

THE ACCOUNTING REFORM IN THE BRUSSELS-CAPITAL REGION: NEW TOOL FOR FINANCIAL ANALYSIS

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Abstract: *In the last twenty years, public administrations in Belgium have completely reformed their accounting systems. The « new » system consists in combining double-entry general accounting with budgetary accounting, which is traditional in the public sector. The accounting reform of 2003 marks a turning point in the history of accounting of the federal State and federated entities (regions and communities). The Brussels-Capital Region is the first federated entity to embark on the adventure and implemented the new accounting system in 2006.*

First, the article introduces the legislative framework and the different implementation steps of the accounting reform in the Brussels-Capital Region. Second, on the basis of data from the balance sheet and the income statement, it presents the financial analysis of the entity over four years. Thus, the analysis of the result of the entity, various financial ratios and the debt indicates that, although expenses and the debt are increasing, the situation of the Region is not worrying because the entity thanks to good budgetary performances, sophisticated financial management and low loans rates.

Keywords: *Public accounting – Accounting reform – Financial analysis – Brussels-Capital Region*

I. INTRODUCTION

Since ever and even more nowadays, the control of public finances is a serious challenge for the State's leaders. Those leaders want to diminish and prevent deficits while improving the State's systems management. Thus, modes of governance of the Belgian public administrations are subject to serious challenge.

Since 20 years, the accounting system is in complete revolution in the public's sector. Usually centered on a budgetary logic, the accounting tool integrates, as of today, a general accounting, following the example of private companies (with a balance sheet, an income statement and annexes). It's a major innovation for administrations. In Belgium, municipalities are the first ones to get a sophisticated accounting system which combines a general accounting and a budgetary

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accounting. CPAS has followed the general movement in 1998, police zones in 2001 and provinces in 2003.

Following the reform of 2003, Federal's State and Federated entities also get a new legal framework with regard to the public accounting. A very long delay has been observed between the beginning of the works which consist to set the new general accounting plan up, the master piece of general bookkeeping, and the execution of the new accounting. However, Brussels-Capital Region is particularly advanced for the set up of this accounting reform.

This article proposes, consequently, to analyze the set up of the reform of 2003 within the Brussels-Capital Region and to realize, based on data from general accounting, a financial analysis of the Federated entity. It seems interesting to use from a practical manner the new data that the modernized accounting system provides. The originality of our approach lies, moreover, in the fact that up to this day, no financial analysis of this kind has been made. After a presentation of the legislative framework and the different steps of the accounting's reform implementation, we propose to analyze, over several years, the net earnings of Brussels-Capital Region and to present pertinent ratios to assess the financial health of the entity. We will also focus on the analysis of the regional debt. Finally, we will give conclusions on the performed analysis.

II. THE REFORM'S IMPLEMENTATION OF BRUSSELS REGION

In Belgium, if the provinces, municipalities and CPASs have already been settled with the use of the double-entry general accounting, Brussels-Capital Region is the only Federated entity up to this day, except German community, to have published a general account¹.

The law of May 16, 2003² which defines the minimum base that all Federated entities have to respect and the organic order of February 23, 2006³ on the arrangements applicable to the budget, accounting and auditing (OOBAA), which fixes additional prescriptive rules to the law of May 16, 2003 that the Brussels' Legislator has decided to apply in Brussels-Capital Region, form the legal base of the accounting within the Brussels-Capital Region. They come into force for Brussels-Capital Region January 1, 2006.

The reform is, thus, concrete since 2006 for the Ministry and since 2008 for the Independent Regulatory Agencies (IRA)⁴. As for the Federal State, the computer application used is SAP.

Nevertheless, to this date, the Royal Decree which fixes the "Standardized chart of accounts" as required by the law of May 16, 2003, article 5, has not been approved yet. That's why, end of 2006, several meetings were organized between administrations' members and the Federal Minister of the Budget. Those meetings

result in an agreement that the Royal Decree which adopts the “standardized chart of accounts”, has to be adopted as quickly as possible so that entities won’t be stuck in the exercise of their new competence.

Unfortunately, in early 2007, this Royal Decree hasn’t been adopted by the Federal Government without official reason communicated to the Brussels-Capital Region.

Thereby, for the sake of continuity of public services and to help fulfil this legal void, Finance Minister makes the “standardized chart of accounts” applicable to the Brussels-Capital Region as established and adopted by the Commission of Accounting Standards March 30, 2004. The Circular of December 28, 2006⁵ fixes the chart of accounts applicable to the Brussels-Capital Region. It’s repealed in 2009 with the adoption by the Federal State of a Royal Decree fixating the “standardized chart of accounts”⁶.

Afterwards, November 15, 2007, as the Royal Decree establishing the chart of accounts has yet to be adopted by the Federal Government, the Finance Minister adopts a second circular which aims to apply the accounting rules laid down by the organic order of February 23, 2006 on arrangements applicable to the budget, accounting and the auditing.

