



OECD Territorial Reviews

BRUSSELS-CAPITAL REGION, BELGIUM



OECD Territorial Reviews: Brussels-Capital Region, Belgium

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Foreword

As shown in *OECD Regional Outlook 2023*, large metropolitan regions across OECD countries have been moving ahead over the past 15 years, often enjoying stronger population growth, higher gross domestic product (GDP) per capita and better access to infrastructure and services than other regions. Yet many of these large metropolitan regions are also paying the price of their success, including in terms of challenges related to housing affordability, congestion and inequalities.

The Brussels-Capital Region, Belgium, offers a stark illustration of agglomeration benefits and costs. This report delves into the “Brussels paradox” of a highly performing region in terms of economic wealth creation and competitiveness but with relatively poor social conditions. While serving as a major engine of the Belgian economy, the region is grappling with internal inequalities and struggling to accommodate its growing population against the backdrop of a persistent shortage of affordable housing and ageing building stock. Car dependency and traffic congestion are driving up commuting times and pollution levels in the region despite good accessibility to public transport. Although a comprehensive urban and land use planning system is in place, the accumulation of multiple layers of governance at different scales (including those related to the bilingual nature of the region) has blurred the allocation of competencies, often making it difficult to design and implement effective policy interventions on housing, mobility and other infrastructure investment, in a context of deteriorating regional and municipal public finances.

Based on a 15-month policy dialogue with more than 50 stakeholders across levels of government, this review benchmarks the strengths and challenges of the Brussels-Capital Region with those of similar regions in OECD countries and offers policy avenues to pursue more sustainable, inclusive and resilient urban development. In particular, it discusses ways to support affordable housing and improve mobility in the region. It also looks into options to navigate the complex governance framework in the region, clarify the division of responsibilities across levels of government and enhance efficiency, transparency and accountability. Finally, the review makes a case for bolstering financial and fiscal sustainability, including strengthening solidarity among Belgian regions and municipalities.

This report is part of the series of OECD Territorial Reviews, which take a deep dive into the drivers of growth and well-being at a more local level, drawing, in turn, on international best practices to guide policy interventions. The report was presented at the 7th meeting of the Expert Group on Multi-level Governance and Public Investment for Regional Development on 14 November 2023 and approved by the OECD Working Party on Urban Policy at its 34th session on 15 November 2023 under cote CFE/RDPC/URB(2023)19.

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The report was drafted by a team composed of Camille Viros (Chapter 1) and Oscar Huerta Melchor (Chapter 2) under the supervision of Aziza Akhmouch, Head of the Cities, Urban Policies and Sustainable Development Division, and Miquel Vidal Bover with guidance from Isabelle Chattry (Chapters 3 and 4) under the supervision of Dorothée Allain-Dupré, Head of the Regional Development and Multi-Level Governance Division. The work benefitted from comments and insights from Nadim Ahmad, Soo-Jin Kim, Kristine Langenbacher, Lucas Leblanc and Lars Ludolph in the CFE. Rene Hohmann co-ordinated part of the project. Nicolas Gonne and Caroline Klein in the OECD Economics Department provided helpful suggestions.

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Abbreviations and acronyms

AI	Artificial intelligence
BEE	Brussels Economy and Employment
BF	Brussels Taxation
BFB	Brussels Finances and Budget
BISA	Brussels Institute for Statistics and Analysis
BMA	Brussels Metropolitan Area
BRFRLT	Brussels Regional Fund for Refinancing Local Treasuries
CACI	<i>Contrat d'Axe et le Contrat d'Ilot</i>
CCL	Housing Advisory Council, <i>Conseil Consultatif du Logement/Adviesraad voor Huisvesting</i>
CLTB	Community Land Trust Brussels
CoBAT	Brussels Code of Urban Planning
CQD	Sustainable Neighbourhood Contracts, <i>Contrat de quartier durable/Duurzame wijkcontracten</i>
CRU	Urban Renewal Contracts, <i>Contrat de renovation urbaine/Stadsvernieuwingcontracten</i>
DESI	Digital Economy and Society Index
EPB	Energy performance of buildings
EPCI	Inter-municipal co-operation entities, <i>Établissement public de coopération intercommunale</i>
ERDF	European Regional Development Fund
ETHOS	European Typology of Homelessness and Housing Exclusion
EU	European Union
FPIC	Inter-municipal and Communal Resource Equalisation Fund, <i>Fonds de péréquation des ressources intercommunales et communales</i>
FTDA	Frequent Transit Development Areas
FUA	Functional urban area
GDP	Gross domestic product
GGM	General Grant to the Municipalities
GHG	Greenhouse gas
GHSL	Global Human Settlement Layer
GVA	Gross value added
HALA	Housing Affordability and Liveability Agenda
HCC	Housing co-ordination council
HCF	High Council of Finance
HMR	Hamburg Metropolitan Region
ICT	Information and communication technology
ITF	International Transport Forum
JCC	Joint Community Commission
LIHAF	Local Infrastructure Housing Activation Fund
LIHTC	Low-income housing tax credits
LVC	Land value capture
MaaS	Mobility as a service
MHA	Mandatory Housing Affordability
MMP	Municipal mobility plan
MPK	Conference of the Minister-Presidents
MRDH	Rotterdam-The Hague Metropolitan Area
NATO	North Atlantic Treaty Organization
NEET	Not in education, employment or training

OECD	Organisation for Economic Co-operation and Development
ONSS	Belgian social security bureau
PAD	<i>Plan d'aménagement directeur</i>
PCD	<i>Plan communal de développement</i>
PCSW	Public Centres for Social Welfare
PID	Prague Integrated Transport
PIT	Personal income tax
PLU	<i>Plan local d'urbanisme</i>
PLUI	<i>Plan local d'urbanisme intercommunal</i>
PPAS	<i>Plan particulier d'affectation du sol</i>
PPP	Public-private partnership
PRAS	Regional Land Use Plan, <i>Plan régional d'affectation du sol</i>
PRDD	<i>Plan Régional de Développement Durable</i>
PUL	Emergency Housing Plan, <i>Plan d'Urgence Logement</i>
R&D	Research and development
RDPC	Regional Development Policy Committee
RER	Regional Express Railway
ROPID	Regional Organiser of Prague Integrated Transport
RRU	Regional Development Regulations
SCN	Sustainable Citizen Neighbourhood, <i>Quartiers Durables Citoyens/Participatieve duurzame wijken</i>
SFA	Special Financing Act, <i>Loi Spéciale sur le Financement/Bijzondere Financieringswet</i>
SLRB	Brussels Housing, Brussels Housing Corporation
SMEs	Small and medium-sized enterprises
SMP	Sustainable Mobility Plan for Prague and its Suburbs
TL2	Territorial Level 2
VAT	Value added tax
WHO	World Health Organization
ZRU	Urban revitalisation zone, <i>Zone de revitalisation urbaine</i>

Executive summary

Key findings

An attractive and productive region

Although endowed with the smallest surface area and population size among the three regions making up the federation of Belgium, the Brussels-Capital Region enjoys a dynamic demography and a competitive economy. Home to 1.24 million people (10.6% of Belgium's population) living in 19 municipalities including the City of Brussels, the region has grown rapidly (by 22% in 2005-22, compared to about 8-9% in the Territorial Level 2 [TL2] regions of Berlin [Germany] and Paris [France] for example). This growth has been primarily fuelled by international migration: in 2022, 53% of the region's working-age population was foreign-born. The region is also relatively young: at 27.9% in 2022, its young-age dependency (people aged 15 or younger as a percentage of people aged 15-64) was one of the highest among all OECD TL2 regions, much higher than in Vienna, Austria (21.0%) or Hamburg, Germany (21.5%), for instance.

The Brussels-Capital Region is Belgium's most urbanised region, with the second highest population density among all OECD TL2 regions (7 500 inhabitants per square kilometre). Almost three-quarters of its territory is built up, which is the highest proportion of all OECD TL2 regions. However, the functional urban area (FUA) of Brussels – capturing the geography of where people live and commute to work – extends well into parts of the neighbouring Flemish and Walloon Regions, encompassing some 3.34 million people (28.6% of Belgium's population) distributed across 137 municipalities. When considering this scale, only 30.7% of the FUA of Brussels is built up, which is lower than in many other FUAs in OECD countries (e.g. 44.8% in the FUA of Berlin, 51.4% in Vienna, and 61.7% in Paris).

With a highly tertiarised economy (93% of jobs were in the service sector in 2020), the Brussels-Capital Region generates almost one-fifth (18%) of the national GDP and boasts one of the highest levels of GDP per capita among all OECD TL2 regions. The FUA also accounted for more than a third of the national GDP (36.8%) in 2019 (the latest year for which data are available at the FUA level), compared to 32.1% for Paris and 28.6% for London, United Kingdom. In 2020, the Brussels-Capital Region's labour productivity per worker surpassed the national average by about 25% and ranked among the highest in all OECD TL2 regions.

A region struggling to keep pace with housing and mobility demand

However, the high level of wealth produced in the Brussels-Capital Region (measured as GDP per capita) is inflated by the high share (about half) of workers living outside the region. At around USD 22 000 on average, household disposable income is much lower than GDP per capita in the Brussels-Capital Region and indeed lower than average household disposable income in Île-de-France, France (USD 26 800) and Greater London, United Kingdom (USD 34 600). There are also large inequalities within the region, with median annual taxable incomes varying significantly between the municipalities, from around EUR 16 200 in Saint-Josse-ten-Noode/Sint-Joost-ten-Node in 2019 to around EUR 26 800 in Woluwe-Saint-Pierre/Sint-Pieters-Woluwe (i.e. 1.7 times more). Neighbourhoods in the south and east of the region are

home to the wealthiest households of the region, while neighbourhoods near the canal and its industrial zone (the so-called “*croissant pauvre/arme sikkel*”) concentrate the most precarious inhabitants.

The region is confronted with an acute housing crisis. Real median prices of apartments almost tripled between 1996 and 2020, increasing by 170%. This represents a much faster rise than the OECD average, where real house prices increased by just under 50% over the same period but still lower than in some other regions, such as Île-de-France, where prices more than quadrupled. Moreover, despite the significant increase in population, the number of social housing units has remained broadly stable since 2005, whereas the number of households on the waiting list for social housing more than doubled, surging from around 21 000 in 2005 to almost 50 000 in 2023 (i.e. 8.8% of households in the Brussels-Capital Region are waiting for a social dwelling). The region has adopted a housing and urban revitalisation strategy and offered incentives for the private sector to build more affordable housing. However, persistent barriers, such as a complex procedure to obtain permits and insufficient funding, hamper regional efforts to ramp up the housing supply.

In line with its vision to promote a “city of proximity”, the Brussels-Capital Region has developed a comprehensive mobility plan (Good Move) in addition to municipal mobility plans and the FUA offers one of the highest levels of accessibility to public transport in the OECD (95% of the population live within 10 minutes of a subway/bus/tram stop). However, more than half (52.7%) of commuters entering the Brussels-Capital Region and almost three-quarters (73.3%) of residents commuting from the Brussels-Capital Region use their car. Residents of the Brussels-Capital Region completed almost 30% (27.3%) of their trips by car between October 2021 and October 2022, a lower share than walking (36%) but still above public transport (22%) and other modes (around 14%). This is partly due to a tax system that favours company cars, often used by employers as a method of remuneration to alleviate workers’ income tax and to recover part of the value-added tax paid on expenses related to company cars, and by employees to partially avoid paying social security contributions. It is also due to the fragmentation of regional and municipal actors managing public transport, making it difficult to match urban form with mobility planning at the metropolitan scale. Even at the municipal scale, according to data and analytics provider INRIX, the City of Brussels is one of the most congested cities in the world, ranking 17th among almost 1 000 cities, with 98 hours lost in traffic on average in 2022 (faring better than London where residents lost on average 156 hours in traffic but worse than Mexico City, Mexico, at 74 hours). While greenhouse gas emissions per capita dropped by around 32% between 1990 and 2020, air pollution in the region remains high, with levels of exposure to PM_{2.5} well above the 5 micrograms per cubic metre limit recommended by the World Health Organization.

A region amidst a complex governance landscape and strained public finances

While on paper, the Brussels-Capital Region manages an extensive range of competencies, in practice, most of them are shared with other levels of government, especially municipalities, and the allocation of responsibilities among the multiplicity of actors often remains unclear. The fact that the Brussels-Capital Region is the only bilingual region in Belgium and some institutional compromises were made to accommodate this specificity in its parliament adds even more complexity.

In parallel, the relevance of more effective policy co-ordination and implementation at the metropolitan scale is widely recognised but the corresponding governance body (a metropolitan community, included in the legal agreement of the Sixth State Reform adopted in 2014) has never translated into reality and there is a lack of metropolitan land use planning. Planning documents mostly focus on setting rules to guide and authorise construction and they are not supplemented with incentives to manage density, particularly in taxation.

Although various governance arrangements have been established to foster collaboration among different levels of government and jurisdictions, they face several issues. For example, the Conference of Mayors provides a flexible setting for informal co-ordination but does so outside the legal framework, lacking

transparency and accountability. Brulocalis, the association of local institutions, acts as a formal platform for horizontal co-operation but does not necessarily operate with the Conference of Mayors. Vertical co-operation between the Brussels-Capital Region, the Flemish and Walloon Regions, and the Federal Authority occurs most frequently through agreements. Still, these are not always implemented or monitored and depend on political will. The Concertation Committee serves as an instance where conflicts of interest and competency are discussed but not necessarily resolved.

Finally, the region's public finances have deteriorated over the last decade. Tax revenue has increased remarkably since the Special Financing Act was modified in 2014, as have expenditure items such as staff costs and transfers to municipalities. Some mechanisms are in place to compensate the Brussels-Capital Region for the specific costs it has to bear (in hosting the Belgian capital and the headquarters of many European institutions) but they may be insufficient once the National Solidarity Mechanism, which transfers approximately EUR 430 million yearly (i.e. 43% of total compensation and equalisation transfers) to the budget of the region, is discontinued in the coming years. With such costs and centrality charges outpacing revenues, direct debt more than doubled between 2016 and 2021 in real terms. The lack of adequate co-ordination of public investment among levels of government risks leading to duplication and inefficiency. Finally, municipal finances are also grappling with expenditure increases: 10 out of the 19 municipalities have a negative budget balance. Income disparities across municipalities are pronounced as per the Wealth Index, with the southeast municipalities in a more favourable financial position compared to the rest. As a result, municipalities requiring significant revenue for essential public services, such as social allowances through the Public Centres for Social Welfare, face diminished income from the surtax on personal income tax. Although the General Grant to the Municipalities and other subsidies seek to alleviate fiscal inequalities and pressures for service and infrastructure provision, the transfer of additional responsibilities from the federal government to the municipalities was not always accompanied by commensurate funding. This has resulted in certain mandates being underfunded, further complicating the challenging task of restoring budget balances.

Key recommendations

- Accelerate the supply of **affordable housing** where it is most needed, notably by:
 - Reviewing the planning permit granting procedure to make it more efficient (e.g. concentrating permit procedures at the regional level) and easing regional and municipal land use restrictions that prevent further densification in the FUA through a review of the land use framework (Regional Land Use Plan/*Plan Régional d'Affectation du Sol*, PRAS).
 - Support the production of affordable housing (i.e. social housing, affordable rental housing and affordable home ownership) by relaxing the planning and urban rules related to housing, granting identical tax benefits to private investors and developers willing to conduct housing projects similar to those of CityDev (which provides new subsidised housing in the region) on the market.
 - Complementing affordable housing mandates of municipalities with additional incentives to developers (e.g. minimising development fees, allowing higher densities and greater heights in exchange for more social housing) and meeting the regional government's goal of building a socially mixed region. Priority should be given to the rental segment of social housing, for example by regulating rental prices and the development of social housing estates that are more evenly distributed across the region.
 - Strengthening the functions of the current Housing Advisory Council (*Conseil Consultatif du Logement*, CCL) into a policy formulation body that sets priorities and defines policy options to tackle the housing crisis.

- Improve **urban accessibility** in line with the objective of shaping a compact, connected and sustainable Brussels-Capital Region, notably by:
 - Encouraging transit-oriented development by aligning housing, transport and land use planning (e.g. building social housing near transport hubs).
 - Promoting hyper-localisation as part of the Brussels-Capital Region’s “20-minute city” policy (e.g. investing more in orbital systems that connect neighbourhoods rather than focusing only on the urban core).
 - Exploring new financing models for transport provision (e.g. leveraging land value capture instruments, deploying taxes on vehicle use).
- Strengthen **land use planning** to manage densification and an orderly expansion by:
 - Using fiscal incentives to steer land through taxation (e.g. land value taxes) or setting a ground lease system.
 - Fostering the metropolitan dimension of land use planning, and monitoring and evaluating the impact of land use-related regulations on urban development, particularly on housing.
- Streamline the region’s **multi-level governance system** to improve policy coherence and efficiency, notably by:
 - Clarifying the allocation of responsibilities in greater detail and considering transferring specific competencies from other levels of government to the region (e.g. from the French, Flemish and Joint Community Commissions on education and culture, from the Public Centres for Social Welfare on social welfare allocations, and/or from municipalities on urban planning regulations).
 - Strengthening existing co-ordination and co-operation mechanisms, for example by formalising the Conference of Mayors and integrating it within the governing structure of Brulocalis, monitoring the implementation of co-operation agreements, encouraging inter-municipal co-operation to deliver joint services and considering municipal mergers as a tool to strengthen coherence while recognising and assessing pitfalls to avoid.
 - Fostering incremental collaboration at the metropolitan scale, notably to enhance transport planning at the metropolitan scale, by allowing for policy experimentation, securing the necessary resources (e.g. through a metropolitan fund), designing a system of incentives and compensations for actors participating in collaboration, and implementing a long-term process of monitoring and evaluation to fine-tune policies and boost trust.
- Enhance **public finances** in the Brussels-Capital Region, notably by:
 - Promoting the organisation of a Federal Conference on the Additional Financing of the Brussels-Capital Region where a long-term compensation system could be designed based on a shared diagnostic and agreed indicators drawn from a hub that would centralise all data on public finance from the different levels of government.
 - Mobilising further funding for public investment through innovative mechanisms (e.g. earmarked taxes, tax financing instruments) and better co-ordinating public investment, particularly in housing and transport infrastructure (e.g. by empowering the High Council of Finance to act as the main co-ordinating body for public investment).
 - Bridging fiscal gaps between municipalities through specific modifications to the General Grant to the Municipalities, coupled with an assessment of under- and unfunded mandates and an evaluation of the incentives designed to restore budget balances.

1 Trends, challenges and opportunities in the Brussels-Capital Region

This chapter presents an overview of the Brussels-Capital Region's urban development trends, the challenges it faces and the opportunities and strengths it has compared to other metropolitan regions in the OECD. The chapter starts by looking at demographic trends in the region. It then examines the region's economic performance, highlighting that the Brussels-Capital Region is Belgium's major economic engine but faces important challenges in the labour market. Finally, the chapter explores life in the Brussels-Capital Region through an analysis of urban inequalities, housing, mobility and accessibility, and the region's environmental performance.

Introduction

Among the 3 regions composing the federal constitutional monarchy of Belgium, the Brussels-Capital Region has the smallest territory by far (162 square kilometres [km²], compared with 13 635 km² and 16 845 km² for the Flemish and Walloon Regions respectively). The Brussels-Capital Region is also the most urbanised region, with a very high population density and almost three-quarters of its territory covered with buildings. The region encompasses 19 municipalities, including the City of Brussels, the capital of the country, which is also home to the headquarters of many international institutions (including the European Commission and the North Atlantic Treaty Organization [NATO]). The region's population has grown quickly in the past two decades and more quickly than the rest of Belgium, mainly driven by strong international migration. The Brussels-Capital Region hosts 10.6% of Belgium's population but generates almost a fifth of the national gross domestic product (GDP) and has a highly productive and competitive economy. Yet, the region faces several challenges on its labour market, including the paradox of a high unemployment rate combined with difficulties for employers to recruit, partly due to a mismatch between the supply and demand of skills. The strong economic performance of the region also contrasts with its poor social conditions. Although the region displays a very high level of GDP per capita – one of the highest of all OECD TL2 regions –, household disposable income remains relatively low. Furthermore, the region faces an acute housing crisis, with a lack of access to affordable and quality housing for a large share of its residents, as well as several mobility challenges, including over-reliance on individual cars, despite good accessibility to public transport.

Urban and demographic trends in the Brussels-Capital Region

Overview of the Brussels-Capital Region territory

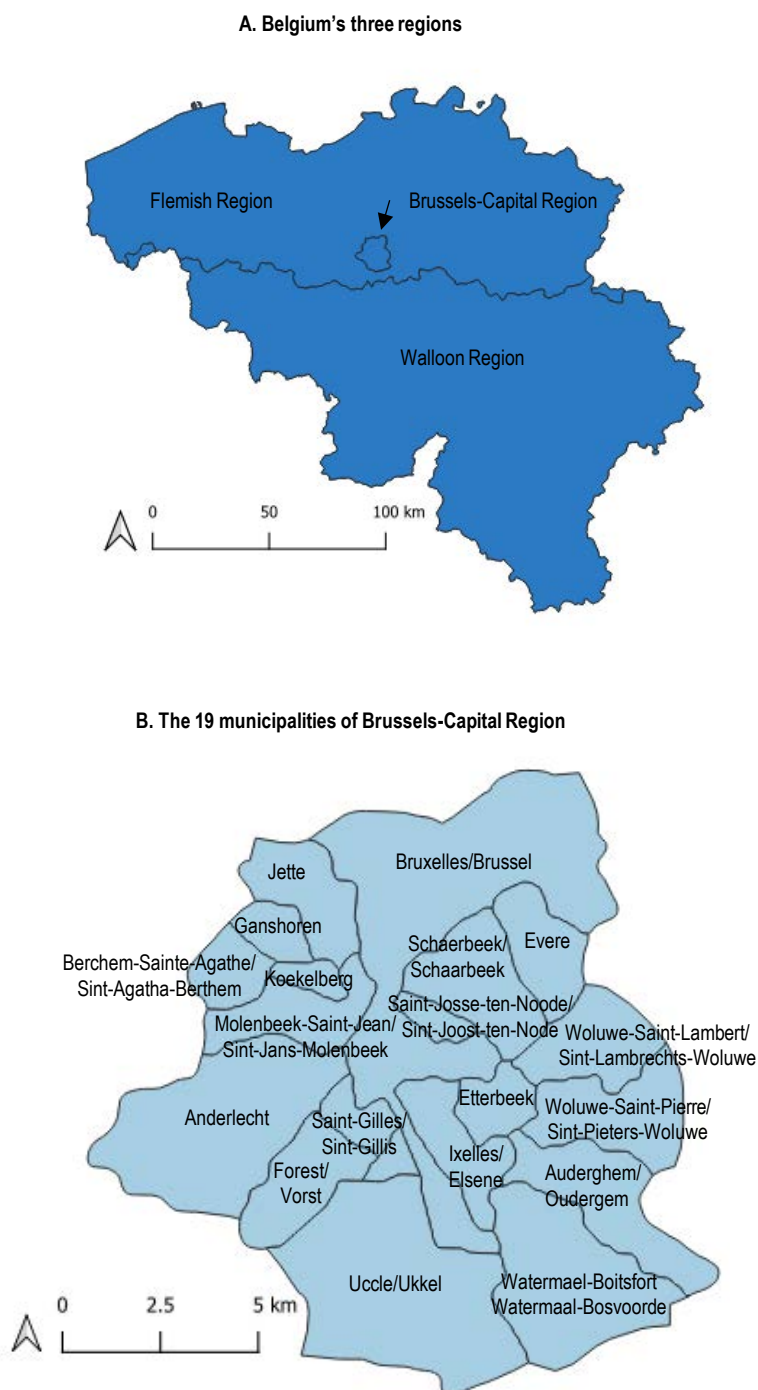
The Brussels-Capital Region is one of the three regions of Belgium, together with the Flemish and Walloon Regions (Figure 1.1, Panel A). While the Flemish and Walloon Regions are, in turn, subdivided into five provinces each, the Brussels-Capital Region neither has nor is a province itself. The only bilingual region in Belgium (with Dutch and French as official languages),¹ it was also the last of the three regions to be created in January 1989 through the third state reform, which established the region and set up legislative and executive bodies (see Chapter 3 for more details on the competencies and governance of the Brussels-Capital Region). The region is home to 1.24 million people (about 10.6% of the total population of Belgium), on a small territory of 162 km² (i.e. around 0.5% of Belgium's total area).

The Brussels-Capital Region consists of 19 municipalities: Anderlecht, Auderghem/Oudergem, Berchem-Sainte-Agathe/Sint-Agatha-Berchem, Ville de Bruxelles/Stad Brussel (City of Brussels), Etterbeek, Evere, Forest/Vorst, Ganshoren, Ixelles/Elsene, Jette, Koekelberg, Molenbeek-Saint-Jean/Sint-Jans-Molenbeek, Saint-Gilles/Sint-Gillis, Saint-Josse-ten-Noode, Schaerbeek/Schaarbeek, Uccle/Ukkel, Watermael-Boitsfort/Watermaal-Bosvoorde, Woluwe-Saint-Lambert/Sint-Lambrechts-Woluwe and Woluwe-Saint-Pierre/Sint-Pieters-Woluwe (Figure 1.1, Panel B).

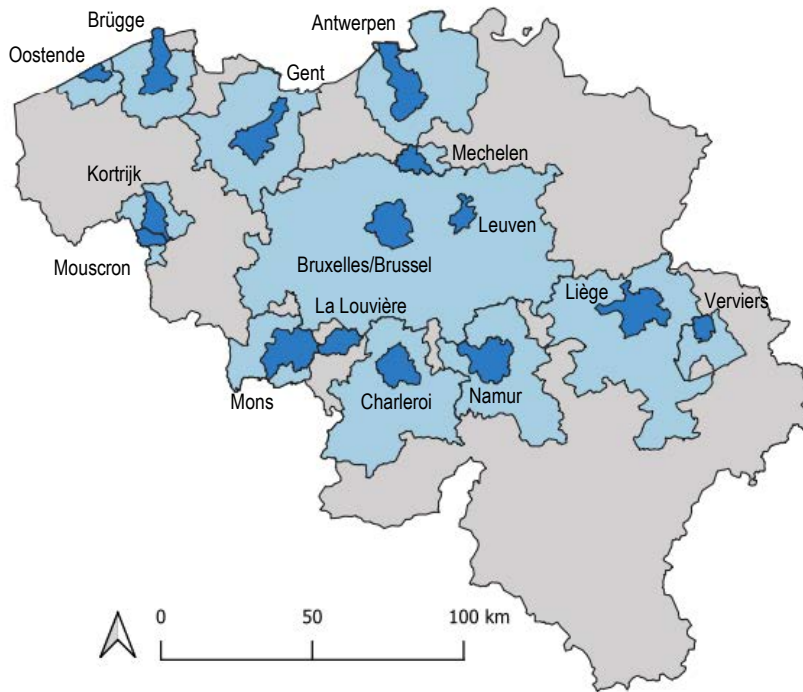
When applying the OECD territorial grid (2022_[1]), the Brussels-Capital Region corresponds to an OECD large region (Territorial Level 2, TL2), like the Flemish and Walloon Regions. The OECD and the European Commission have also jointly developed a methodology to create a harmonised definition of cities and their areas of influence for international comparisons as well as for policy analysis on topics related to urban development. This methodology defines functional urban areas (FUAs) based on population density and travel-to-work flows. An FUA consists of a densely inhabited city (called “core”) and a surrounding area (“commuting zone”) whose labour market is highly integrated with the city (Dijkstra, Poelman and Veneri, 2019_[2]). This approach to FUAs helps identify and benchmark urban areas in a consistent way across countries. Using this methodology, the Brussels-Capital Region is at the core of the FUA of Bruxelles/Brussel/Leuven, together with Leuven, which is the other core city of the FUA. The FUA of

Bruxelles/Brussel/Leuven (hereafter called the Brussels FUA) comprises 137 municipalities, including the 19 of the Brussels-Capital Region. It spans a much wider territory than the region, with more than 4 800 km², extending both in the Flemish and the Walloon Regions (Figure 1.2) and has a population of 3.34 million people, i.e. 28.6% of Belgium’s population (Table 1.1).

Figure 1.1. Brussels-Capital Region



Source: Brussels-Capital Region.

Figure 1.2. FUAs of Belgium

Source: OECD (2022^[3]), *Functional Urban Areas: Belgium*, <https://web-archiver.oecd.org/2022-09-01/408790-Belgium.pdf>.

Table 1.1. Comparison between the Brussels-Capital Region and the Brussels FUA

	Brussels-Capital Region	Brussels FUA
Surface (km ²)	162	4 800
Surface (% of Belgium)	0.5	15.6
Population (million)	1.24	3.34
Population (% of Belgium)	10.6	28.6
Number of municipalities	19	137

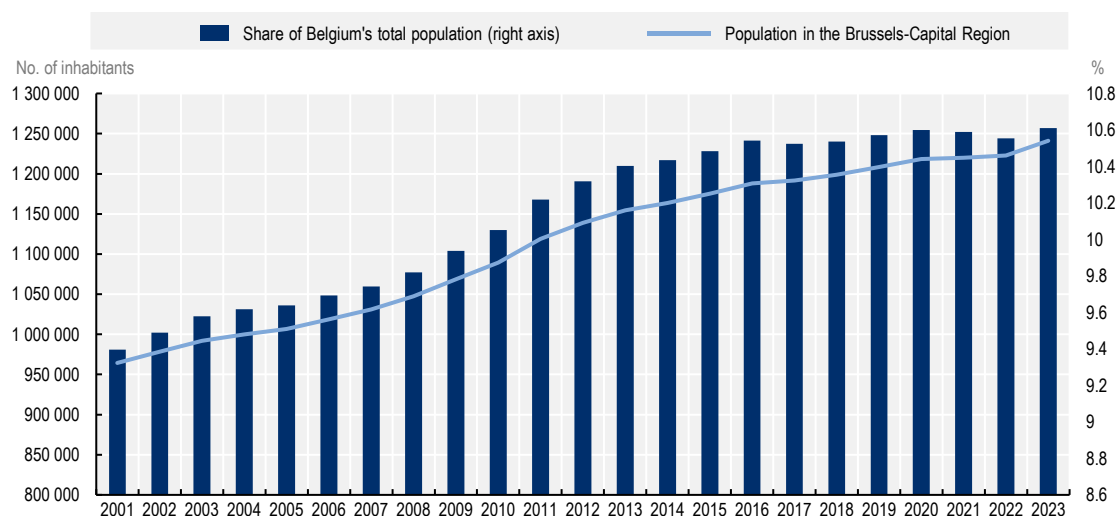
Source: IBSA/BISA (n.d.^[4]), *Population: Évolution annuelle*, <https://ibsa.brussels/themes/population/evolution-annuelle>; OECD (2022^[3]), *Functional Urban Areas: Belgium*, <https://web-archiver.oecd.org/2022-09-01/408790-Belgium.pdf>.

As the Brussels-Capital Region is classified as an OECD TL2 region, this chapter primarily shows data at this territorial level. However, some data are also shown at the territorial level of the Brussels FUA to consider the region's economic and functional extent beyond its administrative boundaries.

Fast population growth is driven by positive natural balance and international migration

Over the past 2 decades, the population in the Brussels-Capital Region has grown much faster than in the other 2 regions of Belgium (by 28.7% since 2001, compared to 13.8% in the Flemish Region and 10.0% in the Walloon Region over the same period) and reached 1.24 million inhabitants at the beginning of 2023 (Figure 1.3). This fast growth has pushed up the share of the Brussels-Capital Region population in the total population of Belgium from 9.4% in 2001 to 10.6% in 2023.

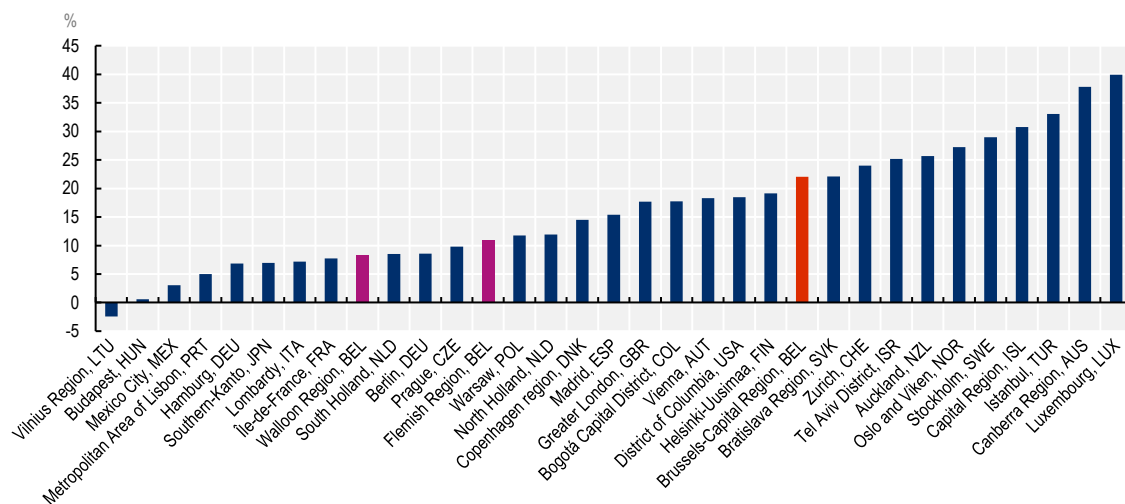
Figure 1.3. Population in the Brussels-Capital Region, 2001-23



Source: IBSA/BISA (n.d.^[4]), *Population: Évolution annuelle*, <https://ibsabrussels/themes/population/evolution-annuelle>.

From an international perspective, the population in the Brussels-Capital Region has also grown faster than that of several other capital (TL2) regions in OECD countries. Between 2005 and 2022, its population grew by 22.0%, while it increased by 8.5% in Berlin, Germany, and by 7.8% in Île-de-France, France, over the same period. Population growth was, however, higher in Oslo and Viken, Norway (27.3%) or Stockholm, Sweden (29.0%) (Figure 1.4).

Figure 1.4. Population growth in OECD TL2 regions, 2005-22

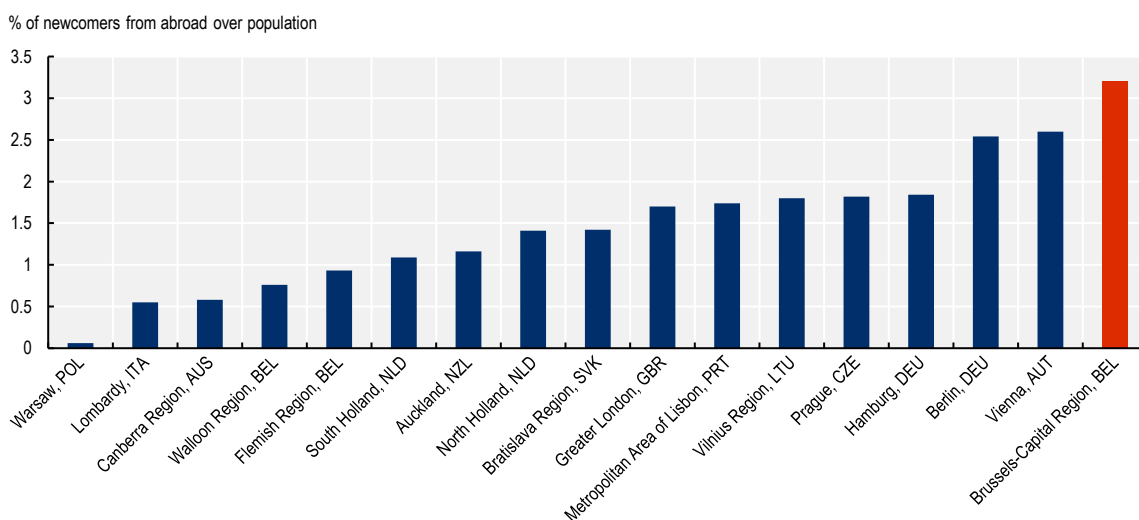


Source: OECD (n.d.^[5]), *OECD Regional Statistics (database)*, <https://www.oecd.org/regional/regional-statistics/>.

