



Brussels Capital Region

**Possible improvements in PFM following the
PEFA Assessment**

Implemented by:

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Brussels Capital Region

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A. Situations where PEFA Indicators show scope for improvement

1. The PEFA assessment identifies five areas where there is significant scope for improvement of PFM:
 - (i) Planning improvements over time in the quality of public services (PI-8)
 - (ii) Planning of public investment (PI-11)
 - (iii) Medium-term planning of public expenditure (PI-14)
 - (iv) Information for the public, which interacts with (i) and (ii) (PI-9 and PI-24, PI-29)
 - (v) Internal control and audit (PIs 23-26)

i. Improving planning and reporting on the quality of services

2. Under current arrangements each new Government sets out what it aims to achieve during its five years in office in a “Note d’Orientation”. Most of these objectives are stated in general or qualitative terms, although there may be some quantified targets. Thereafter specific targets in terms of activities or outputs are set out in “Letters of Orientation” attached to each year’s budget proposals, with reports made of actual performance alongside the budget for the second year ahead: thus reports on actual performance in 2019 are made at the time the 2021 budget is presented. Targets are set only one year ahead, and are not directly attached to the detailed breakdown of the budget proposals. Brussels Institute for the Environment has developed a computer application which brings together budgetary and operational planning, which was put into operation for the first time in 2020. This brings together the resources allocated to each activity and the specific outputs or activities to be achieved each year. BFB were already contemplating implementing this system across the whole budget, including OAAs in both the first and second categories. It is suggested that the application of this approach should be extended for the whole period of the Government, so the budget for 2022 would include the targets for each year up to and including 2025. The annual targets would represent benchmarks on the way to achievement of policy objectives or outcomes to be achieved in 2025 or later. At the same time a simplified report could be developed which sets out progress against the most important targets and objectives. In addition to the annual monitoring, major expenditure programmes would be subject to periodic policy evaluation or performance audit, which would be undertaken towards the end of each Parliament.

ii. Public investment

3. The PEFA assessment found that BCR has not so far established any mechanism for planning public investment as a whole within prospectively available resources, with

predetermined criteria for project selection, which would include their impact on the level of economic activity and on future BCR revenues. Instead each project has been approved separately by Ministers outside any clear fiscal framework, and without consideration of its priority within sectoral investment plans as well as relative to investment requirements in other sectors. As an important element in the medium-term planning of expenditure, arrangements should be made for all investment projects to be considered within a single framework, with decisions taken on the basis of published criteria for project selection. These would include the impact of projects on output and employment as well as on improving the quality of the environment. Total investment expenditure would be planned within an overall envelope set at a level which avoids unsustainable increases in public debt. Currently the BCR is committed to a programme of strategic investments in the transport and housing sectors which, together with ongoing commitments to current expenditure programmes, cannot be financed without a substantial increase in the Region's total public debt unless offsetting reductions can be found in other expenditure programmes.

iii. Medium-term planning of public expenditure

4. BCR has a limited capability to produce medium-term projections of its expenditure, taking into account specific decisions about future activities – strategic investments in transport and housing. Other activities are assumed to remain at a constant level adjusted for changes in GDP and price levels included in national economic forecasts. Presentations have shown only the effects of these specific initiatives on the expenditure totals, and have not included any detailed analysis of the future costs of ongoing programmes. It is suggested that in future projections should be produced including details of each expenditure programme for four years ahead, with simplified and limited performance targets for each year as benchmarks towards the achievement of specified policy outcomes. The medium-term expenditure path for each programme would thus be subject to specific examination and justification through an annual review process, taking into account the policy objectives and previous expectations about the resources required for their achievement, as well as other information from spending reviews. This is the essential step towards achieving greater efficiency in expenditure: consideration must be given to possible alternative ways of achieving policy objectives at lower cost, and to whether maintaining current expenditure levels on each programme can be justified, given the other claims on limited resources. If action were needed to bring expenditure into line with prospectively available revenue, the changes could be progressively phased in over a period of years. This proposal accords with the proposals already made to the Parliament by the BCR Government to amend the 2006 Organic Budget Ordinance, so as to provide for the detailed publication of medium-term budget plans as required by the 2012 Treaty on Stability, coordination and Governance in the Economic and Monetary Union.

iv. Information for the public

5. The PEFA assessment recognises that action has already been taken to provide the general public with essential information about the revenue and expenditure of the Regional Government and the Common Community Commission which is responsible for bilingual public services, mainly in the fields of personal assistance and health. It would be helpful if this were supplemented by publication of summary budget execution reports in the same form as the main presentation of the original budget, with indications of the policy objectives underlying the expenditure on each “mission”. Furthermore at present the publication of budgetary information is subject to extensive delays until documents have been prepared for printing. It is not clear why budgetary documents have not been published on the Government and Parliament websites as soon as they have been presented to the Parliament. There is also scope for increasing other aspects of information available to the public. Although projections have been published of the aggregate costs of strategic investment plans, the plans have not been published in detail, with the economic assessments of their costs and benefits, and the expenditure path from year to year. This would fit in with the detailed publication of medium-term expenditure plans, including those for public investments, suggested above.
6. Information about procurement could also be improved. Although all bidding opportunities are published on the federal website, and inventories of contracts awarded are published with the accounts of each institution, it is left to each institution to determine what is published, with the result that consistent information is not available across the budget as a whole. Moreover there is no publication of procurement plans, procurement statistics or the results of procurement complaints.