Finally, on December 11, 2009, the Royal Decree establishing the standardized chart of accounts as planned by the law of May 16, 2003, article 5, is published in the Belgian Official Journal under the name of the Royal Decree of November 10, 2009 fixating the chart of accounts applicable to the Federal State, the communities, the regions and to the Joint Community Commission.

It’s obvious that being published on December 11, 2009, this Decree hasn’t been applied for the budgetary and accounting execution of 2008 and 2009 in the Brussels-Capital Region. The two circulars⁷ previously cited have remained applied. Except for tangible, intangible and financial assets valued according to the data of the Royal Decree.

Furthermore, the law of May 16, 2003 cancels preliminary control by the Court of Auditors, even if this one keeps its role of information and control of accounting. Indeed, the last one isn’t suitable for organizing a modern budgetary and accounting procedure. That’s why a more efficient new controlling system is implemented to ensure the proper management of public funds by (Government) officials and thus, allow the Parliament to be informed of the proper functioning and good organization of public management. The region then passes several Royal Decrees regulating the terms of this control⁸. This internal control will provide a basis for certification control by the Court of Auditors, as OOBAA provides it⁹. The come into effect of this provision is, however, postponed to January 1, 2008.

In fact, the region has henceforth a budget which becomes a real instrument of long term strategic planning. There is a greater consistency of the objectives, the released resources and expected results. Thus, by allowing exceeding the figures, the budget becomes the essential tool of the Parliament for the assessment of the Government policy. From now on, operations (transactions) are charged based on accruals basis (entitlements established) in commitment appropriations and liquidation.

The budget is always built on the respect of five budgetary principles which are legality, yearly recurrence, unity, universality, and speciality. However, OOBAA specifies and completes some of these principles and adds new ones. Thus, since the reform, the budget is a unique document, contrary to the former practice which was to present two projects; the Ways and Means Budget and the General Spending Budget. Moreover, before the reform, the speciality applied at two levels: legal speciality (vote of programs by the Parliament and control by the Court of Auditors of the strict limits by voted program) on the one hand, and administrative speciality (allows the Court of Auditors to check if the spending are well imputed on basics allowances and that none credit is exceeded) on the other hand. OOBAA adds the economic speciality which helps to assess the Government policy by major groups of nature (ESA)¹⁰ as for example the transfers to households, investments, etc. Finally, the principles of global economic balance, sound financial management, stability, sincerity, and transparency are introduced. One of the pillars of the new accounting is, without any doubts, the introduction of a new general accounting with “double entries” kept in an integrated manner to the budgetary accounting and which allows, furthermore, knowing the region’s heritage.

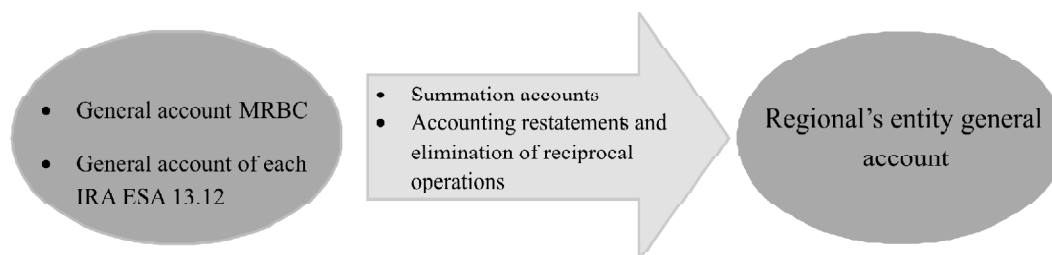
1. Certification of the first general account: The Court of Auditors exerts a control over the Region through the general account’s certification. It ensures the respect of budgetary speciality, regularity and legality of revenues and expenses. It also controls the missions of accountants and public organisms. This control takes the form of an annual audit.

The first general account of Government Services of Brussels-Capital Region has been established in 2008 and in 2012; the Court of Auditors has certified this general account. Note that the general accounts of 2009, 2010 and 2011 have to this date, yet to be certified.

2. Consolidation’s project: Every year, the Brussels-Capital Region presents its general account of the regional’s entity. This is provided by articles 45, 3° and 59 of OOBAA. The regional’s entity is composed, for Brussels-Capital, of Government Services and IRA and each accounting entity holds its accounting independently and produces its own general account. So, it’s necessary to group those different accounts to form a unique one: the general account of the regional’s entity thanks to a technique called accounting consolidation¹¹. Brussels-Capital

Region has for a project the consolidation of the general account of the regional's entity.

Figure 1: Project of consolidation of Brussels-Capital Region



Source: Fondeur E., Fransolet A. et Gruson D., Réunion SRIB « Consolidation du compte général de l'entité régionale », 28 novembre 2012.