At the same time, population growth has varied across municipalities within the Brussels-Capital Region. The City of Brussels, which also has the largest population in the region (more than 194 000 inhabitants in 2023, i.e. 15.7% of the population of the region), has grown the fastest, by 44.6% since 2001. The municipality of Watermael-Boitsfort/Watermaal-Bosvoorde, one of the smallest (around 25 000 inhabitants), has grown the slowest, by 3.2%, over the same period.

Population growth in the region has been driven by a steadily positive natural balance (i.e. more births than deaths), except in 2020 when the natural balance decreased due to the surge in mortality following the COVID-19 pandemic. Population growth has also benefitted from a strong positive international migration balance, offsetting a negative internal migration balance. With the City of Brussels as the headquarters of many international institutions (European Commission, NATO, etc.) and Belgium's capital, the Brussels-Capital Region attracts workers from all over the world, with more than half (57.9%) of international immigration coming from European Union (EU) countries. In 2023, 36.9% of the Brussels population had a non-Belgian nationality (Statbel, 2023^[6]). Compared with other regions in the OECD, the share of people coming from abroad over the total population in 2021 was higher in the Brussels-Capital Region than in any other OECD TL2 region where data are available. The number of newcomers from abroad accounted for 3.2% of the Brussels-Capital Region population in 2021, much higher than in Vienna, Austria (2.6%), Greater London, United Kingdom (1.7%) or Bratislava, Slovak Republic (1.4%), for example (Figure 1.5).

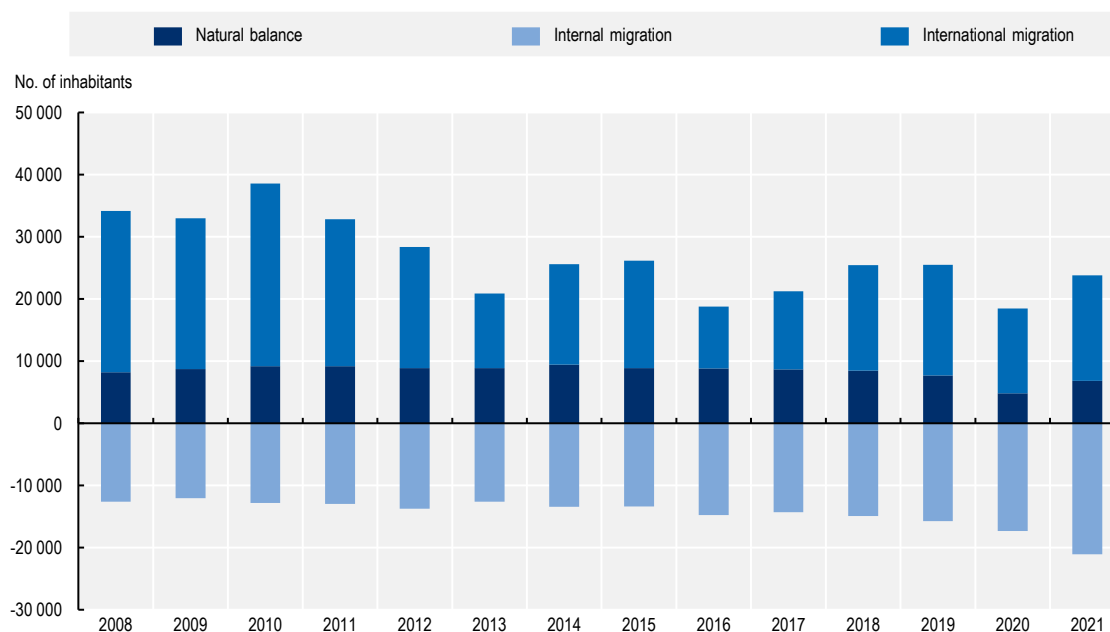
Figure 1.5. International immigration rate in OECD TL2 regions, 2021



Source: OECD (n.d.^[5]), *OECD Regional Statistics (database)*, <https://www.oecd.org/regional/regional-statistics/>.

However, population growth has slowed down over the past decade, dropping from 16% over 2001-11 to 9.0% over 2012-23. This slowdown has mainly been due to the negative net internal migration balance, as the number of people moving out of the Brussels-Capital Region to other parts of Belgium has exceeded the number of newcomers. In 2021, almost 45 000 people left the region to settle elsewhere – an increase of almost 10% compared with 2020. This is likely because the pandemic has driven people out of the city centre to seek a larger home or an outside space, thereby amplifying the urban exodus the region has faced for several decades (IBSA/BISA, 2022^[7]). The slowdown in population growth has also been partly due to a decreasing net international migration balance, coming down from around 24 500 international migrants per year on average between 2008 and 2012 to around 15 600 between 2017 and 2021 (Figure 1.6).

Figure 1.6. Population movement in the Brussels-Capital Region, 2008-21



Source: IBSA/BISA (n.d.^[9]), *Population : Mouvement de la population*, <https://ibsa.brussels/themes/population/mouvement-de-la-population>.

According to population projections from the region's statistical office (*Institut Bruxellois de Statistique et d'Analyse – IBSA/Brussels Instituut voor Statistiek en Analyse – BISA*), the population is expected to remain roughly stable in the coming decades. It will even decrease slightly after a small rebound between 2030 and 2045, and reach 1.23 million inhabitants by 2070 (i.e. a population decline by 0.6% between 2023 and 2070), as the negative internal migration balance will no longer be offset by the contributions of international migration and the natural balance. Average annual growth is expected to be 100 inhabitants per year between 2022 and 2070, compared with 9 000 inhabitants per year over the 1992-2021 period (Statbel, 2023^[9]). By contrast, population in the Flemish and Walloon Regions is expected to grow by 17.9% and 5.2% respectively between 2023 and 2070, which will reduce the share of the Brussels-Capital Region population in the total population of Belgium to 9.4% in 2070.

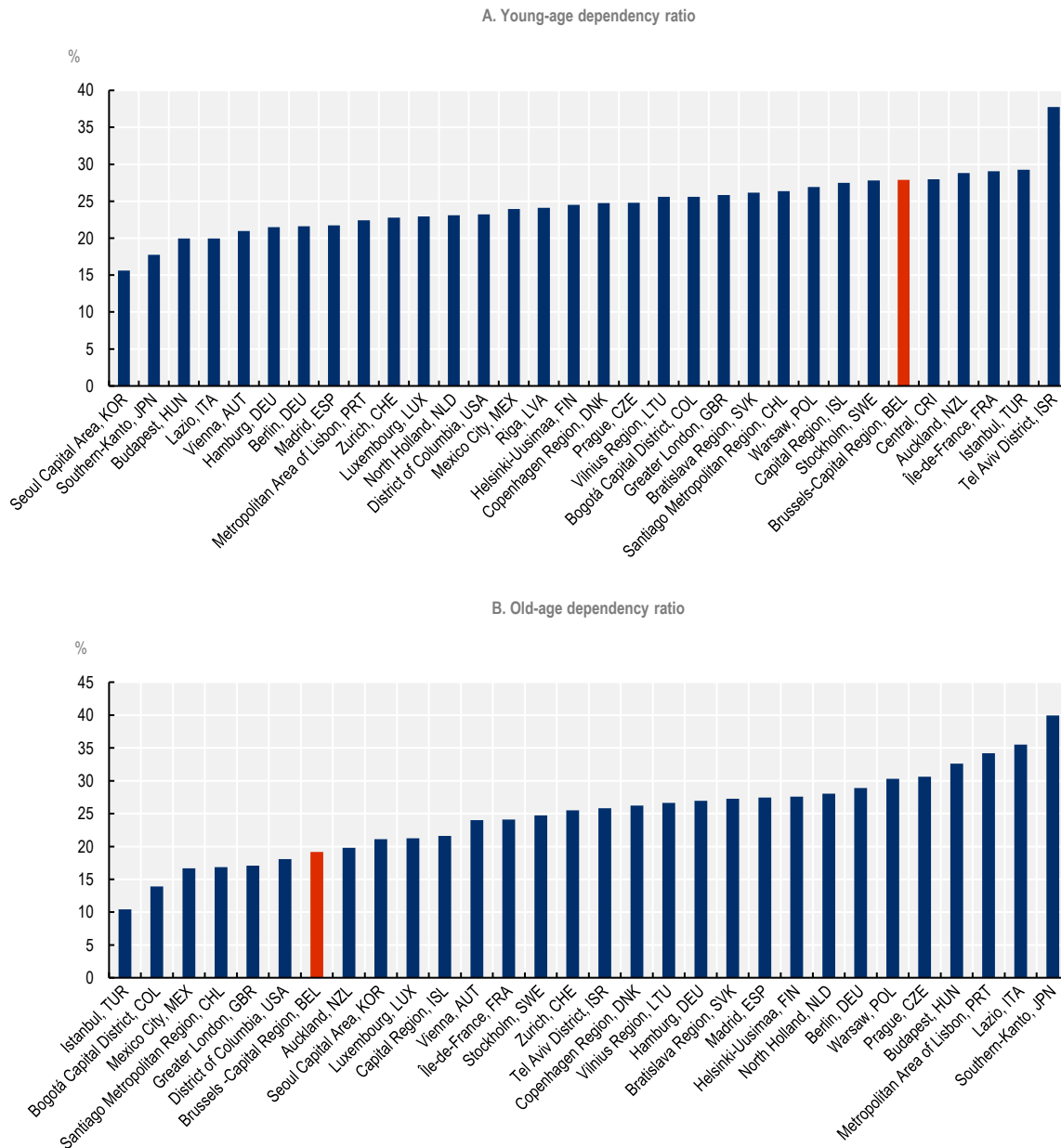
The number of households in the region is expected to drop more quickly than population, from just under 570 000 households in 2023 down to around 537 000 in 2070 (i.e. a decrease of 5.7%). This results from an expected increase in the average size of households, from 2.20 in 2025 to 2.31 people per household in 2070, contrary to the decreasing trend projected in the other 2 regions of Belgium (Ben Hamou, 2020^[10]). This is partly due to the Brussels-Capital Region's relatively young population (see next section), which should prevent the region from facing a significant increase in the number of elderly single-person households and an expected increase in the number of married or co-living households with children and single-parent families (Bureau Fédéral du Plan, 2021^[11]).

The region has a relatively young population

The population in the Brussels-Capital Region is younger than the national average and relatively young compared to other regions in the OECD. The region's young-age dependency ratio, i.e. the number of people younger than 15 years old per 100 people of working age (15-64 years old), was one of the highest among all OECD TL2 regions, at 27.9 in 2022. It is similar to Stockholm, Sweden (27.8) or Île-de-France, France (29.1) but much higher than the young-age dependency ratio in Vienna, Austria (21.0) or Hamburg, Germany (21.5) (Figure 1.7, Panel A). Conversely, its old-age dependency ratio, i.e. the number of people

older than 64 relative per 100 people of working age, was 19.2 in 2022, compared to 30.6 in Belgium on average. It is slightly higher than the dependency ratio of Greater London, United Kingdom (17.1) but lower than Hamburg, Germany (26.9) and almost half of the old-age dependency ratio of the metropolitan area of Lisbon, Portugal (34.2) (Figure 1.7, Panel B).

Figure 1.7. Dependency ratios in the Brussels-Capital Region and other TL2 regions in OECD countries, 2022 or latest available year

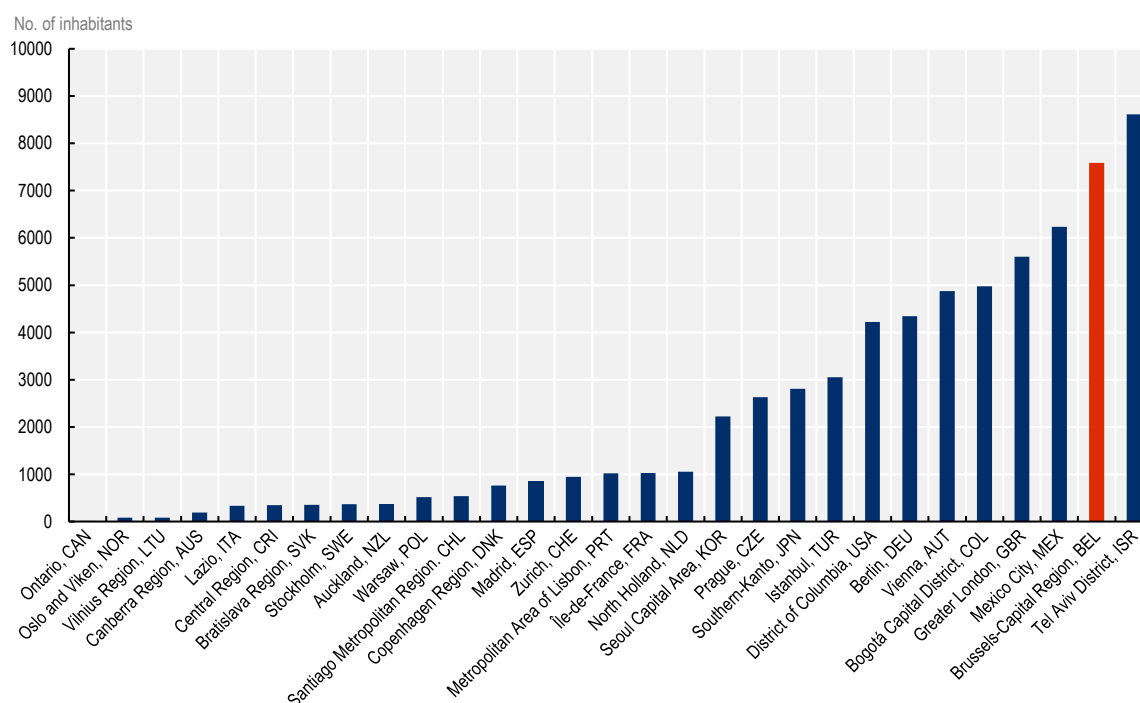


Note: Panel A: The young-age dependency ratio is the percentage of people aged 15 or below over the population of working age (15-64 years old). Panel B: The old-age dependency ratio is the percentage of people aged 65 or above over the population of working (15-64 years old)
 Source: OECD (n.d.[12]), *OECD Regional Demography (dataset)*, https://stats.oecd.org/index.aspx?DataSetCode=REGION_DEMOGR.

A very densely populated and built-up region

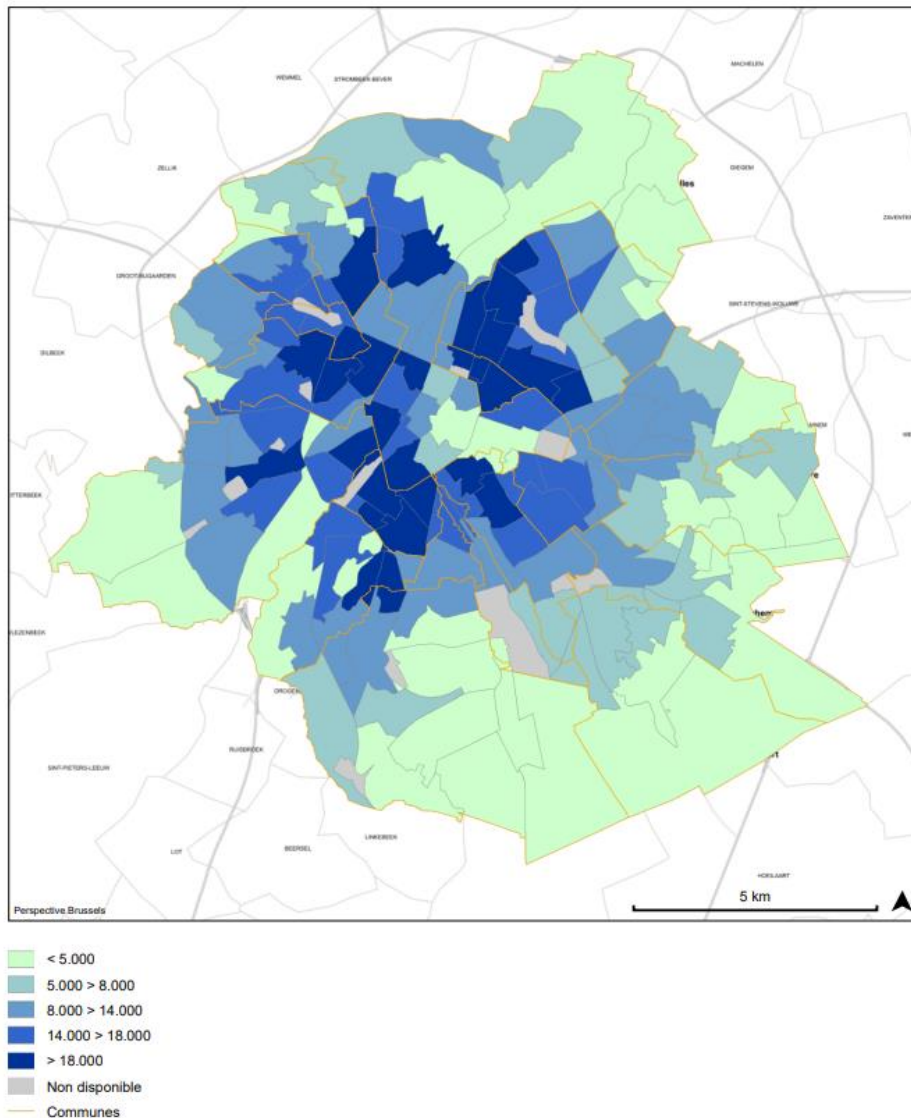
With its high number of residents concentrated in a very small territory, the Brussels-Capital Region is a very densely populated urban area, with more than 7 500 inhabitants per km². Among all OECD large TL2 regions for which data are available (433 in total), only Tel Aviv District, Israel, has a higher population density (around 8 600 inhabitants per km²) (Figure 1.8). Population density varies across municipalities within the Brussels-Capital Region, with Saint-Josse-ten-Noode/Sint-Joost-ten-Node recording the highest density at the municipal level (more than 23 000 inhabitants per km²), while Watermael-Boitsfort/Watermaal-Bosvoorde, where the Forêt de Soignes/Zoniënwoud (Sonian Forest) is located, has less than 2 000 inhabitants per km². At the neighbourhood level, on average, density increases closer to the city centre (Figure 1.9). An exception is the few most central neighbourhoods of the region in the City of Brussels, such as the European Quarter (which is home to the main buildings of the European Union, including the European Parliament), the Royal Quarter and Parc Leopold (which are homes to museums, embassies and palaces and have few inhabitants) (Figure 1.9).

Figure 1.8. Population density in Brussels-Capital Region and other OECD TL2 regions, 2022



Source: OECD (n.d._[12]), *OECD Regional Demography (dataset)*, https://stats.oecd.org/index.aspx?DataSetCode=REGION_DEMOGR.

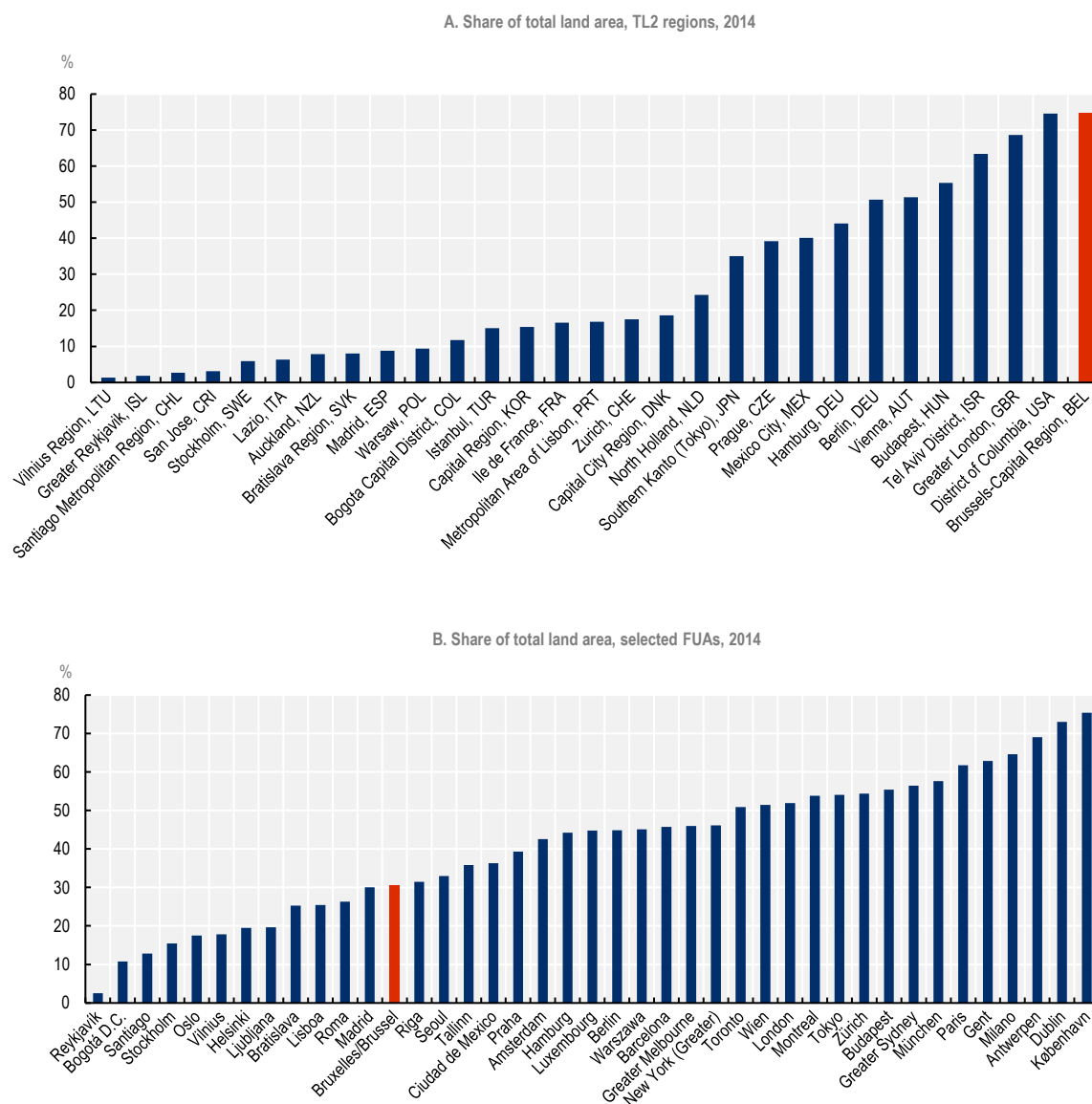
Figure 1.9. Density by neighbourhood in the Brussels-Capital Region, 2021



Source: IBSA/BISA (n.d.^[13]), *Densité de population (hab/km²) – 2021*, <https://monitoringdesquartiers.brussels/Indicator/IndicatorPage/2259?Year=2021&GeoEntity=2>.

In addition to being densely populated, the Brussels-Capital Region is also largely built up, with almost three-quarters of its territory covered with buildings (roofed structures), the highest share among all OECD TL2 regions (Figure 1.10, Panel A). However, when considering the FUA scale, only 30.7% of the land area of the Brussels FUA is built up, which is lower than in many other FUAs in OECD countries (e.g. 44.8% in the FUA of Berlin, 51.4% in Wien and 61.7% in Paris) (Figure 1.10, Panel B). The lack of developable land within the boundaries of the Brussels-Capital Region combined with more availability in its FUAs can have implications in terms of housing policy and housing supply location. However, while planning policies should allow sufficient new housing to be built to address housing affordability challenges, they should be sensitive to the impact built-up area increases have on the environment (OECD, 2023^[14]).

Figure 1.10. Built-up area in the Brussels-Capital Region and the Brussels FUA



Source: Panel A: OECD (n.d.^[5]), *OECD Regional Statistics (database)*, <https://www.oecd.org/regional/regional-statistics/>; Panel B: OECD (n.d.^[15]), *OECD Environment Statistics (database)*, <https://doi.org/10.1787/env-data-en>.

Economic performance of the Brussels-Capital Region

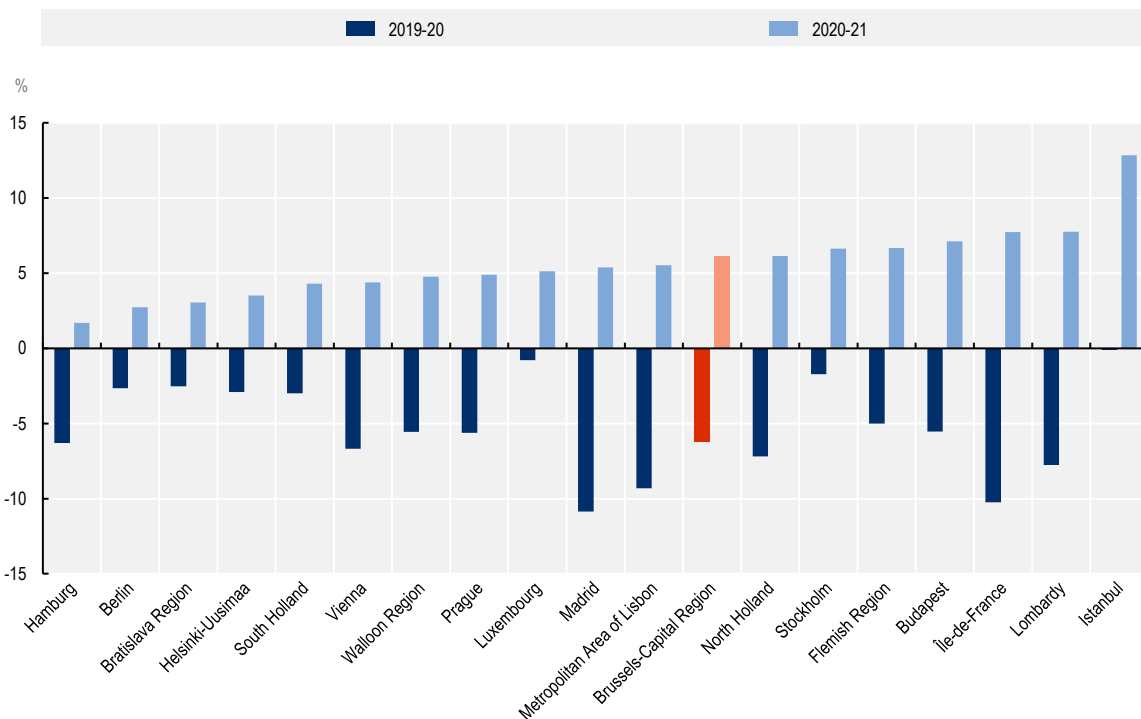
A major economic engine of Belgium

The Brussels-Capital Region is an important engine of Belgium's economy. In 2021, while the region accounted for 10.6% of the national population, it generated about 18.0% of the national GDP (IBSA/BISA, 2023^[16]). However, its contribution to national GDP has slowly decreased over the past 2 decades, down from 19.1% in 2005, due to slower economic growth relative to the other 2 regions of Belgium. Between 2005 and 2020, GDP grew by 9.8% in the Brussels-Capital Region, while it rose by 18.9% and 15.6% in the Flemish and Walloon Regions respectively over the same period. Furthermore, GDP growth in the

region underperformed the national economic growth, apart from five years between 2005 and 2020 (2009, 2010, 2012, 2014 and 2015).

In 2020, due to the COVID-19 pandemic, real GDP fell by 6.2% in the Brussels-Capital Region, a steeper decline than in the Flemish and Walloon Regions, where GDP fell by 5.0% and 5.6% respectively (OECD, n.d.^[5]). In 2021, GDP in the region rebounded slightly less quickly than in the other 2 regions, by 6.1% in real terms, compared with 7.0% in the Flemish Region and 6.3% in the Walloon Region (Figure 1.11) (Eurostat, n.d.^[17]). In 2022, the Brussels-Capital Region GDP is expected to have grown by 2.1%. This remains lower than the expected economic growth of the Flemish and Walloon Regions where GDP is expected to rise by 2.8% and 2.5% respectively in 2022 (IBSA/BISA, 2022^[7]). A possible explanation is that the economy of the Brussels-Capital Region has been more severely impacted by the consequences of Russia's war of aggression against Ukraine, as it is relatively more dependent on electricity than the rest of Belgium (Godin, 2022^[18]).

Figure 1.11. GDP annual change in OECD TL2 regions in Europe, 2019-20 and 2020-21



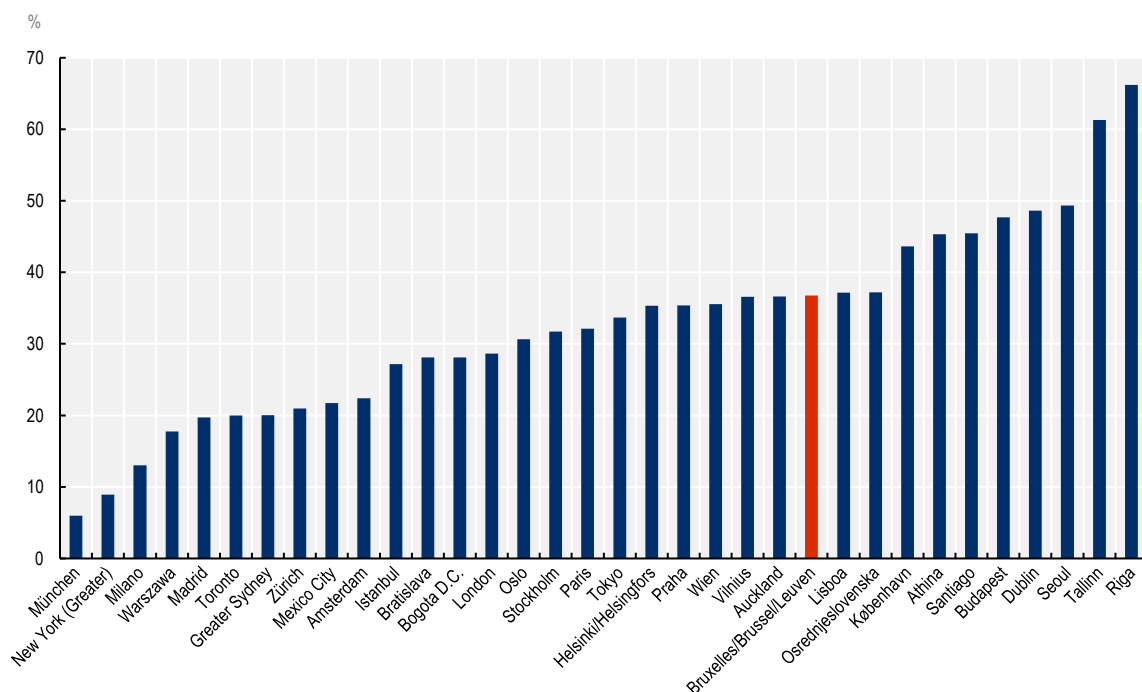
Source: OECD (n.d.^[5]), *OECD Regional Statistics (database)*, <https://www.oecd.org/regional/regional-statistics/>.

When considering the Brussels FUA, the economic weight of the region is much higher, as Brussels' FUA accounted for more than a third of the national GDP (36.8%) in 2019, the latest year for which data are available at the FUA level. This is a relatively high proportion compared to other main FUAs in terms of GDP in OECD countries (Figure 1.12). For example, the FUA of Paris accounted for 32.1% of France's GDP, while the FUA of London represented 28.6% of the United Kingdom's GDP.

The economy of the Brussels-Capital Region is highly tertiarised. More than 90% of the region's value-added is created by the tertiary sector and an even higher share of jobs by the service sector (93.0% in 2020, a higher proportion than in the Flemish and Walloon Regions where the service sector makes up between 75% and 80% of total employment) (IBSA/BISA, 2023^[16]). Within the tertiary sector, the main subsectors are financial and insurance activities, public administration, and professional, scientific and

technical activities, which account respectively for 19.4%, 13.9% and 10.4% of the region's total value-added in 2020. Home to the headquarters of European institutions (including the European Commission, the Council of the European Union and the European Committee of the Regions), the Brussels-Capital Region is also an essential hub for Belgium's integration into international service networks. EU institutions and other international organisations contribute to almost a quarter (23.2%) of total employment in the region. About 50 000 people work directly for EU institutions and other international organisations. An extra 70 000 to 110 000 jobs are indirectly linked to the presence of these institutions, for example, in lobbying, journalism and other services such as hotels and catering, etc. (EC, n.d.^[19]).

Figure 1.12. Share of selected FUAs in national GDP, 2019

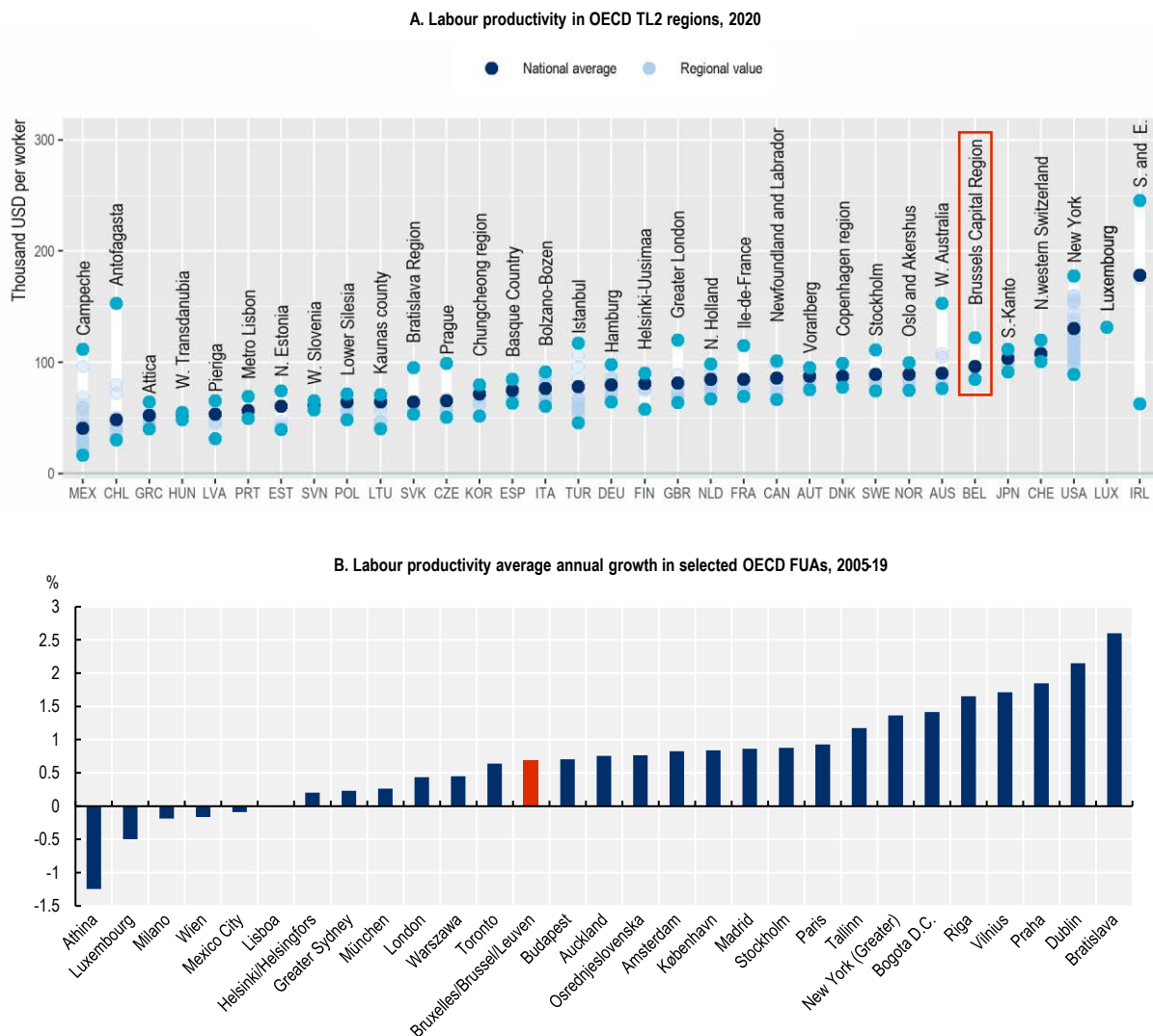


Source: OECD (n.d.^[20]), *OECD City Statistics (database)*, https://stats.oecd.org/Index.aspx?datasetcode=FUA_CITY.

