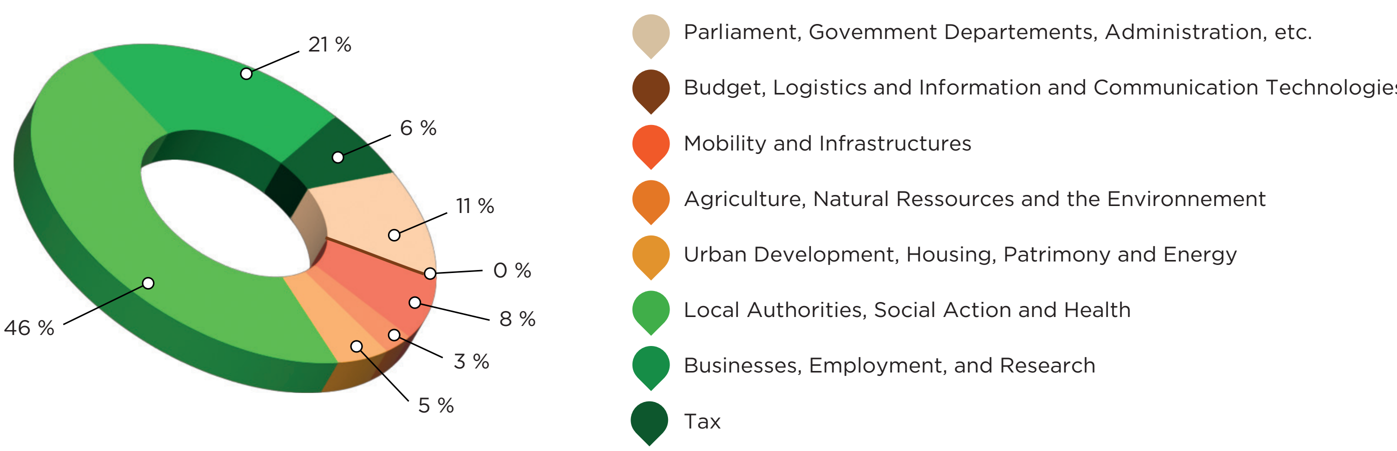
- In the initial 2023 budget: this only refers to the amount initially required to repay the maturing amortizations in 2023, without anticipating the loans that will be made to cover the gross balance to be financed;
- In the adjusted 2023 budget: this is the adjusted

amount to repay the 2023 amortizations, after deducting the loans extended during the year (LOBO);

- In the budget allocated based on established entitlements: this is the actual amount of the borrowing proceeds for 2023, after the repayment of the maturing amortizations for the year.

3.1.2. Expenditure management

The breakdown of main expenditure by means of payment for Wallonia in 2023 is as follows :



Graph 3 - Graph 3 -Breakdown of 2023 expenditure

EXPENDITURE PER HEADING	INITIAL BUDGET	AJUSTED BUDGET	CREDITS LIQUIDATED 2023 EXECUTION	%
Parliament, Government Departments, Administration, etc.	3 128 602 000	3 146 109 000	2 163 306 447	11.0%
Budget, Logistics and Information and Communication Technologies	50 164 000	52 400 000	49 183 875	0.3%
Mobility and Infrastructures	1 414 989 000	1 589 260 000	1 484 996 141	7.6%
Agriculture, Natural Resources and the Environment	660 384 000	779 620 000	679 031 430	3.5%
Urban Development, Housing, Patrimony and Energy	772 754 000	1 007 417 000	931 336 273	4.7%
Local Authorities, Social Action and Health	9 268 866 000	9 200 228 000	9 034 926 542	46.1%
Businesses, Employment and Research	3 981 002 000	3 907 800 000	4 029 406 372	20.5%
Tax	1 323 763 000	1 365 310 000	1 236 934 93	6.3%
European co-financing 2014 -2020	210 901 000	14 272 000	0	0.0%
European co-financing 2021 - 2027 programme	99 568 000	99 342 000	0	0.0%
TOTAL EXPENDITURE	**20 910 993 000**	**21 161 758 000**	**19 609 122 018**	

Table 3 - Allocation of expenditure 2023

The total amount of credits liquidated in 2023 (EUR 19,609.122 million) includes the amount of the financial expenses for the direct debt and internalised debt (EUR 377.338 million), but also the amount of amortizations carried out in 2023 (EUR 799.530 million).

3.1.3. General overall position of the Walloon treasury

The regional treasury groups all of the financial accounts in which the revenues and expenditure of the entity are recorded. In this respect, the cash flows reflect the implementation of budgetary and non-budgetary movements, such as operations on behalf of third parties as well as capital transactions of the regional debt (loans and amortizations).

From 1 January 1991 onwards, given the new powers transferred from the Federal Government to the federated entities, Wallonia chose a cashier with which its treasury is centralised, and which among other things, executes its operations. All accounts opened by Wallonia with its cashier (currently Belfius Bank SA) have their balances consolidated on a daily basis in order to determine an overall cash balance, which constitutes a Walloon current account or "overall regional position".

Following the financial centralisation decision described in the next point, this overall position takes into account of the treasuries of the so-called "centralised" PAUs.

3.1.3.1. Financial centralisation

On 19 October 2002, during the budgetary conclave, the Walloon Government adopted the principle of the financial centralisation of the treasuries of Walloon PAUs, without the creation of a new legal structure. This decision was transcribed in the form of a decree on 19 December 2002. [26]

In accordance with the provisions of the Decrees of 19 December 2002, the Walloon Government drafts an annual report for the Walloon Parliament on the policy carried out in matters of cash flow and debt management in the Walloon Region. This report is submitted to the Walloon Parliament, at the latest on 30 June of the year following the financial year in question. The Decrees implementing these Decrees were adopted by the Walloon Government on 16 January 2003[27].

[26] Decree of 19 December 2002 establishing the financial centralisation of Walloon PIOs whose missions relate to the matters referred to in Articles 127 and 128 of the Constitution

[27] Decree of the Walloon Government of 16 January 2003 pertaining to the management terms of the financial centralisation of the treasuries of Walloon Public Interest Organisations whose missions relate to the matters referred to in Articles 127 and 128 of the Constitution.

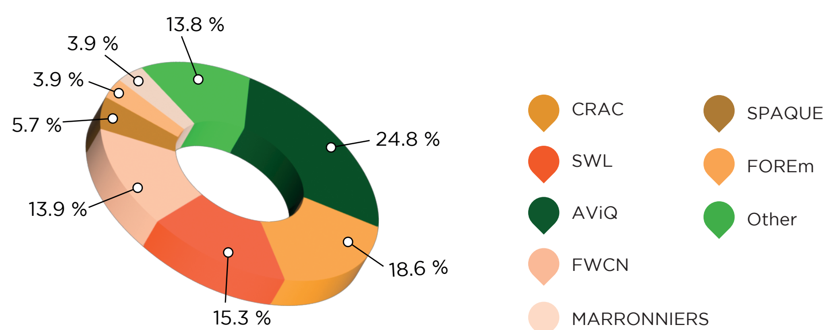
A ministerial circular letter of 21 September 2017 and modified on 7 February 2018, specifies the terms of implementation of the centralisation: management of accounts, cash flow forecasts, reporting, etc.

The principle of this centralisation is to merge, in terms of amounts and value date, all the balances of all the accounts of the Walloon Region and the designated organisations. This merging determines a net cash position and is carried out by the centralising cashier, in other words the banking institution appointed by the Government.

In order to maximise the efficiency of this centralised management, all short-term, medium-term and long-term cash flow forecasts are produced by the departments of the Region and the designated organisations. These cash flow forecasts are merged in terms of the value date and enable dynamic cash flow management by the Region.

The alphabetic list of the 27 Walloon PAUs participating in this centralisation in 2023 is as follows: ADN, APAQ-W, AViQ, AWAC, AWAP, Wallonia Export-Investment Agency (AWEX), CGT, CIRCSA, CRAC, CRA-W, FAMIWAL, FOREm, FWCN, IFAPME, ISSeP, IWEPS, Les Marronniers, OTW, RWEAP, SOFICO, SOGEPA, SOWAER, SOWAFINAL, SPAQuE, SWCS, SWL and WBT.

The following figure presents the respective share of 7 PAUs that together represent over 86% of the centralised regional treasury, namely SWL, CRAC, AViQ, FWCN, FOREm, SPAQuE and Les Marroniers :



Graph 4 - Respective share of 7 large PAUs in the centralised treasury

3.1.3.2. Evolution of the cash position in 2023

In the context of active cash flow management, it is interesting to isolate the annual cycle in order to analyse the evolution of the daily overall position of all the accounts integrated into the centralisation, and to determine the differences between the rhythms of revenue collection and expenditure.

It is important to reiterate here that the SLF (Special Law on Financing) stipulates the payment terms for the financial resources transferred to Wallonia by the Treasury of the FPS Finances. Besides the terms which govern the frequency of the resources transferred, the amount of these resources is also pre-determined by the mechanisms of the SLF and the Decree assigning certain powers from the Wallonia-Brussels Federation to Wallonia.

Wallonia's cash flow is therefore characterised by a high degree of revenue predictability due to prior knowledge of the terms of settlement, both regarding the amounts and the collection rhythms of most of the resources, with the exception of certain revenues from the 6th State Reform. Thus, the additional cents in the Income Tax transferred by the Federal State are paid monthly in accordance with the SLF. This method of payment is also applied for the payment of resources made by the Wallonia-Brussels Federation. As for the collection of regional taxes, they are also expressed in monthly terms, but there may be fluctuations with regard to the budgeted amounts. With regards the regional taxes collected by the Taxation Department of the Wallonia Public Service for Finance (SPW Finances), these are deposited on a weekly basis into the accounts managed by the Finance and Revenue Directorate of SPW Finances.

As for cash outs, these can be split into two categories:

- Pre-programmed expenditure, the amounts and disbursement dates of which are predetermined, represent approximately two thirds of all expenditure. The programming is calculated based on the budgetary data (amounts) and legal, decretal, regulatory or conventional norms (payment dates) These expenditures primarily relate to the repayment schedule of matured loans, as well as the scheduled payments of allocations to the PAUs.

This programming is the subject of periodic adjustments with regard to the budgetary amendments which take place during the course of the financial year and the actual expenditure;

This pre-programmed expenditure is analysed by the Debt Unit in a cash flow forecast table to anticipate any potential cash flow pressures on the Region's treasury and, if necessary, to plan for new borrowing;

- Miscellaneous expenditures account for slightly more than one-third of total expenditures. These have a significantly more random disbursement rhythm and are specifically monitored by the Debt Unit. The statistics obtained enable the effects of volatility to be limited in terms of cash flow management.

The treasury tool used by the Debt Unit is used to manage several important activities, including :

- daily and forecast tracking of overall positions (Region, PAU and general overall position);
- monitoring the calculation of interest as defined in the cashier's contract;
- measuring potential savings that can be made for each short-term operation (placements) carried out;
- simulating possible improvements in the payment cycles of allocations to PAUs;
- monitoring the budgetary allocation of the Region's two major accounts (central revenue account and central expenditure account).

Between 31/12/2020 and 31/12/2023, the change in cash flow figures was as follows :

CASH POSITION (IN EUR)	31/12/20	31/12/21	31/12/22	31/12/23
Overall regional position	170 406 859,13	-78 380 987,59	912 135 688,74	255 970 795,33
Overall position of centralised PAUs	2 053 234 290,12	3 418 294 412,45	3 323 684 345,91	3 027 717 063,03
General overall position (Region + PAU)	**2 223 641 149,25**	**3 339 913 424,86**	**4 235 820 034,65**	**3 283 687 858,36**

Table 4 - Evolution of outstanding cash balances since 2020 (by accounting date)

The graph below illustrates the evolution of Wallonia's cash flow over the course of 2023.