To reach this consolidation, several instruments are necessary¹²:

- Consolidation's methodology provided by a Decree¹³;
- Common rules. For RDB, those rules are included in OOBAC of February 23, 2006, the Circular of November 15, 2007 and the Royal Decree of November 10, 2009 fixating the "standardized chart of accounts";
- A common chart of accounts;
- Consolidation software¹⁴.

According to the article 90 of OOBAA, annual accounts are consolidated, i.e. the balance sheet and the income statement in accordance with traditional methods of accounting with "double entries" (summation, restatements and eliminations) and the budgetary operations' recapitulation account for which there isn't traditional methods¹⁵. Brussels-Capital Region had decided, for the budgetary operation's recapitulations account, to sum the budgetary operation's recapitulation accounts of each accounting entities and to cancel income and capital transfers between accounting entities¹⁶.

This article excludes budget execution's account of consolidation. Indeed, this account serves as law. The different budget execution's accounts are simply put together.

The first general account where consolidation is applied is the one established on December 31, 2012. Before that, a test is done on general accounts of 2009 and 2010. Until now, each IRA and also MBCR publishes its own general account. General accounts have never been consolidated.

Until today, regarding MBCR's general account, the regional's accountant proceeded by taking MBCR's share in each IRA to the value of IRA's net assets (= IRA's net assets * share held by MBCR in IRA)¹⁷.

III. METHODOLOGY

Usually, financial analysis constitutes a precious diagnosis' instrument for companies. However, today and thanks to the introduction of general accounting in public administrations, financial analysis can also be a management tool for public administrations.

To be able to do financial analysis of Brussels-Capital Region, we took general accounts from 2008 to 2011, each one of them closed on December 31. Thus, we propose, in one hand, to analyze the evolution of the Region's different results and in other hand, to present different ratios from data stemming from the restructured balance sheet and income statement. We also analyze the evolution of the regional's debt.

We emphasize the fact that to this day, the general account of 2008 has been approved and certified by the Court of Auditors. The use of other accounts has been the subject of prior permission of the general director of financial and budget administration of the Ministry of Brussels-Capital Region.

The accounts have been established based on legal and regulatory provisions in use in the matter, namely the law of May 16, 2003, Organic Order of February 23, 2006, the Circular of November 15, 2007 and the Royal Decree of November 10, 2009.

It is to note that in accordance with OOBAA's article 16 and the absence of a consolidation account for the regional's entity, the consolidation rules that remain integrate the net asset from accounting entities that have to be consolidated in the balance sheet of the Government Services.

IV. ANALYSIS OF THE RESULT OF THE BRUSSELS-CAPITAL REGION

Table 1
Evolution of the result (in euros)

	2008	2009	2010	2011
Fiscal year earnings	- 274.986.856	- 428.948.395	- 394.556.204	- 640.233.688

Current revenues decrease between 2008 and 2009 (-6.64%), then rise quite good mainly between 2010 and 2011 (+7.70%). Note that on average; more than 80% of current revenues of Brussels-Capital Region come from the "Special Finances Act", i.e. from regional taxes and from a relative share to the individual income tax (IIT).

Figure 2: Evolution of current revenues

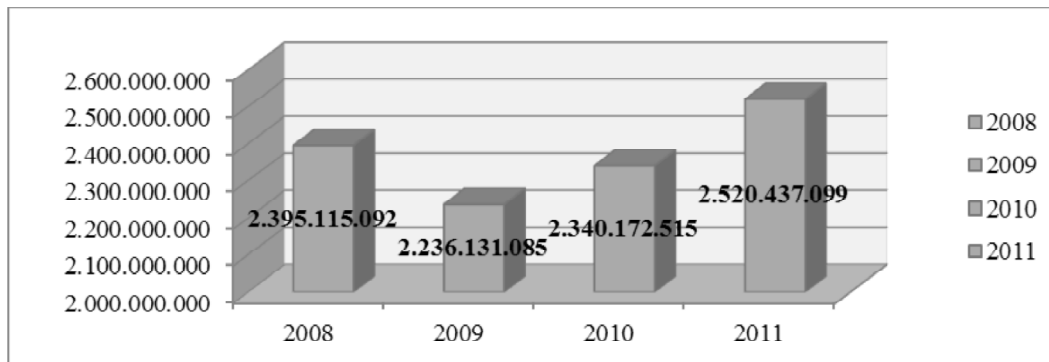
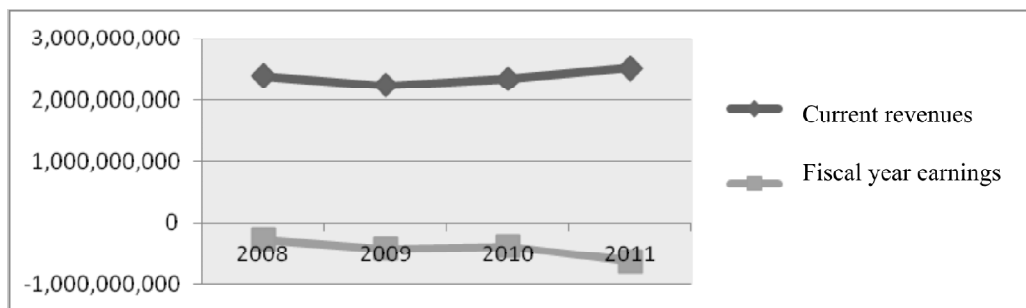