Labour productivity per worker in the Brussels-Capital Region is high compared with other OECD regions. In 2020, gross value added per worker exceeded USD 120 000, i.e. about 25% higher than the Belgian average labour productivity and one of the highest productivity levels across all OECD TL2 regions (Figure 1.13, Panel A). Labour productivity in the region was higher than in the Flemish and Walloon Regions (where gross value added per worker was respectively around USD 96 000 and USD 84 700) and than in many other metropolitan regions such as Île-de-France (France), Berlin (Germany) or London (United Kingdom). At the FUA level, labour productivity is also higher in Brussels than other OECD FUAs.

However, productivity growth in the Brussels FUA has been relatively low, with an average annual growth rate of 0.7% between 2005 and 2019, compared with 0.8% in Amsterdam, 0.9% in Paris or 1.8% in Prague over the same period (Figure 1.13, Panel B).

Figure 1.13. Labour productivity in the Brussels-Capital Region compared with other OECD regions and FUAs



Note: Panel A: 2020 or latest available year: 2019 data for Colombia, New Zealand, Norway, Switzerland and the United Kingdom; 2017 data for Japan. TL3 regions for Estonia, Latvia and Lithuania.

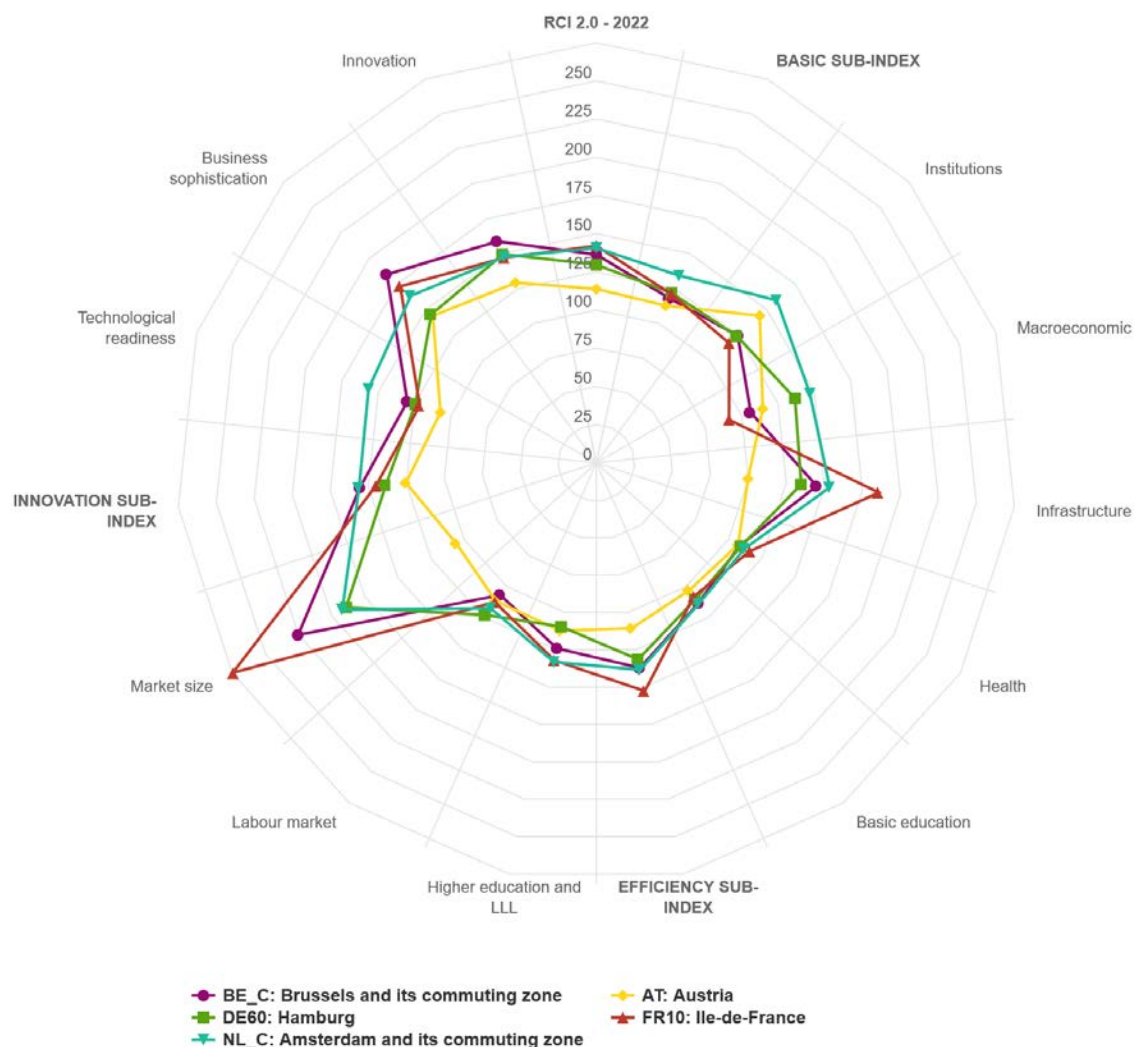
Source: Panel A: OECD (2022^[21]), *OECD Regions and Cities at a Glance 2022*, <https://doi.org/10.1787/14108660-en>; Panel B: OECD (n.d.^[20]), *OECD City Statistics (database)*, https://stats.oecd.org/Index.aspx?datasetcode=FUA_CITY.

Compared with other European regions, the Brussels-Capital Region (and its “commuting zone” which encompasses the 2 neighbouring provinces of Flemish Brabant and Walloon Brabant (EC, 2022^[22])) is relatively more competitive, ranking 8th out of 234 regions in the EU Regional Competitiveness Index 2.0, which measures the major factors of competitiveness across a set of indicators of all of the TL2 regions of the European Union (EC, 2022^[22]). The Brussels-Capital Region and its commuting zone are particularly competitive in terms of market size (i.e. disposable income per capita, potential market size in GDP and potential market size in terms of population) and business sophistication (which measures the importance of financial and insurance, real estate, professional, scientific and technical activities and administrative and support services of the regions in terms of employment and growth of value added). These factors can help attract or help firms develop and benefit from economies of scale, potentially incentivising entrepreneurship and innovation (Dijkstra et al., 2023^[23]). However, the Brussels-Capital Region and its

commuting zone underperform its peers in labour market efficiency, which measures, among other things, the region's employment rate, its long-term unemployment rate, the NEET (not in education, employment or training) rate of young people, etc. (see next section) (Figure 1.14).

Figure 1.14. EU Regional Competitiveness Index in Brussels and its commuting zone and other European regions, 2022

EU Regional Competitiveness Index 2.0, 2022 edition



Source: EC (2022^[24]), *Brussels and Its Commuting Zone*, https://ec.europa.eu/regional_policy/assets/regional-competitiveness/index.html#/BE/BE_C.

An improving employment situation but with some remaining challenges

The Brussels-Capital Region is a major employment hub in Belgium. In 2022, the region accounted for almost 835 000 jobs across its territory, i.e. about 15% of the country's total number of jobs. The Brussels FUA comprises almost 1.5 million jobs, i.e. more than a quarter of Belgium's total number of jobs (OECD, n.d.^[20]). The Brussels-Capital Region labour market is very attractive to jobseekers, with a large share of jobs held by workers who reside outside of Brussels. In 2022, almost half of the approximately 835 000 jobs

in the region were held by commuters (49.5%). About two-thirds of these commuters came from the Flemish Region and one-third from the Walloon Region.

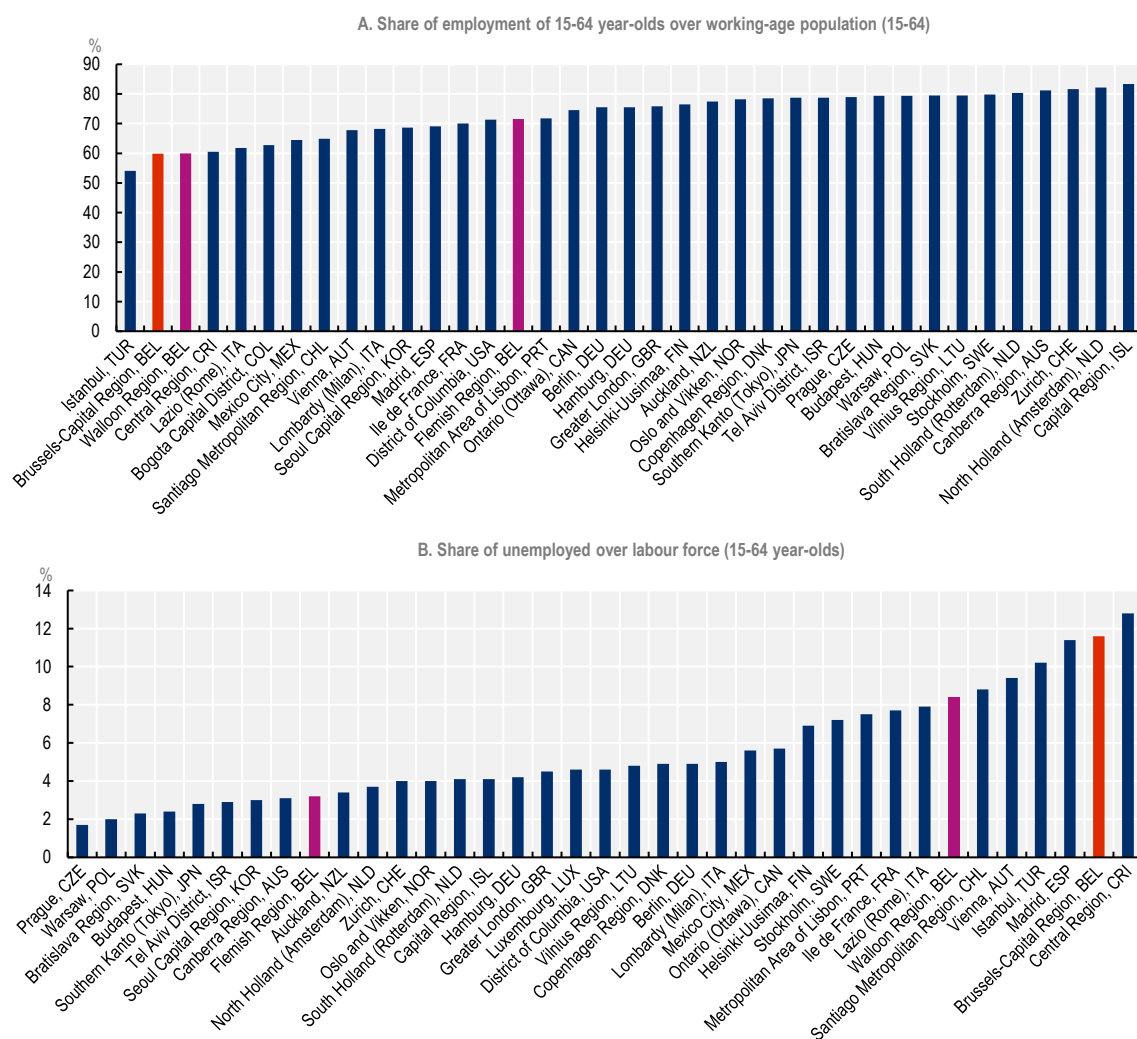
Compared with other metropolitan regions, the Brussels-Capital Region has a relatively low employment rate and a high unemployment rate. In 2022, the employment rate (i.e. the ratio of the employed to the working-age population) in the region was 59.9%, one of the lowest rates among all of the OECD TL2 regions. For example, the employment rate is 67.8% in Vienna (Austria), 75.5% in Hamburg (Germany) and 79.8% in Stockholm (Sweden). At the FUA level, employment shows a similar picture. In the Brussels/Brussel/Leuven FUA, the employment rate was 58.5% in 2016 (latest data available). In the region, the unemployment rate was 11.6%, much higher than in the other 2 regions of Belgium (3.2% in the Flemish Region and 8.4% in the Walloon Region) or in most other TL2 regions of the OECD. In Hamburg, the unemployment rate stood at 4.2%, while the unemployment rate in Vienna was 9.4% (Figure 1.15). According to the OECD Regional well-being database, the Brussels-Capital Region lies in the bottom 20% of all OECD TL2 regions for the composite indicator for jobs (employment percentage rate of 15-64 year-olds and unemployment percentage rate of 15-64 year-olds) (OECD, n.d.^[25]). Economic inactivity in the region is also relatively high, with one-third of people of working age out of the active population.

The labour market performance has improved over the past two decades, especially since 2013, as the employment rate increased from 52.6% and the unemployment rate has been steadily decreasing from a high level of 19.3% in 2013. Unemployment did not increase significantly in 2020 and 2021 despite the impact of the COVID-19 pandemic, primarily thanks to the implementation of support measures for Brussels businesses (e.g. national measures to support temporary lay-offs until the end of June 2021 and a moratorium on bankruptcies until 31 January 2021) (EC, n.d.^[19]). Some population groups are, however, still particularly excluded from the labour market. For example, youth unemployment stood at 31.5% in 2022, a much higher rate than in most other OECD TL2 regions (17.0% in Vienna, 18.5% in Greater London or 8.9% in Berlin) (OECD, n.d.^[5]). People with low levels of education and non-EU-27 migrants (especially women) also grapple with several barriers to employment due to language requirements or hiring discrimination (OECD, 2023^[26]).

At the same time, the Brussels-Capital Region faces a paradox of high unemployment combined with high job vacancies and recruitment challenges. There were about 18 500 vacant jobs compared with around 88 800 jobseekers in 2021 (IBSA/BISA, 2023^[16]) at the end of the third quarter of 2021, the highest level since 2012 and corresponding to about 3.7% of all jobs in the region, up from 3.2% in 2020 and 3.1% in 2019 (View.Brussels, 2022^[27]).

A major reason for these pressures on the region's labour market is the mismatch between the supply and demand of skills. On the one hand, there is a large share of high-skilled jobs, with almost two-thirds (62.3%) of jobs in 2020 held by highly qualified workers (i.e. university or other higher education level), compared with about half of jobs in Belgium as a whole (EC, n.d.^[19]). But, on the other hand, the average level of skills of the region's jobseekers is low, as almost half of the jobseekers residing in the Brussels-Capital Region have not completed secondary studies. This average low level of skills poses serious challenges, as more than 60% of jobs in the region require basic digital skills and more than 30% require advanced digital skills (OECD, 2023^[26]). Furthermore, a large share of the population in the Brussels-Capital Region is foreign-born and does not meet the nationality or language skill requirements for many vacant positions, especially as the region is bilingual and major international institutions hosted in the region often require English language proficiency (View.Brussels, 2022^[27]). Tensions on the region's labour market have been exacerbated since the COVID-19 crisis and recovery, similar to many other OECD countries where labour shortages have emerged since the pandemic, reflecting not only cyclical factors and the steep rebound in economic activity but also changes in preferences, as some workers may no longer accept low-paid jobs or difficult working conditions (Causa et al., 2022^[28]).

Figure 1.15. Employment and unemployment in OECD TL2 regions, 2022



Source: OECD (n.d.^[5]), *OECD Regional Statistics (database)*, <https://www.oecd.org/regional/regional-statistics/>.

A well-performing region in innovation

Compared with other European regions, the Brussels-Capital Region performs well in terms of innovation. According to the EU Regional Innovation Scoreboard 2023, the region is an “innovation leader” and has seen its innovation performance improve over time. It outperforms other EU regions across several dimensions, including international scientific co-publications, innovation expenditures per person employed, innovative small and medium-sized enterprises (SMEs) collaborating and public-private co-publications. Furthermore, the Brussels-Capital Region has implemented a Regional Innovation Plan for 2021-27 structured around six main societal challenges (climate and energy; resource optimisation; mobility; healthy and sustainable food; health and well-being; participatory and inclusive society), which aims to strengthen the innovation performance of the region (Innoviris, n.d.^[29]). However, it slightly underperforms other regions in research and development (R&D) expenditures in the public and business sectors and in patent applications (EC, 2023^[30]).

The region also has a high proportion of workers employed in R&D: with almost 5% of all workers employed in that sector (4.8%), the Brussels-Capital Region performs better than Belgium as a whole (2.8%), the European Union (1.6% on average) and most OECD TL2 regions, although the regions of Vienna (Austria) and Copenhagen (Denmark) have a slightly higher share of workers in R&D (5.2% and 5.5% respectively).

R&D intensity is, however, relatively weak in the Brussels-Capital Region. In 2017, the share of R&D expenditure was 2.0% of the region's GDP, a lower proportion than in Belgium as a whole (2.7%), the European Union (2.1%) or Hamburg, Germany (2.1%), and much lower than the R&D spending in other metropolitan regions such as Vienna (3.6%) or Copenhagen (4.8%) (OECD, n.d.^[5]; Innoviris, 2021^[31]) but with a strong increase since 2011, by 50%. Several reasons explain this relatively weak R&D intensity in the region, including the lack of high- and medium-technology manufacturing industries and the low presence of corporate headquarters of industrial companies, which are often located in other Belgian regions or abroad (OECD, 2017^[32]).

According to the Digital Economy and Society Index (DESI) 2021 developed by the European Commission (EC, n.d.^[33]), the digital performance of the Brussels-Capital Region, measured along a set of indicators (including Internet user skills, information and communication technology [ICT] specialists in employment, fixed broadband coverage, fifth-generation technology standard for cellular networks [5G] coverage, enterprises using artificial intelligence [AI] technology, etc.), is higher than the performance of Belgium as a whole and of the EU average but is still a long way behind that of Denmark, the leading European country in this area (Kalenga-Mpala, 2023^[34]). The region performs relatively well in terms of the integration of digital technologies by businesses, with firms, including SMEs, making extensive use of cutting-edge digital technologies, including AI. However, 40% of Brussels-Capital Region residents still lack basic digital skills, leaving them behind in the digital transformation of the economy, while the demand for digital skills is rising quickly in the Brussels-Capital Region and faster than in other Belgian cities and other OECD metropolitan areas (OECD, 2023^[26]). Furthermore, there is a shortage of ICT graduates in the region and companies have difficulties filling jobs for this type of specialist. While it also shows strong results in the supply and use of digital public services, the region lags behind in the 5G rollout (Kalenga-Mpala, 2023^[34]).

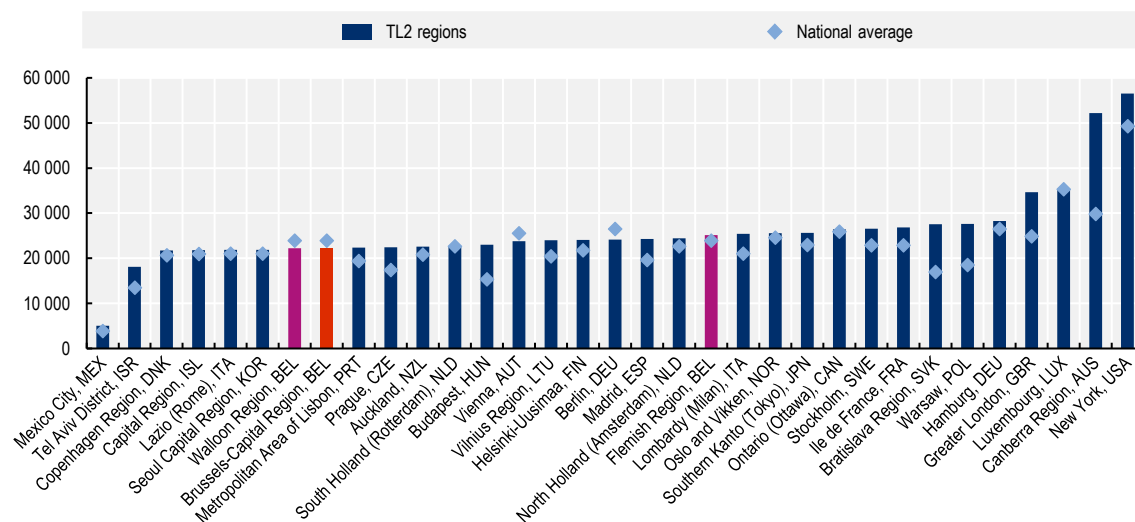
Life in the Brussels-Capital Region

Urban inequalities

The economic performance of the region somehow contrasts with its social conditions. As seen in the previous section, the Brussels-Capital Region is a major economic engine of the country and has a very high level of GDP per capita (USD 78 036 per capita in 2020), much higher than the other two regions of Belgium and one of the highest of all OECD TL2 regions. This high level of economic wealth produced in the region differs starkly from the relatively low level of income of households living in the region, mainly due to the fact that about half of the workers working in the Brussels-Capital Region and generating regional wealth live outside the region (COCOM/GGC, 2021^[35]). At around USD 22 000 on average, the level of disposable income of Brussels-Capital Region households is relatively low compared to other regions in the OECD (taking the same sample of regions as for GDP per capita). For example, the average disposable income of households in Île-de-France, France, was around USD 26 800 in 2020 and USD 34 600 in Greater London, United Kingdom. Furthermore, the income situation has deteriorated over the past two decades. In 2001, per capita disposable income in the Brussels-Capital Region stood at 100.6% of the average Belgian's disposable income. In 2020, it was only 93.2% (Figure 1.16). The seven municipalities with the lowest median taxable incomes of Belgium are Brussels-Capital Region municipalities: Saint-Josse-ten-Noode, Saint-Gilles, Molenbeek-Saint-Jean, Anderlecht, Brussels, Schaarbeek and Koekelberg, by ascending order of median taxable incomes (COCOM/GGC, 2021^[35]).

Figure 1.16. Disposable household income OECD TL2 regions compared to national averages

USD per head, constant prices, constant PPP, 2020 or latest year available



Source: OECD (n.d.^[5]), *OECD Regional Statistics (database)*, <https://www.oecd.org/regional/regional-statistics/>.

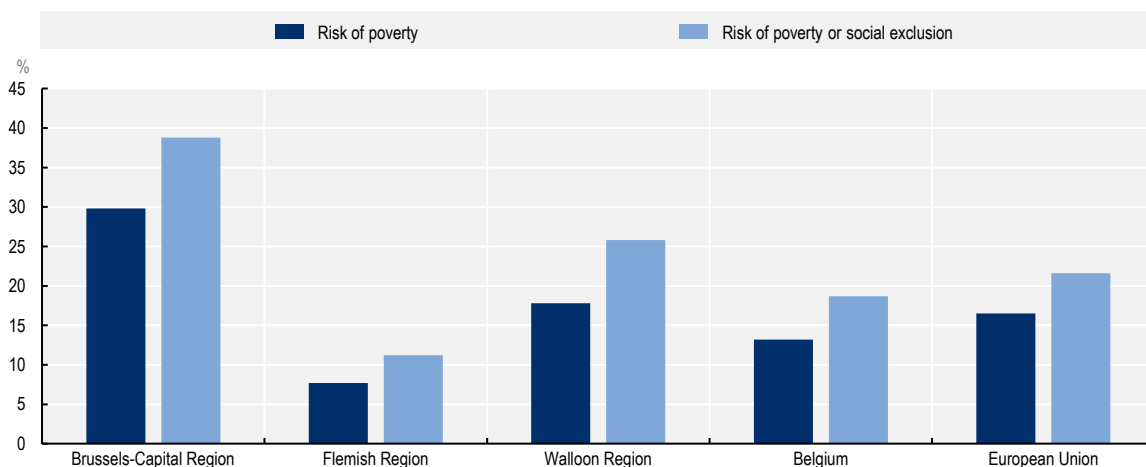
Poverty levels remain high in the Brussels-Capital Region and higher than in the country's other two regions. The share of population below the at-risk-of-poverty threshold (i.e. 60% of the national median equivalised disposable income after social transfers) is much higher in the Brussels-Capital Region than in the other two regions of Belgium and in the European Union on average. The share of the Brussels-Capital Region population at risk of poverty was 29.8% in 2022, while it was 17.8% in the Walloon Region, 7.7% in the Flemish Region and 16.5% in the European Union (Statbel, n.d.^[36]; Eurostat, n.d.^[37]). Looking beyond monetary poverty, the rate of risk of poverty or social exclusion as defined by the European Union shows the same picture. The rate of risk of poverty or social exclusion is the share of people meeting at least one of the following conditions: i) at risk of poverty; ii) facing severe material and social deprivation; or iii) living in a household with very low work intensity, i.e. where working-age adults worked no more than 20% of their total potential during the previous 12 months (Eurostat, n.d.^[37]). In 2022, the share of the population in the Brussels-Capital Region at risk of poverty or social exclusion reached 38.8%, compared to 18.5% for Belgium (Figure 1.17) as a whole and to 21.6% in the European Union (Eurostat, n.d.^[37]).

Disadvantaged people are also paradoxically affected by a lack of access to social benefits, either because they are unaware of their eligibility or because they cannot access them due to administrative complexity, waiting times, etc. (Brussels-Capital Health and Social Observatory, 2016^[38]). The COVID-19 crisis and related emergency measures that have restricted many economic activities have also had a significant impact on people's incomes, hitting those who fall outside the social safety net the hardest (COCOM/GGC, 2021^[35]).

There are also large income inequalities within the Brussels-Capital Region, between the municipalities and between the neighbourhoods. Median taxable incomes vary significantly between the municipalities, from around EUR 16 200 in Saint-Josse-ten-Noode/Sint-Joost-ten-Node to around EUR 26 800 in Woluwe-Saint-Pierre/Sint-Pieters-Woluwe. Neighbourhoods in the south and east are home to the wealthiest households of the region, while neighbourhoods near the canal and its industrial zone (neighbourhoods of the so-called *croissant pauvre/arme sikkel*) concentrate the most precarious inhabitants (Figure 1.18, Panel A). The map of the median taxable incomes by neighbourhood mirrors the map of the share of inhabitants who benefit from a health subsidy that allows households who receive social allowances and low-income households to obtain better reimbursements for their medical

appointments, cheaper medication and preferential rates for other services such as utilities and public transport (Figure 1.18, Panel B) (INAMI, n.d.^[39]). Statistical offices use data on this subsidy to estimate the share of the population with low incomes at a more granular level than the regional level.

Figure 1.17. Risk of poverty and risk of poverty or social exclusion in Brussels-Capital Region, Belgium and the European Union, 2022

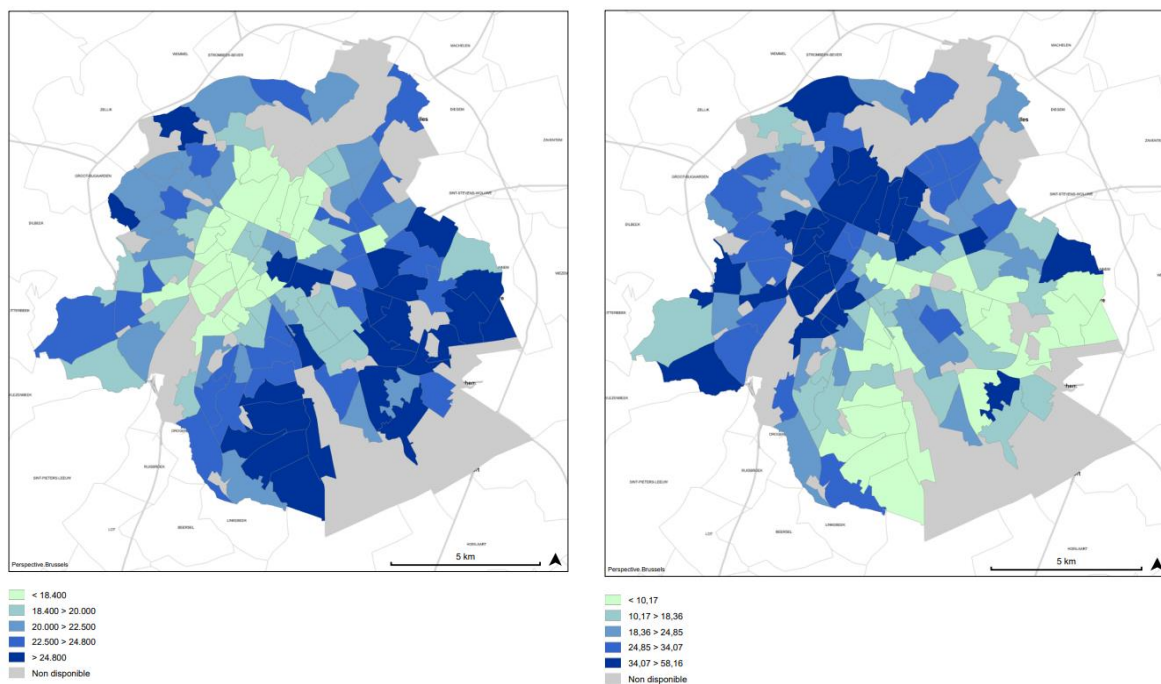


Source: Statbel (n.d.^[36]) *Poverty and Living Conditions*, <https://statbel.fgov.be/en/themes/households/poverty-and-living-conditions>; Eurostat (n.d.^[37]), *Living Conditions Statistics at Regional Level*, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Living_conditions_statistics_at_regional_level#People_at_risk_of_poverty_or_social_exclusion.

Figure 1.18. Geography of social disparities in the Brussels-Capital Region

A. Median taxable income (EUR), by neighbourhood, 2019

B.: Share of the beneficiaries of the health subsidy, by neighbourhood, %

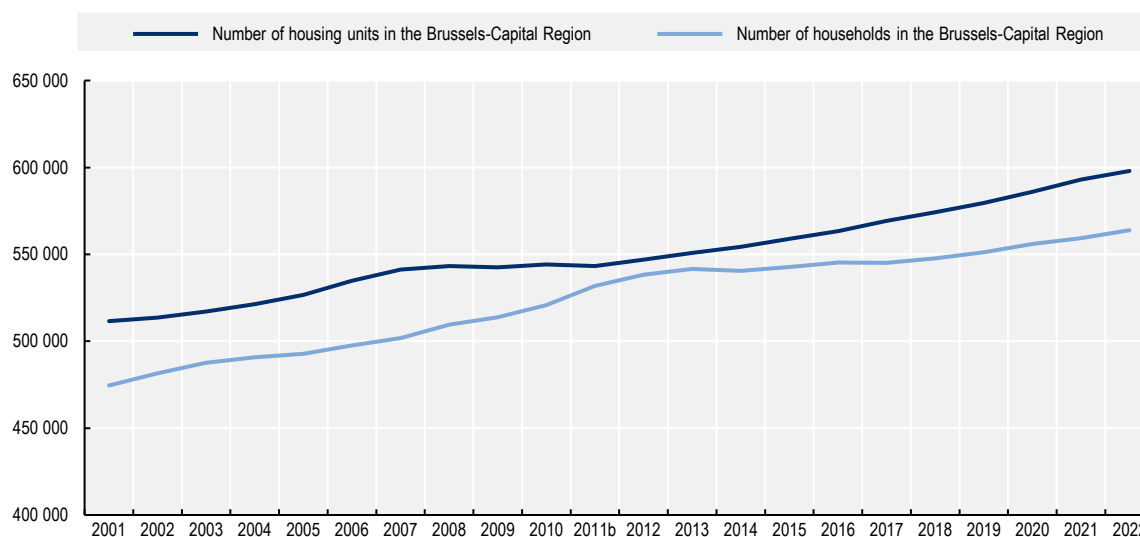


Source: IBSA/BISA (n.d.^[40]), *Le Monitoring des Quartiers de la Région de Bruxelles-Capitale*, <https://monitoringdesquartiers.brussels/>.

A lack of affordable and quality housing

Housing supply has increased steadily in the past two decades and there are currently more housing units available in the region than households. In January 2022, there were around 598 000 housing units in the Brussels-Capital Region, while the number of households was 564 000, although this number does not include certain groups of the population, such as those residing in Belgium without legal status or students whose primary residence is outside the region (Figure 1.19). A small part of this housing stock is, however, unoccupied. It is estimated that between 17 000 and 26 400 housing units are currently vacant, i.e. between 3.0% and 4.5% of the total housing stock. Compared to vacancy rates in OECD countries, the vacancy rate in the Brussels-Capital Region is relatively low, but these numbers could be underestimated (Bruxelles Logement, 2021^[41]; Ben Hamou, 2020^[10]). On average, in 2020, vacant dwellings in OECD countries for which data are available represented 9.7% of total housing stock (OECD, n.d.^[42]). In the city of Paris, France, for example, there are around 114 000 vacant housing units out of around 1.1 million housing units (i.e. about 10% of vacant housing) (French Ministry of Ecological Transition, 2022^[43]).

Figure 1.19. Number of housing units and households in the Brussels-Capital Region, 2001-22



Note: Series break in 2011 for the number of households.

Source: IBSA/BISA (n.d.^[44]), *Aménagement du territoire et immobilier: Parc de bâtiments résidentiels et non résidentiels*, <https://ibsa.brussels/themes/amenagement-du-territoire-et-immobilier/parc-de-batiments-residentiels-et-non-residentiels>; IBSA/BISA (n.d.^[45]), *Population: Ménages*, <https://ibsa.brussels/themes/population/menages>.

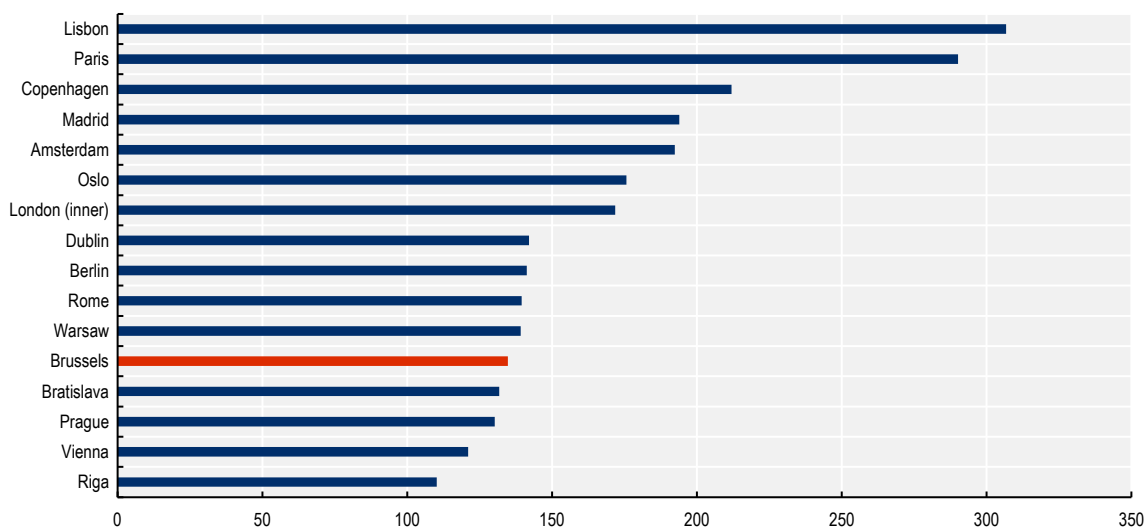
There is a lack of affordable housing in the Brussels-Capital Region. Housing in Brussels is more expensive than the average in Belgium (by 34.7%) but the premium for living in the capital city is lower than in many other European capitals such as Lisbon (Portugal), Paris (France) or Copenhagen (Denmark), where house prices are respectively 3.6, 2.9 and 2.1 times higher than their country's average (Deloitte, 2022^[46]) (Figure 1.20).

While Brussels is not very expensive compared to other capital cities in Europe, the Brussels-Capital Region is the most expensive region in Belgium for all types of dwellings and the gap between housing purchase prices in the Brussels-Capital Region and the other two regions has widened over the past few years. The median price for detached houses, which account for less than 1% of all housing units of the region, was EUR 845 000 in the first quarter of 2023. This was 3 times more expensive than in the Walloon Region and 2 times more expensive than in the Flemish Region, although there are only very few

transactions in this market segment (only 20 transactions in the first quarter of 2023 and 173 for the whole of 2022, three-quarters of them located in 2 municipalities of the region, Uccle/Ukkel and Woluwe-Saint-Pierre/Sint-Pieters-Woluwe). For attached and semi-detached houses (20.1% of all housing units), the median price was EUR 500 000 (2.9 times more expensive than in the Walloon Region and 1.7 times more expensive than in the Flemish Region), while the median price of apartments (78.9% of all housing units in the region) was EUR 255 000, slightly more expensive than in the Flemish Region and 1.4 more expensive than apartments in the Walloon Region (Figure 1.21).