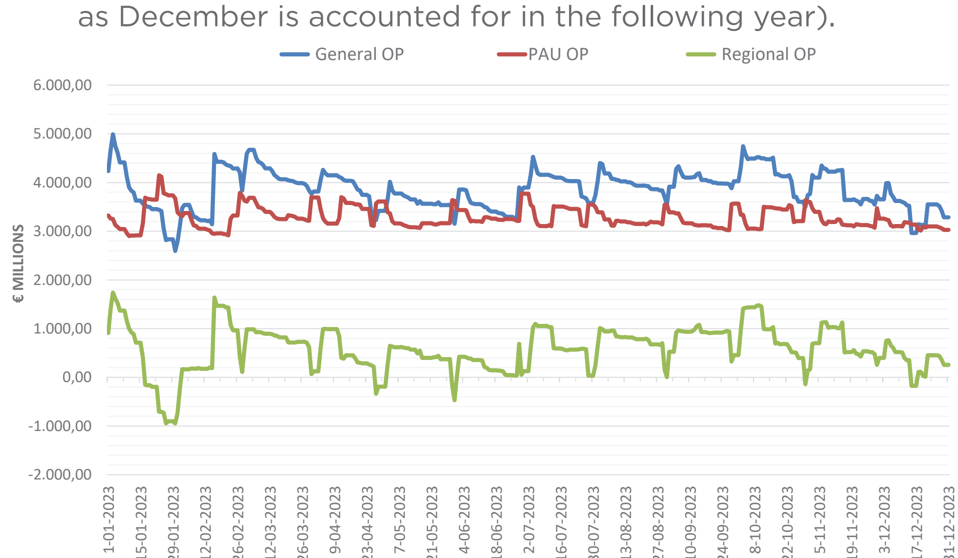
Between 31 December 2022 and 31 December 2023, the General Overall Position of the Walloon Region decreased by EUR 952.132 million from EUR 4,235.820 million to EUR 3,286.687 million. This significant reduction is due to the decrease in both the Regional Overall Position and the Overall Position of the centralised PAUs between the end of 2022 and the end of 2023.

Specifically, between 31 December 2022 and 31 December 2023 :

- The Regional Overall Position decreased by EUR 656.164 million, EUR from 912.135 million to EUR 255.970 million.
- The Overall Position of centralised PAUs decreased by EUR 295.97 million, from EUR 3,323.684 million to EUR 3,027.717 million.

Regarding the Overall Regional Position, apart from a period of 15 days in January, 5 days at the end of April, 2 days at the end of May, 1 day at the end of October and 3 days in mid-December, it remained positive throughout 2023.

Furthermore, the Wallonia's substantial cash balance led, for the second consecutive year, to an exceptional accumulation of credit interest. As a result, the Region received a total amount of EUR 80,263,960.29 over 2023 (including December 2022 but excluding December 2023, as December is accounted for in the following year).



Graph 5 - Evolution of regional cash flow in 2023 (in EUR million)

3.1.3.3. Management of credit and debit positions

The general overall cash position creates a daily credit or debit position for the regional cash flow and as such generates credit interest or debit interest calculated on a monthly basis by the cashier.

Credit position

Until 23 December 1995, Wallonia was subject to ordinary tax law in matters of investment; it was therefore liable for withholding tax on every kind of investment. It was therefore a matter of searching for investments which offered the highest gross rate of return, for the level of risk accepted, in such a way as to maximise the net return, compared with the gross monthly rate offered for assets in the current account.

Since this date, Wallonia has been exempt from the withholding tax if it invests its surplus cash in book-entry securities of the Public Authorities. Wallonia's other investments remain subject to the rules of ordinary tax law.

In 2023, Wallonia used part of its positive cash flow to conduct short-term investment operations (of one month or less) with public entities.

Between January and December 2023, 56 investments were made, with an average volume of EUR 12.147 million and a total of EUR 680.273 million (with EUR 0 remaining as of 31 December 2023).

Debit position

In the event of a debit balance, Wallonia has a credit line provided by its cashier, Belfius. From 1 January 2023 to 31 August 2023, Wallonia had a cash facility of EUR 2.5 billion, with an additional EUR 500 million standby facility available if needed. From 1 September 2023 to 30 September 2024, Wallonia had a cash facility of EUR 2 billion, with an additional EUR 500 million standby facility available if needed.

Moreover, to meet occasional cash needs, Wallonia has two MTN programmes,[28] which it can use to cover its cash flow needs by issuing commercial papers.

[28] For more details on these programmes, please refer to section 3.2.6 "Regional debt and financial instruments" in point 3.2.6.2 "Domestic MTN programmes".

3.2. Regional Debt

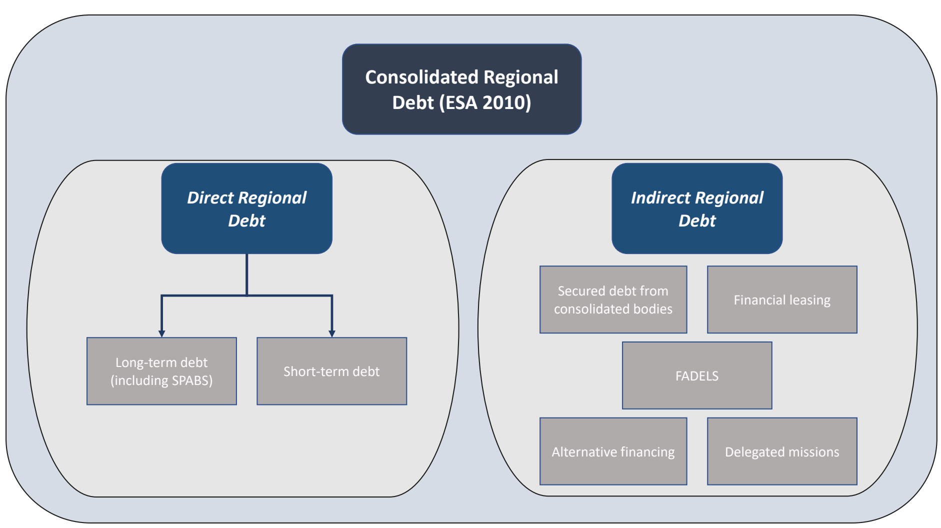
Regional debt results from the consolidation of two main components: direct regional debt (including external debt managed by the Region) and indirect regional debt.

The diagram below illustrates the different elements that make up the consolidated regional debt of the Walloon Region This presentation follows the reporting structure defined by the INA for presenting consolidated debt in accordance with ESA standards.

For indirect debts, the INA includes the debts from Alternative Financing and Delegated Missions, secured debts from consolidated bodies (S13.12) and financial leasing. It also includes the internalised debt of FADELS (Social Housing Amortization Fund).

As for the internalised debts of SPABS (Public Administrative Companies for School Buildings) and SWDE (Walloon Water Company), these are accounted for by the INA as direct debts.

Regarding the residual debt of the SWDE, since its final amortization took place in June 2023, this will no longer be included in the regional debt



Graph 6 - Scope of consolidation of regional debt

3.2.1. Direct debt

Direct debt is managed by the Debt Unit, formerly housed within SPW Finances. On 1 January 2024, the Debt Unit merged with other services to become the Governmental Unit under the name of Wallonie Finances Expertises (WFE).

Initially, the direct debt represented the total of the historical budget deficits in Wallonia. The re-borrowing of direct debt amortizations does not constitute an increase in the outstanding amounts since this refinancing is used to pay off maturing loans.

3.2.2. Internalised Debt

Internalised debt is debt which was initially contracted by public sector companies, but for which the Walloon Region directly assumes all or part of the costs and/or amortization. It has also included the transfer of part of the community powers to Wallonia since 1 January 1994.

Regarding the debt of FADELS, this is accounted for as indirect debt by the INA and managed jointly with the Region's direct debt by the Debt Unit. The annual amortization amounts and financial costs are covered by budgetary appropriations contained in the Region's general expenditure budget. It is important to note that each time the Region amortizes part of this debt, it converts what was initially indirect debt into direct debt.

As for the debt of SPABS and the residual debt of the SWDE, these are accounted for as direct debts by the INA and are also managed jointly with the direct debt by the Debt Unit within the Walloon Region. For SPABS, the management is carried out on behalf of the holding companies, which are its actual shareholders. Only the financing for the financial cost (i.e., the difference between the cost of the loans and the rents paid by the WBF) is subject to the budget appropriations contained in the Region’s expenditure budget and therefore excludes any amortization.

At the end of 2023, the total of this internalised debt amounted to EUR 945.56 million.

AMOUNTS IN EUR MILLION	2018	2019	2020	2021	2022	2023
SPABS	795,35	795,35	795,35	795,35	795,35	795,35
SWDE	0,03	0,03	0,02	0,01	0,003	0
Internalised debt accounted for as direct by the INA	**795,38**	**795,38**	**795,37**	**795,36**	**795,353**	**795,35**
FADELS	470,21	310,21	310,21	310,21	230,21	150,21
Internalised debt accounted for as indirect by the INA	**470,21**	**310,21**	**310,21**	**310,21**	**230,21**	**150,21**
Total internalised debt	**1 265,59**	**1 105,59**	**1 105,58**	**1 105,57**	**1 025,56**	**945,56**

Table 5 - Outstanding internalised debt

The scale of this internalised debt must be kept in perspective since the outstanding amount is almost exclusively offset by financial or property assets which generate revenues.
For the SPABS, Wallonia pays 40% of the interest charges, with the balance being covered by the Wallonia-Brussels Federation.
For FADELS, the calculation of interest charges is directly linked to the evolution of 12-month Euribor rates. The coupon calculation is set at the beginning of each year. In 2023, the Region paid EUR 7,672,451.44 in interest. As for the amortization plan for this debt, a schedule has been drawn up between 2017 and the final repayment year, which is set for January 2025. In 2022 and 2023, two successive repayments of EUR 80 million were made.

3.2.3. Evolution of the Region's outstanding debt (direct and internalised)

The outstanding debt consists of the stock of long-term direct debt, short-term debt (commercial papers) and the debts of SPABS, FADELS and SWDE. It is important to note that the internalised debts of SPABS and SWDE are accounted for as direct debt by the INA, while the debt of FADELS is considered as indirect debt.

While the growth in debt between 2014 and 2019 ranged from 5% to 16% in relative value year-on-year, the increase between 2019 and 2020 was significant, rising to 37% in relative value, from EUR 12.824 billion at 31 December 2019 to EUR 17.559 billion at 31 December 2020. This growth was less marked between 2020 and 2021, at around 19% in relative value year-on-year, reaching EUR 20.754 billion, but nevertheless remained substantial. In 2022 and 2023, the trend continued to slow, with a relative growth of 12%

between 2021 and 2022, reaching EUR 23.184 billion with a year-on-year increase of 9% from December 2022 to December 2023, ending with an outstanding amount of EUR 25.287 billion.