Figure 3: Evolution of current revenues compared to fiscal year earnings to affect



We notice that the current revenues and the fiscal year earnings don't really progress in the same direction. Overall, current revenues increase (index 100 to 105.23) even if in 2009 they decrease (-6.64%). The fiscal year earnings, meanwhile, even if it increases slightly in 2010 (+8.02%) it decreases overall. The loss of the Region continuously increases. We can already conclude that the Region spends more than it gets and that its expenditures increase more.

V. ANALYSIS BY RATIOS

Ratios represent a connection between significant values of the balance sheet and the income statement. They put together isolated information and thus, give an additional meaning. We can imagine dozens of ratios in terms of each user's needs. However, wisdom is applied when we choose ratios because some of them have non-economical meaning. Moreover, no ratio has to be considered in an isolated manner. It's preferable to analyze a set of ratios to pull out a relevant diagnostic. Furthermore, it can be confusing to choose numerous different ratios. Thus, firstly, we have chosen to present "classical" ratios, commonly used by professional analysts. They show the key aspects of the financial situation and

they provide a good overview of the situation of the analyzed entity. Then we present ratios more suited for the Brussels-Capital Region.

A comparison with the other federated entities or even the Federal State, added to a historical comparison, could have extended the analysis and the interpretation of financial ratios, however, as we already noted, the Brussels-Capital Region is, in that area, a pioneer.

1. Liquidity ratios: Liquidity ratios enable to measure the entity's capacity to face its short-term debts. We present here the liquidity ratio in the broad sense to assess the capacity of the Region to face its short-term commitments. Indeed, the Region has to be able to generate cash necessary to reimburse short-term debts. This ratio, thus, represents the coverage of current liabilities by restricted current assets¹⁸.

Table 2
Liquidity ratio in the broad sense

	2008	2009	2010	2011
NUMERATOR				
Current assets	371.294.112	200.423.038	134.607.755	151.718.592
DENOMINATOR				
Current liabilities	1.482.661.730	1.109.542.666	1.111.017.450	1.049.193.158
Current ratio	0,25	0,18	0,12	0,14

Note that the current assets form the least important part of the balance sheet for the last four studied years. Besides, we note a downward trend, essentially including short-term receivables. Current liabilities are mainly constituted of financial debts and various debts. At first sight, those results don't seem favorable to the Region because it doesn't generate enough liquidity to face current liabilities. During the last four analyzed years, the ratio decreases overall (from 0.25 in 2008 to 0.14 in 2011). This means that the Region doesn't have a safety margin and the situation doesn't get better. If some of its current assets are not made liquid on schedule, the Region will have to affect other resources to face its short-term debts. Note that it's a very static ratio inasmuch as it doesn't involve flows but only amounts at a given time.

Let's recall that we deal with a public entity and thus, despite those very low ratios, Brussels-Capital Region has nothing to worry about, given that it lives on cash advance. Indeed, the Treasury takes care of the management of short-term funding (up to 30 days) of the Ministry of Brussels-Capital Region. This funding is achieved by means of various forms of credit, as fixed-term advances, treasury bills, and the current account from the Ministry's cashier or investment of cash surpluses.

2. Solvency ratios: Solvency concerns the entity’s capacity to face all of its financial commitments, in short and long-term. The traditional solvency ratios aim to analyze the origins of the funding sources that are made available to the entity but also how long it can dispose them. They allow measuring the level of debt (indebtedness) or the financial independence of the entity.

2.1. The overall level of financial independence in percent

This ratio measures the company’s financial autonomy.

Table 3
Level of financial independence

	2008	2009	2010	2011
NUMERATOR				
Equity	6.225.962.657	6.243.643.889	6.028.992.221	5.987.477.679
DENOMINATOR				
Total liabilities	8.573.413.739	9.035.054.271	9.131.877.387	9.523.309.008
Ratio of financial independence	72,62%	69,10%	66,02%	62,87%

We can see that the Region becomes less and less financially independent. Indeed, its equity decreases over time. This means that the Region has recourse more and more to third-party funds. However, the level of financial independence is, every year, higher than 60% which is generally widely accepted as a standard for this ratio. Thus, we can assume that the Region isn’t exposed to a high financial risk and is in a fairly favorable position, which allows it to use credit more easily when it’s necessary. It’s to note that the Region has the means of a Sovereign State and consequently, it has the power to take from sovereign revenues.