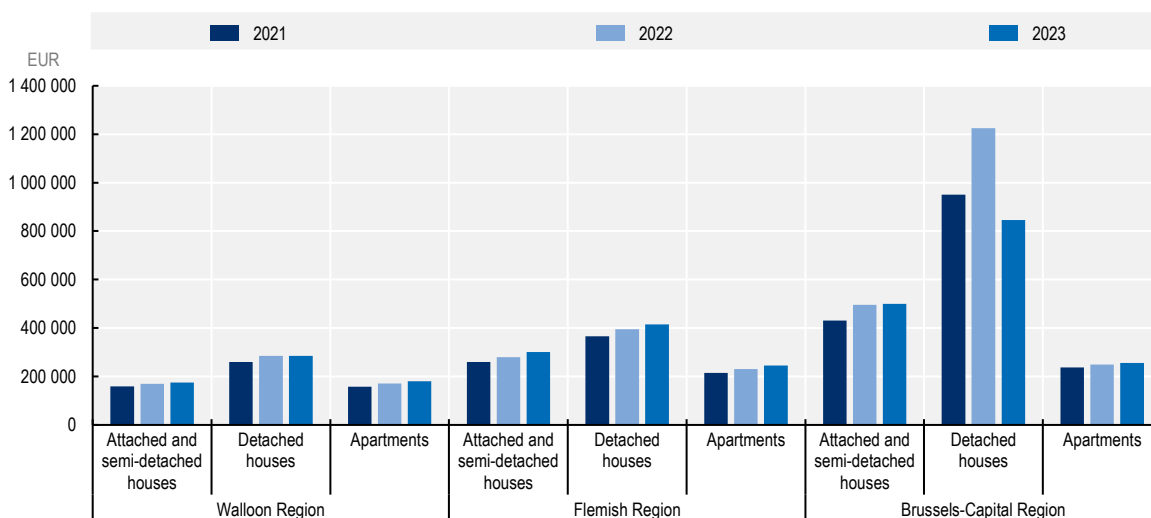
Figure 1.20. House prices in capital cities relative to the country average, 2021

Country average = 100%



Source: Deloitte (2022^[46]), "Property Index 2022: Overview of European residential markets", <https://www2.deloitte.com/bg/en/pages/real-estate/articles/Deloitte-Property-Index-2022.html>.

Figure 1.21. Median real estate prices in Belgium's regions, by type of accommodation



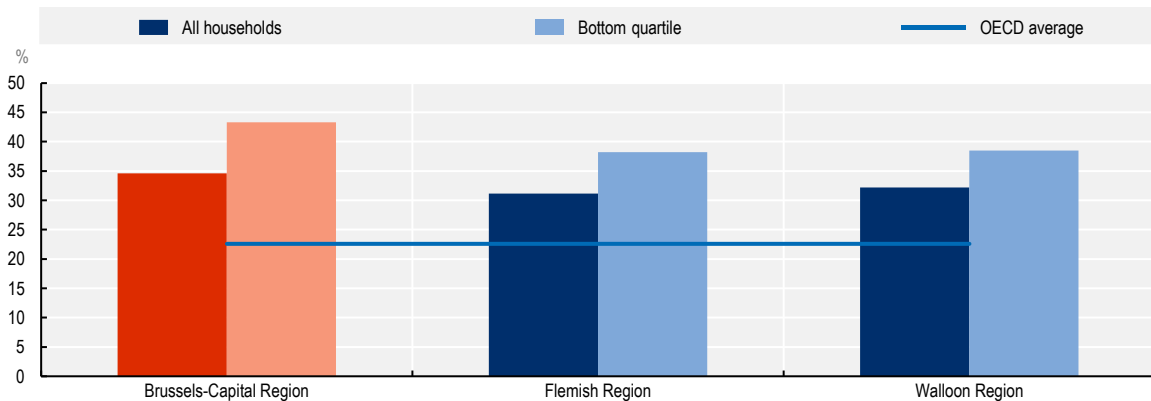
Source: Statbel (n.d.^[47]), *Real Estate*, <https://statbel.fgov.be/en/themes/housing/real-estate#news>.

These high housing prices in the region result from a sharp rise in house prices over the past couple of decades, even in 2020, despite the COVID-19 crisis. Between 1996 and 2020, the median real prices of flats, for example, were multiplied by 2.7 (i.e. increasing by 170%) (Godin, 2021^[48]). This is a much faster increase than in the OECD on average, as real house prices rose by almost 50% over the same period, but a slower rise than in some other regions in OECD countries such as Île-de-France (France), where prices more than quadrupled in the same period or North Holland (Netherlands) where prices were multiplied by 3.6 (OECD, n.d.^[42]). A much faster price increase in the past two decades in the municipalities of the east side of the canal has led to a widening spatial divide between more affordable municipalities to the west of the canal (Anderlecht, Ganshoren, Jette and Koekelberg being the least expensive) and less affordable ones to the east (Ixelles/Elsene, Uccle/Ukkel, Woluwe-Saint-Lambert/Sint-Lambrechts-Woluwe and Woluwe-Saint-Pierre/Sint-Pieters-Woluwe being the most expensive).

Because of high house prices, people with low or middle incomes cannot access home ownership and most often rely on the rental market. According to estimates, more than 60% of the region's households are tenants. This is a much higher share than the average for Belgium, as about a third (32.3%) of Belgian households rent their dwelling (either renting at market prices on the private rental market or below market prices, typically social housing). It is also far higher than the average for OECD countries, which is 23.5% of tenants (OECD, n.d.^[42]). While growth in house prices has started to slow down since 2022, the cost-of-living crisis, triggered by Russia's war of aggression against Ukraine, and the associated high interest rate environment have further constrained access to homeownership for many households, particularly low- and middle-income households, in the Brussels-Capital Region as in many OECD countries (OECD, 2023^[14]; 2023^[49]; IBSA/BISA, 2022^[7]).

While rental prices in the Brussels-Capital Region have increased less quickly than house prices, they still rose by around 20% between 2004 and 2018 (De Keersmaecker, 2019^[50]), a much faster increase than in the OECD, where real rent prices increased by 3.3% over the same period. Rental prices are often too high for many low- and middle-income households. In 2018, 40% of the poorest households living in the Brussels-Capital Region could afford only 10% of the housing units in the rental market (i.e. the cheapest units). For example, a household earning between EUR 1 500 and EUR 2 000 per month has access to less than 13% of the rental market because rental prices are mostly unaffordable (De Keersmaecker, 2019^[50]).

As a result of high house prices and rents, Brussels-Capital Region households devote a large share of their budget to housing-related costs. At more than a third of total spending (34.6%), housing is the single-largest spending item in household budgets in the region. This holds true across all income groups and even more so for the lowest-income households who spent 43.3% of their budget on housing-related items (including utilities, rent, maintenance and repair) in 2020. This burden is higher than in other regions in Belgium and the OECD, where housing-related expenditure constitutes about 22% of final household consumption expenditure on average (Figure 1.22).

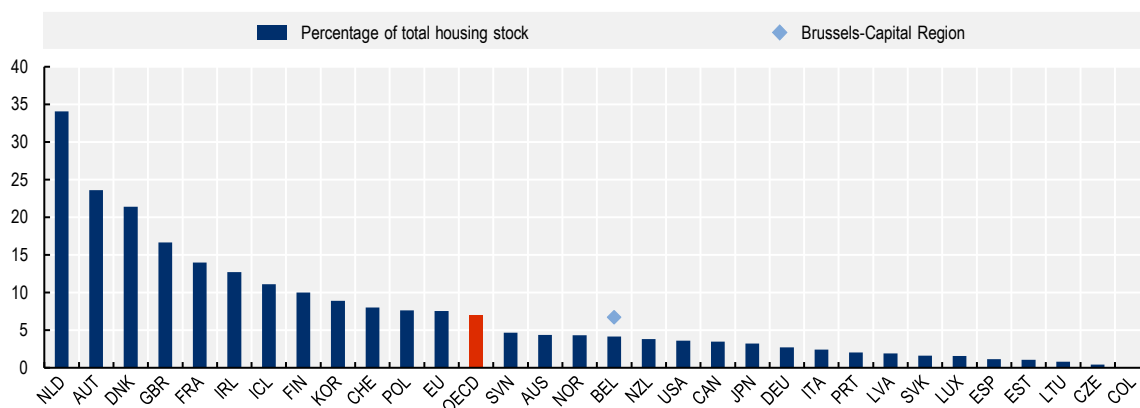
Figure 1.22. Share of housing-related expenditure in total final household consumption, 2019

Source: IBSA/BISA (n.d.^[51]), *Revenus et dépenses des ménages: Enquête sur le budget des ménages*, <https://ibsa.brussels/themes/revenus-et-depenses-des-menages/enquete-sur-le-budget-des-menages>; OECD (n.d.^[42]), *OECD Affordable Housing (database)*, <https://www.oecd.org/housing/data/affordable-housing-database/>.

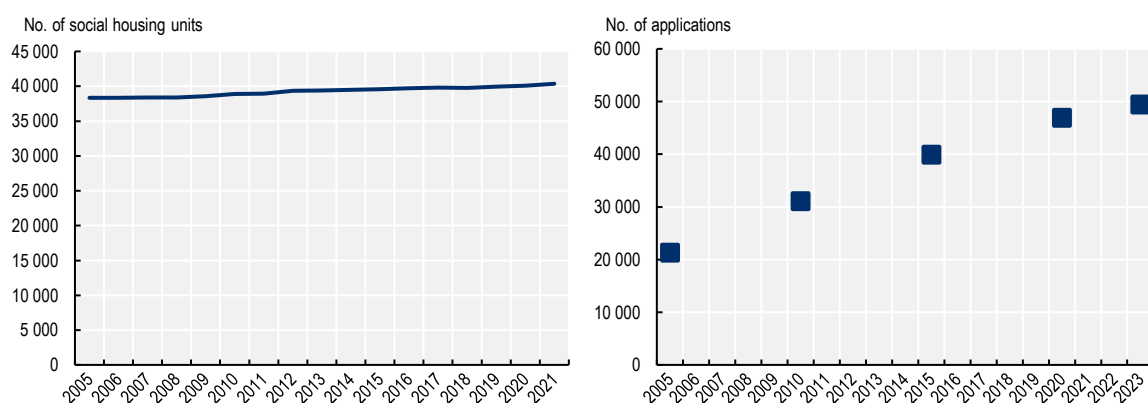
There is also a lack of social housing supply in the Brussels-Capital Region, as the existing stock of social housing in the region is insufficient to match the growing demand for social housing units from low- but also middle-income households. In 2021, the number of social housing units was around 40 000, representing 6.8% of total housing units in the region. This is close to the OECD average of 7% and above the overall share of social housing in Belgium of 4.2% (OECD, n.d.^[42]) (Figure 1.23, Panel A). However, social housing supply remains well below demand, which has been rising constantly in the past decades. First, about 10% of the social housing stock is actually vacant, often because their quality is too poor. Other reasons for vacant social housing units include that they may be in the process of being renovated (nearly 37 000 social housing units will undergo renovation works in the region in the coming years) or are being let to another household. Furthermore, to match the demand for social housing, the size of the existing social housing stock would need to at least double. The number of social housing units has remained almost stable since 2005, although the number of applications, i.e. the number of households on the waiting list for social housing, has constantly increased, from around 21 000 in 2005 to almost 50 000 in 2023 (i.e. 8.8% of all Brussels-Capital Region households are waiting for a social dwelling), driven by an increasing gap between supply and demand in affordable housing (Figure 1.23, Panel B). The waiting list for social housing is actually an underestimate of what could be the overall demand for social housing, as around 280 000 households are eligible for social housing given their income level, i.e. about half of the region's total number of households (Ben Hamou, 2020^[10]).

Figure 1.23. Supply and demand of social rental housing in the Brussels-Capital Region

A. Social rental dwelling as share of total number of dwellings, OECD countries and Brussels-Capital Region, 2020 or latest available year



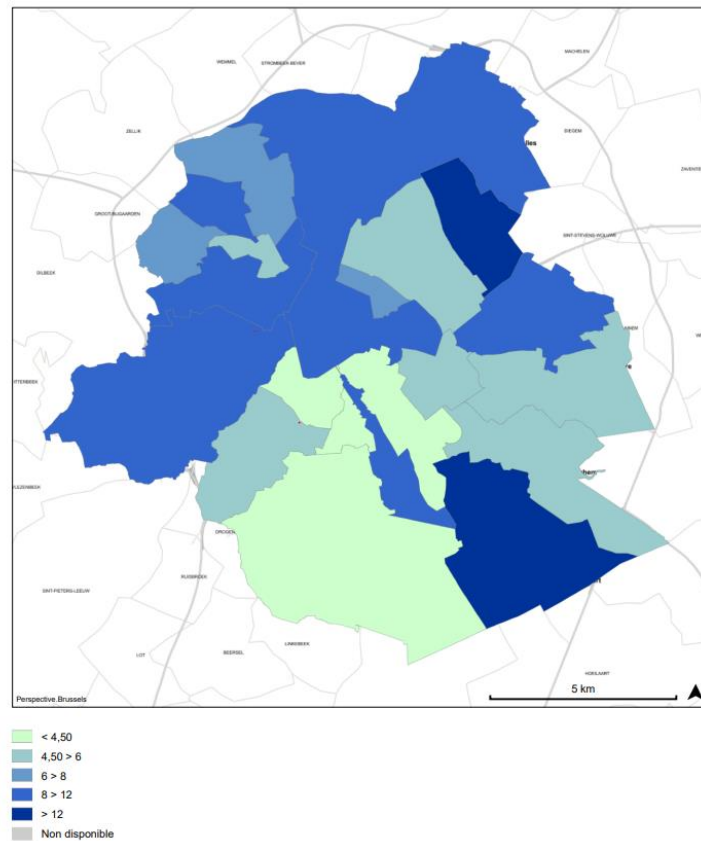
B. Supply and demand for social housing in the Brussels-Capital Region



Source: Panel A: OECD (n.d.^[42]), *OECD Affordable Housing (database)*, <https://www.oecd.org/housing/data/affordable-housing-database/>; Panel B: IBSA/BISA (n.d.^[52]), *Aménagement du territoire et immobilier: Parc de logements sociaux*, <https://ibsa.brussels/themes/amenagement-du-territoire-et-immobilier/parc-de-logements-sociaux>.

There is a geographical divide in the region in terms of the location of social housing. In general, the municipalities in the west have more social housing per 100 households than the municipalities in the east, except for the municipality of Watermael-Boitsfort/Watermaal-Bosvoorde which has the highest share of social housing per 100 households in the region (18.0 in 2022) (Figure 1.24). The municipalities with the highest share of social housing are also generally the ones with the lowest median taxable income, except again for Watermael-Boitsfort/Watermaal-Bosvoorde, which not only has a high share of social housing per 100 households but also one of the highest levels of median taxable income in the region (IBSA/BISA, n.d.^[40]).

Figure 1.24. Number of social housing units per 100 inhabitants, by municipality, in the Brussels-Capital Region, 2022



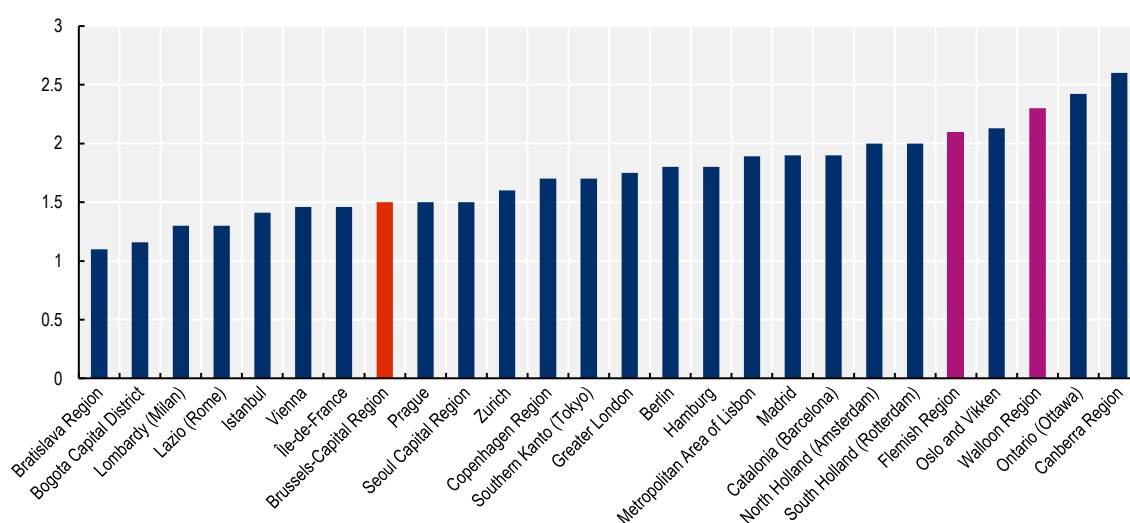
Source: IBSA/BISA (n.d._[40]), *Le Monitoring des Quartiers de la Région de Bruxelles-Capitale*, <https://monitoringdesquartiers.brussels/>.

As for many other cities and urban areas in the OECD, homelessness has become a mounting challenge in the Brussels-Capital Region (OECD, 2023_[14]). The number of people experiencing homelessness has also increased sharply in the past years, quadrupling between 2008 and 2022 to reach more than 7 000 people (Bruss'help, 2022_[53]). This number includes people living in the streets or public spaces, people in emergency accommodation, people living in accommodation for the homeless, people living in institutions and people living in non-conventional dwellings (e.g. mobile homes, non-conventional buildings, temporary structures) according to ETHOS (European Typology of Homelessness and Housing Exclusion) developed at the European level (FEANTSA, 2018_[54]). At about 0.5% of the overall population, homelessness in the Brussels-Capital Region is more prevalent than the averages in most OECD countries (OECD, n.d._[42]). However, comparing homelessness numbers across countries is difficult as definitions vary widely between countries and numerous data gaps persist (OECD, 2020_[55]).

Apart from the shortage of affordable housing supply, there is also a lack of supply of adequate and quality housing. In terms of living space available, there were, on average, 1.5 rooms per person in the Brussels-Capital Region in 2021. This was similar to the space available to inhabitants in Prague (Czechia) or Seoul Capital Region (Korea) but less than in the Flemish Region (2.1) and the Walloon Region (2.3), or other OECD regions such as the region of Madrid, Spain (1.9) or Canberra, Australia (2.6) (Figure 1.25). Furthermore, 29% of Brussels-Capital Region inhabitants live in overcrowded dwellings, considerably more than in the Flemish and Walloon Regions, where 3% of the population live in overcrowded dwellings (COCOM/GGC, 2021_[35]). As a benchmark, across the OECD, 16.4% of low-income households live in overcrowded homes (OECD, n.d._[42]). Space is an important dimension of housing quality, as a lack of

space can lead to various negative consequences such as decreased well-being, health issues and lower educational outcomes for children (OECD, 2021^[56]). The pandemic has renewed concerns around housing quality gaps in the OECD and in the Brussels-Capital Region, and especially around housing space. With people spending more time at home, a lack of sufficient space made it more difficult for them to self-isolate, increasing the risks of contracting and spreading the virus. Furthermore, certain categories of the population, such as the elderly or people with disabilities, have difficulty entering the housing market. In particular, people with disabilities may struggle due to the lack of suitable and adapted accommodation, a greater risk of being discriminated against and the fact that this population group is also more likely to be at risk of poverty (nearly 40% of people receiving a disability allowance live below the poverty line) (Ben Hamou, 2020^[10]).

Figure 1.25. Average number of rooms per inhabitant in OECD TL3 regions, 2021 or latest available year



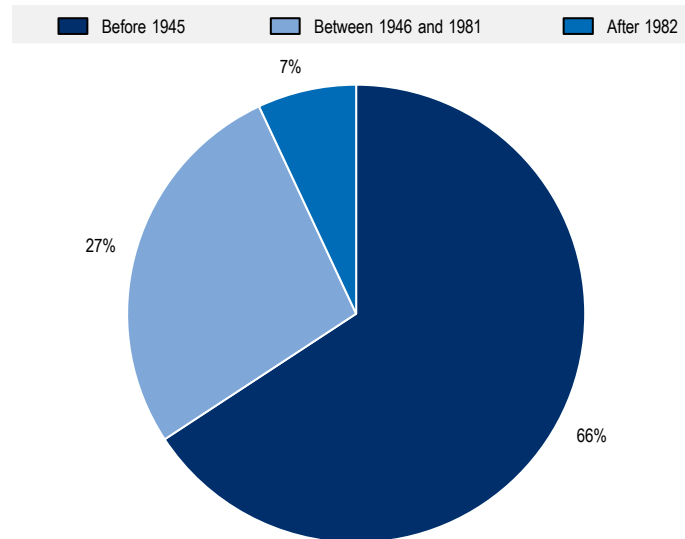
Source: OECD (n.d.^[5]), *OECD Regional Statistics (database)*, <https://www.oecd.org/regional/regional-statistics/>.

The overall quality of housing in the Brussels-Capital Region is relatively low, with more than a quarter (26%) of the population living in an inadequate dwelling (with a leaking roof, damp walls, floors or foundation, or rot in window frames or floor), more than in the Flemish Region and the Walloon Region (12% and 19% respectively) (COCOM/GGC, 2021^[35]) and more than the EU average (15%) (Eurostat, n.d.^[57]).

The building stock in the Brussels-Capital Region is also relatively old. About two-thirds of the region's buildings were built before 1945. This share is considerably higher than in the European Union, where, on average, 22% of the building stock was built before 1945. In the Brussels-Capital Region, only 7% of the buildings were built after 1982 (and just 1% after 2011) (Figure 1.26). This old building stock faces energy efficiency challenges, as buildings constructed before 1945 lose five times more heat than those built after 2010 (EC, n.d.^[58]). Poor energy efficiency of housing has far-reaching consequences that go beyond high energy consumption and greenhouse gas emissions. Poor energy efficiency can lead to a range of health issues, such as respiratory diseases and allergies. Simple energy efficiency improvement measures, such as improving insulation, can lead to better health outcomes (IEA, 2019^[59]). Decarbonising buildings can yield other co-benefits, such as job creation, as the potential for job creation is estimated to range from 10 to 30 jobs for every USD 1 million spent on energy efficiency measures in buildings (OECD, 2022^[60]). In a context of high energy prices, as experienced in 2022 and 2023 in the wake of Russia's war of aggression against Ukraine, low energy efficiency can also put more households, particularly low-income

households, at greater risk of energy poverty. Even before the current cost-of-living crisis, more than a quarter of the Brussels-Capital Region population (26.5%) were already grappling with some form of energy poverty: energy bills too high compared to households' disposable income, energy consumption below basic needs or difficulties in heating their homes properly (COCOM/GGC, 2021^[35]).

Figure 1.26. Buildings in the Brussels-Capital Region by year of construction, as of 2022



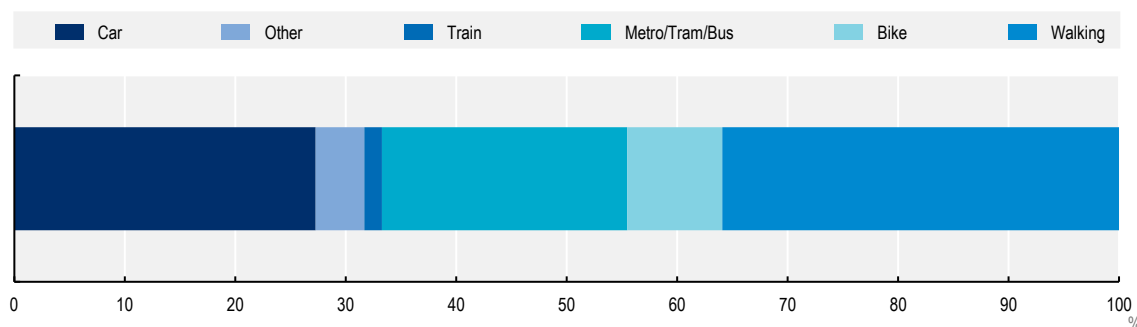
Source: IBSA/BISA (n.d.^[44]), *Aménagement du territoire et immobilier: Parc de bâtiments résidentiels et non résidentiels*, <https://ibsa.brussels/themes/amenagement-du-territoire-et-immobilier/parc-de-batiments-residentiels-et-non-residentiels>.

Mobility and accessibility in the Brussels-Capital Region

While cars used to be the dominant mode of transport used by Brussels-Capital Region residents until recently (46% of all trips according to a survey conducted in 2019 (Federal Public Mobility and Transport Service, 2019^[61])), less than 30% (27.3%) of all trips by Brussels-Capital Region residents were made by car between October 2021 and October 2022. This means that they use an alternative to individual cars for more than two-thirds of their trips. Brussels-Capital Region residents most often rely on walking (36%) or public transport (metro, tram or bus) (22%). Among the remaining trips, almost 9% are completed by bike, 2% by train and 3% by other modes (e.g. moto, scooters) (Figure 1.27) (Brussels Mobility, 2023^[62]).

The use of the Brussels-Capital Region intercommunal public transport network (*Société des Transports Intercommunaux de Bruxelles/Maatschappij voor het Intercommunale Vervoer te Brussel*, STIB/MIVB) rose steadily between 2012 and 2019, from around 350 million rides to around 440 million. While ridership fell sharply in 2020 due to the COVID-19 crisis, it has been back on an upward trend and reached almost 80% of the pre-pandemic level in 2022 (STIB/MIVB, 2022^[63]). The use of bikes also strongly increased between 2009 and 2022, as the number of cyclists registered at the 26 counting points scattered over the region's territory more than quadrupled over this period. After a relatively contained fall in 2020 (by 16.1%), the number of cyclists is now well above its 2019 level, with a remarkable 43.7% increase in the number of cyclists in 2022 (Brussels Mobility, n.d.^[64]).

Figure 1.27. Modal shares of Brussels-Capital Region residents, 2021-22



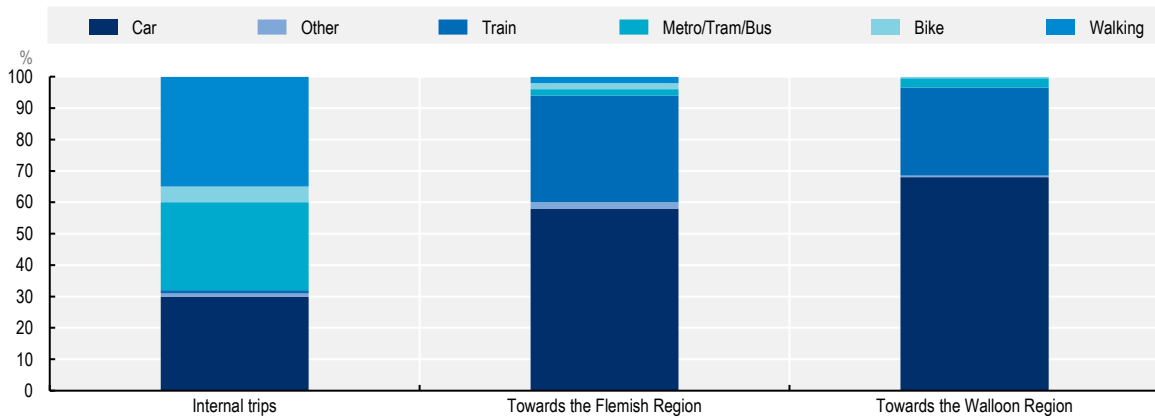
Source: Brussels Mobility (2023^[62]), *Enquête sur le comportement de déplacement (2021-2022)*, https://data.mobility.brussels/home/media/file_r_public/30/65/306537c4-5cec-44b1-8e12-f0cd84f8a11d/ovq_6_rapport_danalyse.pdf.

The choice of transport mode depends on various factors, including the distance of the trip, the origin and the destination, and the reason for travelling. For example, while walking is the preferred transport mode for 24% of Brussels-Capital Region residents' journeys wherever they go, it is the most popular mobility mode chosen for trips *within* the region, accounting for 35% of total internal trips. In addition, 5% of the internal trips are made by bike, bringing the total active mobility share to 40%. On the other hand, trips from the Brussels-Capital Region to the other regions rely much more on cars. For example, more than two-thirds (68%) of the trips made between the Brussels-Capital Region and the Walloon Region are made by car (Figure 1.28) (Federal Public Mobility and Transport Service, 2019^[61]).

Among all trips related to the region, two-thirds are internal trips within the region and the other third coming in and out of the region, partly due to the large number of daily commuters coming in and out of the Brussels-Capital Region. Of the approximately 835 000 jobs in the region in 2022, about half (49.5%) were held by commuters entering the region from outside to go to work (17.5% from the Walloon Region and 32.0% from the Flemish Region), while about 87 500 Brussels-Capital Region residents travel in the other direction (to the Flemish Region, Walloon Region or other countries) (Actiris, 2023^[65]). Among all Brussels-Capital Region commuters (internal, those coming into the region and those going out), almost half (49.7%) use the car to commute to work, 21.7% use the train, 20.6% public transport (metro, tram and bus), 5.3% walk and less than 2% use a bike.

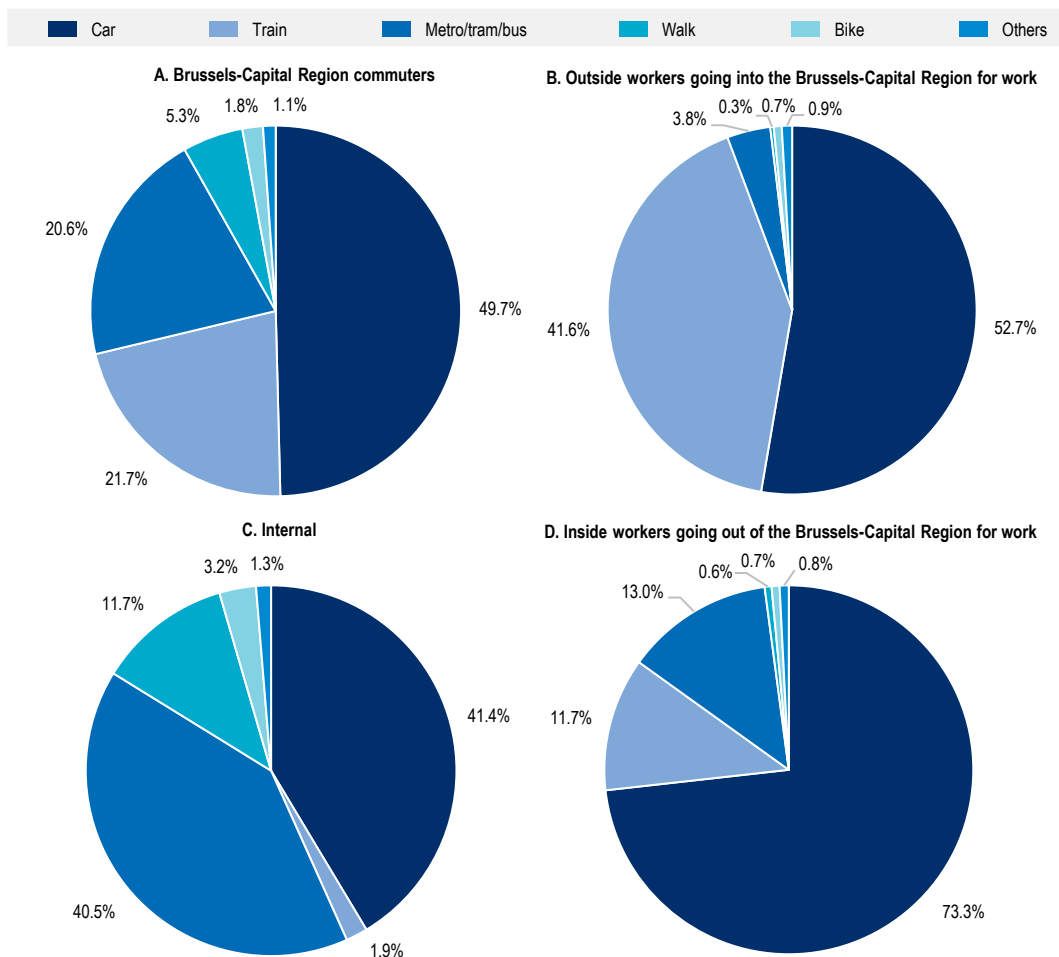
These modal shares also vary according to commuters' place of residence. In 2014, public transport was the first mode of travel for internal workers (42.4%), thanks to a much more accessible transport network, in terms of time needed to reach a public transport mode from their residence and workplace, both at their origin and destination. The car was the second most popular option, with a share of 41.4%. As for commuters entering the region, they primarily used the car (52.7% of them), followed by the train (41.6%). Commuters leaving the Brussels-Capital Region to work outside the region were the most dependent on their car in 2014, as almost three-quarters (73.3%) drove to go to work (Figure 1.29), mainly due to the lack of alternative transport options. Since 2014 and especially since the COVID-19 crisis, modal shares of internal workers have changed quite significantly, according to a survey of moving behaviours in 2021 (Brussels Mobility, 2023^[62]). While public transport remains the first mode of travels for internal workers (41.1%), the use of individual cars has decreased sharply to 24.9% of Brussels-Capital Region internal workers, in favour of walking and cycling, which are the preferred mode of transport of respectively 12.0% and 17.5% of the region's internal workers. Data for external workers are not available yet but, according to preliminary findings, modal shares have not changed much since 2014.

Figure 1.28. Modal share of trips from the Brussels-Capital Region, depending on the destination, 2019



Source: Federal Public Mobility and Transport Service (2019^[61]), *Enquête Monitor sur la Mobilité des Belges*, <https://mobilit.belgium.be/sites/default/files/documents/publications/2022/ENQU%C3%84TE%20MONITOR.pdf>.

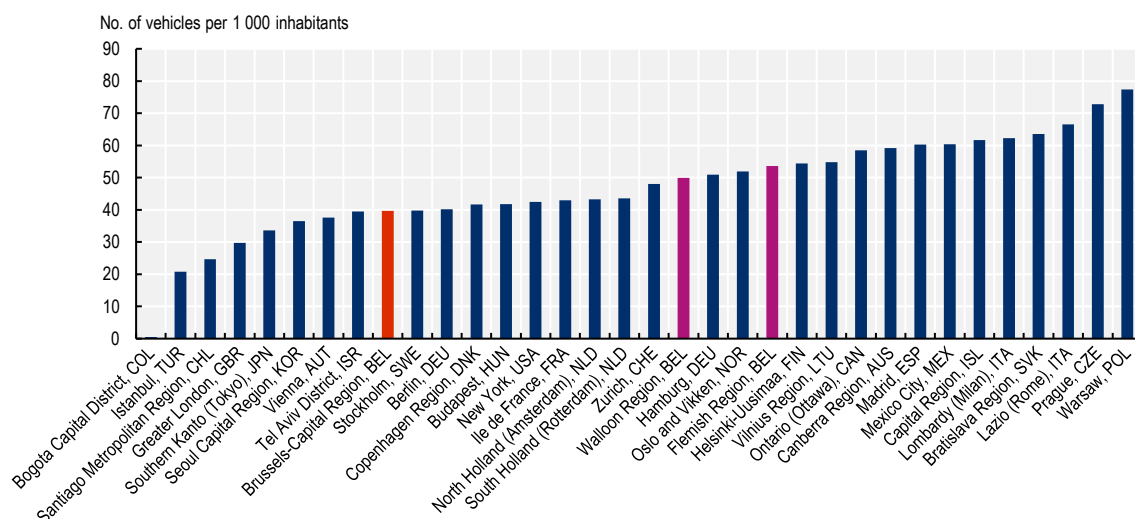
Figure 1.29. Modal shares of Brussels-Capital Region commuters, 2014



Source: Brussels Mobility (2019^[66]), *Analyse des déplacements domicile-travail et domicile-école en lien avec la Région de Bruxelles-Capitale*, Cahiers de l'Observatoire de la mobilité de la Région de Bruxelles-Capitale.

While car ownership in the region is much lower than the Belgian average, the car still remains centre stage in the mobility patterns of the Brussels-Capital Region. Less than half (47.7%) of Brussels-Capital Region households own a car, a much lower number than the national Belgian average of 73.2% (Ermans and Henry, 2022^[67]). Compared with other OECD TL2 regions, car ownership in the Brussels-Capital Region is also relatively low (Figure 1.30). There is a geography of car ownership in the region and its outskirts, with households living in the central neighbourhoods much less equipped than those living in areas near the region's periphery. Furthermore, the majority of households who own a car in the Brussels-Capital Region only have 1 (8 out of 10), whereas in the close periphery (i.e. municipalities located within 2 km from the region's boundaries), nearly 8 out of 10 households own a car and many of them have several (4 out of 10 car owners have at least 2 cars) (Ermans and Henry, 2022^[67]). Data also show that, in the Brussels-Capital Region, the more accessible the public transport, the lower the owners' share (Ermans and Henry, 2022^[67]).