Between 2019 and 2023, the components of direct debt evolved as follows (EUR) :

	31.12.2019	31.12.2029	31.12.2021	31.12.2022	31.12.2023
ST Debt (1)	879 000 000,00	917 500 000,00	806 000 000,00	716 500 000,00	805 000 000,00
LT Debt (2)	11 945 342 862,45	16 642 016 002,83	19 948 135 815,48	22 467 994 492,58	24 482 471 588,27
Regional debt (3) = (1) + (2)	**12 824 342 862,45**	**17 559 516 002,83**	**20 754 135 815,48**	**23 184 494 492,58**	**25 287 471 588,27**
Ongoing issuance of commercial paper (4)	0,00	0,00	0,00	0,00	0,00
Placement of ongoing commercial paper (5) (*)	0,00	-32 850 000,00	-30 600 000,00	-184 460 000,00	0,00
Current account debit (6)	936 457 310,81	0,00	0.00	0,00	0.00
Current account credit (7) (*)	0,00	-470 406 859,13	-203 839 012,41	-951 005 688,74	-315 250 795,33
Contribution of PAUs (financial centralisation) (8) (*)	-1 807 070 956,54	- 2 053 234 290,12	-3 418 294 412,45	-3 323 684 345,91	-3 027 717 063,03
Total Cash (9) = (4) + (5) + (6) + (7) + (8) (*)	-870 613 645,73	-2 556 491 149,25	-3 652 733 424,86	-4 459 150 034,65	- 3 342 967 858,36
Totale Debt (10) = (3) + (9)	**11 953 729 216,72**	**15 003 024 853,58**	**17 101 402 390,62**	**18 725 344 457,93**	**21 944 503 729,91**

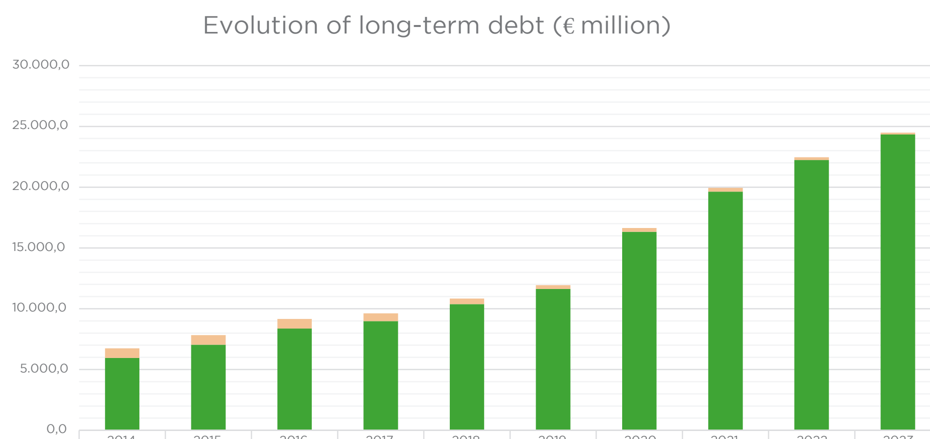
(*) In fact, the negative amounts represent a contribution which is deducted from the amount of the debt.

Table 6 - Components of regional debt (2019-2023)

3.2.4. Long-term debt

Long-term debt, the evolution of which is shown in the graph below, consists of loans from both direct debt and internalised debt, which are managed directly by the Region (FADELS and SPABS).

Since the INA accounts for the debt of SPABS as direct debt and the debt of FADELS as indirect debt, the table below distinguishes between these components.



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
FADELS debt	790,2	790,2	790,2	630,2	470,2	310,2	310,2	310,2	230,2	150,2
Direct debt	5.961,8	7.042,8	8.377,4	8.987,4	10.371,6	11.635,2	16.331,8	19.637,9	22.237,8	24.332,3

Graph 7 - Evolution of long-term debt (in EUR million)

Following the decision by the Walloon Region to ensure the early repayment of the FADELS debt between 2017 and 2024, the indirect debt data have been retroactively adjusted for the years 2014 to 2018. In 2022 and 2023, the Region twice allocated a new amortization instalment of FADELS debt[29], each amounting to EUR 80 million, given the positive change in interest rates.

3.2.5. Short-term debt

Until 2019, short-term debt composed of swapped commercial papers (used to hedge against short-term variable interest rate risk) was consolidated with long-term debt.

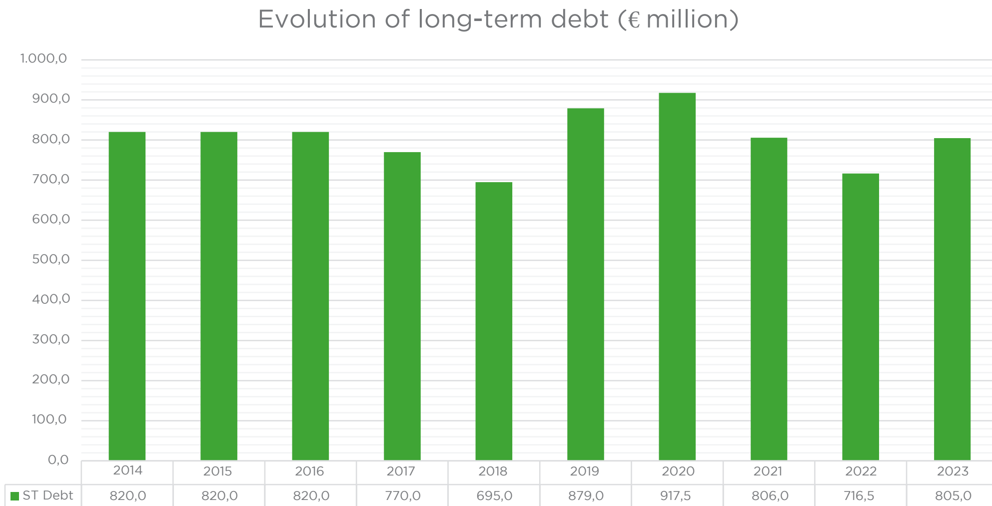
With the move to double-entry accounting in 2020, short-term debt is now logically accounted for separately.

[29] DF 036.010 of the programme 19.036 of the general expenditure budget for 2024

As a result, the presentation of the evolution of long-term debt (previous graph) has been revised.

Since the use of commercial papers is reserved for periods of tension in the credit line, the amount of short-term debt remained stable between 2014 and 2022.

It should be noted that, proportionally to the overall outstanding regional debt, the short-term debt/long-term debt ratio has been steadily decreasing, which is naturally explained by the faster increase in outstanding long-term debt.



Graph 8 - Evolution of short-term debt (in EUR million)

3.2.6. Main ratios and statistics for regional debt

LT REGIONAL DEBT RATIOS	31-12-19	31-12-20	31-12-21	31-12-22	31-12-23
Long-term regional debt stock (EUR million)	11 945,34	16 642,02	19 948,13	22 467,99	24 482,47
Average implicit rate (annual basis)	2,04%	1,61%	1,51%	1,34%	1,49%
Average loan duration (years)	17,95	19,6	19,93	20,42	21,03
Fixed-rate debt ratio	87,48%	90,58%	93,73%	94,99%	95,99%
Duration (years)	10,24	12,28	13,27	11,80	11,50

Tableau 7 - LT Regional debt ratios and statistics

Despite the increase in the long-term regional debt stock (excluding cash flow), the average implicit rate of loans decreased between the end of 2021 and the end of 2022. This reduction is explained by the fact that the loans that were repaid in 2022 were always loans that carried higher interest rates compared to the rates that were applied to new loans. However, this mechanism appears to be reaching its limits due to the amortization profile of the loans taken out during the period of low interest rates, as well as the rapid rise in interest rates in the financial markets.

Indeed, given these factors, the average implicit rate on loans began to rise again between the end of December 2022 and the end of December 2023 (+0.15%). The average loan duration rose from 20.42 years in 2022 to 21.03 years in 2023. Regarding the fixed-rate debt ratio of 95.99% in 2023 (indicating that 4.01% of the debt stock is at variable rate), this ratio has been increasing since the end of 2019 towards a larger portion of fixed-rate debt. However, according to CORET guidelines and for optimal management of the outstanding debt, this ratio should be closer to 85% fixed-rate debt. Greater variability in the debt stock would allow the Region to benefit from fluctuating financial market conditions. Such a fixed-rate debt ratio would offer the possibility of allowing regional debt to benefit from arbitrage effects on the financial markets while avoiding significant exposure to macroeconomic cycles.

3.2.7. Regional debt and financial instruments

The debt management policy carried out by Wallonia aims to minimise its cost of borrowing and to manage this outstanding debt securely. To this end, Wallonia pursues the objective of diversifying its investor base, mainly by using the following financing instruments :

- Bank loans;
- Loans made under domestic programmes (MTN programmes);
- "Schuldschein" type private investments;
- Private investments made under the EMTN financing programme;
- Benchmark size bond issues (greater than or equal to 500 million) made under the EMTN financing programme, either conventional, green, social and/or sustainable bonds;
- Commercial papers

3.2.7.1. Bank loans

In the early years of the Region's financial independence, bank loans were the first type of financing that Wallonia used, starting in 1992. Wallonia still has a considerable volume of bank loans in its portfolio. However, this financial instrument is being used less frequently due to the larger amounts being borrowed annually.

In 2023, the Region drew the first instalment of the loan negotiated with the EIB in 2022. The amount of EUR 275 million over 25 years was specifically granted by the EIB for improving energy efficiency in social housing in Wallonia and for making investments in flood resilience. The terms and conditions of this loan are detailed in the section below (see "3.2.7.7. Summary of financing operations carried out in 2022").

3.2.7.2. Domestic MTM programmes

Wallonia has two MTN (Medium Term Notes) programmes which are financing instruments characterised by the existence of a prospectus, in other words a pre-defined legal document which governs the issuance conditions for debt securities issued within the context of these programmes. There are firstly a series of documents which are permanent and can therefore serve as a support for multiple issues and secondly, documents which are specific to each issue and which can be prepared very rapidly. Besides rapid access to capital markets on a continual basis and in line with Wallonia's cash flow and financing needs, as well as significant flexibility in terms of the characteristics of the securities issued (amount, rate, maturity, etc.).

The first commercial paper programme was concluded in November 1994 with CGER Banque SA, which after several mergers and acquisitions, became BNP Paribas Fortis in 2009. This programme, which was updated on 2 May 2012, targets maturities from 7 days to 50 years for a total amount of EUR 1.25 billion.

A second commercial paper programme was launched in November 1996 with Crédit Communal de Belgique SA, which became Belfius Bank SA in June 2012 after several acquisitions and winding down. It enables the issuance of commercial papers for all maturities from one day, for a total amount of EUR 2.5 billion. This programme was updated for the last time on 23 September 2015.

Wallonia has historically had two domestic financing programmes instead of just one, due essentially to the underwriting agreements associated with these programmes.

Through its two domestic financing programmes, Wallonia uses fixed-rate, variable-rate and structured-rate loans, with or without an underlying hedging structure.

In 2023, the MTN programme agreed with Belfius was used to issue two new commercial papers for a total amount of EUR 100 million.

3.2.7.3. Schuldschein

As part of the diversification of its sources of financing, Wallonia uses issues in book entry form akin to the German "Schuldschein". In doing so, it can benefit from an attractive financing cost.

The "Schuldschein" (or certificate of indebtedness) is a financial instrument under German law which shares certain characteristics with a bond. It differs from the latter in that it is not a transferable security, but rather a bilateral credit contract between the issuer and one or more investors. Compared to a conventional loan, a "Schuldschein" ensures a certain liquidity of debts, which like financial securities, circulate between different investors. Compared to a bond issue, it is an operation which is not the subject of any press release in the market and for which the legal documentation is significantly simplified.

The advantage for investors, particularly in the context of historically low rates, is that they can record their debts in the balance sheet according to IFRS standards[30] at their nominal value, and can therefore avoid having to adjust them to the market value. Value adjustments as a consequence of the crisis have therefore not impacted their results.

Wallonia has developed standardised "Schuldschein" format legal documentation so as to be more responsive and guarantee rapid access to the market.

In 2023, no Schuldschein format operation was carried out.

[30] IFRS: International Financial Reporting Standards

3.2.7.4. EMTN financing programme (Euro Medium Term Note)

In accordance with its desire to diversify its investor base, Wallonia implemented an EMTN (Euro Medium Term Note) programme with BNP Paribas Fortis and ING Bank on 2 May 2012, for an initial amount of EUR 2 billion. Besides these two arrangers, other initial dealers in this programme were Barclays, Belfius Bank, CBC Bank, Deutsche Bank, HSBC France and KBC Bank.

When this programme was updated on 25 June 2013, the ceiling was increased to EUR 2.5 billion.