2.2. The Overall level of debt in percent

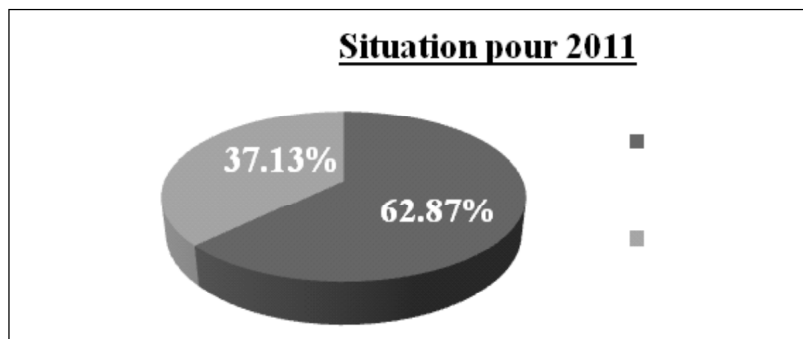
This ratio measures the extent of the entity’s indebtedness. It allows to assess the proportion of assets that is financed by liabilities.

Table 4
Overall level of debt

	2008	2009	2010	2011
NUMERATOR				
Total liabilities	2.347.451.082	2.791.410.382	3.102.885.166	3.535.831.329
DENOMINATOR				
Total liabilities and shareholders’ equity	8.573.413.739	9.035.054.271	9.131.877.387	9.523.309.008
Debt ratio	27,38%	30,90%	33,98%	37,13%

Note that the level of debt is only a partial indicator of solvency given that it ignores the cost of debt and repayment schedule. Third-party funds' analysis shows that they are essentially composed of short-term third-party funds in 2008 but the trend reverses in 2009. Among third-party funds, financial debts correspond overall to the most important item which isn't without consequences given that they correspond to the most expensive debts. Note that a high value of this ratio leads to heavy financial expenses that weigh not only on the business' results but also on its self-financing's capacity. We see that, for the Region, this ratio is increasing over the years. It increases by about 10% between 2008 and 2011. The Region borrows, thus, more and more. However, on average, third-party funds correspond to only a third of the balance sheet, which isn't, in itself, huge for a Region such as Brussels-Capital.

Figure 5: Financing structure in 2011



Note that determining the appropriate level of debt is a difficult task for financial management because this level varies by countries, sectors, companies. Thus, if a company operates in a sector where the activity's risk is high, it can't add an important financial risk. On the contrary, if a company operates in a sector where the activity's risk is low, it can, without any major problems, handle a more important debt. The Region writes itself in this second hypothesis.

2.3. The level of long-term debt in percent

Table 5
Long-term level of debt

	2008	2009	2010	2011
NUMERATOR				
Long-term liabilities	864.789.352	1.681.867.716	1.991.867.716	2.486.638.171
DENOMINATOR				
Liabilities	2.347.451.082	2.791.410.382	3.102.885.166	3.535.831.329
Long-term debt ratio	36,84%	60,25%	64,19%	70,33%

This ratio shows that the Region borrows largely in long-term and that, from 2009. This trend to borrow in long-term can be explained by different elements. First of all, borrowing in long-term can freeze a known rate (if the rate is fixed) for a very long period. Thus, the Region has the certainty at a predetermined rate, as would an individual do for a mortgage. Moreover, the more the Region borrows in long-term, the more the liquidity's risk is low because the repayment is far. Borrowing in long-term also improve numerous financial indicators (that measures for most of them, liquidity's risk) and it highlights creditors' trust that are more likely to lend to the Region in long term.

3. OTHERS RATIOS

3.1. The financial assets and financial products

Table 6
Relationship between financial assets and third-party funds

	2008	2009	2010	2011
NUMERATOR				
Financial assets	2.600.716.872	2.812.824.314	2.980.825.247	3.011.177.661
DENOMINATOR				
Liabilities	2.347.451.082	2.791.410.382	3.102.885.166	3.535.831.329
Ratio of financial assets by debts	110,79%	100,77%	96,07%	85,16%

With this ratio, we see that the Region has important financial investments which are, beside, higher than the debts in 2008 and 2009. However, a question arises. Indeed, while the Region has financial assets that exceed 3 billion € in 2011, the financial products, meanwhile, are derisory. Let's see that in the next ratio.