Figure 1.30. Private vehicle rate, OECD TL2 regions, 2022 or latest available year



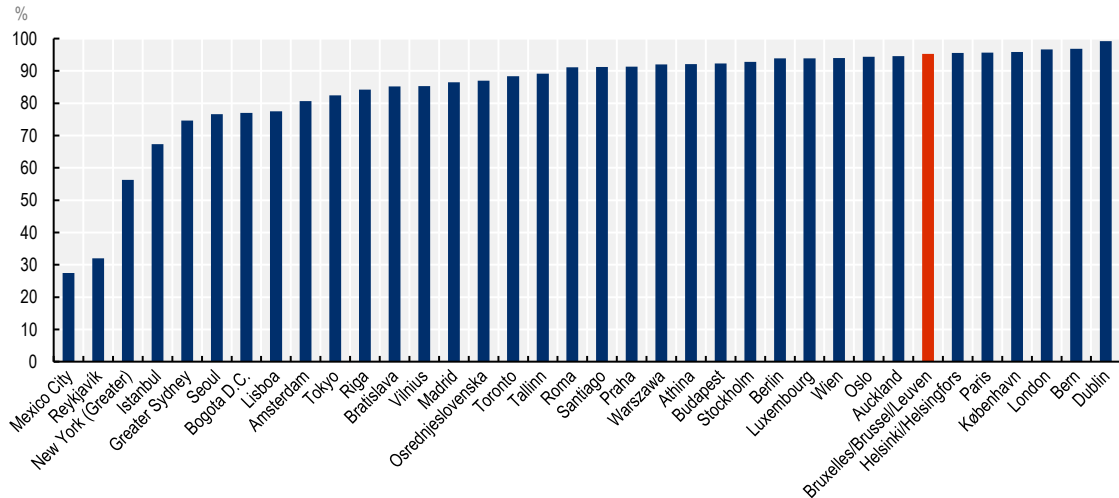
Source: OECD (n.d.^[5]), *OECD Regional Statistics (database)*, <https://www.oecd.org/regional/regional-statistics/>.

According to comparable data across the OECD at the FUA scale, the share of population with access to a public transport stop within a 10-minute walk in the Brussels FUA is among the highest in the OECD at 95.3% (Figure 1.31). However, more granular data at the municipality level show that some of the municipalities in the second ring, i.e. the municipalities that are the furthest from the centre of the region,² have a lower level of accessibility, especially in the east and south of the region, while the neighbourhood scale shows that, in some neighbourhoods further from the centre, less than 40% of the population have easy access to a public transport stop, for example in the municipalities of Anderlecht and Auderghem (Figure 1.32).

The fact that about a third of the trips related to the region are still made by car has many negative consequences, including congestion, occupied space, air and noise pollution, also leading to lower well-being. Despite a slight decrease in the number of vehicles in the capital, congestion has intensified over the past years. In 2019, on average, in the Brussels-Capital Region, the congestion rate, i.e. the extra time required to make a road trip compared with making the same trip but without congestion, was 39%. This was higher than in other European cities such as Barcelona (Spain), Copenhagen (Denmark) or Munich (Germany), where the congestion rates were 29%, 22% and 30% respectively (Brussels Mobility, 2021^[68]). The City of Brussels is one of the most congested cities in the world. According to data and analytics provider INRIX, Brussels ranks 17th among almost 1 000 cities, with 98 hours lost in traffic on

average in 2022, faring better than London, United Kingdom, where people lose on average 156 hours in traffic, but worse than Mexico City, Mexico (74 hours) (INRIX, 2022^[69]). Data from other technology companies that provide satellite tracking of vehicles or develop navigation applications show a similar picture. For example, TomTom ranks Brussels 14th among the 390 most congested cities worldwide (TomTom, 2022^[70]).

Figure 1.31. Share of population with access to a public transport stop within a 10-minute walk in FUAs, 2022

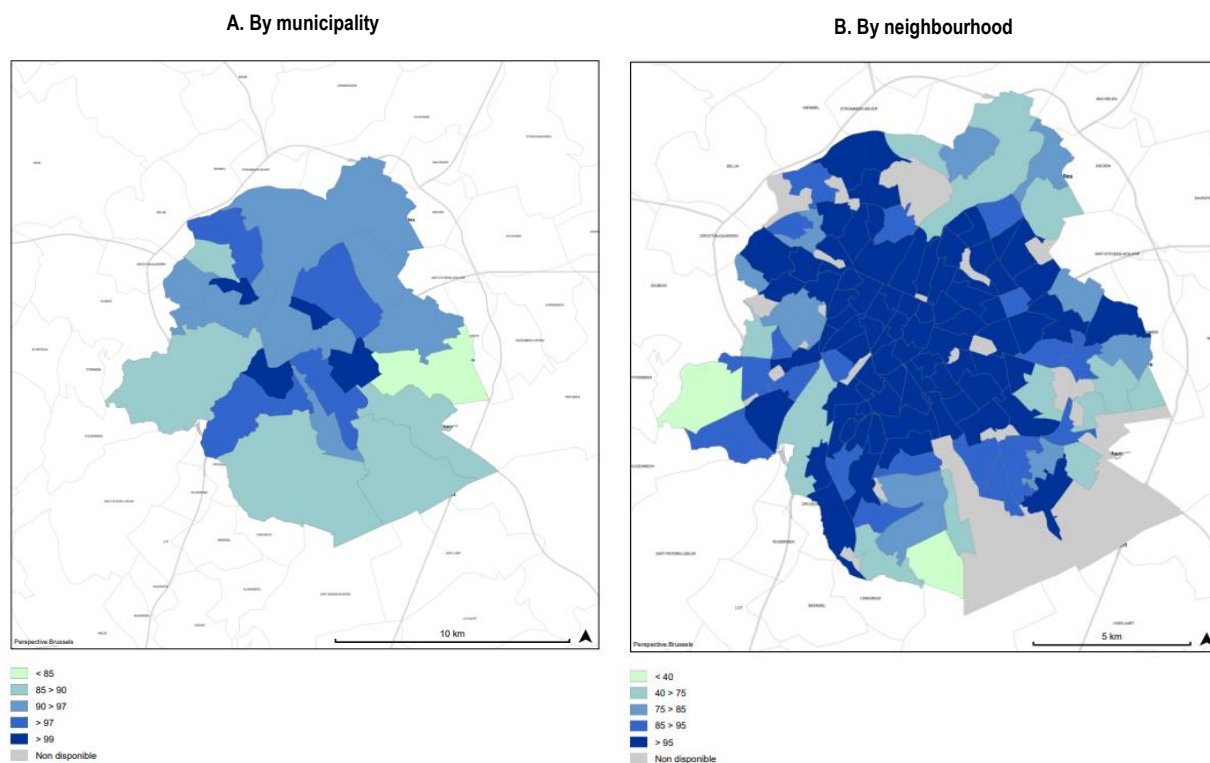


Source: OECD (n.d.^[20]), *OECD City Statistics (database)*, https://stats.oecd.org/Index.aspx?datasetcode=FUA_CITY.

The Brussels-Capital Region also has a large stock of public parking spaces available (265 000 on the roads), taking up 10% of the total area of the region's road network or equivalent to 1 450 km, i.e. the distance between Brussels and Rome. On top of these, there is an additional 295 000 parking spaces inside residential buildings and 210 000 parking spaces related to offices. This high availability of parking spaces near or at places of work strongly incentivises the use of cars (Brussels Mobility, 2017^[71]).

Furthermore, according to recent data from Brussels Environment, the road transport sector was responsible for 23% of greenhouse gas emissions in the region in 2021, making it the second contributor after residential buildings (which account for 36% of total greenhouse gas emissions). While greenhouse gas emissions from the residential building sector have been decreasing in the past 20 years, emissions from the road transport sector have remained stable. Whereas emissions from the transport sector had decreased in 2020 due to COVID-19 restrictions, they have been back on a rising trend since 2021 and the lifting of restrictions, although they have not rebounded back to their pre-COVID levels (Brussels Mobility, 2019^[72]). The impact of structural changes, such as the rise in remote working, is yet to be evaluated in the years to come. Road transport, particularly because of diesel-powered vehicles, also leads to air pollution, contributing, for example, to 53% of emissions of the nitrogen oxides (NO_x) in 2021 (Brussels Environment, 2023^[73]). Road transport is also the main source of local emissions of PM₁₀ particles, although they have decreased sharply (by 77% between 1990 and 2021) (IBSA/BISA, 2022^[7]). In addition, road transport causes noise pollution, which is a nuisance for Brussels residents. According to Brussels Mobility data, 72% of Brussels-Capital Region residents were exposed to a sound level higher than 45 dB at night, which leads to sleep disturbance (Brussels Mobility, 2019^[72]). Exposure to noise pollution can have far-reaching negative health consequences, such as an increased risk of heart attacks.

Figure 1.32. Share of the population close to a public transport stop in the Brussels-Capital Region (bus, metro or tram), %, 2018



Note: Being close to a public transport stop means being within a circle of 250 metres (m) around a bus stop, 400 m around a tram stop and 500 m around a metro or tram stop.

Source: IBSA/BISA (n.d.^[40]), *Le Monitoring des Quartiers de la Région de Bruxelles-Capitale*, <https://monitoringdesquartiers.brussels/>.

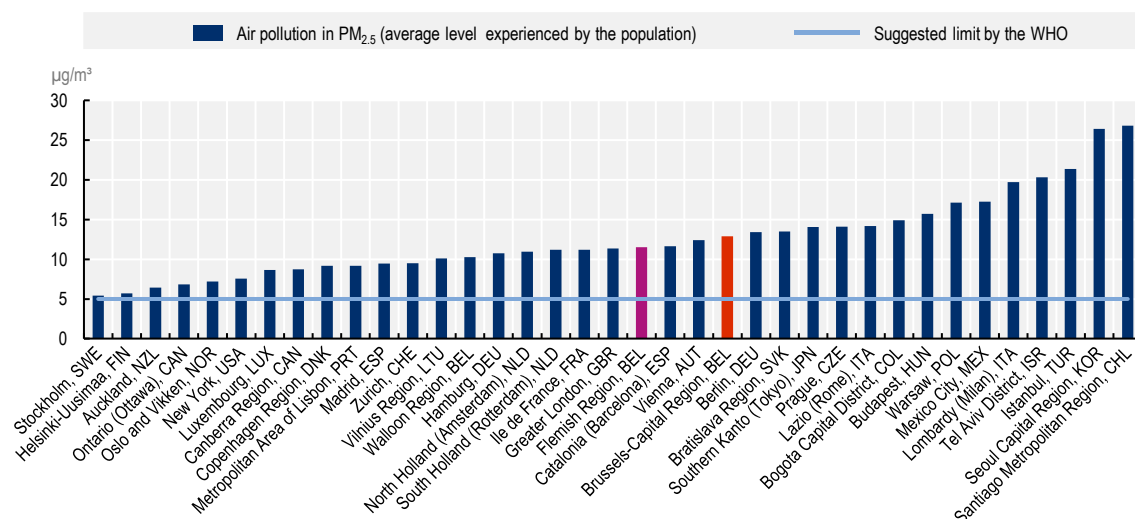
Environment

While air pollution has decreased significantly in the Brussels-Capital Region over the past decades thanks to fuel quality improvement, enhanced energy efficiency of buildings and the closing of some nearby polluting factories, air pollution in the region remains high, with levels of exposure to fine particulate matter (PM_{2.5}) well above the limit of 5 micrograms per cubic metre (μm^3) recommended by the World Health Organization (WHO) (WHO, 2021^[74]) (Figure 1.33). This is due to a range of factors, such as the prevalence of thermal vehicles in the city as discussed above, combustion of fossil fuels for residential heating or pollution blown in from the neighbouring regions by wind. Neighbourhoods in the northeast of the region are the most exposed to PM_{2.5} (with annual exposure between 12 and 14 μm^3), while neighbourhoods in the south are the least exposed (between 5 and 8 μm^3).

Total greenhouse gas emissions have decreased by 14% since 1990, with a much steeper drop (25%) since 2004 and will reach about 3 500 kilotonnes of carbon dioxide equivalent (kt CO₂eq) in 2021. The year 2020 saw a strong annual decrease due to the pandemic and related restrictions, which reduced the use of transport in particular, and also due to particularly mild winter temperatures leading to lower heating needs. However, total greenhouse gas emissions per capita have decreased in the Brussels-Capital Region, by around 32% since 1990, standing below 3 t CO₂eq/capita in 2020 and 2021. The last comparison of the OECD metropolitan regions, as illustrated in Figure 1.34, shows that, in 2018, Brussels' level of emissions per capita was already below many other metropolitan regions such as Hamburg, Germany, or Seoul Capital Region, Korea (OECD, 2022^[21]). Buildings (residential and tertiary) are the biggest energy consumers and main emitter of greenhouse gases in the region. The residential sector

accounts for 41% of total energy consumption (of which around two-thirds are consumed for heating) (IBSA/BISA, 2022^[71]) (Figure 1.35), while heating in residential and tertiary buildings account for 55% of total emissions of the region. Most of the residential sector's energy consumption comes from natural gas (68%) followed by electricity (19%) (IBSA/BISA). Energy consumption and greenhouse gas emissions from the residential sector and more broadly from the building sector have decreased since 2005 despite the expansion of both the residential and office building stock, in particular due to energy efficiency improvements. To put the region on a more sustainable path, the Brussels-Capital Region has implemented an economic development policy Shifting Economy - Brussels 2022-2030. This comprehensive economic strategy aims to transform the region's economy by bridging economic development with environmental transition and social justice, focusing on six sectors: food (Good Food plan), resources and waste, construction (Renolution plan), cultural and creative industry, mobility (Good Move plan) and health.

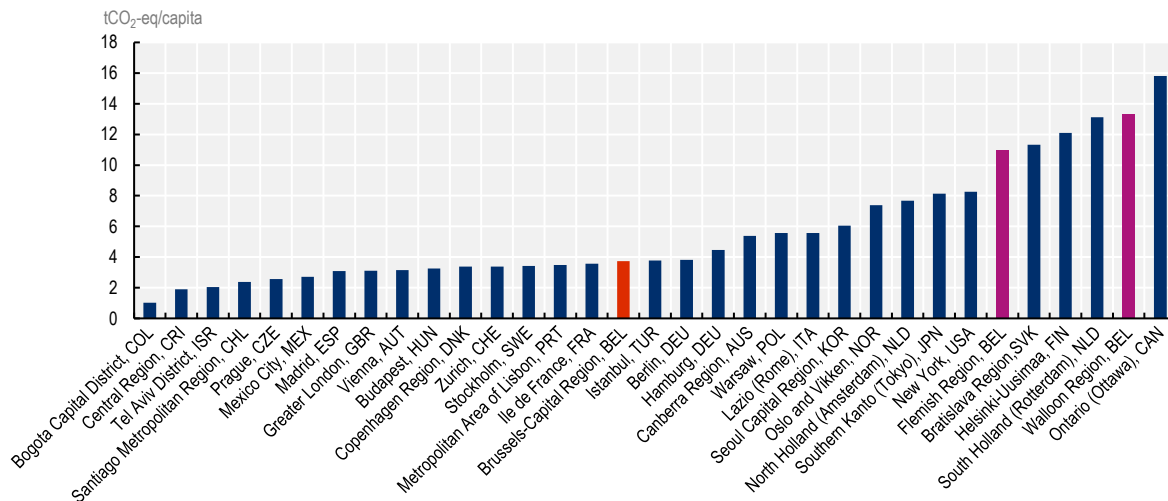
Figure 1.33. Air pollution in the Brussels-Capital Region and other OECD TL2 regions, 2020



Source: OECD (n.d.^[5]), *OECD Regional Statistics (database)*, <https://www.oecd.org/regional/regional-statistics/>.

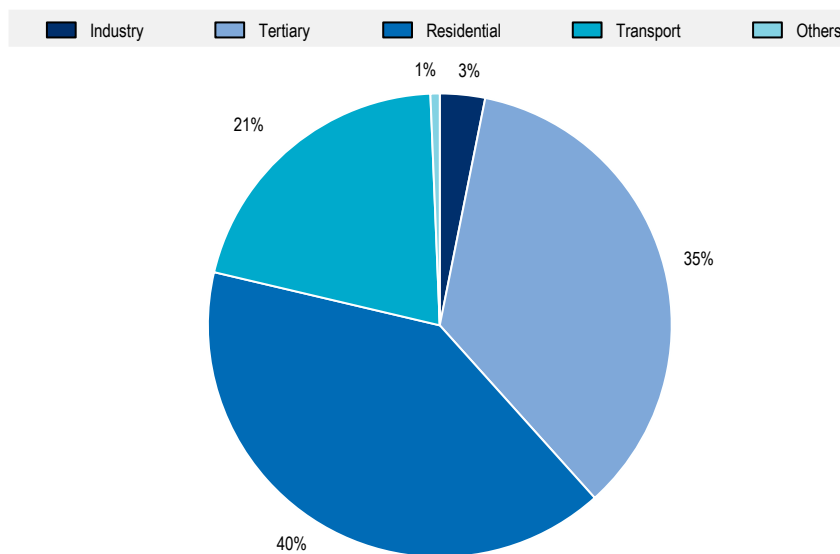
More than half of the Brussels-Capital Region territory (52%) is covered by vegetation, with about one-third covered by trees. Furthermore, almost one-fifth of the territory is made of green spaces accessible to people (Franklin, 2023^[75]). When using the FUA scale, 44.7% of the core of the Brussels FUA is covered by green areas, a share similar to Paris, France (43.6%) or Lisbon, Portugal (44.9%) but lower than Hamburg, Germany (59.1%) or Stockholm, Sweden (60.5%) (Figure 1.36). These average numbers for the region hide disparities between municipalities and neighbourhoods. The Sonian Forest in the southeast of the region is its main green area. When removing the Sonian Forest from the analysis, the area of green spaces accessible to people decreases from 26 m²/inhabitant to 12 m²/inhabitant, which is still above the minimum level of 9 m² per person recommended by the WHO. Green areas such as parks and natural vegetation contribute to reducing pollution, thereby improving the health and quality of life of residents. Parks can also help keep cities cooler. This is especially important as cities are getting increasingly exposed to extreme heat and the temperature tends to be higher than in the surrounding areas due to the urban heat island effect. This phenomenon results from high building density, heat from human activities, building materials and limited vegetation (OECD, 2022^[21]). Promoting equal access to green areas can also foster more inclusive cities, as people in lower-income urban neighbourhoods have less access to green space than people living in higher-income ones (WRI, 2020^[76]; EEA, 2022^[77]).

Figure 1.34. Total production-based greenhouse gas emissions per capita estimates, 2018, OECD TL2 regions



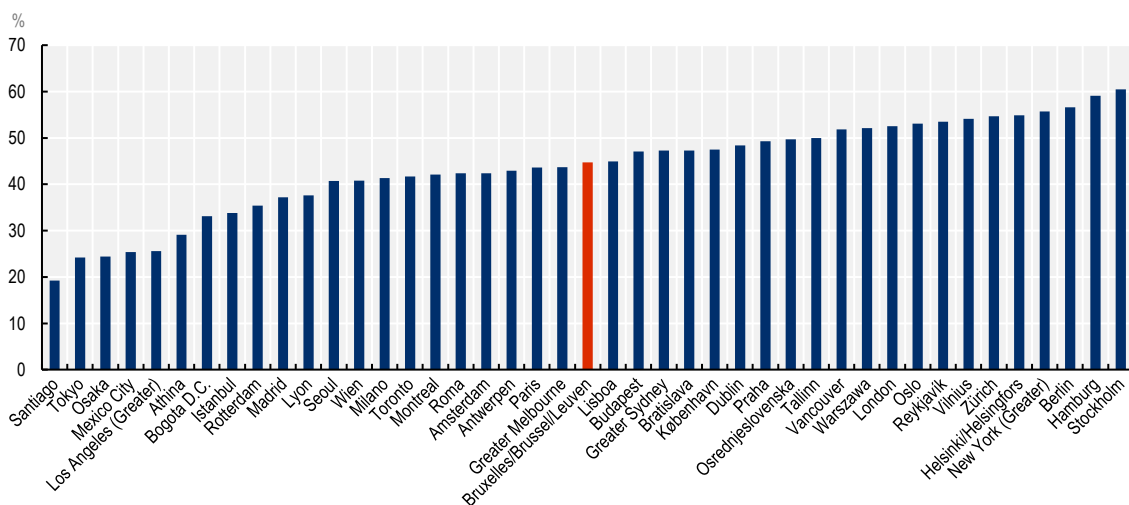
Source: OECD (n.d.^[5]), *OECD Regional Statistics (database)*, <https://www.oecd.org/regional/regional-statistics/>.

Figure 1.35. Energy consumption by sector, Brussels-Capital Region, 2021



Source: IBSA/BISA (n.d.^[78]), *Environnement et Énergie: Énergie*, <https://ibsa.brussels/themes/environnement-et-energie/energie>.

Figure 1.36. Share of green areas in OECD FUA city centres, 2021



Source: OECD (n.d.[20]), *OECD City Statistics (database)*, https://stats.oecd.org/Index.aspx?datasetcode=FUA_CITY.

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Notes

¹ The German-speaking Community of Belgium is an integral part of the Walloon Region.

² Anderlecht and Molenbeek beyond the Gare de l’Ouest, Auderghem, Berchem-Sainte-Agathe, Laeken Nord, Neder-Over-Heembeek and Haren, Evere, Ganshoren, Ixelles beyond the Boulevard Général Jacques, Jette Nord, Schaerbeek beyond Boulevard Lambermont, Uccle, Watermael-Boitsfort, Woluwe-Saint-Lambert and Woluwe-Saint-Pierre.

2 Building an affordable and accessible Brussels-Capital Region

This chapter examines critical urban policy challenges in the Brussels-Capital Region in the areas of urban planning and land use, housing and mobility. It argues that although the Brussels-Capital Region has comprehensive policy frameworks that guide development in these areas, their implementation could still be improved. The chapter discusses the challenges the region faces in using urban planning, housing and transport policies more strategically to realise its vision of a “20-minute city”. The chapter proposes specific recommendations to finetune and complement ongoing reform efforts to build a more affordable and accessible region.

Introduction

Established by the Special Act of 12 January 1989, the Brussels-Capital Region is one of the three self-governing regions in Belgium, alongside the Walloon and Flemish Regions. Amongst others, regions discharge territorial planning responsibilities while the federal state holds prerogatives on matters that may have an impact on the organisation of the regional territory, such as railroads, regulation of air transport and ground mobility, as well as energy policy. The Brussels-Capital Region is home to 10% of the national population (1.2 million inhabitants in 2022).¹ However, as discussed in Chapter 1, its functional urban area (FUA) is much larger (15.6% of the national territory and 28.6% of the total national population), including urban centres of all sizes.

This chapter will discuss three key policy challenges in the region's urban development:

- Despite a comprehensive land use policy framework, the Brussels-Capital Region faces critical challenges such as urban sprawl.
- Housing affordability is a key concern for policy makers and urban dwellers due to the rise in property prices, the lack of social housing units and the poor state of the existing housing stock.
- The Brussels-Capital Region's comprehensive mobility strategy to improve public transport and accessibility reveals the need to plan and invest in urban mobility at a metropolitan level.

The planning system and land use in the Brussels-Capital Region

The Brussels-Capital Region is the political and economic heart of Belgium and the headquarters of several international organisations, such as the European Commission and the North Atlantic Treaty Organization (NATO). Among the three regions in Belgium, the Brussels-Capital Region has the highest level of gross domestic product (GDP) per capita and labour productivity per worker (OECD, 2020^[1]). The region's strategic location connects it with major European cities such as Paris (France), Cologne (Germany), Amsterdam (Netherlands) and London (United Kingdom).

However, the Brussels-Capital Region faces critical policy challenges that may jeopardise the future development of the region. High cost of living, a lack of affordable housing and limited connectivity with other regions are some of the factors that are causing productivity loss, undermining people's well-being and which could lead to urban exodus. Compared to other OECD regions, the Brussels-Capital Region ranks among the bottom 10% in terms of regional disparities, more particularly in areas such as community, health, access to services and safety (OECD, n.d.^[2]).

Thus, strengthening a vision for a more inclusive, compact and connected city-region would assist the region in shifting: i) from sprawl to orderly urban expansion and compact urban development; ii) from rising housing costs to a wide range of affordable housing options; and iii) from dominance of car use and congestion to sustainable mobility alternatives. Lessons from the COVID-19 pandemic and concepts that are gaining increasing traction (such as the 20-minute city²) have reinforced residents' expectations of mixed-used urban districts where people from different socio-economic backgrounds can live, work and socialise without having to travel long distances to meet their needs.

The Brussels-Capital Region's quest for densification and orderly expansion

In 2022, the Brussels-Capital Region had a population density of 7 528 inhabitants per square kilometre (km²), a much higher level than in the Walloon Region (217 inhabitants per km²) and the Flemish Region (492 inhabitants per km²) (Statbel, 2023^[3]). However, Table 2.1 shows that there is a considerable difference in density levels across the different municipalities of the Brussels-Capital Region. While all

municipalities have higher-density levels than the national average density (377 inhabitants per km²), some municipalities (such as Auderghem, Uccle and Watermael-Boitsfort) could still be further densified.

Table 2.1. Population density in the municipalities of the Brussels-Capital Region, January 2022

Municipality	Population	Size in km ²	Population in km ²
Anderlecht	122 547	17.91	6 841
Auderghem	34 986	8.96	3 902
Berchem-Sainte-Agathe	25 298	2.95	8 575
City of Brussels	188 737	33.80	5 704
Etterbeek	48 535	3.17	15 290
Evere	43 608	5.12	8 509
Forest	56 616	6.29	8 998
Ganshoren	25 252	2.43	10 359
Ixelles	87 052	6.41	13 578
Jette	52 751	5.18	10 165
Koekelberg	22 023	1.18	18 633
Molenbeek-Saint-Jean	97 697	6.10	16 241
Saint-Gilles	48 837	2.53	19 274
Saint-Josse-ten-Noode	26 965	1.16	23 234
Schaerbeek	130 690	7.90	16 540
Uccle	85 099	22.87	3 720
Watermael-Boitsfort	25 187	12.96	1 942
Woluwe-Saint-Lambert	58 541	7.29	8 026
Woluwe-Saint-Pierre	42 216	8.94	4 720

Source: Statbel (n.d.^[4]), *Population Density*, <https://statbel.fgov.be/en/themes/population/structure-population/population-density>.

The Brussels-Capital Region also includes vast areas that remain underused, such as industrial wastelands and vacant buildings, which could be redeveloped and help serve social, economic and environmental objectives. This is why, to increase polycentricity and mixed-use densification, the regional authorities have identified 11 strategic zones to redevelop and contribute to a more liveable city (i.e. with access to transport, healthcare and education) while ensuring affordable housing. However, “[p]olitical and spatial fragmentation means that Brussels also does not have a strong record of creating neighbourhoods that embrace the principles of ‘good density’” (Clark et al., 2016, p. 16^[5]). High-density areas have been associated with social exclusion as the rising housing prices and undersupply of affordable housing have driven low- and middle-income households out towards the periphery. Migration flows towards the Brussels-Capital Region, progressively combined with emigration to the surrounding municipalities, have been a cause of urban sprawl. Across the world, urban sprawl has led to a high per capita use of land with high costs of energy and infrastructure provision and longer commuting times (ESPON, 2018^[6]).³

Looking at the Brussels Metropolitan Area (BMA), which covers the 19 municipalities of the Brussels-Capital Region and 116 municipalities located within 30 km, provides a broader picture of the density trend. Since 2000, all parts of the BMA have registered population growth. Within the city of Brussels, 1 of the 19 municipalities within the Brussels-Capital Region, the growth has been partially driven by the region’s policy to make the city centre more attractive for living. Implementing initiatives such as transforming former industrial buildings into housing has contributed to attracting more residents to the city centre (ESPON, 2018^[6]). Densification in the inner circle of the region is a mixture of increasing

densification in the poorer parts of the city, renovation of old buildings and the construction of new premises on the few remaining plots of wasteland. However, in the outer circle of municipalities, population growth has been uneven. Population in the wealthy southeastern municipalities has stagnated, whereas population growth has been strong elsewhere (ESPON, 2018^[6]).

For the Brussels-Capital Region, promoting higher density along with an orderly expansion can help it achieve its affordable housing, sustainable mobility, climate change adaptation and environmental goals (as will be discussed later in this chapter). To this end, the region's government has been reforming its regional development plans and land use instruments to recalibrate land use and control and authorise densification and de-densification.⁴ For example, the Regional Land Use Plan (*Plan Régional d'Affectation du Sol*, PRAS), adopted in 2001, was amended in 2021 to clarify the balance between functions in mixed areas, integrate the objectives of the regional mobility plan and set up a framework for urban agriculture.⁵ The Regional Sustainable Development Plan (*Plan régional de développement durable*, PRDD; *Gewestelijk Plan voor Duurzame Ontwikkeling*, GPDO) also promotes the principle of “reasoned densification” (*densification maîtrisée*) linked to a notion of public comfort and local services. The Brussels-Capital Region seeks to foster the development of new neighbourhoods for an orderly reception of new residents, allowing them to find housing that they can afford and have access to public facilities and green areas. This means identifying the conditions that can create the most value for the city, the places most appropriate for future residents and the use of land that promotes more economic development. In practice, the regional authorities' goal is to increase urban density over time through different means associated with public spaces, an efficient transport system and a high level of walkability and accessibility.

At the same time, Brussels-Capital Region authorities may need to pay further attention to the evolution of household size in the region and the country (e.g. individual preference to remain single), which will shape the residents' needs for infrastructure or services and will therefore have consequences in terms of urban planning. For example, single-person households tend to depend more on urban services (Hernández-Palacio, 2017^[7]).

Both housing and transport will have a critical role to play in supporting densification and orderly urban expansion in the Brussels-Capital Region. On the housing front, pursuing a “gentle” densification of the suburbs could contribute to meeting the region's housing needs. In London (United Kingdom), for example, another city with a severe housing crisis, research has suggested that increasing the density by just 10% in outer London boroughs would allow building 20 000 new homes per year and would make it easier to support public transport expansion and sustain lively high streets (Rogers, 2021^[8]). Investment in transport infrastructure can also act as a catalyst for higher densification in the region. It could help reduce transport costs (Teller, 2021^[9]) while increasing the cost of using personal vehicles to disincentivise their use, for example, through higher parking fees, fuel taxes and road use in central areas. Moreover, the experience of Santiago de Chile (Chile) suggests that densification may favour a more sustainable travel pattern but this should be achieved by balancing density rates and addressing spatial differences in the provision of social services and environmental amenities (Livert Aquino and Gainza, 2014^[10]). At the same time, although investment in transport may improve accessibility and raise productivity and wages, it may also increase housing costs (OECD, 2020^[11]). This is relevant for the Brussels-Capital Region as it seeks to increase functional density (population and jobs) while addressing its affordable housing challenge. Research suggests that a long-term combination of transport investments, urban policies and alignment of stakeholder priorities contribute to densification, rather than transport infrastructure alone. Teller (2021^[9]) has concluded that even if investments in public transport target less affluent neighbourhoods, prices for housing and rents in those neighbourhoods will rise alongside accessibility improvements (OECD, 2020^[11]). Thus, complementary policies to alleviate these cost pressures will be required, such as increased housing supply through densification around transport links (transport-oriented development), dedicated affordable housing and mixed land use to increase the proximity between people and opportunities.

Pursuing higher density alone may not solve all urban challenges in the Brussels-Capital Region. Several risks need to be properly considered. For example, the restricted land supply may have unintended consequences on housing affordability as it could inflate the cost of new housing projects and rental housing (Senserrich, 2019^[12]). Land use plans must, therefore, allow for floor space to be created at an equal rate to the restricted land supply and this additional land space could be found via urban regeneration. Another potential risk associated with higher density can be higher construction costs, as it requires buildings with better insulation, underground parking space and a more efficient organisation of space, etc. These risks could be weighed against savings in land required and the services and infrastructure necessary to serve low-density neighbourhoods. Unless provisions are foreseen in the land use planning frameworks, higher densities might also hinder the development of green areas within the different municipalities, which should be avoided (Kurvinen and Saari, 2020^[13]).

The implementation of the planning framework must be strengthened

Densification and orderly expansion could be further encouraged in the Brussels-Capital Region to create a more sustainable city-region and address growing concerns related to the lack of housing, the need to ensure zero emissions and reinforce productivity and competitiveness.

Developing a compact, reasoned-dense city is at the core of the region's planning instruments

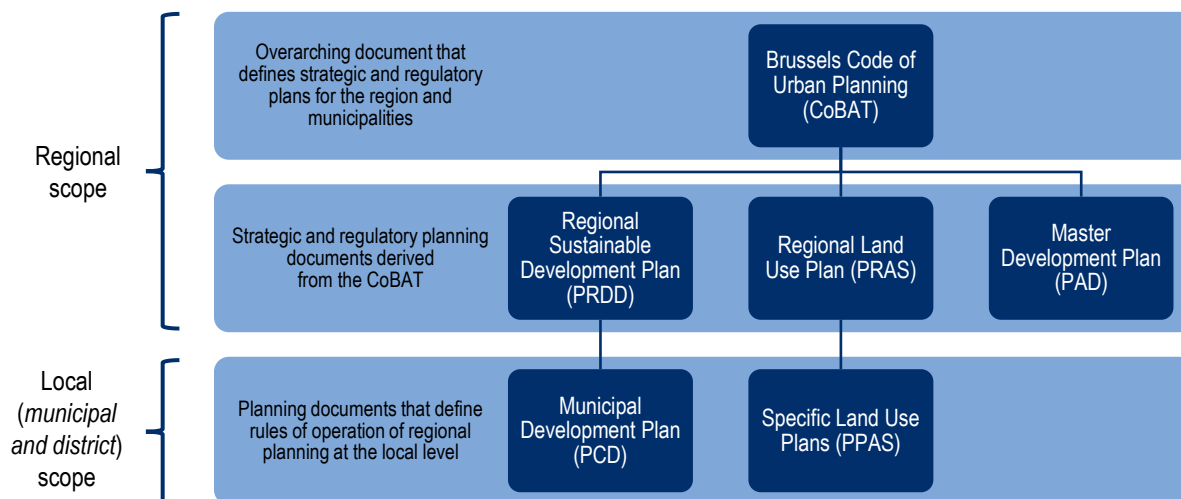
Land use planning is often the primary tool cities use to increase density and support high-quality urban infrastructure and public services (OECD, 2017^[14]). The Brussels-Capital Region's urban planning concept, included in the Regional Development Plan although not yet developed in the Regional Land Use Plan, is the "20-minute city", where essential services are accessible within a 20-minute walk or bike ride. To achieve this concept, the Brussels-Capital Region has set up a comprehensive set of planning documents and tools that constitute the legal basis for urban and regional planning (Figure 2.1). They define how the region is laid out based on strategic objectives set by the regional government in conjunction with the municipalities and residents. These documents and tools apply to the entire territory or, in some cases, to specific parts of the territory. This allows for adapting the planning principles and priorities to different urban scales and for co-ordinating responsibilities across different levels of government (i.e. municipal and regional) to meet place-specific needs as well as regional challenges. Urban planning guides strategic decisions related to the public transport system and infrastructure, housing, heritage site conservation, natural resources (e.g. water), neighbourhood renewal and public service delivery.

While much of the urban planning in the Brussels-Capital Region aims to respond to the urban challenges, the region is also implementing proactive efforts to improve the quality of life while organising a controlled process of densification in its territory. The goal is to realise a vision for a city-region that is economically dynamic, environmentally sustainable and socially inclusive, has high living standards and delivers efficient public service delivery to meet its international role as the headquarters of European Union (EU) institutions.