On 22 June 2015, the EMTN programme was updated again in order to take account of the Region's economic and financial situation and with a view to transparency with regard to Wallonia's investors and financial partners. This led to two major changes. Firstly, the EMTN programme's dealers were adapted: in addition to the two long-term arrangers (BNP Paribas Fortis and ING), there are also six other dealers: Belfius Banque, Barclays, CBC Banque, Goldman Sachs International, HSBC and KBC Bank. Secondly, the ceiling for the EMTN programme increased from EUR 2.5 billion to EUR 3 billion. Use of the EMTN programme has become standard on the financial markets, particularly for investors other than Belgian nationals, while the use of local programmes is mainly used today to issue commercial papers. It was therefore logical to increase the size of the EMTN programme, which now brings together the Region's main long-term financing.

Since then, the EMTN programme has been subject to an annual update to satisfy the conditions set by the Luxembourg Stock Exchange.

- 27 June 2016: technical update, without an increase in the ceiling. The EMTN programme was rated (P)A1 by Moody's on 28 June 2016.
- On 27 June 2017: technical update and increase of the ceiling from EUR 3 billion to EUR 5 billion. On 23 June 2017, the EMTN programme was rated (P)A2 by the Moody's rating agency.
- On 28 June 2018: technical update and increase of the ceiling from EUR 5 billion to EUR 6 billion.
- On 28 June 2019: technical update and increase of the ceiling from EUR 6 billion to EUR 7 billion. Moreover, the programme was adapted to make explicit mention of the two reference stock exchanges

allowing operations to be listed, namely the place de Luxembourg (Luxembourg Stock Exchange) and the place de Bruxelles (Euronext).

- On 20 May 2020: technical update and increase of the ceiling from EUR 7 billion to EUR 12 billion. In addition, the programme was also adapted to accommodate two new permanent dealers, namely the Natixis and LBBW banks.
- On 1 March 2021: increase of the ceiling from EUR 12 billion to EUR 20 billion.
- On 20 May 2021, the programme's annual technical update took place. On 14 December 2021, the EMTN programme was rated (P)A3 with a stable outlook by the Moody's rating agency.
- On 21 May 2022: increase of the ceiling from EUR 20 billion to EUR 25 billion and the programme's annual technical update.
- On 1 June 2023: technical update, without an increase in the ceiling.

As illustrated by the summary of 2023 operations, Wallonia carried out 10 operations under its EMTN programme in 2023, for a total amount of EUR 2.45 billion, including two benchmark size issues which are described in the following paragraph. The operations carried out in private investments under the EMTN programme are detailed in the section below (see "3.2.7.7. Summary of financing operations carried out in 2022").

3.2.7.5. Benchmark size bond issues

Benchmark-sized bond issues have become essential in the Walloon Region's financing plan. Indeed, these bond issues are used to reach more investors interested in purchasing regional debt, including those who prefer bonds with higher liquidity and so-called ESG investors who prioritise bonds aimed at financing sustainable, social- or environmental-type expenditures.

To introduce these bonds onto the primary market, the Walloon Region appoints a syndicate of distributing banks, selected in particular based on their recurring contributions to securing private investments in the Region.

Sustainable, social and/or green bond issues, in particular, provide a quality source of financing that aligns perfectly with Wallonia’s sustainable development strategy and objectives (SDGs).

However, unlike conventional bond issues, these bonds come with governance, management and annual reporting obligations.

Gouvernance

Governance is managed by the Sustainable Bond Committee, chaired by the Minister of Budget and Finance. This Committee is supported by an operational structure involving the Debt Unit and the Sustainable Development Directorate. It has the authority to mobilise the necessary resources and expertise from within the Region's administration (SPW) and the PAUs.

Use of Funds

Alongside the financial benefits in terms of the amounts financed and diversification of investors, sustainable bond issues provide the Walloon government with a tool for qualitatively measuring public investments. This is achieved through the implementation of best practices based on international recommendations (ICMA) and new European standards (EU Taxonomy and Green Bond Standards). This specifically involves :

1. Identifying, qualifying and selecting investments that effectively contribute to achieving its Sustainable Development Goals (SDGs) ;
2. Ensuring the traceability of budgets allocated to the selected sustainable expenditures ;
3. Defining and quantifying (ex-ante) the expected societal outcomes of planned expenditures and measuring (ex-post) their environmental and/or social impacts.

Production of annual reports

The results of green/sustainable investments are measured through the production of an official annual report, published for the financial markets and presenting :

1. the level of completeness of the objectives set in terms of the allocation of funds;
2. the level of completeness of the objectives set in terms of analysing and measuring the social and environmental impacts pursued by the issuer, in this case, Wallonia.

In 2023, the Region completed two bond issues labelled benchmark size :

- The first bond issue, entirely social and in two instalments, was carried out on 9 February 2023. The first tranche amounted to EUR 1 billion over 10 years (all-in rate of 3.376%) and the second tranche amounted to EUR 500 million over 20 years (all-in rate of 3.632%).

- A second issuance, a green bond, was carried out on 21 June 2023, for an amount of EUR 700 million over 15 years with an all-in rate of 3.787%.

The table below summarises the key parameters of the three benchmark-size bond tranches issued in 2023.

	WALLOO 3,250%	WALLOO 3,500%	WALLOO 3,750%
THEMED BOND ISSUES	SOCIALE BOND 2033 (10 YEARS)	SOCIAL BOND 2043 (20 YEARS)	SOCIAL BOND 2039 (15 YEARS)
ISIN	BE0002922038	BE0002923044	BE0002956374
Nominal amount	€ 1 000 million	€ 500 million	€ 700 million
Transaction date	9 February 2023	9 February 2023	21 June 2023
Maturity date	22 June 2033	15 March 2043	22 April 2039
Coupon	3.250%	3.500%	3.750%
Rate (all-in)	3.376%	3.632%	3.787%
Spread vs OLO (all-in)	OLO + 45.9 bps	OLO + 46.6 bps	OLO + 45.7 bps
	Total 2023: € 2 200 million		

Table 8 - Benchmark size financing operations (2023)

Finally, on 31 October 2023, a report on the sustainable, green and social bond issues made by Wallonia was published. Since the funds from the 2019 and 2020 issues had been fully allocated and no green, social, or sustainable bond was issued in 2022, this report differs from those published in 2020 and 2021. Specifically, the document reviews the budgetary allocation of the labelled issues made in 2019 and 2020 and updates the data on the indicators and progress of projects and programmes for 2022. The document also includes a brief presentation of the third Walloon Sustainable Development Strategy (SWDD) and the evolution of the monitoring indicators for the SDG.

The next report on thematic bond issues will cover the budget allocation and impact analysis of the bonds issued during the 2023 financial year. This will be published in 2024.

3.2.7.6. Financing instruments for short-term direct debt

Wallonia's liquidity management policy satisfies a certain number of essential rules :

- Perfect visibility with regard to revenue flows ;
- Increasingly precise configuration of expenditure flows ;
- Centralisation of all financial flows with Wallonia's cashier ;
- Use of cash credit facilities as defined in the cashier's contract ;
- Use of domestic financial programmes (MTN) and commercial paper issuances.[31]

3.2.7.7. Summary of financing operations carried out in 2023

As previously discussed and as illustrated in the table below, Wallonia conducted 10 financing operations under its EMTN programme in 2023, for a total amount of EUR 2.450 billion. This total includes the two benchmark size bond issues (one in two tranches, totalling three separate operations) for a total of EUR 2.2 billion and seven private investments for a total of EUR 250 million. The loan concluded with the EIB, amounting to EUR 275 million, is also included in the financing operations. Two new lines of commercial papers, for EUR 50 million each, were also added to the financing carried out. No financing operations were carried out under the Schuldschein programme.

[31] Commercial papers within the meaning of the Royal Decree of 23 January 1991.

DETAIL OF FINANCING IN 2023 (EUR MILLION)		
EMTN		**2 450.00**
	Private investments	250,00
	Benchmark size bond issues	2 200,00
MTN		**100.00**
	Commercial papers	100,00
Schuldschein		**0.00**
EIB Loan		**275.00**
Total financing in 2023		**2 825.00**

Table 9 - Total financing in 2023

The table below contains the short-term (less than 12 months) and long-term (more than 12 months) borrowing operations, including loans carried out under the EMTN financing programme (such as Tap increases on existing tranches) as well as the drawdown from the EIB.

The financing operations carried out by Wallonia in 2023 were as follows :

COUNTERPARTIES	NOMINAL	TRADE DATE	SETTLEMENT DATE	MATURITY	DURATION	ALL IN RATE (FR EQUIVALENT)	ALL IN SPREAD (OLO)	DURATION	ALL IN SPREAD (IRS)	COUPON RATE	FIXED/ VARIABLE	FORMAT
"Long-term" commercial paper												
Belfius	50 000 000,00	29-03-23	31-03-23	30-06-23	0,25							*CP*
Bred	50 000 000,00	21-12-23	28-12-23	28-06-24	0,50							*CP*
LT Debt (Loans, bonds, etc.)												
Benchmark social	1 000 000 000,00	09-02-23	16-02-23	22-06-23	10,35	**3,377**	45,90	8,96	54,03	3,250	Fixed	*EMTN*
Benchmark social	500 000 000,00	09-02-23	16-02-23	15-03-43	20,07	**3,633**	46,65	14,74	96,81	3,500	Fixed	*EMTN*
NordLB	20 000 000,00	15-05-23	24-05-23	07-04-44	20,87	**3,776**	40,00	15,23	90,02	3,450	Fixed	*EMTN Tap*
HSBC	20 000 000,00	31-05-23	09-06-23	21-10-36	13,37	**3,555**	39,00	10,75	58,26	3,800	Fixed	*EMTN Tap*
HSBC	20 000 000,00	31-05-23	09-06-23	09-04-38	14,83	**3,636**	39,00	11,86	46,20	3,450	Fixed	*EMTN Tap*
Benchmark green	700 000 000,00	21-06-23	28-06-23	22-04-39	15,82	**3,786**	45,70	12,22	94,93	3,750	Fixed	*EMTN*
ABN AMRO	50 000 000,00	04-09-23	13-09-23	13-09-30	7,00	**3,338**	35,00	6,66	18,50	3,250	Fixed	*EMTN*
ABN AMRO	20 000 000,00	09-10-23	16-10-23	16-10-28	5,00	**3,480**	35,00	4,69	9,70	3,375	Fixed	*EMTN*
JP Morgan	100 000 000,00	17-11-23	24-11-23	22-06-54	30,58	**4,138**	40,00	18	132,30	4,130	Fixed	*EMTN*
Deutsche Bank	20 000 000,00	30-11-23	14-12-23	22-06-54	30,52	**4,048**	40,00	18	130,61	4,130	Fixed	*EMTN Tap*
BEI/EIB	275 000 000,00	06-12-23	18-12-23	18-12-48	25,00	**3,230**	24,90	11,37	46,55	3,230	Fixed	*Depreciable*

Table 10 - Financing operations (2023)

The statistics for the 13 new loans made in 2023 are as follows :

RATIOS OF CUMULATIVE OPERATIONS	2021*	2022	2022**	2023	2023**
Amounts raised (EUR millions)	3 182.50	3 355.00	2 085.00	2 825.00	2 550.00
Number of operations	36	8	6	13	12
No. of different financial intermediaries	17	11	9	12	11
Weighted average rate (all-in)	0.56%	1.77%	2.19%	3.43%	3.45%
Weighted average duration (years)	19.96	13.20	12.98	15.39	14.35
Weighted average duration (years)	17.03	11.94	11.37	11.1	11.07
Weighted average OLO spread (all-in)	30.48	23.67	37.29	41.65	43.46
Fixed-rate ratio	99.06%	100%	100%	100%	100%

Table 11 - Ratios of cumulative operations (2021 - 2022 - 2023)

In 2023, all long-term financing operations by the Walloon Region were conducted at fixed rates. Additionally, the total financing for 2023 was completed at a weighted average rate of 3.43%, which is 1.65% higher than in 2022, with a weighted average maturity of 15.39 years, an increase of 2.19 years compared to the previous year.