Table 7
Relationship between financial products and financial assets

	2008	2009	2010	2011
NUMERATOR				
Financial products	25.361.115	19.974.162	14.449.942	26.570.406
DENOMINATOR				
Financial assets	2.600.716.872	2.812.824.314	2.980.825.247	3.011.177.661
Ratio of financial products by financial assets	0,98%	0,71%	0,48%	0,88%

This ratio indicates that the financial products are derisory in comparison with the amounts of financial assets. Moreover, overall, financial products decrease

whereas financial assets increase. Indeed, financial assets that the Region has are essentially shares that it has in 100% in its IRA. Given that there aren't trading companies and that the shares aren't stocks, no dividend is paid.

Otherwise, investing in financial shares are based on political decisions as part of projects whose goals aren't searching for financial products. Those projects are linked to housing, mobility, employment, instruction or assistance to businesses.

3.2. Total expenses

The restructured income statement shows the different categories of the following expenses: intermediate consumption (supply-grants-allocations and services and other goods), cash operating costs (composed of payments), depreciation (including write-downs and provisions) or the not disbursed expenses, financial expenses, and exceptional expenses (non-recurring). It seems interesting to see in which proportions the Region's expenses are divided.

Table 8
Relationship between intermediate consumptions and total expenses

	2008	2009	2010	2011
NUMERATOR				
Intermediate consumptions	2.146.186.120	2.218.526.476	2.307.366.711	2.447.121.664
DENOMINATOR				
Total expenses	2.699.132.392	2.685.533.775	2.751.646.258	3.193.578.447
Ratio of debt charges by third-party funds	79,51%	82,61%	83,85%	76,63%

This ratio indicates that intermediate consumptions are, without any doubts, the largest item of total expenses of the Region and more particularly, the section of "supply-grants-allocations".

Table 9
Relationship between payments, social security and pensions and total expenses

	2008	2009	2010	2011
NUMERATOR				
Payments, social security and pensions	123.339.638	123.373.262	125.501.027	130.604.629
DENOMINATOR				
Total expenses	2.699.132.392	2.685.533.775	2.751.646.258	3.193.578.447
Ratio of payments, social security and pensions by total expenses	4,57%	4,59%	4,56%	4,09%

This ratio can seem surprising. Indeed, we could think that the payments are the most important expenses of a public entity. However, we can see that they represent, on average, only 4% of total expenses. Let's recall that it's a region and, consequently, payments of teachers aren't its responsibility but it's the communities' responsibility.

Table 10
Relationship between “broad sense” depreciation and total expenses

	2008	2009	2010	2011
NUMERATOR				
« Broad sense » depreciation	253.429.696	189.741.006	191.862.465	208.659.097
DENOMINATOR				
Total expenses	2.699.132.392	2.685.533.775	2.751.646.258	3.193.578.447
Ratio of depreciation by total expenses	9,39%	7,07%	6,97%	6,53%

This ratio decreases over the four studied years. The depreciations, that are exclusively operating depreciation, form the second most important item of total expenses, except in 2011 where the exceptional expenses were the most important item behind the intermediate consumptions with 8.57% (see further).

Table 11
Relationship between debt charges and total expenses

	2008	2009	2010	2011
NUMERATOR				
Debt charges	97.252.127	74.832.593	108.461.786	116.389.085
DENOMINATOR				
Total expenses	2.699.132.392	2.685.533.775	2.751.646.258	3.193.578.447
Ratio of debts charges by total expenses	3,60%	2,79%	3,94%	3,64%

The debt charges represent only a small part of total expenses. Overall, they are quite stable. The next ratio highlights the proportion of debt charges by third-party funds.

Table 12
Relationship between debt charges and third-party funds

	2008	2009	2010	2011
NUMERATOR				
Debt charges	97.252.127	74.832.593	108.461.786	116.389.085
DENOMINATOR				
Liabilities	2.347.451.082	2.791.410.382	3.102.885.166	3.535.831.329
Ratio of debt charges by third-party funds	4,14%	2,68%	3,50%	3,29%

The debt charges are quite controlled in comparison with third-party funds as a whole. Moreover, the ratio debt charges /third-party funds tend to decrease overall despite third-party funds that don't stop to increase. Thus, we can conclude that, indeed, the Region borrow increasingly but at rates more and more profitable which is, in itself, a good thing.

Table 13
Relationship between exceptional expenses and total expenses

	2008	2009	2010	2011
NUMERATOR				
Exceptional expenses	4.345.793	31.832.589	- 2.228.680	273.575.830
DENOMINATOR				
Total expenses	2.699.132.392	2.685.533.775	2.751.646.258	3.193.578.447
Ratio of exceptional expenses by total expenses	0,16%	1,19%	- 0,08%	8,57%

Note that the amount of exceptional expenses of 2010 corresponds to the inventories corrections about financial assets. As for the ratio, it represents only a very low part of total expenses from 2008 to 2010. In 2011, the ratio becomes more important.