The Brussels-Capital Region's planning framework broadly guides development, regulating general and specific areas of land and dictating how they can be used. Box 2.1 describes the scope and goals of each instrument. The Brussels Code of Urban Planning (CoBAT) seeks to promote compact and well-planned city forms. The Sustainable Regional Development Plan (PRDD) encourages densification and mixed land use to tackle urban challenges such as demographic growth, housing affordability, access to employment, economic growth, functional and social diversity, mobility and environmental preservation. The vision and goals set in the PRDD must be translated into land use and building regulations that will govern what is built in the region through more specific planning tools. Moreover, through the PRDD, the regional government is fostering a new approach to spatial planning based on the development of a wider territorial perspective than a single administrative unit based on the co-ordination of planning with the competent

authorities in other regions and municipalities. It supports regional development around different zones and axes, defining the urban architecture around a polycentric city at different scales: hyper-centres, urban centres, inter-districts and neighbourhoods.

Figure 2.1. Hierarchy of planning documents in the Brussels-Capital Region



The regional and municipal plans promote a polycentric development of the territory, guaranteeing each neighbourhood and municipality the opportunity to develop urban nodes with enough public services, facilities and green areas (ESPON, 2018^[6]). The plans also seek that the implementation of specific policy objectives in neighbourhoods contribute to the overall urban sustainability in the region. The PRDD and, in some cases, the Municipal Development Plan (*Plan communal de développement*, PCD) coincide with the need for a metropolitan approach to planning and emphasise the need for collaboration at the inter-regional level in the areas of mobility, housing and shared facilities.

The Regional Land Use Plan (PRAS) determines whether each plot of land is constructible or constitutes protected or green areas, among others (Box 2.1). When a plot is designated as constructible, the PRAS determines the type of construction allowed (e.g. housing, offices, stores or a mix of land uses). The Specific Land Use Plans (PPAS) apply to a specific reduced area, regulate the mode of land use and delineate the built-up and green areas and related requirements, and provide directions regarding the location, volumes and aesthetics of the buildings and their surroundings. The Master Development Plans (PADs) define the strategic and regulatory aspects of an urban strategy at a local level.

Box 2.1. Overview of the different urban planning instruments in the Brussels-Capital Region

- **The Brussels Code of Urban Planning** (*Code bruxellois de l'aménagement du Territoire/ Brussels Wetboek van Ruimtelijke Ordening*, CoBAT), adopted in 2004, is the main document that guides urban development in the Brussels-Capital Region. It establishes and governs the main mechanisms of spatial planning in the region. Its aim is to ensure sustainable development to meet the social, economic, heritage, environmental and mobility needs of the residents by the planned use of land and its resources and the conservation and development of the cultural,

natural and landscape heritage and by improving the energy performance of buildings and mobility.

- **The Regional Sustainable Development Plan** (*Plan régional de développement durable*, PRDD/*Gewestelijk Plan voor Duurzame Ontwikkeling*, GPDO), approved in 2018, is a comprehensive planning instrument that provides a territorial development vision until 2040. It articulates spatial planning around four main themes: i) the framework of territorial development and the development of new neighbourhoods; ii) the development of a pleasant, sustainable and attractive environment; iii) the strengthening of the urban economy; and iv) the promotion of multimodal travel.
- **The Regional Land Use Plan** (*Plan régional d'affectation du sol*, PRAS/*Gewestelijk Bestemmingsplan*, GBP) has a binding force and regulatory value across the entire regional territory. It includes maps (graphic prescriptions) and a set of provisions (literal prescriptions) regarding land use in mixed zones, industrial zones, settlement areas, and business and green areas, among others, across the Brussels-Capital Region. Each planning permission must comply with the PRAS as it is binding for authorities and individuals.
- **Master Development Plan** (*Plans d'aménagement directeur*, PAD/*Een Richtplan van aanleg*, RPA) are a regional tool that: propose strategic planning and could determine land uses (e.g. housing, business, green areas) and the areas that must be dedicated to them; set the general fabric of public spaces such as roads, landscapes; define the characteristics of constructions; establish the organisation of mobility and parking; and define the measures to protect heritage. In their perimeters, each planning permission must comply with the PRAS and/or the PAD as it is binding for authorities and individuals.
- **Municipal Development Plans** (*Plans communaux de développement*, PCDs/*Gemeentelijk ontwikkelingsplan*, GemOP) are an indicative document adopted by each of the 19 municipalities to define their development strategy and translate principles of strategic development adopted in the PRDD at the municipal level. These plans indicate the municipalities' specific objectives, development priorities and implementation strategy. They contain the guidelines of the municipality concerning all aspects of development, such as housing and demography, economy and employment, environment, mobility, facilities, social policy, trade, tourism, culture, etc.
- **Specific Land Use Plans** (*Plans particuliers d'affectation du sol*, PPASs/*Bijzondere bestemmingsplan*, BBP) are municipal tools that define the rules of development at the scale of a district (one or more blocks) and determine the allocation and modes of land use. Each municipality within the Brussels-Capital Region may adopt a PPAS applicable to a part of its own territory. The PPAS specifies and complements the Regional Land Use Plan in line with the guidelines of the PCD. It provides the detailed allocations of the various zones.

Source: Région de Bruxelles-Capitale (2022_[15]), *Code bruxellois de l'aménagement du territoire (CoBAT)*, http://www.ejustice.just.fgov.be/cgi_loi/change_lq.pl?language=fr&la=F&cn=2004040935&table_name=loi; Région de Bruxelles-Capitale (2018_[16]), *Plan Régional de Développement Durable (PRDD)*, <https://perspective.brussels/fr/plans-reglements-et-guides/plans-strategiques/plan-regional-de-developpement-prd/prdd>; Région de Bruxelles-Capitale (2023_[17]), *Plan communal de développement (PCD)*, <https://perspective.brussels/fr/plans-reglements/plans-strategiques/plan-communal-de-developpement-pcd>; Région de Bruxelles-Capitale (2013_[18]), *Plan régional d'affectation du sol (PRAS)*, <https://urbanisme.irisnet.be/lesreglesdujeu/les-plans-d-affectation-du-sol/le-plan-regional-d-affectation-du-sol-pras>; Région de Bruxelles-Capitale (2023_[19]), *Plan particulier d'affectation du sol (PPAS)*, <https://perspective.brussels/fr/plans-reglements/plans-reglementaires/plan-particulier-d-affectation-du-sol-ppas>; Région de Bruxelles-Capitale (2023_[20]), *Plan d'aménagement directeur (PAD)*, <https://perspective.brussels/fr/plans-reglements/plans-strategiques-et-reglementaires-plan-damenagement-directeur-pad>.

By establishing mechanisms for planning at different levels, the Brussels-Capital Region's planning framework seems to avoid a mismatch between the different levels of planning. Municipalities may differ in how they develop their territory and use land. However, they all follow the directives or guidelines of overarching planning documents (e.g. CoBAT, PRDD and PRAS) by translating them into land use and building regulations that govern urban development projects.

The Brussels-Capital Region is updating its regulatory tools to adapt more closely to the new needs in the region. In particular, the Master Development Plan (PAD) and Regional Land Use Plan (PRAS) are undergoing revisions to recalibrate land use in construction programmes, control and authorise de-densification and densification, and set up a framework for new land uses such as urban agriculture.

Implementing the planning framework requires co-ordination among two main regional bodies

As in most OECD countries, urban and land use planning in the Brussels-Capital Region is under the purview of the regional and local governments (municipalities). There are no spatial plans at the national level in Belgium. The logic behind this is that land use planning is place-based and highly context-specific. In the region, the regional government has two main bodies leading regional and land use planning: perspective.brussels (officially known as the Brussels Office of Planning) and urban.brussels (previously known as Brussels Urbanism and Heritage) (Box 2.2). Perspective.brussels has a knowledge and strategic planning function, while urban.brussels is more related to the implementation of urban policies. However, both bodies work in close co-ordination to complement each other's activities and fulfil their mandates.

Box 2.2. Two main bodies in charge of regional and land use planning in the Brussels-Capital Region

Perspective.brussels, created in 2015, is the body in charge of regulatory and strategic planning in the Brussels-Capital Region. It is responsible for the analysis of regional statistics produced by the Brussels Institute for Statistics and Analysis (*Institut Bruxellois de Statistique et d'Analyse*, IBSA/*Brussels Instituut voor Statistiek en Analyse*, BISA) to inform planning and the preparation of rules and strategies for territorial planning. Perspective.brussels also conducts studies and analysis to advise the regional government on development strategies, develop a multi-disciplinary and prospective expertise to detect tendencies, propose a vision for territorial development and support its implementation through territorial planning tools and rules.

Urban.brussels supports territorial development in the Brussels-Capital Region through the implementation of regional policies related to urban development, movable and immovable cultural heritage, the management of operational programmes for urban renewal and the organisation of public awareness campaigns about heritage and architecture. It also offers services related to subsidies for the restoration of heritage and grants for renovation. Furthermore, in co-operation with perspective.brussels, it also provides legal advice related to the Brussels Code of Urban Planning (CoBAT) and the Regional Development Regulations (RRU).

Source: perspective.brussels (2022^[21]), *Rapport Annuel 2021*, https://perspective.brussels/sites/default/files/bbp_ra_2021_fr_web.pdf; urban.brussels (n.d.^[22]), *About*, <https://urban.brussels/en/about>.

The Brussels-Capital Region regional government, through perspective.brussels and urban.brussels, develops strategic plans and guidelines with spatial implications to co-ordinate territorial development across its entire territory. In Belgium, regions enact the legal framework that guides planning but delegate many tasks to municipalities. Thus, local plans developed by the municipalities are required to follow

regional plans. The regional government influences land use by preparing the Regional Sustainable Development Plan (PRDD) and is responsible for critical policy fields such as environmental legislation, energy and building code regulations. As in the rest of Belgium, municipal governments in the Brussels-Capital Region prepare Municipal Development Plans (PCDs) and detailed municipal implementation plans. When a municipality wishes to make changes to land use, it must consult with perspective.brussels, which may approve the changes on behalf of the regional government. Any changes in land use must be accompanied by an environmental impact analysis prior to the approval. Request for changes to the land use plan can be made at any time but this requires investment in time and financial and human resources. Depending on the changes, special commissions may be created together with the municipalities to assess the changes requested.

Barriers to efficient and effective urban and land use planning

The outcomes of the planning system have been limited as long-standing urban challenges persist

Despite its comprehensive, multi-level strategic planning framework, which is revised and updated periodically, the Brussels-Capital Region still faces challenges related to weak socio-economic development and attractiveness, lack of affordable housing and a deterioration of the existing housing stock and mobility (see Chapter 1). At the metropolitan level, urban development is becoming a source of concern for regional authorities. In the region, at least three factors may hinder the effectiveness of the planning system:

- **Weak capacity at the local level.** Municipalities must operationalise the regional strategic plans and land use plan and implement the general guidelines. However, some municipalities do not seem to have the capacity to implement and follow up on those plans. For example, municipalities are in charge of implementing a mobility plan but the municipal division in charge of mobility may be understaffed and existing personnel is responsible for many different tasks such as planning, implementation, follow-up, co-ordination with other stakeholders, etc.⁶ (see Chapter 3). Therefore, there is some disparity across municipalities in implementing strategic and land use plans, producing timely and accurate information, and participating in regional planning processes. Moreover, while the PRDD and the PCD define objectives and strategies to achieve them, there is no implementation taskforce to co-ordinate and follow up on the implementation of the PRDD and the PCD, guide the management and personnel involved in the implementation of the plans, and engage with different stakeholders where appropriate.
- **A complex organisational framework for land use planning.** Urban governance in the Brussels-Capital Region is institutionally overcrowded and highly fragmented (see Chapter 3). This hinders the adoption of an integrated approach to urban development and, particularly, to land use and urban regeneration projects. Planning procedures generally require the consultation of other levels of government to ensure vertical co-ordination. The nature of a plan may also require the consultation of local governments with neighbouring jurisdictions. In the absence of effective co-ordination mechanisms, social and political divisions among the 19 municipalities stand in the way of a collaborative strategy to pursue urban regeneration and ensure cohesive mixed-use development (Clark et al., 2016^[5]). The insufficient co-ordination across numerous authorities and agencies works against an ambitious vision for the Brussels-Capital Region's development and attractiveness. Apart from the inter-regional forum organised twice a year, there are few opportunities for co-ordination on land use planning among the three different Belgian regions (OECD, 2017^[23]).
- **Possible overlapping among different plans.** The Brussels-Capital Region is currently working on new urban development regulations known as Good Living. These new regulations will guide the construction, renovation and redevelopment of buildings, streets and parks in the region,

contributing to the implementation of the CoBAT. The guidelines, expected to be approved in 2023 and implemented in 2024, will cover topics such as buildings, habitability standards for housing and public space design. However, there are two potential pitfalls that the new regulations will need to avoid: limited interaction and coherence with other plans and programmes, such as Good Move, and more rigid urban planning as a result of the ongoing reform that would prevent urban renewal. Beyond spatial policies, the CoBAT regulates some aspects of land use (e.g. property rights and expropriation rights, and the obligations associated with land use), whereas the civil code sets general rules on property rights across the country.

Constant changes to the regulatory and planning framework without clear evaluations

Planning instruments in the Brussels-Capital Region tend to change frequently, although this does not necessarily mean they improve over time. An update to the planning instruments may last from one to several years, depending on the nature and scope of the changes made. For example, the Regional Land Use Plan (PRAS), adopted in 2001, is currently undergoing a general update but it had been amended in 2010, 2013, 2017, 2018 and 2023 to allow specific projects such as the construction of the metro and the redevelopment of the Heysel Plateau in northern Brussels. Such constant changes may hinder compliance with the regulation, as it is necessary to amend systems and processes and monitor possible additional financial costs and times for the development of investment projects. Updating regulation is not a challenge per se; in fact, it is essential to adapt it to changing contexts but updates should consider the overall burden it may impose on individuals and businesses as well as administrative departments.

Changes or partial amendments to the regulatory and planning framework or plans are also conducted mostly following the priorities of the administration in place. The lack of monitoring and evaluation about how land is used makes it difficult to identify which regulations and plans are working well and which ones are not. The process of adapting the land use regulatory framework and policies to the changing conditions should be based on lessons learned and practical evidence. As OECD research has shown, monitoring and evaluating land use regulations remains relatively rare across OECD countries because of the lack of data (OECD, 2017_[14]). There is no evidence that the Brussels-Capital Region collects data on how land is used or has a methodology to measure the impact of the land use regulatory framework. For example, an evaluation of the land use regulatory framework of the Brussels-Capital Region could focus on analysing if land use policies provide strong incentives and reduce restrictions on promoting density and mixed use.

Competing objectives from different policy areas impact urban and land use planning

The way land is used has important implications for the environment, public health, economic growth, wealth distribution, social outcomes and the attractiveness of cities and towns. For example, a large part of the rising wealth inequality across the OECD in recent decades can be explained by rising land and property prices (OECD, 2017_[14]). Any increase in land and property prices tends to benefit wealthier and older households as they are the primary owners at the expense of younger generations and poorer households.

Land use in the Brussels-Capital Region needs to maintain affordable housing while accommodating new residents from different socio-economic backgrounds. If housing demand in the Brussels-Capital Region cannot be met adequately, housing and rental prices could rise to the extent that many residents may not be able to afford in the region. Some residents may be pushed towards the periphery in municipalities located in different regions, which would go against the region's goal of building a compact city.

Land use in the Brussels-Capital Region has a key role to play in meeting housing demand. The PRAS, PAD and PPAS can open up new areas for development, transforming existing spaces and uses and encouraging more density in line with the objective of building a 20-minute city. As mentioned above, these three strategic plans describe what can or cannot be built where and the time a project takes to receive

planning permission. All provisions in the PRAS, PAD and PPAS also affect construction costs that are ultimately borne by homeowners and renters.

For city planners and officials, it is difficult to meet the current housing demand due to the difficulty in finding suitable land for the construction of social housing in densely populated areas already equipped with infrastructure for public services and the need to preserve green and open spaces in the city-region. A key part of the housing strategy is to renew and repurpose existing buildings and zones in the different neighbourhoods across the region. The Sustainable Neighbourhood Contracts (*Contrat de quartier durable/Duurzame wijkcontracten*, CQD/DWC) and the Urban Renewal Contracts (*Contrat de renovation urbaine/Stadsvernieuwingscontracten*, CRU/SVC) (see below) operationalise the PAD or PPAS as they allow carrying out construction and renovation of housing units. These documents, which focus on specific districts of municipalities, provide an analysis of the neighbourhood regarding the environment, mobility, housing, use of public space, buildings that need renewal or constitute part of the urban heritage, and list the different initiatives or projects to renew the neighbourhood. For developers and local authorities, renewing high-concentration areas may be more difficult than expansion or low-density districts because there are often more stakeholders involved (e.g. established residents and businesses) and higher market prices.

The PRAS, PAD and PPAS also have a role in defining mobility projects. Investments in public transport, such as the new metro line 3, can increase connectivity within the Brussels-Capital Region and potentially with the surrounding regions. A common example of land use to improve mobility is the regeneration of the Neerstalle roadway (Chaussée de Neerstalle/Neerstalsesteenweg). Improving mobility around the Neerstalle roadway was important for renewing the surrounding districts as inhabitants rarely leave their neighbourhood despite the different mobility options available (e.g. trams and buses) (urban.brussels et al., 2021^[24]). The high traffic of vehicles and pedestrians on the Neerstalle roadway is perceived as too dangerous for children who cannot cross it alone to go to Bempt Park (Parc du Bempt/Bemptpark) or school due to the high speed of vehicles. In addition, the sidewalks are too narrow for pedestrians and bordered on either side by parking spaces (urban.brussels et al., 2021^[24]). Land use and urban regeneration can help improve quality of life around the roadway by improving street design and the reconfiguration of the Neerstalle network. The intervention of the regional government is required in these cases as they are responsible for certain roads within the city and co-ordination with municipal authorities is needed for a coherent and comprehensive renewal process.

A major task for the regional transport and planning authorities is to balance the interests and needs of the different users, such as cars competing with public transport and bicycles competing with pedestrians for street space. Moreover, authorities in the Brussels-Capital Region need to balance sustainability with accessibility considerations. In other words, as automobile use lessens – which is a clear regional objective – sustainable transport options are required. How land is used is a critical factor in achieving this balance. Density, land use mix and street design are three variables that need to be considered carefully in all PRAS, PAD and PPAS across the region, as they have a significant impact on the likelihood of walking or using other forms of active mobility (e.g. cycling).

A metropolitan approach to urban and land use planning is lacking

Planning instruments have a clear territorial dimension, as they are focused on the developments and priorities of the territory of the Brussels-Capital Region and its 19 municipalities. The FUA, i.e. the territory across which people live, work and commute, is larger than the Brussels-Capital Region's territory, which means more dispersed employment functions, amenities and services. This has been driven to a large extent by automobile commuting and the expansion of road networks (see Chapter 1 for an in-depth discussion). Because the Brussels-Capital Region is subject to inflows of people and goods from outside the region and vice versa, planning its development needs to take into account development priorities and trends in neighbouring regions, although this is seldom the case in practice. There is currently no

metropolitan planning body in the Brussels-Capital Region. Perspective.brussels is the planning body for the region but there is no organisation that takes a broader view and includes the metropolitan area, although some ad hoc consultations such as the Buda+ project are taking place between the Brussels-Capital Region and the Flemish Region (Box 2.3).

Box 2.3. The Buda+ project

The Buda+ project is an inter-regional collaboration project between the Flemish Region and the Brussels-Capital Region and in which the City of Brussels and the municipalities of Machelen and Vilvoorde are main partners. The purpose of this collaboration is to develop a common vision to redevelop the economic zone north of Brussels, an area called Buda+ in reference to the Buda Bridge. Through this project, the Noordrand territorial development programme – a collaboration between perspective.brussels (Brussels-Capital Region), Omgeving Vlaandered (Flemish Region), the province of Flemish Brabant (Vlaams Brabant) and the Flemish public waste management agency (OVAM) for the development of the northern periphery of the Brussels-Capital Region and the municipalities of Grimbergen, Machelen, Vilvoorde and Zaventem – is looking to design a plan for the redevelopment of the industrial area with the following criteria:

- Transition to a circular economy.
- Support for companies experiencing healthy development, by accompanying them throughout their life cycle: from training to start-ups and fully-fledged companies.
- Optimisation of the area in terms of land use planning.
- Internal and external promotion of the area, facilitating actions in public spaces, communication campaigns, events, etc.
- Finding and implementing solutions to mobility problems.

Source: Ville de Bruxelles (n.d.^[25]), *Projet Buda+*, <https://www.bruxelles.be/projet-buda>.

According to OECD research, metropolitan areas without a governance body tend to sprawl more than those that have one (Ahrend, Gamper and Schumann, 2014^[26]). In metropolitan areas with a governance body that works on spatial planning issues, population density is approximately 20% higher (Ahrend, Gamper and Schumann, 2014^[26]). This is likely due to the fact that in the absence of a consistent and systematic metropolitan approach to planning, consultation and co-ordination with neighbouring regions and municipalities is limited on issues such as land use, housing or strategic planning. The Brussels-Capital Region and the neighbouring regions may be pursuing opposing objectives, which would undermine the impact of the respective regional development plans (see Chapter 3 for further discussion). The lack of co-ordination within the Brussels-Capital Region itself also hinders the adoption of a metropolitan approach. This is reflected in competing decisions on the use of the public space when it is divided between different municipalities. It is not uncommon in the region to share one plot of land between two municipalities with different projects on its use. While one municipality promotes residential use, the other may promote commercial activities or other economic activities. This reflects a lack of co-ordination among municipalities on how to build synergies and co-ordinate the use of land. A broader territorial vision is absent on how these decisions may act to the detriment or in favour of the region as a whole.

By contrast, public transport is a policy field that is more subject to metropolitan governance in Belgium. For example, there are mechanisms through which the regional governments of Flanders and Wallonia co-ordinate their approach to transport planning under the supervision of the federal government so that investments in transport infrastructure serve the priorities of all regions. Extending these co-ordination

instruments to include the Brussels-Capital Region would strengthen planning from the location of transport infrastructure to the preservation of natural reserves across the functional area.

Fostering urban regeneration

Urban regeneration or urban revitalisation has been a policy priority for the Brussels-Capital Region since 1993. The core objective of urban regeneration projects is to improve the quality of life of residents, increase affordable housing supply, enhance the quality of public space, housing and public services, make mobility and logistics more efficient, foster economic activity, strengthen the labour market and trigger cultural activities. Like many other regions, the Brussels-Capital Region includes pockets of underused land, distressed areas⁷ or areas that could be used more efficiently to meet social, environmental and economic goals. For example, the housing projects developed by Community Land Trust Brussels (located on former industrial land in Anderlecht and Molenbeek (Interreg, n.d.^[27])) and the densification projects concentrated in the Canal Zone where former industrial sites have become available (Mabilde, 2020^[28]) aim to serve such goals.

The Brussels-Capital Region has developed co-ordination and investment instruments for urban regeneration

The Regional Sustainable Development Plan (PRDD) has renewed the framework for urban regeneration through the introduction of the “urban revitalisation zone” (*zone de revitalisation urbaine*, ZRU / *stedelijke revitaliseringszone*, SR). To define the ZRU, the Brussels-Capital Region takes into account criteria regarding the age and quality of buildings and houses. Its novelty lies in the fact that it focuses on socio-economic criteria in addition to the physical criteria of buildings. The new ZRU is used to delineate the perimeter of intervention of the urban regeneration tools – the Sustainable Neighbourhood Contracts (CQDs) and the Urban Renewal Contracts (CRUs) – as well as support for the improvement of buildings (Région de Bruxelles-Capitale, 2018^[16]).

The regional government, through the Large Cities Policy (*Politique des Grandes Villes/Grootstedenbeleid*, PGV/GSB), provides financial assistance to municipalities to face urban challenges such as mobility, security, cleanliness and others, but also in terms of urban development, such as serving the needs of a population with different socio-economic profiles, density, population ageing, etc. In the Brussels-Capital Region, in the municipality of Molenbeek, the Large Cities Policy has supported projects to improve the collective and individual living environment, prevent and secure public space, promote well-being, better living, integration and solidarity, and activate projects through employment and the fight against poverty.

To pursue urban regeneration projects, the Brussels-Capital Region has introduced three main instruments with different dimensions or perspectives: i) the CQD with a more local dimension; ii) the CRU with a more regional perspective; and iii) the Axis Contract and Block Contract (*Contrat d’Axe et le Contrat d’Ilot/Huizenblokcontract*, CACI/AHC) (Box 2.4). CQDs generally focus on ZRU areas chosen on the basis of objective criteria and consultation between the Brussels-Capital Region and the municipalities (urban.brussels, n.d.^[29]), and are designed and implemented with local participation. These are areas characterised by high levels of unemployment; lower-income levels; strong social inequalities; poorly equipped, undersized or unsanitary dwellings; and high densities. In general, private companies have little interest in investing in these areas as the return on investment is not regarded as attractive. CQDs constitute a mechanism of regional intervention in the most deprived and impoverished neighbourhoods through building renovation and public space revitalisation. Since their creation in 1994, 1 891 housing units have been built or renovated through the CQD scheme.⁸ Since 2010, emphasis has been placed on the environmental dimension of projects intended to minimise waste during construction processes, the use of environmentally friendly materials and the recycling of rainwater. The projects are based on the assumption that neighbourhoods should include residential, employment, leisure and cultural functions to increase the prosperity of the districts and reduce suburbanisation (Romańczyk, 2015^[30]).

The CQD and CRU complement each other but are managed by different authorities. The municipalities are responsible for the CQD as they focus on specific neighbourhoods or districts within the municipality, while the regional government operates the CRU in co-ordination with the municipalities. This is a difference in terms of territorial scale as the CQD is implemented within a municipality while the CRU is spread over several municipalities, hence the intervention of the regional government. The municipal or regional budget covers every project under the CQD or CRU, sometimes with federal resources (e.g. Beliris) or European funds (e.g. through European Regional Development Fund programmes).

Both the CQD and CRU mobilise several stakeholders and institutions in the public, private and voluntary sectors, including citizens. However, citizens are much less part of the CRU process than of the CQD. All stakeholders involved have their own interests and may perceive the challenges and benefits of urban regeneration projects differently. The diversity of ideas, interests, competencies and motivations may have been one of the reasons for the creation of the CQD and CRU to ensure that different actors agree on urban regeneration projects. Moreover, the large number of stakeholders involved shows the impact that urban regeneration projects may have on local, regional and even metropolitan scales. However, their buy-in is essential to ensure the sustainability of regeneration projects. This is why the regional government plays a key role as a broker in cases of disagreement, reaching political compromise and co-ordinating action for successful projects. Although municipal governments have control over projects conducted within their territories, compromises are inevitable in the implementation of major urban projects. However, such compromises require transparency to ensure they are a unifying force rather than divisive as opposition movements may take place (Hubert et al., 2017^[31]).

The implementation of the CQD and CRU is not without difficulties. A key aspect is the need to improve municipal staff skills in effective project management as the success of the contracts depends largely on this (Sacco, 2010^[32]; Romańczyk, 2015^[30]). The leadership of the mayor or alderman can also have a decisive impact on the final results of the projects (Noël, 2009^[33]). Moreover, while the contracts have been introduced partly to increase citizen participation, there are still concerns it may be reduced to an expression of opinion rather than real participation in decision making. Limited financial participation of the private sector could also hinder the outcomes of a CQD or CRU, as public financing is generally insufficient to conduct urban revitalisation or construction projects. Finally, there are questions regarding the lack of involvement of immigrants in the contracts. This would be important for life in the neighbourhoods but they need to be politically represented to see their needs taken into account in decision-making processes (Sacco, 2010^[32]).

Box 2.4. Programmes for urban regeneration in the Brussels-Capital Region

The **Sustainable Neighbourhood Contracts** (*Contracts de quartier durable / Duurzame wijkcontracten*, CQDs/DWC) are action plans that are limited in time and space and agreed upon among the region, municipality and residents of a specific district. Their objective is to improve quality of life through the revitalisation or renewal of the strengths or main assets of a neighbourhood. The contracts establish a work programme within a specific budget. All projects structured under the CQD aim to meet residents' needs on:

- Equipment and local infrastructure, with priority given to early childhood and youth.
- Public spaces, to promote conviviality and accessibility through soft mobility.
- Socio-economic actions, through socio-professional integration and training, awareness raising, school support, social cohesion, prevention, etc.
- Productive economic and commercial spaces, through proximity economy.

- Sustainability and environmental management, through passive buildings, revegetation, biodiversity, etc.
- Housing giving priority to low- and middle-income households.

Every year, depending on the available funds, the regional government identifies the neighbourhoods that can benefit from a contract. For example, in 2023, for the 13th series of CQD, the government selected 3 new perimeters: Conscience in the municipality of Evere; Petite Suisse in the municipality of Ixelles; and Villas de Ganshoren in the municipality of Ganshoren. Municipalities are in charge of the implementation of every contract and contribute at least 5% of the total cost of the project. CQDs are designated based on four main criteria: i) the territorial targets based on environmental and social indicators (e.g. vacant buildings, degradation of public spaces); ii) the integrated approach that takes into account urban and social challenges; iii) the contractual character of the programme approved by all public and private stakeholders responsible for implementation; and iv) the level of participation of public and private actors, organisations and individual citizens.

The **Urban Renewal Contract** (CRU/SVC) is a programme for urban regeneration projects on a multi-municipal perimeter to improve the urban space and urban network, build infrastructure and housing and enhance the environmental and economic activity of neighbouring municipalities. The CRU complements the CQD by targeting the regional scale. Since the CRU has a more regional view, it is managed by the regional government through perspective.brussels, which oversees the strategic and programmatic aspects; urban.brussels is responsible for the operational aspects in co-ordination with other departments, such as environment and mobility.

The **Axis Contract and Block Contract** (CACI/AHC), adopted in January 2022, is the newest urban renewal tool in the Brussels-Capital Region. It is a unique system at the hyper-local level (based on one or two blocks or axes). It acts in specific territories not covered by more macro urban renewal policies. The CACI pursues several objectives: i) de-densification and de-waterproofing of block interiors and climate change mitigation; ii) requalification of the building through renovation; iii) requalification of the public space to integrate an urban and environmental quality; iv) intensification of the uses of the axis through the implementation of housing, local public facilities and economic activities along it; and v) better consideration of citizens' projects.

Source: urban.brussels et al. (2021^[24]), *2 Cités – Contract de Quartier Durable*, <https://cloud.urban.brussels/s/dNXnDyZZJtwL.Gzn?dir=undefined&path=%2F2%20Cit%C3%A9s&openfile=1338679>; Ministre-Président de la Région de Bruxelles-Capitale (2022^[34]), "De nouveaux territoires à découvrir ! Lancement de la 13e série des Contrats de Quartier Durable", <https://rudivervoort.brussels/news/de-nouveaux-territoires-a-decouvrir-lancement-de-la-13e-serie-des-contrats-de-quartier-durable/>; <https://perspective.brussels/fr/projets/perimetres-d-intervention/contrats-de-renovation-urbaine-cru>; Sacco, M. (2010^[32]), "Cureghem: From demolition to revitalisation", <https://journals.openedition.org/brussels/815>; urban.brussels (2022^[35]), "Contrat d'Axe et le Contrat d'Ilot (CACI)", <https://urban.brussels/fr/articles/contrat-d-axe-et-le-contrat-d-ilot-caci>; Ville de Bruxelles (n.d.^[36]), "C'est quoi un Contrat d'Axe et le Contrat d'Ilot (CACI) ?", www.bruxelles.be/cest-quoi-un-contrat-d-axe-et-le-contrat-d-ilot-caci.

Urban regeneration projects need to consider the heterogeneity of the population from a socio-economic point of view, notably in terms of housing quality. For example, the south and southwest parts of the Pentagon (Brussels' city centre) are mainly home to low-income households, while the northwest and east are undergoing gentrification. Housing quality is also a key issue, as the rise in property prices has led to overcrowding of the existing housing stock, which is generally of poor quality. A challenge for urban regeneration projects in the Brussels-Capital Region, like in many other cities, is to ensure that improvements in the public space do not lead to further increases in house prices so as not to create further inequality and social exclusion of certain population groups from central areas.

A key concern and priority for urban planning in the Brussels-Capital Region is to facilitate the use of public spaces as places of urban sociability that contribute to residents' well-being. This is also linked to the goal

of better distributing public space by promoting active forms of mobility (i.e. walking and cycling) and public transport and reducing the use of private cars. Urban renovation works suggest that the use and distribution of public space are no longer enough to encourage active mobility and public transport use. Additional objectives need to be considered, such as the use of large-scale renovation of public spaces as a tool for neighbourhood revitalisation, the promotion of social cohesion and climate change adaptation.

A potential drawback in the urban regeneration strategy is that most reconversion and densification projects are developed on parcels of land freed up when other functions cease to be operational, as in the case of the Canal Zone (Box 2.5). This case shows the need to supplement urban renewal projects with more diverse, smaller-scale and more open space initiatives and greater variation of open spaces and housing typologies. This highlights the importance of initiatives such as the CACI (Box 2.4), which focus on the micro level and provide support for social and citizen life, public space improvement and municipal facilities. Open spaces such as parks, playgrounds and fields are critical for urban areas, as they are not only places for recreation and physical exercise but also build a sense of community. They also help mitigate the effects of pollution and can reduce the urban heat island effect (i.e. heat trapped in built-up areas). For example, the redevelopment of Cinquantenaire Park to celebrate the 200th anniversary of Belgium's independence aimed to transform the place into a socio-cultural beacon for the city and the country. By 2030, it is expected that the redeveloped park will offer a combination of public gatherings to encourage meetings between various associations, as well as social, sports and cultural movements in the country. The project plans to modernise the museums and their offer with a particular focus on decolonisation.⁹

Box 2.5. Urban renewal projects in the Canal Zone

The Canal Zone forms a string of new, large-scale developments in an already dense environment, with a large proportion of small apartments in generally closed urban blocks inhabited by a socio-economically vulnerable population. Many new densification projects continue to be concentrated in this area where former industrial sites become available and existing buildings are being repurposed. Along the waterfront, densification becomes more affordable and profitable for project developers and they are less likely to face opposition from residents who see their homes threatened by densification. Despite the need for affordable homes for the existing population, including for larger families, developers systematically choose to build a one-sided offering targeting the upper middle classes and investors, consisting of small one- and two-bedroomed apartments, a type of housing that delivers the highest profit per square metre.

Different renewal projects around the Canal Zone quarters integrate innovative architectural and urban design concepts. The repurposing of the WTC I & II towers in the Brussels-Capital Region could serve to make the Manhattan quarter around the North Station a lively, mixed and dense residential and commercial area again, based on its connectivity advantage for being around the North Station. The project aims to transform the monofunctional office block into a mixed-use building in which living and working are layered and alternate per floor.

Source: Mabilde, J. (2020^[28]), "Brussels, compact city", <https://a-plus.be/fr/projet/brussels-compact-city/> (accessed on 11 August 2023).

Urban regeneration in the Brussels-Capital Region seeks to promote sustainable mobility

A key component of urban regeneration projects in the Brussels-Capital Region has been to facilitate more sustainable mobility, notably through the pedestrianisation of the public space. Regional and local authorities have sought to connect different modes of travel (e.g. walking, public transport and/or limited car traffic in shared spaces), improve accessibility and adapt to heatwaves (see examples in Box 2.6).

According to research, in the Brussels-Capital Region, space sharing between different modes of travel takes place mainly through isolated interventions aiming to restrict the access and speed of cars (e.g. speed limits, speed bumps, widening of pavements and dedicated lanes for public transport, etc.) and seldom through the complete closure to road traffic (Hubert et al., 2017^[31]).

Box 2.6. Examples of urban regeneration projects in the Brussels-Capital Region

- **The redevelopment of Avenue Stalingrad Laan.** Avenue Stalingrad Laan is located on the territory of the City of Brussels, within the Pentagon, and provides an important north-south connection to the city centre, linking the Gare du Midi/Zuidstation and the historic centre. While the avenue has been used heavily by motorists so far, it has been redesigned to become a more attractive place for pedestrians, including children, tourists, cyclists and shopkeepers. The redevelopment project aims to activate mobility, reinforce the attractiveness of the avenue, increase landscape quality and strengthen the mixed use of land.
- **The redevelopment of the intersection between Rue Emile Delvastraat and Rue Steylsstraat.** This intersection is an important axis for pedestrians, cyclists, public transport and cars but it includes a substantial part of lost public space. Cars can park across it (diagonally), which can limit visibility when entering and exiting. The width of the Rue Emile Delvastraat also tends to encourage cars to drive too fast. The Brussels-Capital Region has designated the intersection as a “zone of high concentration of accidents” (*Zones à concentration d’accidents/Concentratiezones voor ongevallen, ZACA*), which refers to the most dangerous intersections in the entire region. The redevelopment project involves eliminating cross-parking spaces and narrowing the road surface to improve traffic safety. Public transport stops will be adapted to the needs of people with reduced mobility and will be better integrated in the overall urban design. Trees will be planted to ensure cooling functions during heatwaves and collect rainwater on site. Ten bicycle racks will be added and street lighting will be renewed.