The weighted average spread versus OLO for the operations carried out in 2023 was 41.65 bps compared to 23.67 bps in 2022. This difference is primarily explained by to the favourable terms of the EUR 1.2 billion loan granted by the federal government. The loan, negotiated with the federal government, was transferred back to the Region under the federal government's financing conditions, i.e. at a spread versus OLO of 0 bps, making it a support measure with advantageous terms.

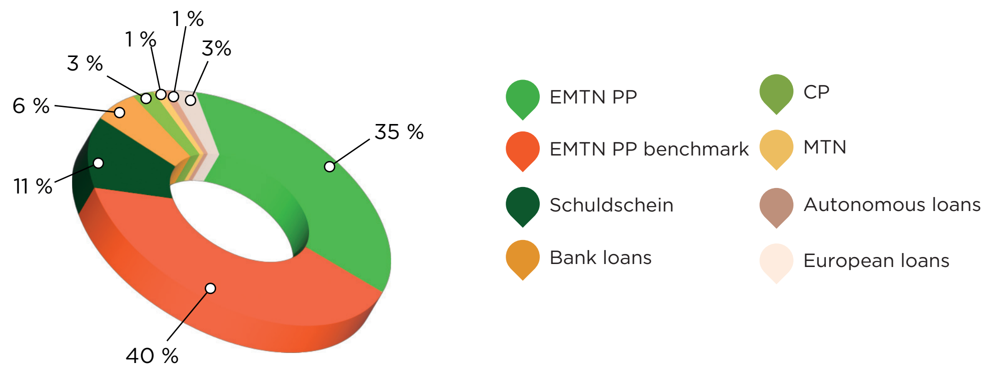
Excluding the federal loan and the change in documentation for a private investment with characteristics that correspond to the original terms of the 2010 Schuldschein, the difference in the weighted average spread versus OLO of operations in 2022 and 2023 was 4.36 bps.

3.2.7.8. Distribution of long-term debt by financing sources

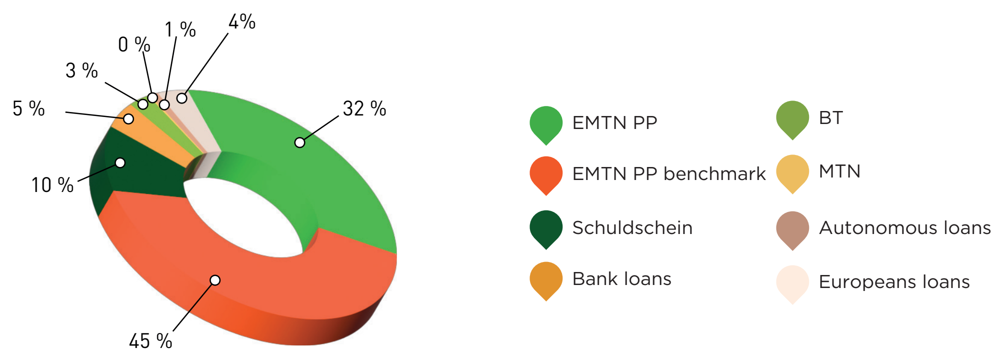
The subsequent graphs are used to report on the use of the different financing instruments for long-term debt, comparing 2022 and 2023.

*NB: 2 instalments of the SURE loan not included

** NB: loan from the federal government of EUR 1.2 billion and change of documentation for EUR 70 million not included



Graph 9 - Long-term regional debt as at 31-12-2022



Graph 10 - Long-term regional debt as at 31-12-2023

The increasing use of the EMTN programme has allowed the Walloon Region to diversify its investor base and gradually reduce its reliance on bank loans in favour of bond issues. When comparing 2022 to 2023, the volume of EMTN bond issues has grown in importance, increasing from **75%** to **77%**, largely due to the rise in benchmark size bond issues. As a result, the use of other instruments has decreased proportionally. Only Schuldschein loans, commercial papers and European loans (through drawdowns from the EIB) continue to be used.

3.3. Management of debt and the associated risks

3.3.1. Management strategy

The essential mission of regional debt and cash flow management is to ensure that Wallonia has the necessary resources at any time and in any circumstances to meet its financial obligations.

Given the financing needs in recent years, Wallonia has adopted a strategy that is primarily based on private investments and the use in particular of the "reverse inquiry "[32] procedure.

As an SSA (Sub-Sovereign, Sovereign & Agency) bond issuer, the Walloon Region also uses its EMTN programme to issue bonds on the primary market.

Since 2019, this trend has intensified with benchmark size bond issues (greater than or equal to EUR 500 million), which are needed to meet its annual financing plan.

For Wallonia, issuing bonds on a recurring basis helps communicate a positive image of Wallonia on the financial markets and to investors, particularly when these issuances are labelled. Social, green and/or sustainable bonds are a quality source of financing that align perfectly with Wallonia's sustainable development strategy and objectives (SDGs). (SDGs). Furthermore, they now seem to be essential for generating sufficient interest from potential investors in the market, thus providing the ability to achieve future financing plans.

3.3.2. Risk management

3.3.2.1. Liquidity and refinancing risk

Wallonia is exposed to the risk of not having enough funds available to honour its obligations at their respective maturities. In fact, if it was faced with a cash flow cycle problem, i.e. it did not have enough available funds to pay interest charges and/or the capital due to lenders and that at the same time and it could not borrow the amounts to be repaid, it would face a liquidity problem and would technically be in default of payment. This risk could also increase when interest rates rise.

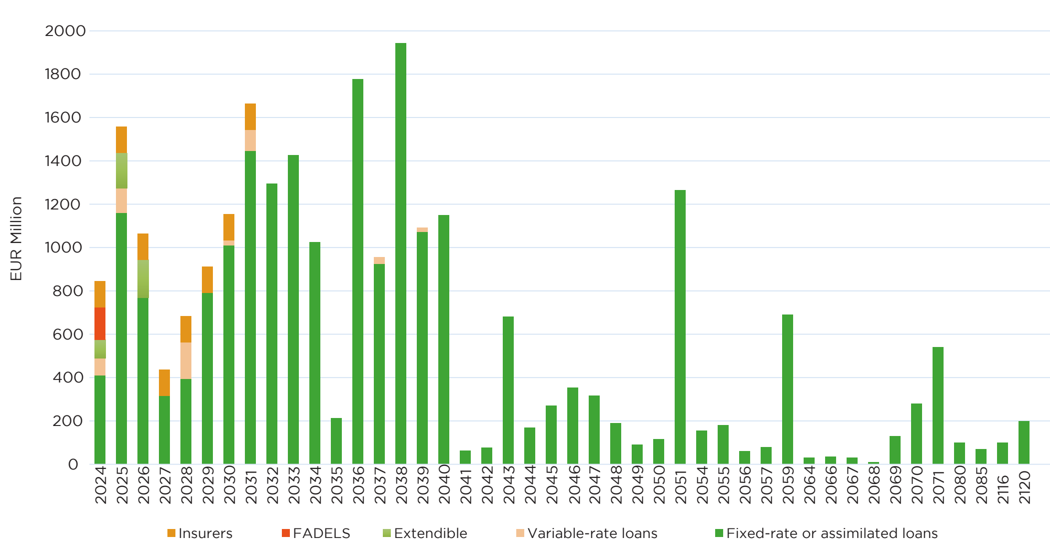
To manage this risk as effectively as possible, Wallonia has diversified its sources of finance by extending its investor base. The objective is not to be dependent on one type of financing, for example bank loans. To achieve this, Wallonia has increased the number of its counterparties, who are intermediaries searching for investors amenable to lending it funds. It has put in place tools (financing programmes and standardised documentation for the "Schuldschein" credits) enabling it to have rapid and constant access to the capital markets.

[32] "Reverse Inquiry" refers to when investors approach Wallonia to offer it a securities issue, which will meet the needs of the issuer and allow investors to subscribe to a dedicated issue.

Wallonia also has the following elements which ensure a permanent and sufficient level of liquidity to counter any incident likely to dry up or weaken its sources of financing :

- management of the overall cash position, integrating both the Region's accounts and those of the Public Administration Unites that are part of the centralisation ;
- a current account overdraft facility amounting to EUR 3 billion granted by its cashier from 1 January 2023 to 31 August 2023, and then of EUR 2.5 billion from 1 September 2023 to 30 September 2024. This credit line is part of the renewal of the cashier's contract from 1 January 2023 to 31 December 2024.
- greater financial autonomy with additional PIT (6th State Reform, see below) ;
- a rationalised levelling of the debt amortization schedule in order to avoid refinancing peaks. As illustrated in the graph below, peaks are observed due to the occurrence of benchmark size bond issues (greater than or equal to EUR 500 million).

Maturity schedule of regional direct and FADELS debt (excluding SPABS) as at 31/12/2023 (EUR million)



Graph 11 - Maturity schedule of regional debt as at 31-12-2023 (EUR million)

The maturity schedule of the debt above does not contain the capital amortizations to be allocated to the SPABS debt, because only the financing of the interest charges of the SPABS debt is subject to budget appropriations contained in the Walloon Region's expenditure budget.

A new ratio was established in 2010 in order to formalise this objective of levelling the amortization[33] schedule. It concerns cumulative amortizations in relation to the debt stock.

The Joint Treasury Council issued two constraints:[34]

- The amount of amortizations, year-on-year, cannot exceed 15% of the debt stock ;
- The cumulative amounts of amortizations for the next five years cannot be greater than 50% of the debt stock. In other words, at least 50% of the debt must be financed for longer than 5 years.

Short-term commercial paper, an integral part of the debt stock, is integrated into this indicator. Given that the risk of renewal of commercial paper is perfectly hedged by the current account debit facility, the maturity considered for commercial papers associated with a swap is equal to the maturity of the swaps to which they are linked. For commercial paper not associated to swaps, their respective maturity is applied.

Wallonia's liquidity and refinancing risk would appear to be minimal given the authorisation of a current account debit facility of EUR 3 billion (and then EUR 2.5 billion) granted by the cashier of the Region, the financial centralisation of the treasuries of the PAUs and the levelling of the debt amortization schedule.

3.3.2.2. Interest rate risk

Interest rate risk is the risk linked to interest rate fluctuations in the market. The Region is exposed to rising interest rates following an increase in the cost of existing variable-rate debt and any new (re-)financing, whether at fixed or variable rates. This risk has increased following the sharp rise in inflation and the simultaneous rise in interest rates.

The Region manages this interest rate risk primarily through the use of the fixed-rate to floating-rate ratio. This ratio was validated during the Regional Treasury Council (CORET) meeting on 29 October 2020 and has remained unchanged since then. The objective for the fixed-rate to floating-rate

[33] No assumptions are made on the manner of refinancing the amortization coming to maturity.

[34] For information, in 2022, during the 1st Regional Treasury Council, this ratio was updated to set the annual amortization threshold at EUR 1.5 billion.

ratio is to tend towards a maximum floating-rate portion of 15% of the debt stock. Given the interest rate levels observed in 2022 and 2023, fixed-rate loans were prioritised, representing 100% of the amounts borrowed. Thus, as of 31 December 2023, the fixed-rate to floating-rate ratio of the debt stock stood at 95.9% fixed/4.01% floating.

Credit risk is the risk of economic loss resulting from a counterparty defaulting in its financial obligations with regard to Wallonia. It is measured by the replacement cost of the cash flows in the event of the other party's default. This credit risk exists in particular when Wallonia concludes hedging transactions with derivative products (extendible swaps, basis swaps, inflation-linked swaps etc.).