IV. ANALYSIS OF THE REGIONAL'S DEBT

Three juridical sources define the environment in which the debt management has to be done. First of all, special law of January 16, 1989¹⁹, allows the regions and communities to raise loans under certain conditions. Besides, by the vote of the ways and means budget, Brussels-Capital Region's Government has, moreover, the skill to raise loans. Finally, in the Government Decree of Brussels-Capital Region of July 18, 2000²⁰.

Table 14
Evolution of the consolidated regional's debt according to ESA

	2008	2009	2010	2011
Direct regional's debt	1.734.380.000	2.186.913.000	2.569.770.000	2.937.744.000
Other consolidated regional's debts	439.157.000	445.185.000	384.464.000	375.894.000
Credit balances of organisms that are involved in the scope of consolidation	- 106.085.000	- 94.995.000	- 103.656.000	- 125.840.000
Total debt according to ESA	2.067.452.000	2.537.103.000	2.850.578.000	3.187.498.000

Source: Administration des finances et du budget du MRBC, « Rapport annuel 2011 - Dette régionale »

According to ESA, the regional's debt includes the Brussels-Capital Region's total direct debt and also the consolidated organisms' debts reduced by their creditor positions²¹. It encompasses the loans that the Region pays for other organisms. Furthermore, some institutions of the Brussels-Capital Region are allowed to borrow with the Region's warranty. The loans' depreciation and the interest costs are the organisms' responsibility. The Region is only involved if one of the organisms is facing failures.

Thus, the debt increases year after year. It can be explained partly by a quite unfavorable macroeconomic context. Indeed, the 2008 financial crisis isn't without consequences on public sector's finance. Furthermore, the high number of unemployed and the private and public-sector's debts keep undermining the long term growth in advanced economies. Indeed, the States seek to decrease the budgetary incentives because of reorganization measures that are necessary to restore the economy.

It's to note that the debt that appears in the above table doesn't match the figures presented in the Region's balance sheet. Indeed, the consolidated regional's debt defined by the ESA standard includes the Government's Services and also the whole 13.12 sector of public administrations as defined by this standard. If we want to compare the balance sheets with the debt's figures according to ESA, it's more consistent to analyze the debt that only includes the Government's Services.

Table 15
Comparison of the debt according to ESA with financial debts of the balance sheet

	2008	2009	2010	2011
Government's Services debts (ESA)	1.732.000.000	2.186.910.000	2.569.770.000	2.937.440.000
Balance sheets:				
ST Financial debts	742.402.725	352.875.869	442.703.914	293.644.880
Debts payable after one year	127.190.462	155.000.000	140.000.000	173.729.545
LT Financial debts	864.789.352	1.679.039.352	1.989.039.352	2.471.809.807
Government's Services debts (balance sheet of RBC)	1.734.382.539	2.186.915.221	2.571.743.266	2.939.184.232
Differences	2.382.539	5.221	1.973.266	1.744.232

Differences can be explained by different periods during which the two documents have been written, or by a component brought together under an accounting item but not brought together at the management's debt services' level.

V. CONCLUSION

Brussels-Capital Region is in advance in comparison with its peers. The existing accounting system in Brussels' Region in an integrated whole, includes the budget, the results and the balance sheet. The new accounting's documents' (balance sheet, income statement and annexes) bring more than just simple values at a given time; they also allow improving the entities' management by analyzing them over time. Note that it would have been, in addition, interesting to compare the analysis that has been done for Brussels-Capital Region to other Federated entities, even the Federal State. But the Brussels' Region being the only Federated entity, to this day, to have produced complete general accounts, we brought our attention only on the latter.

Thus, we were inspired by the method used in the private sector to carry out financial analysis. We insist on the fact that strictly transposing the financial analysis' ratios of trading or industrial businesses to Brussels-Capital Region or another public entity isn't always necessary. Brussels' Region remains a part of a Sovereign State, which gives it the possibility to levy taxes. Let's take the example of the liquidity ratio which is, in a general manner, very low (between 0.12 and 0.25) for the last four studied years. This result would be, without any doubt, concerning for a private company, to the point where it may not survive. However, this situation for the Region isn't concerning because it has a cash advance.

Then, regarding the income statement, let's precise that there isn't a direct link between the expenses and the incomes in an administration, as it's the case for a private company. Indeed, the expenses incurred by the administration don't have as a goal to collect the incomes. In Belgium, it's the case for the communities and the regions that are essentially financed by transfers of taxes collected by the Federal State which bears the costs of collecting. Let's also point out that the strategic decisions taken at the Region's level are decisions that enter in the context of policy choices and non-exclusively "profit" oriented.