Source: BXL (n.d.^[37]) Avenue de Stalingrad redevelopment, at <https://www.brussels.be/stalingrad>; BXL (n.d.^[38]) Redevelopment of the Rue Emile Delva and Rue Steyls intersection, at: (BXL, n.d.^[38]) <https://www.brussels.be/steyls-delva>.

The Belgian Highway Code (*Code de la route belge/Belgische wegcode*) distinguishes several types of zones or areas that prioritise pedestrians and cyclists, e.g. pedestrian zones, residential zones, meeting areas (*espaces de réunion*), local circulation roads, streets reserved to pedestrians or cyclists, etc.¹⁰ Each of these zones has specific rules of access and circulation. For example, the pedestrian zone’s main function is trade and tourism; the residential zone’s is habitat and the meeting zone’s is habitat, trade, tourism and leisure activities (e.g. the development of Place Eugène Flagey in 2008). In residential areas, public transport is generally limited. Considering that pedestrianisation projects in the Brussels-Capital Region aim for both urban redevelopment and commercial attractiveness, some risks associated with the latter need to be taken into consideration. For example, pedestrianisation may create a risk of proliferation of café terraces, hindering mobility, and a trend towards mono-functionality of the area in the sense that a rise in rents driven by the commercial attractiveness or catering tends to make use of all the space available and the upper floors may no longer be used for residential purposes (Brandeleer, Ermans and Hubert, 2016^[39]).

Therefore, pedestrianisation efforts in the Brussels-Capital Region need to be conducted as part of a clear vision of the main activities to be conducted in the public space. Research suggests that commercial, political/symbolic and aesthetic or cultural functions need to be applied and managed in a complementary manner under a cross-cutting approach (Hubert et al., 2017^[31]). Equally important is ensuring that the

different regeneration projects support a wider strategic vision for the use of public space and land in the Brussels-Capital Region. Although urban regeneration projects have a strong local focus (through CQDs), they may have impacts on other projects and the wider region, such as housing provision and congestion. Urban regeneration projects in the Brussels-Capital Region could be reinforced by better taking into consideration the level of accessibility by public transport and increasing the frequency of public transport services. In some cases, the route of the bus network may be changed due to pedestrianisation goals and may unintentionally limit access to public transport services. Pedestrianisation efforts in the region should, therefore, be part of the overall mobility strategy of the region and the different neighbourhoods (Boussauw, 2016^[40]). Connecting different pedestrianised areas across the Brussels-Capital Region by public transport is critical for the success of urban regeneration projects, as this will impact the level of economic activity (e.g. facilitating local commercial activities) in the region and its neighbourhoods. For example, connecting pedestrianised areas among themselves and making them accessible by bicycle could be enhanced.

One of the objectives of pedestrianisation, as a mode of urban regeneration, has been the revitalisation of economic activity in the areas under renewal. Pedestrianisation often leads to an increase in the number of visitors, sales revenues and rental prices for commercial space. However, small businesses tend to be negatively affected due to the increase in rents, which only large distribution chains can afford to pay (Hubert et al., 2017^[31]). Moreover, Boussauw (2016^[40]) argues that the economic success of a pedestrian area largely depends on its residential density. However, pedestrianisation often leads to an increase in housing prices (ownership or rental). A large focus on commercial purposes tends to lead to a mono-functionality of an area, making it more worthwhile to increase profits (Boussauw, 2016^[40]; Hubert et al., 2017^[31]). The residential attractiveness of newly pedestrianised areas could be undermined due to disturbances in relation to commercial activities and difficulties in accessing the buildings. This may also further incentivise the development of residential spaces for tourists or short-stay visitors. In 2019, there were over 11 400 dwellings on the Airbnb platform in the Brussels-Capital Region, half of which were offered by investors or professionals and not by local residents.¹¹ These are dwellings that are not going to local residents for rental or ownership and contribute to increasing the pressure on the housing market. Thus, the challenge for authorities in the Brussels-Capital Region is twofold: to ensure that pedestrianisation leads to the revitalisation of the areas under intervention while controlling gentrification and to ensure permanent and affordable housing for residents in the context of increased short-term rentals for the tourism industry.

Strategies for reinforcing densification and pursuing an orderly expansion in the Brussels-Capital Region

To complement regional land use policies and strategies, the regional leadership may wish to consider the following recommendations to strengthen densification and an orderly expansion:

Ease land use regional and municipal restrictions that prevent densification

Currently, restrictive zoning regulations and planning decisions limit the possibilities for densification. Thus, the regional and municipal governments could review the Regional Sustainable Development Plan (PRDD), the Municipal Development Plans (PCDs), the Regional Land Use Plan (PRAS) and the Specific Land Use Plans (PPAS) to identify both explicit (e.g. through floor-to-area ratios) and implicit (e.g. minimum lot-size requirements and restrictions on multi-family homes) density restrictions. The PRAS, for example, sets several requirements for building in zones of mixed land use and conditions to be met to authorise development. The regional government may wish to revisit the extent to which those requirements and conditions prevent densification and even make construction harder. This is especially relevant in low-density municipalities and areas close to the core city, the 14 areas of regional interest (*zones d'intérêt régional/gebieden van gewestelijk belang*, ZIR/GGB)¹² and along public transport corridors. Gradual densification should be permitted across the region.

Deploy a broad range of sectoral policies beyond mobility to support the vision of a liveable and green region

Current densification and urban renewal efforts focus on neighbourhood accessibility, for example by improving mobility options through pedestrianisation. While neighbourhoods or districts must be accessible, mobility should not be the only guiding option. Other environmental (e.g. taxes on vehicle use, infill development), economic (e.g. real estate market) and social (e.g. social housing near transport hubs) policy instruments should be used. The final goal is that sectoral policies should contribute to optimising density and an orderly expansion of the city-region. This implies a need to identify the conditions that can create the most value for the Brussels-Capital Region, specify the places most appropriate for future residents and activities, and promote spatial justice through different instruments such as the improvement of the soil and the water system, the expansion of green areas and the increase in open space in and around the different districts. The 20-minute-city concept must be included and operationalised in the land use plans (PRAS and PPAS) to ensure its implementation based on every neighbourhood's needs. Challenges brought about by climate change must also be considered, such as heat stress, drought and flooding, as well as the need to promote urban agriculture. Possibilities for densification should also consider the capacity of the urban fabric, the street network and the public space. To achieve its vision as a liveable and green region, the Brussels-Capital Region should continue to promote a polycentric model of urban development as stated in the PRDD, instead of a one-sided orientation to the Pentagon, the historical city centre of Brussels within the contours of the small inner ring road. Multiple cores should be connected to one another via a network of public transport and cycling infrastructures. This is even more important if the Brussels-Capital Region is going to provide more innovative forms of stacked homes, which are more spacious than those being offered by private developers in the city and more affordable than classic family homes.

Pay greater attention to fiscal incentives to steer land use and promote density and orderly expansion

Although the Brussels-Capital Region has a wide array of planning documents that guide the use of land in the region, most of its focus is on setting rules to guide and authorise construction. Such instruments need to be supplemented with incentives provided by other public policies, in particular taxation. There is little evidence that the Brussels-Capital Region is using tax policy incentives to their full potential to steer the use of land, for example, through the use of land value capture instruments (see Chapter 4). Since the impact of property taxes on land use is ambiguous according to research (OECD, 2017^[14]), the Brussels-Capital Region may wish to consider the option of a land value tax that does not take the value of buildings into account as it can help curb urban sprawl and foster the densification of developed land instead of greenfield development, as those taxes are independent of what the land is used for. In the United States, for example, several cities such as New Castle and Pennsylvania have taxed land at a higher rate than buildings, thereby incentivising the redevelopment of buildings and discouraging unused plots of land.¹³ Another alternative for the region is to set a ground lease system to complement active land use policy as it is done in Amsterdam in the Netherlands. Through this system, the city keeps approximately 80% of the land while the leaseholder is entitled to the benefit of the use of the land (Box 2.7). Leaseholders are, therefore, encouraged to develop land, as it would be too expensive to pay a lease for a plot of land without using it.

Box 2.7. Amsterdam's ground lease system

In the Netherlands, the city of Amsterdam has operated a ground lease or leasehold system since the end of the 19th century. The city remains the owner of the land, while the ground lessee or leaseholder is entitled to the benefit of the use of the land for a long period in return for a ground rent (canon) payable at regular intervals. The right is associated with the land rather than the person occupying it. The ground lessee can transfer the ground lease and the change will be registered with the Land Registry (*Kadaster*). The basic principle of the ground lease system is that the city owns the land. The city government determines a ground lease for 50 years, 75 years or in perpetuity. Upon land (re)development, the city sets an annual ground lease (set for a given timeframe) or determines a lump-sum payment at once. After those 50 or 75 years, the city sets a new ground lease according to the rules of the then-applicable ground lease system. In doing so, it is able to capture the increase in land value and use it to further public investments that benefit residents. For a given year, the city generates ground lease income, which consists of the aggregate of lump-sum payments and annual payments. In 2015, for example, the net annual profit was EUR 105 million. This is a high value; the average net annual profit in recent years has been closer to EUR 80 million. The city remits approximately 50% of the net annual profit from the ground lease to the central municipal budget and the remainder to the balanced and social housing funds.

Source: OECD (2017^[41]), *The Governance of Land Use in the Netherlands: The Case of Amsterdam*, <https://doi.org/10.1787/9789264274648-en>.

Moreover, the Brussels-Capital Region needs to assess whether the homeownership tax is treating single-family homes in a preferential manner over other types of residential property. Since the region is facing a shortage of housing (see Chapter 1), the regional government, in co-ordination with the national authorities, may wish to seek ways to increase the fiscal benefits that municipalities receive from new housing developments or redevelopments by developing and making the most of land value capture instruments (see Chapter 4). In case this is not feasible, the Brussels-Capital Region can encourage municipalities to engage in inter-municipal land use plans. Due to the already complex planning environment in the region, making consultation and co-ordination of land use plans among municipalities compulsory would be a first step in that direction. The aim would be to build synergies among municipal land use plans and avoid conflicting objectives. In France, for example, inter-communality is regarded as the most relevant scale for co-ordinating urban planning, housing and travel policies.¹⁴ One example is the metropolitan area of Clermont-Ferrand that replaced its *Plan local d'urbanisme* (PLU) with a *Plan local d'urbanisme intercommunal* (PLUI) to organise land occupation for a community of communes, while bringing more coherence in the distribution of local land uses and real estate policies and initiating new modes of collaboration, especially between public and private bodies (OECD, 2017^[42]). Although France is a unitary country, this is still relevant to Belgium and in particular to the Brussels-Capital Region, as it could inspire how co-ordination for planning among different municipalities could be conducted.

Regularly assess the impact of land use regulations on affordable housing

Restrictive land use policies generally lead to rising housing costs (OECD, 2017^[14]), which is why proper assessment of their impact is crucial in the context of affordable and social housing scarcity. OECD research has concluded that most land use regulation has the effect of restricting land supply and, as a consequence, construction costs (OECD, 2017^[14]). The experiences of the cities of London (United Kingdom) (Cheshire and Hilber, 2008^[43]) and New York (United States) (Glaeser, Gyourko and Saks, 2005^[44]) suggest that, in the long term, the difference between construction costs and actual house prices is a measure of the impact of land use regulations on cities. Both London and New York are among

the most expensive cities in the world and estimates suggest that land use regulations are responsible for prices that are two to eight times higher than they would be without regulations (Glaeser, Gyourko and Saks, 2005^[44]; Cheshire and Hilber, 2008^[43]).

Strengthen the metropolitan dimension of land use planning

There is a growing acknowledgement in the Brussels-Capital Region that land use decisions affect the neighbouring regions and municipalities, which therefore requires a co-ordinated approach at the metropolitan level. From the location of new housing developments and transport infrastructure to the preservation of greenery, a wide range of interactions connect the broader functional area where people live, work, study and travel, which goes beyond the 19 municipalities of the Brussels-Capital Region. The region should ensure that the Regional Land Use Plan (PRAS), the Master Development Plan (PAD) and the Specific Land Use Plans (PPAS) keep pace with changing functional territorial boundaries, in particular in the context of developing a more polycentric urban form. The three regional governments and national authorities may wish to set up a metropolitan planning body for spatial planning at the appropriate, functional scale. Such a metropolitan governance body would likely assist in overcoming administrative fragmentation and fostering a more co-ordinated approach to land use for densification and an orderly expansion (see Chapter 3 on how a metropolitan governance body in the Brussels-Capital Region could be arranged). For example, Metro Vancouver (Canada) is the planning body for the entire metropolitan area of Greater Vancouver and co-ordinates planning across different policy fields and bodies (MetroVancouver, 2024^[45]). Research suggests that, in the United States, for each 1% increase in the number of local governments in a metropolitan area, the per capita area of developed land is 0.12% higher (OECD, 2017^[14]). However, not all has to be planned at the metropolitan level. It is important to be aware of working at the appropriate urban scale (e.g. metropolitan, regional, municipal or neighbourhood) to avoid negative outcomes.

Promote monitoring and evaluation of land use and related regulations

Like in many OECD regions and cities, the lack of land use monitoring and evaluation makes it difficult to identify which policies are working well at the local level in pursuing densification and an orderly expansion, especially in cases where such policies focus more strongly on providing incentives and less strongly on setting restrictions. For example, inappropriate building density limitations can lead to further sprawl and the expulsion of lower-income households to the periphery but need to be identified in order to adjust them. More effective monitoring and evaluation can ensure that land use policies in the Brussels-Capital Region achieve their densification and urban development objectives and facilitate the shift towards more flexible and incentive-based instruments. Despite their importance, monitoring and evaluation of land use policies is rare across OECD countries (OECD, 2017^[14]); therefore, it is impossible to recommend a particular method or tool. However, ensuring access to quality data on land use and land use regulations is paramount and this requires municipalities in the Brussels-Capital Region to upgrade their capacity for data collection. The Global Human Settlement Layer (GHSL) prepared by the European Commission may help ensure detailed and up-to-date data for more effective land use evaluation (European Commission, 2023^[46]).

Revise the planning process to make it more inclusive

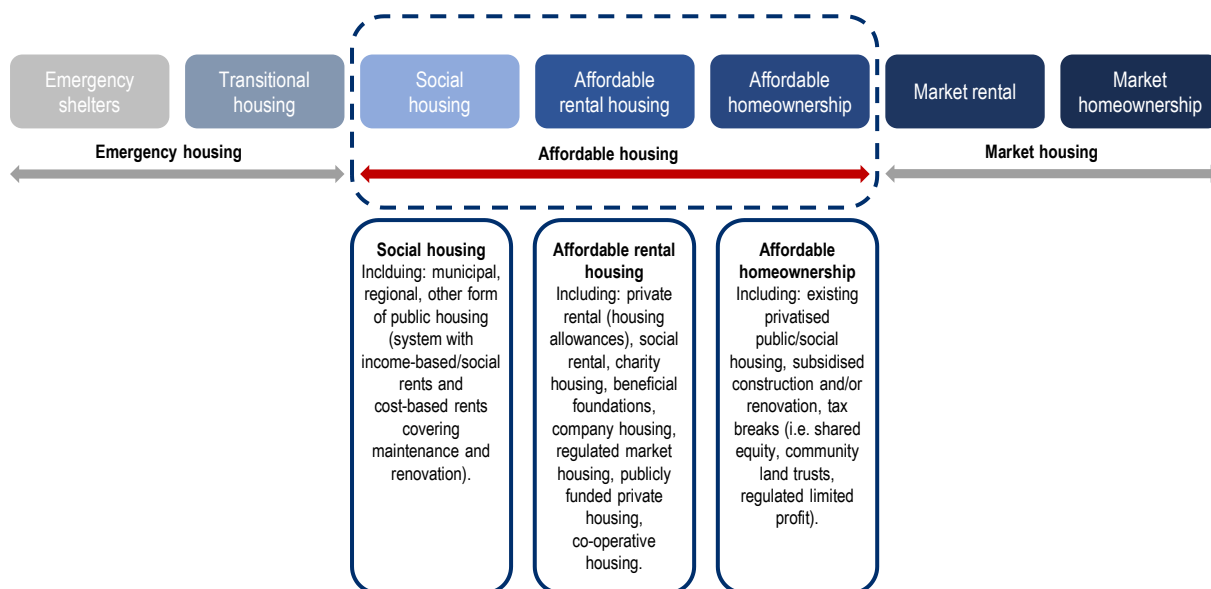
The Brussels-Capital Region could include more public participation in the planning process. At present, the ways by which residents can give feedback to planners are often time-consuming and limited to residents who can afford to access the right information, attend public hearings and wait long enough to get to speak. Statistics Brussels (BISA/IBSA) may help enhance public participation by collecting data about community input to analyse whether the planning process is not biased towards particular groups of the population. Another option is to request input from the public through social media or web fora and

make greater efforts to explain the projects to citizens in Dutch, French and, in some cases, English to harness the multicultural character of the Brussels-Capital Region population. In the region, the participation of residents in the conceptualisation and implementation of renovation projects is a common practice, mostly in the framework of the CQD, despite related consensus-building challenges that a multiplicity of stakeholders involved may cause.

Supporting affordable housing in the Brussels-Capital Region

The Brussels-Capital Region faces an important housing crisis, which has a negative impact on the productivity of the region. On average, households in the region spend 35% of their income on housing, slightly more than in the other two Belgian regions, without considering expenses on electricity, heating and water, for example (Ibsa.brussels; perspective.brussels, n.d.^[47]). The rise in property prices, the lack of social housing units for low- and middle-income households, and the poor state of many housing units are some challenges Brussels-Capital Region residents face. As Chapter 1 showed, the region has more houses than households but not enough social housing units to meet the demand, notably because of demographic growth and increasing housing prices (Dessouroux et al., 2016^[48]). The development of affordable housing is a top priority of the PRDD and PRAS (and, to a lesser extent, the PAD's main goal), which acknowledges the need to increase housing options for residents regardless of their income levels. Affordable housing refers not only to social housing but includes affordable rental housing and home ownership generally provided at below-market prices targeted at low- and middle-income households (Figure 2.2).

Figure 2.2. Housing continuum



Source: The Housing Partnership (2018^[49]) *The Housing Partnership Action Plan*, https://ec.europa.eu/futurium/en/system/files/ged/final_action_plan_euua_housing_partnership_december_2018_1.pdf.

The Brussels-Capital Region suffers from a multi-faceted housing crisis

Housing construction and demographic trends are not aligned

The housing market in the Brussels-Capital Region has been influenced by the position of the City of Brussels as the capital of the country and the seat of the European Union, making it a national and international employment hub. This has created the conditions for the production and renovation of residential buildings and has boosted investment in the transformation of the existing housing stock, although it is insufficient to meet a growing demand.

The challenge for the regional authorities is to increase the affordable housing stock to reduce existing shortages and meet future demand derived from demographic movements. The Brussels-Capital Region attracts a large part of the population from abroad but it is struggling to retain it on a long-term basis. The fact that the City of Brussels hosts several international organisations means that it attracts a highly qualified, mostly young workforce but they soon look for housing in the periphery to enjoy higher-quality affordable accommodation, live in a more attractive environment and have the possibility of owning real property at affordable prices. As Chapter 1 showed, the Brussels-Capital Region has experienced a demographic surge boosted mainly by immigration and peri-urbanisation, which have transformed the housing market. Indeed, research has noted that middle- and upper-income households as well as migrants from foreign origin are more likely to leave the Brussels-Capital Region, despite efforts from the regional government to retain them (Dessouroux et al., 2016^[48]).

The Brussels-Capital Region has a very diverse population in terms of income groups, ranging from very low income (e.g. international refugees, asylum seekers) to high-income groups (e.g. employees of international organisations such as the EU), and including people in a situation of temporary residence (e.g. students in flats with or without flatmates, diplomats, workers with short-term contracts, owners of a second residence).

According to forecasts, it is expected that the rate of the increase in households will be lower than the rate of population growth (i.e. 7.5% by 2030). This means that the region will need 40 000 additional housing units by 2030 to meet only the additional demand coming from population growth, not the accumulated one. If this target is not achieved, a possible consequence will be the continuation of internal migration towards the periphery into other regions. Moreover, the traditional housing configuration no longer corresponds to the social diversity of households in the Brussels-Capital Region, which includes more isolated people, single-person households, people in transit, blended families, and co-renters (Ternon and Ledent, n.d.^[50]).

The size of the Brussels-Capital Region households has increased over the last two decades. In 2001, the average size of a household in the Brussels-Capital Region was 2.01 in 2001, but it increased to 2.15 in 2022 (lbsa.brussels; perspective.brussels, n.d.^[51]). At the national level, the trend has been the opposite, as the average size of a household dropped from 2.37 in 2001 to 2.26 in 2022. Certainly, household size varies among different municipalities in the region. For example, whereas in the affluent municipality of Ixelles the average size of a household is 1.72, in the popular municipality of Molenbeek-Saint-Jean, it is 2.52. This suggests that young people in poor areas may be more likely to live with their parents than those from more prosperous municipalities. Part of the explanation may be the difficulties of entering the housing market. Young people may seek small housing units (e.g. studios) that are scarce and expensive in the Brussels-Capital Region and they are the ones staying in the region longer than older and married residents (Dessouroux et al., 2016^[48]).

A region with limited land reserves

Like many other densely populated cities, the Brussels-Capital Region has a limited reserve of land for further housing development. It is therefore paying greater attention to the repurposing of former office

buildings into residential units and the refurbishing of inadequate housing, even more so after the COVID-19 pandemic. According to statistics, in 2021, half of newly authorised housing involved the repurposing of non-residential buildings, demolition-reconstructions and transformation of existing buildings. Although these interventions could help alleviate the housing deficit to a certain extent, they create some other challenges, such as the need to provide mobility options to new residents and access to public services. In some cases, former office buildings are not suitable for residential use and are transformed into schools (perspective.brussels, 2022^[52]).

An additional factor contributing to the scarcity of land reserves has been the mechanisms for enhancing the value of sites, particularly those where large-scale construction could take place. The level of complexity in the administrative, technical and financial management aspects of housing construction may disincentivise investment in the housing sector.

Of the total number of housing units built in recent years in the Brussels-Capital Region, two-thirds have been the work of private companies that aim to sell the property to owner-occupiers or other investors. One-fifth of the production is self-construction by private individuals who are owner-occupiers and this phenomenon is more common in the other two regions of the country. Only one-tenth of the housing production is conducted by the public sector through regional or municipal organisations (perspective.brussels, 2022^[52]).

Unevenly distributed regional housing production also adds to the trend. Central neighbourhoods (i.e. Dansaert Quarter, Freedom Quarter, Îlot Sacré, Marolles, Royal Quarter, Quays, Sablon) located in the inner ring concentrate the higher volumes of production. Other areas in the region with more land reserves are not developed due to land retention mechanisms, citizen protests regarding densification as well as high prices limiting the number of investors.

Property prices are the highest in the Brussels-Capital Region compared to the rest of the country

The housing crisis in the Brussels-Capital Region also has an economic dimension. The current housing stock does not fully meet the needs of all households and is not affordable. The region has the most expensive homes in the country despite having the lowest disposable income per household (Van Gompel, 2021^[53]). At the national level, existing dwelling prices rose by 6.7% year-on-year in the first quarter of 2022 (-1.2%, inflation-adjusted), while new dwelling prices increased by 5.1% (-2.7%, inflation-adjusted) (Delmendo, 2023^[54]). At the regional level, the Brussels-Capital Region is the most expensive for all types of dwellings in the country (see Table 2.2). In the first semester of 2023, in the region, attached and semi-detached houses cost on average EUR 480 000 (EUR 175 000 in the Walloon Region and EUR 295 000 in the Flemish Region), a decrease of 1% compared to the same semester the previous year, while a detached house cost EUR 902 500 (EUR 285 000 in the Walloon Region and EUR 405 000 in the Flemish Region) (Statbel, 2023^[55]). Although the prices of apartments have increased more in the Walloon and Flemish Regions over the last two years, the prices in the Brussels-Capital Region remain the highest. The median price for apartments was EUR 255 000 in the first semester of 2023, a price increase of 2% compared to 2022. Research suggests that the number of new homes across the three regions has been rising, leading to an oversupply. However, in the Brussels-Capital Region, the increase in new housing relative to the number of households has reversed an earlier reduction, suggesting a low or no oversupply in the region (Van Gompel, 2021^[53]).

Table 2.2. Regional differences in real estate property prices across regions in Belgium, median price

Region	2021 (S1) (EUR)	2022 (S1) (EUR)	2023 (S1) (EUR)	% evolution 2022 (S1)/ 2021 (S1)	% evolution 2023 (S1)/ 2022 (S1)
Walloon Region					
Houses with 2 or 3 outside walls (attached and semi-detached houses)	160 000	170 000	175 000	+6.3	+2.9
Houses with 4 outside walls or more (detached houses)	265 000	285 000	285 000	+7.5	+0.0
Apartments	160 000	172 000	180 000	+7.5	+4.7
Flemish Region					
Houses with 2 or 3 outside walls (attached and semi-detached houses)	260 000	280 000	295 000	+7.7	+5.4
Houses with 4 outside walls or more (detached houses)	365 000	390 000	405 000	+6.8	+3.8
Apartments	217 000	230 000	244 750	+6.0	+6.4
Brussels-Capital Region					
Houses with 2 or 3 outside walls (attached and semi-detached houses)	434 000	485 000	480 000	+11.8	-1.0
Houses with 4 outside walls or more (detached houses)	1 100 000	1 150 000	902 500	+4.5	-21.5
Apartments	239 000	250 000	255 000	+4.6	+2.0

Note: Data published on 26 September 2023.

Source: Statbel (n.d.^[56]), *Real Estate*, <https://statbel.fgov.be/en/themes/housing/real-estate>.

In the Brussels-Capital Region, municipalities located in the east and southeast of the region tend to be the most expensive for buying apartments and houses, whereas the northern and northwestern municipalities are the least expensive (Table 2.3). Properties in the municipalities of Uccle/Ukkel (for houses) and Ixelles/Elsene (for apartments) are the most demanded and costly. Since property prices in the private market are aligned with the purchasing power of high-income buyers, it creates a financial challenge for the lowest and moderate-income households.

The Brussels-Capital Region can also be divided according to the price per square (m²). The average cost in the north and northwest of the region is approximately EUR 2 450/m² while approximately EUR 4 600/m² in the south and southeast (IMMOWEB, 2013^[57]). In the City of Brussels, for example, 95% of apartments are between EUR 2 752/m² and EUR 4 565/m²; 2.5% of apartments are cheaper than EUR 2 752/m² and the remaining 2.5% of apartments are more expensive than EUR 4 565/m² (IMMOWEB, 2013^[57]). According to research, in Belgium, households need to put aside between four and six annual gross salaries to afford a new dwelling, similar to countries such as Denmark, Norway and Portugal (Deloitte, 2022^[58]).

Table 2.3. Most and least expensive municipalities in the Brussels-Capital Region, houses and apartments, first semester 2023

Most expensive municipalities	Median price (EUR)	Least expensive municipalities	Median price (EUR)
Houses			
Ixelles (42)	812 500	Anderlecht (99)	321 000
Woluwe-Saint-Pierre (88)	757 875	Molenbeek-Saint-Jean (28)	342 500
Uccle (135)	645 000	Berchem-Sainte-Agathe (45)	375 000
Woluwe-Saint-Lambert (75)	605 000	City of Brussels (113)	405 000
Watermael-Boitsfort (41)	600 000	Jette (49)	405 000
Apartments			
Woluwe-Saint-Pierre (165)	345 000	Anderlecht (361)	194 000
Uccle (359)	337 000	Jette (223)	201 000
Ixelles (399)	335 500	Berchem-Sainte-Agathe (74)	205 000
Woluwe-Saint-Lambert (278)	310 500	Molenbeek-Saint-Jean (356)	210 000
Auderghem (100)	295 000	Koekelberg (84)	217 000

Note: The data in parentheses represent the number of transactions. Data published on 26 September 2023.

Source: Statbel (n.d.^[56]), *Real Estate*, <https://statbel.fgov.be/en/themes/housing/real-estate>.

A factor that helps explain the increase in prices is the demographic growth in the Brussels-Capital Region. Price increases are largely due to the growing demand for housing (owning or renting), particularly in the most prominent neighbourhoods with the highest quality of life or those under gentrification, such as central municipalities (e.g. the City of Brussels). This factor is exacerbated by the borrowing capacity for mortgages as a result of reduced mortgage rates in recent years. For example, in the Brussels-Capital Region as in the Walloon Region, registration fees are set at 12.5% versus 3% (for the sole owner-occupied home), -12% (for the purchase of a second property or building lot) in the Flemish Region¹⁵ but buyers in the Brussels-Capital Region can benefit from an allowance (reduction of the tax base) of EUR 200 000. The first instalment of the price of a property is not subject to registration fees, representing savings up to EUR 25 000. If owners in the Brussels-Capital Region conduct a substantial energy renovation of their property and make it gain at least two categories on the pro-environmental behaviour scale, they can obtain an additional allowance of EUR 50 000 provided that the total amount of the property does not exceed EUR 600 000 (including price and costs), the owner does not have another property and the property has been the owner's main residence for at least 5 uninterrupted years (Inside Properties, 2023^[59]). It must be noted that these conditions should be met for the general reduction of renovations (Fiscaliteit.brussels, 2023^[60]). Moreover, the Brussels Housing Fund provides mortgage loans at rates ranging from 3% to 4.5% to those occupying the property as a main residence for the entire duration of the loan and who not homeowners elsewhere in the country or abroad. Their taxable income should not exceed certain ceilings depending on the composition of the household.

An additional factor for rising housing costs is the increasing presence of European expatriates with high purchasing power. Approximately 23% of the residents in the Brussels-Capital Region are expatriates working for the different international organisations and agencies located in the region (Engel & Volkers, n.d.^[61]). They compete with local households for the purchase or rental of houses and apartments, particularly in the most demanded municipalities of Ixelles and Uccle. In addition, the rise in construction costs since 2017 (CEIC, 2023^[62]) and the strong demand for housing in the higher-end segment of the housing market have indirectly impacted house prices in less expensive areas. As the most desirable areas cannot satisfy demand, housing seekers look for housing in other areas, increasing prices too (Van Gompel, 2021^[53]).

Rental housing is dominant in the Brussels-Capital Region but becoming unaffordable

As shown in Chapter 1, rental is the most common form of housing tenure in the Brussels-Capital Region. This may be due to the high house prices. In 2020, the rental market represented 61% of the housing market, significantly higher than in the Flemish (28%) and Walloon (33%) Regions (JLL Belgium, 2020^[63]). Homeownership represents 41% of the share of housing tenure, well below the national average of 75% (Région de Bruxelles-Capitale, 2018^[16]). The Brussels-Capital Region has experienced a shift from homeownership to tenancy over the last decade. The reasons may be due to the high prices of real estate that force half of first-time buyers leaving the region to buy a property in other parts of the country (Gouvernement de la Région de Bruxelles-Capitale, 2020^[64]), the inflow of international migrants (expatriates) who are mostly focused on the rental market and flexibility, as people tend to prefer housing adapted to their personal situation as they may move to other places due to professional reasons. The COVID-19 crisis has driven rental housing prices even further up in the Brussels-Capital Region as residents look for housing options with access to exterior spaces (e.g. terraces and private gardens). Rental prices in the region increased by 23% between 2021 and 2023.

Finding accommodation on the rental market is becoming unaffordable to the lowest-income households. In particular, the increases in acquisition prices have led to an increase in rental prices. According to the *Observatoire des Loyers/Observatiecentrum van de huurprijzen*, 40% of the lowest-income households have access to only 10% of the rental market and a household with a monthly income of between EUR 1 500 and EUR 2 000 has access to less than 13% of the rental housing stock (Gouvernement de la Région de Bruxelles-Capitale, 2020^[64]). As a reference, monthly rent for an unfurnished two-bedroom apartment in the Brussels-Capital Region may cost between EUR 1 000 and EUR 1 800.¹⁶ The regional government has modified the rules to prevent evictions of people who are unable to pay their rent by giving a moratorium to tenants and supporting low-income households with subsidies to cover the rent. This measure, originally taken during the COVID-19 pandemic, has been made permanent. However, it is unclear how long the regional government can help tenants who are unable to pay their rent.

Moreover, the Brussels-Capital Region attracts a large student population in higher education institutions (e.g. universities, colleges, etc.), who represents almost 25.5% of the 300 000 students in the region (be.brussels, 2023^[65]). This group has particular housing needs as some of them live in a dwelling independently of their parents, others live with a flatmate or roommate and others in an individual room in the home of a private individual. Research suggests that one-third of higher education students in the Brussels-Capital Region are not registered officially, representing a significant group of unaccounted tenants (Dessouroux et al., 2016^[48]). Moreover, due to the increases in housing prices, stricter mortgage rules and tax changes, young people prefer to delay buying a home, leaving them with renting as the only alternative for independent housing. Indeed, in the Brussels-Capital Region, buyer-occupiers must finance approximately 10% of the purchase's value and all transaction costs. One-fifth of loans exceed 50% of the borrowers' monthly income, while the general advice is to maintain it to levels lower than one-third (JLL Belgium, 2020^[63]).

Social housing is in low supply and the number of potential beneficiaries increases

Due to population growth, among other factors, there has been an increase in demand for social housing in the Brussels-Capital Region in recent decades. Part of this population growth has been due to immigration from non-European countries, particularly asylum seekers. Part of the growing demand for social housing could also be due to the decline of living standards in some parts of the population (Romańczyk, 2015^[30]). Thus, new residents in the Brussels-Capital Region tend to be more disadvantaged than middle-income households who return to the city after living for some time in the suburbs (Bernard, Zimmer and Surkin, 2009^[66]). The delivery of new social housing is a key priority of the regional government and forms an important element of the overall new housing delivery. The region's General Policy Declaration 2019-2024 establishes that 15% of the housing stock should be social housing

(Gouvernement de la Région de Bruxelles-Capitale, 2019^[67]). However, less than 10% of the regional housing stock is considered social housing (Région de Bruxelles-Capitale, 2018^[16]). Only 5 municipalities (Anderlecht, Ganshoren, Molenbeek Saint-Jean, Saint-Josse-ten-Noode and Watermael-Boitsfort) out of 19 municipalities and 38 out of 119 neighbourhoods in the Brussels-Capital Region have achieved the target of 15% of social housing (perspective.brussels, 2022^[52]). This is an example of inclusionary zoning, which in general is effective but costly, as it requires developers to rent or sell 15% of housing units below-market prices or contribute to an affordable housing fund. However, this strategy might satisfy only a small portion of the demand for affordable housing and increasing development costs may reduce the total housing production and, thus, affordability. This is particularly problematic in infill developments, as land use restrictions and the impossibility of conducting large-scale housing projects limit supply (Litman, 2016^[68]). If developers are required to sell or rent 15% of units below production costs, they must recover the costs by building larger and higher-priced units and fewer smaller, lower-priced units. This reduces the total housing production and increases future prices, particularly for middle-income households.

Social housing aims to ensure that low-income households can live in cities and neighbourhoods with high housing costs, such as the Brussels-Capital Region. However, it faces many challenges: for example if the waiting list and waiting time are long, occupants must accept the units that are available even if they are suboptimal in terms of design and location; in some cases, social housing can concentrate poverty in some municipalities and neighbourhoods and the process of accessing social housing may discourage households from moving to new locations offering better living conditions, as they would have to join the waiting list again.

The Brussels-Capital Region housing policy promotes social mix. All social housing projects must encourage social and economic wealth diversity but also include vulnerable populations such as people with disabilities and battered women, etc.