3.3.2.3. Exchange rate risk

The regional debt is not exposed to exchange rate risk, as all financing has been and continues to be contracted in euros. The Walloon Region does not currently consider the option of foreign currency loans.

3.3.3. Operational debt management principles

The regional debt is managed according to permanent principles applied by the Debt Unit, which are subject to the supervision and recommendations of the Treasury Council.

3.3.3.1. Diversification of the investor base

Having a well-diversified investor base allows Wallonia to avoid being dependent on just single sources of financing and to lower its cost of financing by bringing healthy competition into play.

In order to achieve this objective, Wallonia has increased the number of bank counterparties with which it collaborates, so as to be able to reach a larger number of investors, in various countries. It has also implemented various types of financing instruments (domestic financing programmes, "Schuldschein" convention and bank conventions). Since 2012, Wallonia has also had an EMTN financing programme, which further increases the number of potential investors.

In the past, Belgian banks held a dominant market share of Wallonia's debt. Significant efforts have been made to diversify the investor base and introduce more competition among counterparties. Since 2009, the number of counterparties in the Walloon Region has steadily increased, a sign of both a diversification in the Region's investor base and the capital they provide.

As of 31 December 2023, the Walloon Region had 34 banking counterparties, with 27% being Belgian and 73% foreign counterparties.

Au 31/12/2023, le nombre de contreparties bancaires de la Région wallonne était de 34, avec une part de 27 % pour les contreparties belges et 73 % pour les contreparties étrangères

3.3.3.2. Levelling of the debt amortization schedule

Wallonia strives to maintain a constant levelling of its debt above 10 years, in order to avoid having to tackle a significant amount of refinancing over a short period of time. In this way, it ensures that its debt is staggered over the long term. Nevertheless, it also aims to diversify the maturities of its debts so as to avoid - as far as possible - peaks and troughs in refinancing, and thus to be in the market for relatively similar and reasonable amounts each year.

With this in mind, the maturity schedules of the direct and indirect debt were merged in 2010 and a "cumulative amortizations" ratio, including the cumulative percentage of the long-term debt stock coming to maturity in the next 5 years relative to the total debt stock, has been calculated since November 2010.

For this ratio, the Joint Treasury Council established an objective on 23 November 2010[35] : not to exceed 50% of cumulative amortizations over 5 years and 15% over 1 year.

In addition to these guidelines, during the CORET meeting on 14 March 2022, it was decided that the annual debt amortization ceiling would be set at EUR 1.5 billion.

[35] These objectives may be revised by the Joint Treasury Council if they deem it necessary.

3.3.3.3. Appropriate use of financial derivative instruments

Wallonia uses the financial instruments that are best suited to the management of its debt. In the case of derivative products, their use is strictly limited to hedging operations (converting floating rates to fixed rates and vice versa). In this regard, as in previous years, no speculation has been involved in 2023, and each derivative product is, or will be, tied to a component of the regional debt throughout its existence.

Interest rate swaps are the most common products used in managing the yield curve, allowing the easy transfer of a portion of the debt from floating rate to fixed rate, and vice versa.

3.3.3.4. Use of financing performance indicators

Margin relative to the OLO

Wallonia's natural benchmark for its financing is the OLO, for which the spread is much less volatile in comparison to the IRS curve. Given the close financial links between the Federal State and Wallonia, which are expressed through the SLF, the spread with regards to the OLO reflects the difference in the rating of the two entities and the difference in liquidity of the bonds issued by the two entities. It should be noted that the Belgium-specific risk is already integrated in the evolution of the OLO and that of Wallonia is mitigated by fact that the Federal State would cover, as a the last resort, all of the federated entities.[36]

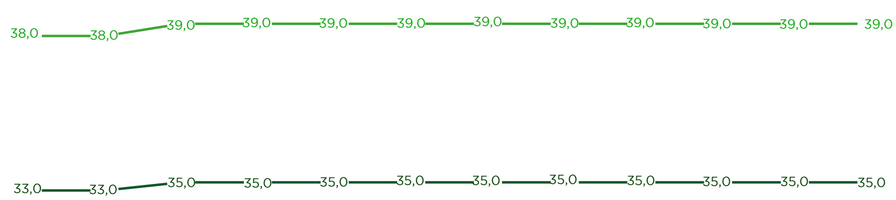
The maximum margin relative to the OLO is determined based on the evolution of the financial and economic context and is validated at every Regional Treasury Council meeting.

In effect, this is a maximum margin and not a margin applied systematically to all of the financing raised by Wallonia. Whereas classic financing with a fixed rate and without any underlying derivatives will be made with a spread relative to the OLO below or equal to the maximum margin, financing which is structured and/or which presents an additional counterparty risk will attract a spread relative to the OLO that is significantly below the maximum margin. For every financing concluded, the difference between the spread and the maximum margin relative to the OLO will depend on the position of the markets on the day of the operation, the maturity and the risk incurred by Wallonia.

[36] In the conditions outlined by the SLF (refer to section I.4)

In 2023, the spread relative to the OLO saw a slight enlargement, similar to 2022. For private investments with maturities of 10 years or less, the spread remained between 33 and 35 basis points. For private investments with maturities between 10 and 49 years, the spread ranged from 38 to 39 basis points.
By monitoring the spread levels of bonds that now make up the WALLOO curve compared to corresponding OLOs on a daily basis, Wallonia was able to take advantage of favourable conditions for its private investments throughout 2022.

The table below shows the evolution of spreads applied to private investments contracted in 2023, with maturities up to 49 years:



	January	February	March	April	May	June	July	August	Septembrer	October	Novembrer	December
11-49 years	38,0	38,0	39,0	39,0	39,0	39,0	39,0	39,0	39,0	39,0	39,0	39,0
0-10 years	33,0	33,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0

Table 12 - Financing markers for private investments made in 2023 (spread vs OLO)

Ratio of fixed-rate to floating-rate debt

The yield curve is one of the main indicators taken into consideration for the management of the regional debt. In fact, this indicator helps to determine a ratio for the distribution of the outstanding debt between a fixed-rate portion and a floating-rate portion. The objective is to achieve the optimal risk/return ratio. For this reason, a significant evolution in the slope of the gradient of the yield curve usually leads to a repositioning of the fixed-rate/floating-rate ratio regardless of the maturity of the loan. In this way, in the event of a steeply sloped positive curve, the positioning of the debt ratio will be oriented more towards the floating rate. In fact, the use of financial instruments referenced as short term (loans or hedging derivative products) is then less expensive. Conversely, in the event of a relatively flat yield curve, the return is relatively similar for all maturities. Confronted with this type of curve, the search for the best "risk/return" ratio would involve increasing the fixed-rate share of the ratio.

The ratio is therefore a key tool for debt management intended to establish an adequate balance between the cost of debt and the risks linked to the volatility of interest rates.

As of 31 December, the share of variable-rate direct debt (total outstanding) stood at 4.01%.

Weighted average life span of the financing portfolio

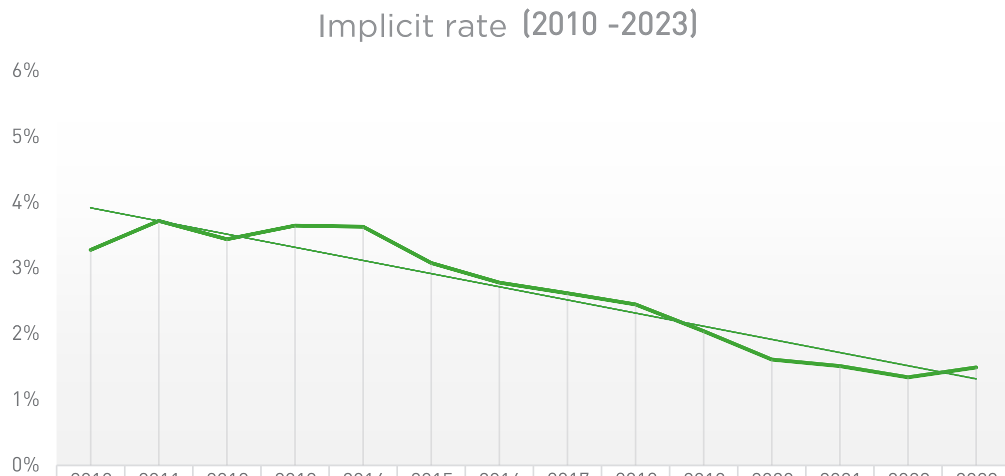
This ratio is the result of a weighted average that takes into account the effective maturity and amount borrowed for every operation in relation to the total debt stock.

In 2022, the average life span of the Walloon regional debt was 14.48 years. In 2023, it stood at 14.44 years

Implicit interest rate of direct debt

This is the amount of all interest charges paid annually in relation to the corresponding direct debt stock as at 31 December of that year.

Its change over the 2010 to 2023 period is described in the following graph, the rate calculated at 1.49% as at 31/12/2023.



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Rate	3,28%	3,72%	3,44%	3,65%	3,63%	3,08%	2,78%	2,62%	2,45%	2,04%	1,61%	1,51%	1,34%	1,49%

Graph 12 - Change in the implicit rate (2010 -2023)

Note
Since 2019, the implicit rate has been calculated on regional long-term debt, including internalised debt and that integrated into the regional management (SWDE – SPABS – FADELS).

The change in the implicit rate from one year to another is due to the level of interest rates, movements of the yield curve, the level of existing loans and the active management of the debt.

These results, in terms of rates, should be put in relation with the average duration as well as with the decision to position the fixed-rate/floating-rate ratio mainly at a fixed rate, such that the regional debt is not only inexpensive, but also not too risky (both in terms of interest rates and in terms of refinancing).

Calculation of the duration of the financing portfolio
In 2019, the Debt Unit introduced the calculation for duration into its indicators.

Duration is expressed in years and corresponds to the weighted average life span of its financial flows adjusted for their present value. This is an indicator of the portfolio's sensitivity to rate changes. When rates rise, the prices of existing bonds decrease, leading to a reduction in the portfolio's book value. The longer the duration, the greater the negative impact of a rate increase. Conversely, when rates fall, the portfolio's book value increases and the positive impact is greater for portfolios with a longer duration. The duration, calculated using the Macaulay method, is the result of a complex calculation that takes into account factors such as present value, interest rate, coupon, and maturity. The Debt Unit recalculates the duration on a monthly basis.

The duration was 11.8 years as of 31 December 2022. At the end of December 2023, it stood at 11.85 years. This stabilisation compared to 2022 can be attributed to two main factors:

- The ongoing uncertainty in financial markets and the broader macroeconomic environment, primarily due to high inflation and the geopolitical context, led to a wait-and-see approach from investors. As a result, investors preferred to lend at shorter maturities in case short-term liquidity needs arose.
- Investors' search for yield, for shorter curve points reduced the average duration of loans made in 2023, effectively shortening the duration.

3.4. Secured debt

In addition to the debt directly raised and managed by the Region, Wallonia provides guarantees on the financing of various organisations to facilitate their access to the market.

The data related to the stock of secured debt are updated annually. The information available regarding secured debt as of 31 December 2021, 2022, and 2023 is presented below, distinguishing between senior and junior secured debt respectively.

3.4.1. Senior guarantees

On the basis of a series of powers given by the Parliament, the Government can grant a regional guarantee on financial assets and liabilities. In these circumstances, the Government issues the regional guarantee to financing (conventional credit, credit lines, etc.), on the basis of the authorisations provided by the decree.

The decretal authorisation most commonly used is the decree containing the general expenditure budget which includes all the authorisations which can be issued by the Government for the year in question. These authorisations anticipate a maximum amount of regional guarantee for each organisation, valid for one year due to the annual character of the general expenditure budget.