Thus, probably, the more important isn't the fact to know if the result is positive or negative but to make sure that the balance sheet remains overall balanced and that it satisfies rating agencies and also investors. Indeed, the Region turns increasingly to private investors. Moreover, Brussels-Capital Region is the only public entity in Belgium that hasn't been degraded by the rating agencies for many years. Standard & Poor's explains it by good budgetary performances, a sophisticated financial management and an easy access to liquidity. Indeed, let's recall that the Region has a relatively low level of debt (32% on average during the four years). However, it seems important to report that this rate doesn't get a favorable evolution (+10% in four years) and a debt control has to always be preferred. However, we can qualify on this subject because the Region borrows at a less and less expensive price, which is really positive.

All in all, even if the results of our analysis don't have to be interpreted as the same way as for a private company, we are convinced of their interest. The annual

accounts provide a lot of information that's interesting to use as a goal to improve the public entities' management.

Notes

1. Only general account of the Government services of the Brussels-Capital Region for 2008 is published. Those of 2009, 2010 and 2011 are not yet certified by the Court of Auditors.
2. Act of May 16, 2003 lays down the general rules for budgets, monitoring grants and for the accounting of communities and regions, as well as for the organisation of the control of the Court of Auditors.
3. Organic order of February 23, 2006 on the arrangements applicable to the budget, accounting and auditing.
4. Gruson D., « Région de Bruxelles-Capital, réforme financière : le contrôle interne comptable », Bulletin de documentation du SPF Finances, 1er Trimestre 2009, p. 208.
5. Circular of December 28, 2006 of the Minister of Finance and Budget fixing the chart of accounts applicable to the Brussels-Capital Region.
6. Royal Decree of November 9, 2009 fixing the chart of accounts applicable to the federal government, communities, regions and the Joint Community Commission.
7. Circular of December 28, 2006 of the Minister of Finance and Budget fixing the chart of accounts applicable to the Brussels-Capital Region and Circular of November 15, 2007 of the Minister of Finance and Budget aiming to enforce the accounting rules set out in the Organic order of February 23, 2006 on the arrangements applicable to the budget, accounting and auditing.
8. GRBC order of October 18, 2007 on the internal control including internal audit profession, accounting control and control of sound financial management.
9. Article 60 of the OOBAA of February 23, 2006.
10. European System of Accounts
11. Le Ministre des Finances et du Budget Vanhengel G., « Projet d'arrêté du Gouvernement de la Région de Bruxelles-Capitale établissant les modalités de consolidation dans le cadre de la présentation du compte général de l'entité régionale » Note aux membres du gouvernement de la Région de Bruxelles-Capitale, 2012, p.1.
12. Fondeville E., Fransolet A. et Gruson D., Réunion SRIB « Consolidation du compte général de l'entité régionale », 28 novembre 2012.
13. The preliminary draft decree of the Government of the Brussels-Capital lays down detailed rules of consolidation in the context of the presentation of the general account of the regional entity is finalised in December 2012. It is not yet approved by the Government.
14. The acquisition of this software to the Ministry of the Brussels-Capital Region (MBCR) is very recent, dated February 11, 2013.
15. Fondeville E., Fransolet A. et Gruson D., Réunion SRIB « Consolidation du compte général de l'entité régionale », 28 novembre 2012.
16. Le Ministre des Finances et du Budget Vanhengel G., « Projet d'arrêté du Gouvernement de la Région de Bruxelles-Capitale établissant les modalités de consolidation dans le cadre

de la présentation du compte général de l'entité régionale » Note aux membres du gouvernement de la Région de Bruxelles-Capitale, 2012, p.7.

17. Interview with Fransolet A., officer of the regional accountant of the Brussels-Capital Region.
18. They are composed of inventories and orders in progress, amounts receivables within one year, cash investments, liquid assets and accruals.
19. Special law of January 16, 1989 on the financing of the communities and regions.
20. Order of the Government of the Brussels-Capital Region dated July 18, 2000 on its operating and fixing the signature of the actions of the government.
21. Eurostat determines which organisations to consolidate.

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Interviews

- Interview with Dehoux Marc, *Director of the entity of budget of the finance and budget administration of Brussels-Capital Region*, 27 March 2013.
- Interview with Faenza Stefano, *Attaché of the entity « Direction of the debt management » of the finance and budget administration of Brussels-Capital Region*, 12 March 2013.
- Interview with Fondeur Eric, *Regional accountant of Brussels-Capital Region*, and his personal assistant Fransolet Alice, *Attachée to the Regional accountant entity*, 3 April 2013 et 22 April 2013.
- Interview with Gruson Daniel, *General Director of the finance and budget administration of Brussels-Capital Region*, 22 April 2013 et 16 May 2013.

Various documents

- Administration des finances et du budget du Ministère de la Région de Bruxelles-Capitale, « Rapports annuels 2008, 2009, 2010 et 2011 – Dette régionale », rapport annuel 2011 de la BCE.
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