v. Internal audit and internal control

7. A single Internal Audit unit undertakes system reviews throughout Brussels Regional Public Services, and reports to top managers through an Audit Committee including independent members. Expansion of its remit at least to the other Government services and the OAAs of the first category whose operations are fully within the budget has been under consideration for some time, but no decision has been reached. The unit works to best international standards, and its recommendations are normally accepted, but it has only 4 auditors, and only a small part of SPRB activity has so far been examined. The Court of Auditors, BCR’s external auditor has repeatedly criticised the absence of legal Regulations governing the unit’s operations, which should have been issued in accordance with the 2006 Budget Ordinance. Two of the second category OAAs - STIB and Actiris – have internal audit units, but apart from these no other OAAs are covered. If resources can be found, it would be desirable to increase the staffing and widen the remit of the current unit, and also clarify its legal status as has been done within the Government of Flanders.
8. There is also a further unit in BFB, the Sound Financial Management unit, which in accordance with Article 77 of OOBCC undertakes reviews of the economy, efficiency and effectiveness of government expenditure programmes (and incidentally serves as the focal point for the PEFA assessment). But the legislation does not ask for policy evaluation. The role of the unit is purely advisory: it has no managerial authority. In other jurisdictions

its activity would be regarded as part of internal audit. Consideration could be given to reviewing the possible overlap of activities, and merging the unit with the Internal Audit unit.

9. In addition to these internal audit activities BFB includes a unit which performs ex ante controls of all commitments and payments by Government departments above a de minimis limit, other than expenditure on the employment of staff. The maintenance of a control of this type is mandated by the Federal law of 2003 which abolished the ex-ante visa previously required from the Cour des Comptes. The requirement was accordingly included in the February 2006 BCR Ordinance Organique on Budget, Accounting and Control. Since all OAAs are required to maintain similar controls, the remit of the BFB unit has been extended by agreement to a number of these bodies, although other OAAs maintain their own separate systems. These arrangements were established at a time when electronic accounting and control was not yet highly developed; in many other jurisdictions much of the control has been built into the accounting and payment processes and automated systems. Meanwhile the continuing requirement that all substantial commitments and payments should be subject to independent advice from the inter-federal Finance Inspectorate adds a further layer of control. Consideration should be given to the simplification and automation of the present control processes.

B. Organisational aspects

Structure of BCR Government

10. The Ministers of the BCR Government are at the head of a very disparate organisation. Most departments which are under the direct control of Ministers are part of Brussels Regional Public Services (SPRB), which are coordinated by a Secretary-General and have centralised arrangements for staffing, pay and discipline. But three departments covering taxation, recruitment and the city's cultural heritage are outside the framework of SPRB. Then there is a range of bodies – OAAs of the first category - whose revenue and expenditure are fully included in the budget. These are mostly engaged in delivering non-market services (emergency services, cleaning, parks and open spaces), but report directly to Ministers rather than through SPRB. Most of the OAAs of the second category, which receive subsidies from the budget, are established as companies on whose boards of directors the Government is represented by Commissioners. But Actiris, which provides employment services (including some functions taken over from the Federal level in 2015), is in the second category despite not being a company. Each of these different bodies has its own accounting and human resources functions, and makes its own decisions about cooperation with other government bodies, including participation in the common SAP accounting platform. (The 2019 annual report on staffing of bodies financed from the budget produced by the separate staffing and recruitment body talent.brussels is incomplete because Actiris and the Emergency Services department had not submitted returns.) The Monitoring Committee has recently recommended that participation in the common SAP accounting platform should become compulsory for all bodies whose operations are fully within the budget. The scope for further rationalisation should be explored, for example by integrating first category OAAs within the government

departments to which they naturally relate. At the same time consideration could be given to reducing overlaps between the functions of second category OAAs, where more than one body is involved in housing and in economic development. The Parking Agency currently established as a second category OAA might be integrated into the department responsible for transport, as is often the case with municipal parking arrangements in other countries.

11. The fragmentation of the BCR government bodies operates as a brake on possible rationalisation and change. Brussels Finance and Budget has less authority in managing the allocation of resources than is typically the case for both Ministries of Finance at national level and Finance Departments of municipalities. The current emphasis in BCR is on ensuring that expenditure is correctly controlled and authorised, including (as noted above) the maintenance of a separate control over all commitments and payments, as well as controls by the Treasury and the Regional Accountant, rather than on ensuring that expenditure is fully justified in the pursuit of policy objectives at minimum cost. Consideration could be given to exploring how far the current separate control of commitments and payments could be built into the accounting and Treasury systems, leaving responsibility more clearly with the “authorising officers” administering the expenditure programmes. (Changes on these lines were made in the European Commission more than twenty years ago.) At the same time the supervisory role of BFB should be strengthened in questioning the need for each element of expenditure, a responsibility normally discharged by Ministries of Finance at national level. BFB would then be actively involved in reviewing and questioning spending across the board each year, including the planning of public investments, rather than largely confined, as at present, to reviews of the operation of particular processes (by the Sound Financial Management unit) after the event.