When the guarantee is issued, it represents a commitment whereby the Government grants security to an organisation whose activities it wants to facilitate, by unconditionally and irrevocably guaranteeing the lender(s) that it will reimburse the capital and/or the interest in the event that the organisation is in default. In these circumstances, as we will see below, the main beneficiaries are the housing companies. In fact, the policy carried out by the Government in this area is to limit as much as possible the rates of social mortgage loans, in order to facilitate access to them as much as possible and guarantee housing for all.

The issuance of the guarantee is subject to a procedure in which the Debt Unit is involved, at every stage of the decision (review of the special specifications, launch of the invitation to tender, technical report to the Budget Minister and awarding of the contract). Furthermore, a report is made to the Finance Inspectorate at the end of the procedure. To date, the guarantee has never been called upon.

If an entity is in difficulty and sees no way of paying back the interest and/or capital of the relevant loans, a mechanism is activated. At the end of this mechanism, which is only activated in extreme cases, and when all other alternatives have been exhausted and no other solution can be found, the guarantee will be called upon. In this case, the Walloon Region may be asked to recover the debt on decision of the Walloon government.

At this point, the debt, referred to as 'secured', is activated for an amount to be determined depending on the entity, its financial situation (assets/liabilities), the existing Government Decrees, and any other variable to be taken into account. The secured debt does not therefore commit all the entities concerned since the call for guarantee will only concern one specific entity and will not affect any of the other entities. The call for guarantee is a concept which implies that each dossier is handled on a case by case basis

It should be specified that the granting of regional guarantees has virtually no impact on the budget. In terms of expenditure, the granting of the guarantee does not entail any additional expenditure. In terms of revenues, the Region does not currently apply any remuneration mechanism to organisations contributing to the public interest. Only guarantees granted to private organisations are accompanied by a remuneration, as well as the specific case of hospitals.[37]

The general expenditure budget includes all regional guarantees that can be granted by the Government during the financial year. These provisions specify a maximum amount of regional guarantees for each organisation and define the types of operations eligible for such guarantees. The Region's guarantee can be granted on a case-by-case basis, for a specific loan or cover all loans, either through legal provisions or based on the entity's special status. The secured debts listed in the budget rider are confirmed by a Walloon government decree.

The Walloon government can grant the benefit of regional guarantees to loans contracted by hospital infrastructures. This is a direct regional guarantee paid for the benefit of hospitals under the competence of the Walloon Region that are making significant investments in their infrastructure. The guarantee is provided based on prudent forecasts that demonstrate the project's financial viability. The guarantee ceiling is set at EUR 125 million per hospital per year. A prior independent financial analysis (business plan, accountancy, compliance with financial ratios, etc.) and monitoring of the institution's financial plan throughout the guarantee period must demonstrate the hospital's ability to repay the loan.

[37] See: Decree of the Walloon Government modifying the Decree of the Walloon Government of 30 April 2009 stipulating the conditions and terms according to which the guarantee of the Walloon Government can be granted to loans for the financing of operations.

ENTITIES	SITUATION 31-12-2021	SITUATION 31-12-2022	SITUATION 31-12-2023
CRAC	2 332 856,73	2 190 713,06	2 066 802 508,40
Grand Hôpital de Charleroi	/	125 000,00	125 000 000,00
Groupe Santé CHC ASBL	120 303,41	115 530,25	110 679 292,53
FLFNW	1 144 072,91	1 303 876,22	1 396 727 469,66
Hôpital psychiatrique Les Marronniers	3 506,00	2 745,88	2 500 000,00
Le Circuit de Spa Francorchamps	15 400,00	13 441,60	12 354 889,89
SOFICO	612 070,78	587 195,64	560 107 670,92
SOWAER	187 241,45	165 739,31	129 505 331,52
OTW (SRWT)	299 987,98	323 022,26	291 688 272,90
SWCS	2 630 311,99	2 680 071,41	3 452 840 870,00
SWDE	11,05	5,53	0
SWL	1 216 735,39	1 133 090,35	1 047 186 894,25
Total	**9 562 497,69**	**8 640 41,51**	**9 195 393 200,07**

Table 13 - Breakdown of the total outstanding senior guarantees (EUR thousands)

In 2023, as in 2021 and 2022, the Walloon Social Credit Company (SWCS) held the largest regional guarantee, amounting to EUR 3,452.840 million.

Following in descending order are CRAC (EUR 2,066.802 million) and the two other social housing entities, the Walloon Housing Fund for Large Families (FLFNW) with EUR 1,396.727 million and the Walloon Housing Society (SWL) with EUR 1,047.186 million. Together, these four companies make up almost 86% of the total regional secured debt, or EUR 7,963.557 million.

Note on the social housing sector

In response to the regionalisation of housing competence, the mission and the role of the regional housing companies have expanded considerably. The Walloon social housing landscape was significantly changed with the appearance of regional actors tasked with the implementation of the housing policy within the Walloon territory. As a result the main actors in the sector are :

1. The Walloon Company for Social Credit (Société Wallonne du Crédit Social (SWCS)), and its social credit counters, which plays the role of a mortgage issuing company by facilitating access to mortgage loans at a floor rate for people in difficulty ;
2. The Walloon Housing Company (Société Wallonne

du Logement (SWL)), which manages housing stock made up of numerous property assets, together with the Public Service Housing Companies. This management includes the acquisition of new properties as well as the renting out of social housing, social-assimilated housing, transit housing and infill housing ;

3. The Walloon Housing Fund for Large Families (Fonds du Logement des Familles nombreuses de Wallonie (FLFNW)), which has a similar mission and function to the Walloon Company for Social Credit but has a more specific target group, namely large families ;

Following the example of other centralised organisations, the Government controls the implementation of the budget of these organisations and therefore the utilisation of these centralised surplus funds. In fact, the Government is free to choose how to reallocate these funds, making it a veritable liquidity reserve.

The checks carried out by the Government on these companies (in particular via its Auditors), the obligation for the three companies to achieve a balanced account, the low default rate, all of the security mechanisms put in place, the portfolio of mortgages and real guarantees as well as the value of the property assets all mean that the housing sector is deemed to be low-risk. To date, the senior regional guarantees have not been exercised.

3.4.2. Junior guarantees

Junior guarantees are called supplementary guarantees. They include guarantees in the agricultural sector, economic expansion laws and performance guarantees.

Guarantees in the agricultural sector

Regional guarantee can be granted by the Walloon Government for loans taken out by farmers and agricultural companies for investments or working capital in agriculture and horticulture, in the context of the Agricultural Investment Fund (FIA), Investment Aid for Agricultural Development (AIDA) and Investment Aid for the Agricultural Sector (ISA).

The SPW Agriculture, Natural Resources and the Environment manages these guarantees.

As at 31 December 2023, the outstanding guarantees in the agricultural sector amounted to EUR 8,571,390.55 million.

Performance guarantees[38]

Only certain bodies are authorised to benefit from this guarantee for mortgage loans granted for private housing, provided the eligibility conditions are met. These include the Walloon Social Credit Company (SWCS) and its social credit counters, as well as the Walloon Housing Fund for Large Families (FLFNW).

The performance guarantee allows borrowers who do not have sufficient personal funds, to benefit from a loan. In the context of social mortgages or similar products (youth loans/springboard loans), the Walloon Region undertakes to intervene in the loss incurred by the lending organisation for the part of the loan exceeding 70% of the current value of the house.

The intervention of the guarantee only takes place after the "sale of the mortgaged property". Borrowers pay into the solidarity fund by making a one-off contribution of 0.2% on the loaned amount, from 1 January 2005 onwards.
The Walloon Region only intervenes if the Solidarity Fund is insufficient to cover the loss, which limits the Region's risk of intervention in case of default. As a reminder, the titles of the performance guarantees as listed in the table below were modified in 2018.

As of 31 December 2023, the outstanding performance guarantees amounted to EUR 862 million.

ENTITIES	SITUATION 31-12-2021	SITUATION 31-12-2022	SITUATION 31-12-2023
Agricultural Sector (FIA, AIDA, ISA)	23 819,18	14 732,66	8 571 390,55
Performance guarantees			
Walloon Social Credit Company	177 641,95	199 709,80	252 125 816,01
Social Credit Counters	404 668,83	577 255,91	460 596 338,42
Housing Fund for Large Families	118 072,42	131 284,09	140 704 629,36
Private banks	3. 338,42	10 389,59	0,00
Total	**727 540,80**	**933 372,04**	**861 998,17**

Table 14 - Breakdown of junior guarantees (EUR million)

3.4.3. Impact of ESA 2010 on guarantees

The **guarantees granted** by public administrations cover either loans in the form of credit or bond issues, or, less commonly, the value of a portfolio of financial assets. There are two types of guarantees: one-off guarantees that are subject to a specific contract and standard guarantees.

[38] Decree of the Walloon Government of 16 February 2012 amending the Decree of the Walloon Government of 30 April 2009 determining the conditions under which the Region's performance guarantee is granted for the repayment of loans referred to in Article 23 of the Walloon Housing Code.

Standard guarantees

Standard guarantees are issued in large numbers, typically for relatively small amounts and following the same pattern :

- They are characterised by frequently repeated operations with similar features and a grouping of risks ;
- The guarantors can estimate the average loss based on available statistics.

Under the ESA framework, a capital transfer must be recorded as an expenditure, corresponding to the expected average loss (or the average guarantee call), as determined based on the available statistics.

Managers of the programme of standard guarantees :

- Société Wallonne du Crédit Social - Walloon Social Credit Company
- Social Credit Counters
- Housing Fund for Large Families
- Others (former Brussels counters)
- Private banks
- Agricultural structures
- ...

One-off guarantees

One-off guarantees are individual guarantees for which guarantors cannot reliably estimate the risk of them being called. Issuing a one-off guarantee poses a risk, but it is not recorded in the ESA accounts, while standard guarantees, are recorded in both the financial and non-financial accounts of the guarantor.

Therefore, granting one-off guarantees does not impact the ESA financing balance of public administrations, except in the event of a call (whether partial or total). In such a case, the public administration must record a capital transfer in its accounts.

Managers of the programme of one-off guarantees:

- CRAC
- FLW
- LES MARRONNIERS ASBL
- IFAPME
- LOIS D'EXPANSION ECONOMIQUE
- SOFICO...

Part IV : Consolidated gross debt: Maastricht concept

Part IV : Consolidated gross debt: Maastricht concept

From the perspective of the Institute of National Accounts (INA), the debt calculation includes both direct regional debt and indirect debt, to establish the "Maastricht" concept of consolidated regional debt according to ESA 2010 standards. With the application of these regulations, this leads to the concept of consolidated regional debt for the entire regional scope, referred to as S13.12.

The consolidated regional debt comprises :

- Short-term direct debt (<1 year) and long-term direct debt (>1 year) ;
- Indirect consolidated debt comprised of secured debts from consolidated bodies, debts from alternative financing and delegated missions and financial leasing.

The amount of regional consolidated debt for 2023 is only formalised after the figures have been validated and published by the INA in 2023.

The table below (in EUR million) therefore contains the final figures for 2023, in comparison to the final figures for 2022 and 2021:

	2021 FINAL NOTIFICATION	2022 FINAL NOTIFICATION	2023 FINAL NOTIFICATION
Direct debt:	**20 563.00**	**23 090.53**	**25 273.91**
Long term	19 637.42	22 241.39	24 339.53
Short term	806.00	716.50	805.00
Correction cash pool (unit excluding S13.12)	119.37	132.64	129.38
Indirect debt:	**10 925.94**	**11 381.24**	**11 315.09**
Financial leasing transactions	36.27	22.90	11.45
Delegated missions and alternative financing	2 459.30	2393.99	2 28.,04
FADELS	310.21	230.21	150.21
Consolidated companies S13.12	7 705.16	7 718.16	7 880.04
Floods	415.00	1 015.98	987.35
Total consolidated gross debt	**31 488.74**	**34 471.77**	**36 589.00**
Assets of the Walloon Region on another entity of S13.12	15.00	-33.00	-45.70
Total consolidated gross debt on S13.12	**31 473.74**	**34 438.77**	**36 543.30**
Assets of the Walloon Region on another S13 sector	44.84	226.11	222.08
Contribution to the Maastricht Debt	**31 428.90**	**34 212.66**	**36 321.22**

Table 15 - Regional consolidated debt (EUR million)

The contribution to the Maastricht debt is consolidated gross debt in the sense that the financial assets of public administrations are not deducted from liability components. The contribution to the Maastricht debt neutralises the assets of the Walloon Region made with other entities from the S13.12 sector or the S13 sector.

The methodology used by the INA to present the Walloon public debt is based on the application of ESA 2010[39] as opposed to the historical viewpoint of debt accounting applied by the regional treasury administration.

The concept established by Eurostat and applied by the INA in Belgium is defined by a broad range of parameters, which allows a number of public sector entities to be integrated within the perimeter of regional consolidation. This list of entities has evolved considerably since 2014: entities have joined or left the originally established perimeter, following reclassifications carried out by the INA. It can be observed that the amounts published in the successive notices of the INA have been changed.

It is important to understand that the perimeter of consolidation clearly changes depending on the entities chosen to be listed and the debt which they carry, without the regional debt increasing in the literal sense.
In the context of the application of ESA 2010, the final figures for 2023 are as follows:

- **Long-term direct debt** corresponds to the long-term direct debt (EUR 23,536 million – see Table 1) increased by the debt of SPABS (EUR 795.35 million), resulting in a total of EUR 24,339 million. Under the Maastricht debt concept, internalised debt is reduced by the amount related to FADELS (EUR 150.21 million). The difference of EUR 6.74 million is explained by the method of accounting for debt stock which is taken at face value for reporting to the INA, while the Debt Unit uses the nominal value for its statistics.
- **Short-term direct debt**[40] relates to the renewal of commercial papers (CP), linked or not to a fixed- or variable-rate derivative (EUR 716.5 million as of 31/12/2022), from which repayments (EUR 11.5 million) are deducted and new commercial papers (EUR 100 million) issued in 2023 are added. Additionally, a cash pool adjustment of EUR 129.4 million is included.
- **Indirect debt** amounts to EUR 11,315 million and is comprised of the following elements which are considered as regional debt:

[39]ESA 2010: https://www.nbb.be/doc/dq/e_pdf_dq/ks_02_13_269_en.pdf

[40]The new ESA 2010 regulation considers all Commercial papers to be "short-term" instruments even when they are swapped as Long-Term instruments.

- The amount linked to leasing transactions (or tenancy agreements) carried out by the OTW: EUR 11.45 million;
- Debt generated by the delegated missions (e.g.: FIWAPAC) with entities to which the Walloon Government has assigned missions and which in the context of these assignments act directly on behalf of the Walloon Region, and debt generated by alternative financing (e.g.: CRAC, SOWAFINAL) for public sector companies in the broad sense that use the capital markets in the context of their activities: EUR 2,286 million;
- The residual debt of the Social Housing Loan Amortization Fund (FADELS): EUR 150 million;
- Loans from S13.12 consolidated companies are mostly included in the debt initially guaranteed by the Walloon Region: EUR 7,880 million.

Compared to the figures as at 31 December 2022, the contribution to the Maastricht debt therefore increased by EUR 2,108.56 million in 2022.

Part V : Financial rating

Part V : Financial rating

On 12 December 2023, Moody's kept the Walloon Region's rating at A3 with a stable outlook.

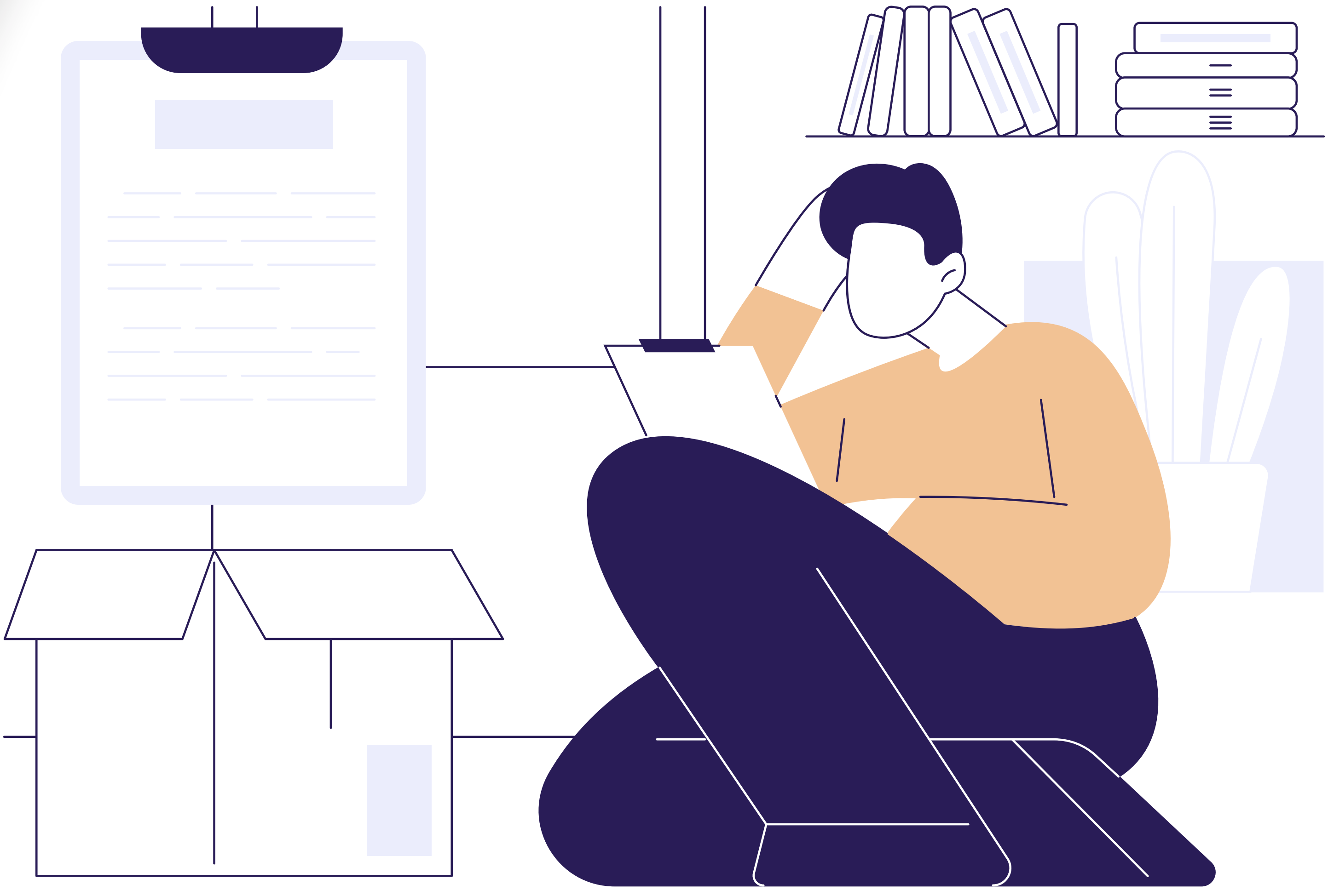
The following factors were highlighted by Moody's :

Identified strengths :

- A mature and robust legislative framework with well-defined responsibilities in Belgium's complex institutional system.
- Sophisticated yet prudent debt management, underpinning uncontested market access.
- Revenue flexibility supporting the Region’s credit profile.

Points of note:

- The Region's debt burden will remain very high due to recurring financing deficits.
- An economy that compares unfavourably with its national and European counterparts.



Part VI : Annexes

Part VI : Annexes

4.1. Full names of the Walloon PAUs

AdN	L'Agence du Numérique - Walloon Digital Agency
APAQ-W	Agence wallonne pour la Promotion d'une Agriculture de Qualité - Walloon Agency for the Promotion of Quality Agriculture
AViQ	Agence pour une Vie de Qualité - Agency for Quality of Life
AWAC	Agence Wallonne Air Climat - Walloon Air and Climate Agency
AWaP	Agence Wallonne du Patrimoine - Walloon Heritage Agency
AWEX	Agence Wallonne à l'Exportation - Wallonia Export-Investment Agency
CGT	Commissariat Général au Tourisme - General Commission for Tourism
CIRCSA	Association intercommunale pour l'exploitation du Circuit de Spa Francorchamps - Inter-municipal Association for the commercialisation of the Spa Francorchamps Circuit
CRAC	Centre Régional d'Aide aux Communes - Regional Centre for Municipal Assistance
CRA-W	Centre wallon de Recherches Agronomiques - Walloon Centre for Agronomic research
FAMIWAL	Caisse publique wallonne d'allocations familiales - Walloon Public Fund for Family Allowances
FOREM	Office Wallon de la Formation professionnelle et de l'Emploi - Walloon Vocational Training and Employment Office
FWCN	Fonds Wallon des Calamités Naturelles - Walloon Fund for Natural disasters
IFAPME	Institut wallon de Formation en Alternance et des Indépendants et Petites et Moyennes Entreprises - Walloon Institute for Sandwich Courses, Self-employed, and SMEs
ISSeP	Institut Scientifique de Service Public - Scientific Institute for Public Service
IWEPS	Institut Wallon de l'Evaluation, de la Prospective et de la Statistique - Walloon Institute for Evaluation, Prospective and Statistics
Les Marronniers	Centre Hospitalier psychiatrique Les Marronniers - Les Marronniers psychiatric hospital centre
OTW	Opérateur de Transport de Wallonie - Transport Operator of Wallonia
AEI	Agence pour l'Entreprise et l'Innovation - Enterprise and Innovation Agency
EAP	Ecole d'Administration Publique - School of Public Administration

SOFICO	Société wallonne de financement complémentaire des infrastructures - Walloon Company for the Supplementary Financing of Infrastructure
SOGEPA	Société wallonne de Gestion et de Participation - Walloon Management and Shareholding Company
SOWAER	Société Wallonne des Aéroports - Walloon Airports Company
SOWAFINAL	Société wallonne de Financement alternatif - Walloon Alternative Financing Company
SOWALFIN	Société wallonne de Financement et de Garantie des PME - Walloon Company for the Financing and Management of SMEs
SPAQuE	Société Publique d'Aide à la Qualité de l'Environnement - Public Aid Company for the Quality of the Environment
SRWT	Société Régionale Wallonne du Transport - Walloon Regional Transport Company
SWCS	Société Wallonne du Crédit Social - Walloon Social Credit Company
SWL	Société Wallonne du Logement - Walloon Housing Company
WBT	Wallonie Bruxelles Tourisme - Wallonia-Brussels Tourism

4.2. Glossary

BO	Back Office
CeSEFFB	Strategic Centre for Fiscal and Financial Expertise
CIF	Financial Information Unit
COCOT	Joint Treasury Council
CORET	Regional Treasury Council
PCSW	Public Centre for Social Welfare
CSF	High Council of Finance
EMTN	Euro Medium Term Notes
FADELS	Social Housing Loan Amortization Fund
FO	Front Office
ICNA	Institute of National Accounts
IFRS	International Financial Reporting Standards
ISDA	International Swaps and Derivatives Association
SLF	Special Law on Financing
MO	Middle Office
MTN	Medium Term Notes
OLO	Linear Bonds
ESA 2010	European System of National and Regional Accounts (2010 standards)
SPABS	Public Administration Companies for School and Education Buildings organised by the Public Authorities
FPS Finances	Federal Public Service Finances
SPW	Wallonia Public Service
SWDE	Walloon Water Company
PAU	Public Administration Unit
WFE	Wallonie Finances Expertises

4.3. Table of graphs

4.4. Table of tables

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ISSN : 3041-5918 (N)

Wallonie
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