The increase in property prices poses a particular challenge for low-income households as they have a small margin of financial manoeuvre and only limited options to meet their housing needs. According to regional authorities, half of the households in the Brussels-Capital Region could be eligible to apply for social housing but only 50 000 households (i.e. approximately 10% of the population) are currently on the waiting list (Gouvernement de la Région de Bruxelles-Capitale, 2020^[64]). The social housing stock in the Brussels-Capital Region amounts to 41 000 units, i.e. well below the number of households on the waiting list, and most of these units are already occupied. The number of social housing applicants and waiting periods have been increasing over the last decade, although the number of social housing units has also increased, albeit slowly (see Chapter 1). This overview reflects the difficulties that households in the region face in accessing housing on the private market as owners or tenants.

Existing social housing units are old and require investment to comply with current construction standards. Most of the existing social housing units were built during the 1970s and 1980s, and the social housing construction programme was suspended. The quality of social housing also varies depending on the construction year and the standards applicable at the time of construction. The regional government has planned to invest EUR 500 million to renovate social housing over the next 10 years.

The lack of social housing impacts not only low-income but also middle-income households, who often struggle to find affordable and high-quality housing. They do not necessarily live in substandard housing but their options to find affordable housing that meets their specific needs are reduced (Dessouroux et al., 2016^[48]).

As a result of limited social housing stock and slow construction, households in the Brussels-Capital Region must wait 12 years on average to access social housing and households with 4 or 5 children may wait for 17 years or more, with no guarantee they will be able to acquire an affordable home. While waiting for social housing, households may need to find accommodation in the private sector, which is generally expensive for their budgets, and once they get access to social housing, they may need a larger unit as children may have grown up in the meantime. Moreover, in the region, private housing developers can pay

off their obligation to build social housing and the revenue goes to the municipality, which should invest it back in housing. Since waiting times are long, the government offers rent allowances for the most vulnerable people on the waiting list so that they can rent on the private market in the meantime. The allowance could range between EUR 120 to EUR 160 per month, depending on income, plus EUR 40 per child on top of that (de Jong, 2022^[69]).

The governance of the social housing sector is complex. Perspective.brussels and Bruxelles Logement/Brussel Huisvesting are in charge of conducting territorial diagnosis on housing and defining strategies, while various institutions and organisations are in charge of implementing those studies. Municipal authorities may define their own priorities and strategies and may face residents' complaints that could potentially suspend a social housing project. Interaction with citizens for social housing occurs through the regional social housing organisation (*Société du Logement de la Région de Bruxelles-Capitale/Brusselse Gewestelijke Huisvestingsmaatschappij*, SLRB/BGHM), which oversees 16 social housing providers that operate across the 19 municipalities with different capacity to build and develop social housing.¹⁷ Other providers of low-cost housing include: the Social Estate Agencies (*Agences immobilières sociales/Sociale verhuurkantoren*, AIS/SVK), which provide private sector rentals for low-income households; the Brussels Housing Fund, which manages a stock of low-cost rentals for the poorest households and individuals in the region; and the municipalities, as in some cases, they manage and provide housing directly at a reduced rent to low-income households (Brulocalis, 2023^[70]). The existence of these institutions for the management and provision of social housing reflects the priority given to the needs of low-income households and may also signal the growing level of poverty in the region's population.

An unknown number of vacant housing units

Authorities in the Brussels-Capital Region acknowledge the challenge of vacant housing in the region and they aim to put those vacant units back onto the housing market. However, there is a lack of data on the exact number of unoccupied housing units. A 2009 study reported that there were between 15 000 to 30 000 vacant dwellings in the region, 80% of which belonged to the private sector, but this number does not take into account the vacant floors above shops and businesses, which are generally not accounted for (Bernard, Zimmer and Surkin, 2009^[66]). Since 2016, the regional government has subsidised municipalities in an attempt to detect the number of vacant houses. Only 11 out of 19 municipalities have requested the financial and technical assistance of the regional government to detect vacant housing and most of them are still in the process of experimenting with detection techniques. This has led to a diversity of methodologies to detect vacant housing and different levels of progress in the identification of such dwellings. No catalogue or database on the number of vacant housing across the region presents an inventory of the type, state and size of vacant units. Bruxelles Logement/Brussel Huisvesting has been given the responsibility of centralising the identification of vacant housing across the region and build a regional cadastre with that information.

The Brussels Housing Code (*Code bruxellois du Logement*), which contains all the measures intended to regulate the quality of rental housing, provides a mechanism to fight against real estate vacancies (i.e. an administrative penalty of EUR 500 per m² of the longest façade multiplied by the number of storeys other than the basements and unfinished attics) but it is rarely used (Region de Bruxelles-Capitale, 2013^[71]). There are at least three reasons for this: i) the difficulties in obtaining financing to implement the “right of public management” – which consists of the management by a public real estate operator of unoccupied or unsanitary private property with the aim of putting it back onto the rental market at below-market value after a possible renovation; ii) the cumbersome administrative procedure to act against unoccupied private housing; and iii) the possibility for the owner to take the property back at any time during the management procedure, subject to the reimbursement of the costs paid by the public real estate operator. The Housing Emergency Plan (see below) contemplates extending the scope of the public management law and limiting

the ability to take the property back but it does not provide concrete actions to this end (Gouvernement de la Région de Bruxelles-Capitale, 2020^[64]).

An old housing stock in need of renovation to comply with energy-saving standards

The Brussels-Capital Region has a large share of old housing units. According to estimates, 70% of housing units were built before 1945, 5% were built after 1981 and only 0.7% were less than 10 years of age (Albrecht, Hamels and van de Water, n.d.^[72]). Renovating the housing stock is a priority to meet environmental goals in terms of reduction of carbon dioxide (CO₂) emissions set for 2050 (i.e. a reduction of 90% of direct regional emissions compared to 2005) (FI Group, 2022^[73]). Only 0.3% of the housing stock in the region complies with the energy legislation standards for 2050 and the modernisation of the real estate stock remains too slow, at only 0.25% per year (Albrecht, Hamels and van de Water, n.d.^[72]). This means that only 1% of property owners without budgetary restrictions actually conduct renovation works. In some cases, the housing stock needs to be renovated not only to meet energy standards but also to improve comfort, functionality and resale value.

Property owners generally lack sufficient resources to renovate their dwellings. Estimates suggest that property owners are often individuals with 1 or 2 properties and are part of the region's wealthiest 40% of households. However, 36% to 39% of owners are unable to finance renovation works to meet energy-saving standards. If renovations to improve comfort are added, the share of owners unable to finance the works goes up and oscillates between 42% and 47% (Albrecht, Hamels and van de Water, n.d.^[72]). Property owners tend to carry out the renovations with their own resources and, to a lesser extent, with bank loans. Most of the renovation work is done in stages or spread over time. Estimates suggest that 20% of owners have a financial deficit between EUR 25 000 and EUR 50 000, and 7% more than EUR 50 000 to renovate their properties (Albrecht, Hamels and van de Water, n.d.^[72]). However, giving them subsidies to conduct the work would potentially contribute to inequality, as subsidies would be a way to contribute to their wealth as the resale value of their properties would increase.

When considering that a large part of households in the Brussels-Capital Region depend on the rental (social or private) market, it may be assumed that most of them live in dwellings that do not comply with environmental regulation standards and need renovation that their owners are, for the most part, unable to provide. The challenge for the regional authorities is to incentivise the 99% of property owners who have the necessary resources to renovate their properties but do not make use of them. It is essential that the factors that lead owners to renovate do not differ from those who live in the property they own and those who rent out their property. Apart from financial barriers, other factors that could determine whether owners renovate their properties or not include hassle factors (e.g. level of effort and disruption), unclear financial benefits (e.g. the return on energy efficiency investments are often delayed in time), perceived financial risks (e.g. unclear profitability and risk aversion) and the lack of skilled workers to advise on energy efficiency renovation measures and conduct the works.

Planning permits are difficult to obtain

The CoBAT determines all works and acts that require a planning permit to be carried out. In general, all construction, demolition, renovation, transformation and change of use of a building require a planning permit (*permis d'urbanisme*) (Région de Bruxelles-Capitale, 2022^[15]). Moreover, developers may also need to obtain a municipal planning permit depending on the specific municipal regulations. Even changes of assignment or changes of use that do not require construction require a permit, for example transforming an apartment building into an office or rehabilitating an old disused workshop to establish an office or loft-type housing.

The municipalities have the competency to issue planning permits except in certain specific cases where responsibility lies with the delegated official. In the event of an administrative appeal, the Brussels-Capital Region government issues the permit. Urban.brussels is responsible for permits in some specific cases,

such as public demands. The planning permit expires if, within three years of its notification, the holder has not started its implementation in a significant way. This three-year period can be extended for one year at a time, subject to justification. Some planning permits are issued for a limited period. The Brussels-Capital Region government adopts the list of acts and works for which the duration of the permit is limited because of their nature or purpose,¹⁸ for example, advertisements and signs, construction site installations, satellite dishes, acts and temporary works. The issuance of the permit may also be subject to urban planning charges, which may be demanded in kind (construction work) or in cash. In case of disagreement with the decision on the permit, either the applicant or the municipality may submit an appeal to the regional government. The Urban Planning College¹⁹ first has up to 75 days to issue an opinion; then, the government has 60 days to notify its decision.

Building housing units or transforming offices into residential units in the Brussels-Capital Region start with a planning permit and obtaining the permit is not an easy task. According to the planning code (CoBAT), obtaining the planning permit to build housing, including social housing, may require up to 400 days for the largest projects. During this time, feasibility studies, which include the integration of the project into the neighbourhood, mobility and accessibility aspects, as well as environmental impact studies, need to be conducted to grant the permit. This is a costly and lengthy procedure that hinders investment in real estate in the region. This process also gives neighbours an opportunity to complain about the project in any given district or neighbourhood, arguing against increased density in the area or even social housing construction for example. Thus, for private developers, obtaining a construction permit can be a significant barrier to further investment in housing development, including social housing.

OECD research has noted that, over time, Belgian governments at all levels have been active in the development of programmes to reduce burdens in specific regulations (OECD, 2010_[74]). Over the last decade, the Brussels-Capital Region has been working on administrative simplification to cut unnecessary regulatory burdens and costs for the administration, such as excessive paperwork needing to be handled by officials on the frontline of public services. However, further efforts are needed to reduce the burden and make the granting of building permits more efficient.

In a quest to make the planning permit procedure more efficient, in 2020, the Brussels-Capital Region introduced the MyPermit platform, which makes it possible to apply digitally for regional and/or municipal planning permits.²⁰ Six out of the 19 municipalities in the Brussels-Capital Region are participating in the pilot phase of the platform: Berchem-Sainte-Agathe, Evere, Koekelberg, Molenbeek-Saint-Jean, Schaerbeek and Woluwe-Saint-Lambert. Permit applications for planning, environmental or mixed projects can be submitted via the platform. Although digitalising the application procedure for permits is a move in the right direction towards efficiency, there is still the issue of the time needed to process an application and the requirements needed to obtain it. A further 11 municipalities are expected to join before the end of 2023.

In 2018, the Brussels-Capital Region reformed the CoBAT to simplify urban planning rules and procedures. This reform had an impact on different aspects of urban development: planning regulations, building and environmental permits, environmental impact assessments, commercial establishments and others:

- The Master Development Plan (PAD) contains the region's main urban planning objectives and ensures the implementation of projects in strategic priority areas selected by governments. Although only indicative, it is possible to assign a regulatory value to certain of its provisions and, in the case of conflicting provisions, the master plan takes precedence over other instruments.
- For municipal governments, it is mandatory to provide zoning and planning information within 30 days for real estate transactions and lease agreements with terms of at least 9 years.
- Municipal governments have between 75 and 160 days to issue a permit, depending on the applicable procedure. When the permit is not issued during the indicated deadline, the file is transferred to the regional office, which has up to 450 days to take a decision. If the permit is not

issued within the deadline, the application is considered declined but the applicant can appeal to the regional authorities.

- For commercial establishments with a surface area that exceeds 1 250 m² (instead of 1 000 m² as it was before the reform), an environmental impact assessment report must be prepared to issue a building permit. A more in-depth study is required if the area exceeds 5 000 m² (instead of 4 000 m² as before the reform). To develop the environmental impact assessment, a public enquiry must be carried out and should last for 30 days.²¹

The CoBAT also includes a Housing Emergency Plan, which contemplates an “accelerated procedure” of 95 days maximum for granting a planning permit for projects involving at least 25% of social housing by shortening the investigation period but keeping the 30 days period to submit observations on the part of the public (Gouvernement de la Région de Bruxelles-Capitale, 2020^[64]).

The CoBAT has been reviewed on several occasions to rationalise and simplify planning permit procedures. It is currently subject to an external evaluation involving a wide number of actors (e.g. citizens, academia, lawyers, architects, regional administration, etc.). This evaluation is expected to lead to further reforms towards more efficient and faster planning permit procedures.

Urban renewal and social housing development projects may face social opposition

Neighbourhood opposition to social and affordable housing infill development is common in the Brussels-Capital Region, as in many other cities. Concerns often relate to the lack of information, preconceptions about people from other socio-economic backgrounds, misinformation and a poor communication strategy. Such an opposition constrains the supply of housing and may increase rents, exacerbate spatial inequalities, exclude low-income households from places with economic opportunities and urban amenities, reduce economic productivity or have negative environmental consequences (e.g. unused industrial areas may lead to pollution of land) and disincentivise private sector participation in housing construction projects.²² In the Brussels-Capital Region, opposition to housing development may delay or cancel ongoing projects, even when a building permit has been granted by the authorities.

Opposition to new housing development is certainly not unique to the Brussels-Capital Region. In the city of Los Angeles (United States), 75% of the residential land area is dedicated to low-density single-family housing and this land houses half the city’s population. Neighbourhoods zoned for single-family homes tend to be higher income with higher homeownership rates and are much less likely to have their zoned density increase, which pushes housing development and conflicts to other parts of the city (Monkkonen, 2016^[75]). In New York City (United States), residents have opposed new construction by using a wide array of instruments, ranging from environmental lawsuits to public demonstrations restricting construction and affecting housing prices (Glaeser, Gyourko and Saks, 2005^[44]). In the Brussels-Capital Region, the situation could be even more complex due to the politicisation of development projects that could turn public opinion in favour of a project or against it, such as the Dockside Tower project, a housing tower built alongside Brussels’ canal in the municipality of Molenbeek.²³ Fears of gentrification were also part of the factors driving opposition to the project.

An overcrowded housing policy sector

Many institutions and organisations from public, private and non-profit sectors intervene in the design and implementation of housing policy in the Brussels-Capital Region. Housing policy is a shared responsibility between the regional and municipal governments. Each level of government prepares its own housing plans in line with one another. Housing policy requires fine-tuned co-ordination mechanisms and clear governance frameworks.

Within the regional administration, there are at least four main actors in the housing policy domain:

- **Bruxelles Logement/Brussel Huisvesting**: the housing administration of the Brussels-Capital Region, responsible for the implementation of the regional housing policy, the provision of financial aid to individuals that meet the eligibility criteria, the identification of unoccupied and unsanitary housing and the provision of subsidies to housing actors such as associations (Bruxelles Logement, 2023^[76]).
- **Perspective.brussels**: produces analysis and evaluations on regional development and housing, and, within the framework of the PAD, may plan housing and social housing.
- **Urban.brussels**: supports the territorial development of the Brussels-Capital Region by implementing regional policy in terms of urban planning, movable and immovable cultural heritage and the management of operational programmes for urban revitalisation.
- **Brussels Environment**: provides the energy performance of buildings (EPB) certificate on the energy performance of a dwelling when an owner wishes to rent or sell a property of more than 18 m² in the Brussels-Capital Region.

Moreover, several additional organisations intervene in housing policy, for example:

- The **Société du Logement de la Région de Bruxelles-Capitale/Brusselse Gewestelijke Huisvestingsmaatschappij** (SLRB/BGHM): supports the acquisition of land, existing buildings, office buildings, industry or other property to create and develop housing (slrb-bghm.brussels, 2023^[77]).
- The **Société de Développement pour la Région de Bruxelles-Capitale/Gewestelijke Ontwikkelingsmaatschappij voor het Brussels Hoofdstedelijk Gewest** (SDRB/GOMB - CityDev): offers new housing to individuals, subsidised by the Brussels-Capital Region (citydev.brussels, n.d.^[78]).
- The **Fonds du Logement de la Région de Bruxelles-Capitale/Woningfonds van het Brussels Hoofdstedelijk Gewest**: promotes access to housing for all by offering credits to buy or rent a housing unit or conduct renovation works (fonds.brussels, n.d.^[79]).
- The **Agences immobilières sociales/Sociale verhuurkantoren** (AIS/SVK): aim to rent part of the Brussels rental market -housing that mainly belongs to private owners- at an affordable price to low-income households (fedais.brussels, n.d.^[80]).
- The **Syndicat National des Propriétaires et des Copropriétaires/Nationaal Eigenaars- en Mede-eigenaarsSyndicaat** (SNPC/NEMS): an apolitical association that acts as the sole interlocutor for the defence of property owners with regard to public authorities (SNPC-NEMS, 2021^[81]).
- The **Fédération bruxelloise de l'Union pour le Logement/Brusselse Federatie van Unie voor de Huisvesting** (FEBUL/BEFUH): acts as a meeting place for several member associations working for the effective realisation of the right to housing in Brussels.²⁴

The municipalities and the Public Centre for Social Welfare (CPAS/OCWM) are also responsible for ensuring access to affordable housing for all residents. Municipalities and CPAS/OCMW are allowed to acquire existing empty properties for a subsidy of 50% in the case of an allocation to social housing or 33.33% in the case of an average housing. They also have the possibility of using urban renovation contracts for housing production.

The Housing Advisory Council (*Conseil Consultatif du Logement/Adviesraad voor Huisvesting*, CCL/ARH) acts as an advisory body that brings together representatives of public housing operators, associations, workers' unions, employers' unions, private sector and a few experts.²⁵ The CCL can also carry out studies and analysis on its own initiative, and submit proposals to the Brussels-Capital Region government.

In the Brussels-Capital Region, each public housing operator prepares its own prospective plan for the acquisition of either housing units or land. There is no defined regional strategy on land for housing and

acquisitions are therefore done on a case-by-case basis. This creates a situation where operators compete for land and housing construction. Moreover, information about land and available housing units is not centralised, as each municipality has its own database or records. To improve the situation, the Brussels-Capital Region government has created the Brussels Housing Referent (*Référent bruxellois du Logement/Brusselse referent huisvesting*) as a specific position within the administration to boost the production of (all types of) public housing and private housing for social purposes by updating the dashboard of public housing projects in the region, developing cross-functionality among the different housing stakeholders in the region, in particular public operators, and keeping up communication with municipalities to ensure the functional and social mix of the housing projects. There are plans to renew the land cadastre managed by perspective.brussels to make the search for land and buildings more efficient. The cadastre has not been updated since the 1970s.

The housing crisis has been approached through reactive policies

Authorities in the Brussels-Capital Region have been working to address the housing crisis in the region for almost two decades. A series of sometimes isolated interventions have been adopted to fix the dysfunctionalities of the regional housing market.

The adoption of a housing and urban revitalisation policy

The General Policy Declaration 2019-2024 sets a vision to guarantee access to housing at a reasonable cost and to public services within a ten-minute walk from a place of residence (Gouvernement de la Région de Bruxelles-Capitale, 2019^[67]). To this end, the Brussels-Capital Region has developed: i) an emergency plan for social housing policy; ii) a policy to support the quality and accessibility of the rental market; iii) an urban revitalisation policy that places the district at the centre; and iv) a policy of access to property.

In 2020, the regional government published the Emergency Housing Plan 2020-2024 (*Plan d'Urgence Logement*, PUL), which includes 33 actions to speed up access to housing for the most vulnerable households in the region, either through social housing or the private rental market (Gouvernement de la Région de Bruxelles-Capitale, 2020^[64]). Some of those measures aim to simplify and accelerate administrative procedures, for example those linked to granting permits. The PUL constitutes a guide to clarify the responsibilities of different stakeholders in the development of social housing across the region, although there is a lack of precision on how each of the 33 actions will be carried out.

Promoting home ownership through financing mechanisms

As a result of the regionalisation of fiscal policy and powers related to housing, the Brussels-Capital Region has adopted a series of measures to facilitate homeownership, for example exempting from registration fees the purchase of dwellings up to a certain amount, the introduction and financing of the Brussels Housing Fund that offers services such as mortgage loans, rental housing provision, housing production, etc. (fonds.brussels, 2023^[82]). Moreover, through CityDev – a regional public company that produces new housing intended for acquisition by a middle-income population – housing units can be sold at two-thirds of the market price in neighbourhoods under renovation.²⁶ The different aid mechanisms may be combined and, in some cases, may even cover up to 75% of the price of a dwelling (Dessouroux et al., 2016^[48]). Despite the efforts to support homeownership, home rental is still the most common form of housing tenure (as mentioned above). It should also be noted that to access these mechanisms; a household must already have a certain amount of financial resources to pay for a dwelling, which means that middle-income, rather than low-income, households are the main beneficiaries.

A recent initiative has been the collaboration between the Brussels Housing Fund and the Community Land Trust Brussels (CLTB), which has facilitated the construction of housing following the objectives of the Alliance Habitat programme (Région de Bruxelles-Capitale, 2018^[16]). The CLTB focuses on building

affordable housing for low-income households in the Brussels-Capital Region by helping buyers acquire the building, not the land, considered as a common good. The result has been the production of homes that cost 40% less than those on the private market; resale is possible but a capped price is set to maintain the quality of affordable housing (CLBT, 2021^[83]). Buyers can resell or rent the property acquired under the scheme under “exceptional” circumstances established by the regional government (Gouvernement de la Région de Bruxelles-Capitale, 2021^[84]).

The implementation of programmes to promote homeownership also aims to incentivise households to stay in the region rather than move out to the suburbs or other parts of the country. However, research suggests that homeownership is not enough to keep households in the region (Berns et al., 2022^[85]). The focus on housing ownership for households with children has not yielded the expected results as they still move out of the region. Elderly and single-parent households are more likely to stay in the urban area, as they depend more on services and facilities readily available in the city. Due to financial constraints or changes in their personal needs, the residential demand of these cohorts focuses on smaller dwellings closer to services and public transport and, generally, in the rental market.

Assistance to low-income households to access affordable housing

A regional priority has been to assist low-income households in finding affordable housing. In 2005, the Brussels-Capital Region launched the Regional Housing Plan to build 3 500 social housing units and 1 500 middle-sized housing units. In 2013, with the aim to expand the targets and policy, the region launched the Alliance Habitat programme to build 3 000 social housing units and 1 000 middle-sized houses.²⁷ The city of Brussels also launched a plan to build 1 000 housing units through the Plan 1000 Logements (Brussels City, 2015^[86]). These plans helped increase the stock of financially affordable housing. Moreover, the region has been experimenting with other instruments, such as providing a financial complement to pay for rent, but municipalities are not using it to its full potential. Moreover, this instrument is highly restrictive as it covers households in the public non-social housing sector (e.g. municipally controlled companies); however, the households most in need of support are in private sector housing. In addition, some of the households registered for social housing may receive support to pay for rent in the private sector while waiting to access social housing. The rental allowance is paid monthly for a period of five years. It was adopted in October 2021 and, until December 2022, more than 7 500 households had received the subsidy (budget.brussels, n.d.^[87]). This measure, although well-intentioned, may lead to increases in rents or displace other households seeking low-priced housing, such as students or people with disabilities.

Incentives for the private sector to participate in housing construction

The Brussels-Capital Region government has also provided incentives to the private sector to participate in the affordable housing market. The reason is that the public sector alone will not be able to meet the demand for social housing as the gap between demand and supply grows constantly (see Chapter 1). For a long time, office developers have had to pay planning permission charges to compensate for the use of land for offices. The municipalities use the resources to cover the construction or renovation of social housing, construction of facilities, etc. Since 2013, housing construction has also been subject to those charges for projects more than 1 000 m² in surface. However, housing developers have the possibility to avoid paying the fee if they dedicate 15% of the housing units to subsidised or supported housing. Subsidised housing is rented or sold by the developer to private individuals directly but under social conditions, while supported housing is rented or sold to a public housing operator or a social housing agency. Private operators play a key role in the supply of housing in the region. However, their actions are driven by parameters of economic profitability rather than social goals. The lack of strict control on the free housing market in terms of prices and production volumes has given rise to a new regional geography of housing, dividing the territory in broad terms into a more disadvantaged north and a prosperous south. Research has concluded that, in the Brussels-Capital Region, the lack of regulation of the private segment

of housing leaves the regional housing market unprotected against the growing inequalities in terms of access to housing, affecting the most disadvantaged households (Dessouroux et al., 2016^[48]). Since most of the housing production is carried out by the private sector, this creates a discrepancy with the target of housing policies aimed at providing affordable housing to low- and middle-income households. However, restrictive regulation leads to higher housing production costs and thus higher prices, as the Manhattan area in New York City experienced in the 2000s (Glaeser, Gyourko and Saks, 2005^[44]).

Land policy has been used to stimulate the private production of housing. The Regional Land Use Plan (PRAS) was modified to allow the construction of housing in industrial areas or highly mixed areas where housing had a secondary function. The modification has included the creation of urban enterprise zones (*zones d'entreprises en milieu urbain, ZEMU*) aimed at productive activities and integrated business services but that can also accommodate housing and commerce (perspective.brussels, 2023^[88]). This measure has freed up large portions of land in places where housing was previously not authorised. The reinforcement of the residential function in areas dedicated to offices, such as the European Quarter, has facilitated the emergence of mixed-use areas.

Repurposing office buildings into social and affordable housing

Converting or repurposing former office buildings into social and affordable housing is seen as an additional instrument to bridge the housing gap since the sole construction of new housing does not suffice to meet the demand. However, conversion projects face financial and administrative obstacles. Repurposing office buildings into other functions is not a new activity in the Brussels-Capital Region. But over the last decade at least, most of the conversions (56% between 2018 and 2020) were for the creation of new housing units (perspective.brussels, 2022^[52]). These projects fall within the framework of restructuring the diversity, re-densification and mixed land use of the different neighbourhoods. Vacant buildings, due to their obsolescence and a lack of surrounding public services (i.e. public transport), or new ways of working (i.e. remote working), are regarded as opportunities for urban renewal. However, experience shows that owners of those buildings tend to rehabilitate them into offices as a first option. If those buildings are too old, without any hope of producing revenues, preferred options are to modernise, destroy or transform them for other uses. Repurposing those buildings follows an economic logic that is not always consistent with revenues expected from housing (perspective.brussels, 2022^[52]; ADIHBH-V, 2013^[89]).

Converting former office buildings into social and affordable housing may be costly and technically complex. In the Brussels-Capital Region, only the SLRB/BGHM develops social housing projects based on repurposing buildings. For example, it is redeveloping an old factory called *Projet Luttre* into a mix of social housing and offices. It bought the property for EUR 624/m² but the conversion costs will raise the price to EUR 2 600/m² once finished (perspective.brussels, 2022^[52]). Another example is the conversion of the *Ariane* building in the municipality of Woluwe-Saint-Lambert. It was bought for EUR 758/m² in 2020 but conversion costs have raised the price to EUR 2 000/m² on average, although this is still considered reasonable as there is potential to develop 250 social housing units and other facilities (perspective.brussels, 2022^[52]).

High conversion costs are part of why social and affordable housing production based on the repurposing of former office buildings is still low. Local authorities face budgetary constraints to buy vacant properties and private investors face lower revenues if they transform them into housing for low- and middle-income households compared to houses for the private market. In addition, municipal and property taxes must be paid during the entire process of obtaining the planning permit. Moreover, the SLRB/BGHM must go through an internal procedure to allow the purchase of the property and then obtain the planning permits to convert the building, which could lead to the project failing.

Strategies for ensuring affordable and quality housing in the Brussels-Capital Region

To meet its housing and urban development objectives, the Brussels-Capital Region government may wish to consider the following recommendations:

Develop a housing policy based on long-term planning and a prospective approach

As discussed above, the Brussels-Capital Region faces a double challenge: meeting the current demand, particularly for social and affordable housing, and preparing for future demand due to population growth and changes. Moreover, the housing policy of the Brussels-Capital Region should not only adopt a social approach but be part of a wider urban development policy that links housing with the habitat and includes financing mechanisms. For example, Vienna (Austria) and Berlin (Germany) have resorted to different options to regulate and finance long-term social housing and meet the housing affordability challenge. While Vienna fosters a permanent social housing perspective, Berlin binds social rental dwellings to a temporary social housing commitment (Box 2.8). It is certainly up to the Brussels-Capital Region authorities to decide which approach to emulate but, whatever the approach, it is necessary to guarantee a constant supply of social housing units either by construction or renovation with the participation of semi-profit organisations and/or the private sector. Another important consideration, based on the experience of Berlin and Vienna, is how the Brussels-Capital Region intends to finance social housing in the long term. Financing costs can influence the rent-setting mechanism, affecting for whom and how long the social dwellings are and will remain affordable (OECD, 2020^[90]). However, as the housing landscape changes due to the economic context, the region may wish to look into a greater range of ways to finance social housing, such as direct public expenditure (grants or loans), government intermediaries or loans via private financial institutions.

Box 2.8. International approaches to social housing – The examples of Berlin (Germany) and Vienna (Austria)

In the city of Berlin, each social rental dwelling is provided at sub-market rental prices until public subsidies are amortised, typically after 10-40 years. This is a semi-permanent approach based on a temporary social housing commitment that allows policy makers the flexibility to adapt to fluctuating housing markets, incentivises landlords to maintain the quality of social dwellings to compete with market-rate housing once the social tenancy expires and facilitates mixing social and market-rate housing across neighbourhoods. However, as the number of social dwellings for which the public subsidies have been amortised outdoes the pace of new social housing construction, there has been a decline in the total social housing stock.

In contrast, the city of Vienna embeds social housing as a permanent and broadly available affordable housing option as part of its long-term planning and comprehensive policy framework. To sustain efforts, the institutional rules ensure that the tax-exempt limited-profit housing associations continuously re-invest profits into social housing, leading to a relatively constant high supply of units. Social dwellings remain permanently under regulated rents. Thanks to this arrangement, Vienna has so far been able to maintain a large share of long-term affordable housing options.

Source: Marquardt, S. and D. Glaser (2020^[91]), “How much state and how much market? Comparing social housing in Berlin and Vienna”, <https://doi.org/10.1080/09644008.2020.1771696>; OECD (2020^[90]), “Social housing: A key part of past and future housing policy”, <http://oe.cd/social-housing-2020> (accessed on 27 July 2023).

Review the planning permit granting procedure to make it more efficient

The procedure to obtain a planning/construction permit has been a barrier to housing construction in the Brussels-Capital Region. While the permit procedure aims to ensure that the regulations and standards are followed and that housing construction will not represent a risk for the community, its length and bureaucracy may discourage investment in the housing sector. Applying for a planning permit and obtaining approval add expenses, delay and uncertainty, which increases the total cost. Research has found that for every month of delay in approving new building permits, a housing market's ability to meet housing demand falters more in the long term than restrictive zoning (McLaughlin, 2016^[92]). Accelerating affordable housing approval and the permit granting process to reduce construction costs and uncertainty would make projects more attractive to developers. For example, the regional and municipal governments may consider eliminating elements of the soil state recognition (*reconnaissance de l'état du sol*, RES) for infill development and shortening the planning review and permitting period for developments that meet affordable housing guidelines as stated in the Good Living plan. The Brussels-Capital Region authorities could also consider four key actions:

- First, reform the current CoBAT so that when planning permission is not issued by the indicated deadline, the application should be considered automatically approved rather than rejected, as is currently the case. This may assist in stimulating public authorities to be more proactive in reviewing the applications.
- Second, remove municipalities from the permitting procedure and concentrate the function at the regional level. This would prevent situations where different municipalities are deciding on land uses of a shared street, develop an overarching regional and political vision on housing development as power is currently spread across different levels of government and departments, and reduce the time for approval of planning applications, as only one authority with more capacity will be responsible for analysing the application file.
- Third, provide guarantees that planning permits granted will not be cancelled unless they represent a threat to national or regional safety. Once a permit is granted, it is understood that it follows the regulations and complies with regional and municipal development plans. Therefore, it should not be cancelled by *ex post* objections to the building project. One possibility to ensure all voices are heard would be to include a notification to the neighbours about the planned construction project as part of the permitting procedure. If no objection is made during this time, no objection should be accepted once the project has been approved.
- Finally, streamline development regulations and requirements. In line with the need to reduce the time needed to grant a planning/construction permit, the Brussels-Capital Region may wish to make the administrative process related to the planning permit application more efficient in terms of waiting periods and less heavy in terms of content by conducting a review of the development regulations and requirements to streamline them. Research suggests that regulations may be a barrier to housing production and, as a consequence, a cause of high house prices (Monkkonen, 2016^[75]; LAO, 2016^[93]; 2015^[94]). For example, in the state of California (United States), authorities have streamlined the approval process for affordable infill multi-housing development, making such housing “by right”, thereby eliminating discretionary local regulations that often delay or prevent affordable housing construction (Box 2.9). To support the production of affordable housing, the Brussels-Capital Region should relax the planning and urbanistic rules related to the housing function (PPAS, RRU) and grant identical tax benefits to private investors and developers willing to conduct housing projects similar to those of CityDev on the market and seek action from the federal government to reduce value added tax (VAT).

Box 2.9. Local government planning and approval of new housing in the state of California (United States)

Cities and counties in California make most decisions about when, where and to what extent housing will be built. They are required to develop a general plan that outlines the community's vision of future development through a series of policy statements and goals. A community's general plan lays the foundation for all future land use decisions, as these decisions must be consistent with the plan. A community's general plan must include a housing element, which should outline a long-term plan for meeting the existing and projected housing needs.

The housing element must show how the community plans to accommodate its "fair share" of its state's housing needs. To do so, each community establishes an inventory of sites designated for new housing that is sufficient to accommodate its fair share. Communities also identify regulatory barriers to housing development and propose strategies to address those barriers. State law requires cities and counties to update their housing elements every eight years.

Housing developers must obtain city or county approval before they can build new housing. Developers generally must obtain one or more permits from city or county planning departments. In many cases, they must also obtain approval from local planning commissions, city councils or county boards of supervisors. However, city or county planning staff can permit some housing projects without further approval from elected officials. These projects are typically referred to as "by right". By-right projects require only an administrative review designed to ensure they are consistent with existing general plan and zoning rules, as well as meet standards for building quality, health and safety. By-right approval is uncommon for large housing developments as these projects are vetted through both public hearings and administrative review.

Source: LAO (2016^[93]), *Considering Changes to Streamline Local Housing Approvals*, <https://lao.ca.gov/Publications/Report/3470>.

Complement affordable housing mandates with additional incentives to encourage housing development, including housing energy efficiency renovation

The fact that property developers should dedicate 15% of their housing units to social housing and that there is not enough space in the Brussels-Capital Region for large housing developments may have a negative impact on the production of affordable housing for other households. To minimise such detrimental effects, the region could implement other incentives to encourage development, such as minimum/maximum densities and reduced parking requirements. The Brussels-Capital Region may also consider applying the 15% requirement only where significant latent demand for new housing exists. For example, according to regional authorities, it may apply the 15% requirement to projects where housing units are over the price considered affordable. Additionally, the Brussels-Capital Region government may consider minimising development fees and providing discounts and exemptions for affordable infill housing development projects if they include some social housing units. Setting those fees and charges per square metre rather than per unit would be important to reduce the fees charged for smaller and cheaper units. In this way, developers may be encouraged to build smaller housing units suitable for smaller households. In addition, the Brussels-Capital Region government should become a partner of the private sector in housing development to develop and pursue a joint vision of the future of housing in the region.

An additional measure could be allowing higher densities and greater heights than normal in exchange for more social housing. This would be in line with the compact, affordable, infill development plans of the Brussels-Capital Region while preventing land use increases. Moreover, this would prevent land value increases that would result if increased density were allowed for higher-priced housing units. Municipalities

may introduce minimum requirements of building density and height in accessible locations (e.g. areas close to transport hubs) or areas undergoing renewal (e.g. urban revitalisation zones, ZRU). The city of Seattle (United States) offers an example of the introduction of density bonuses and requirements (Box 2.10). However, these policies need to be introduced carefully to be successful. For example, the Brussels-Capital Region would need to develop a thorough understanding of the market conditions and conduct a “before-and-after” feasibility study to ensure developers obtain an interesting return on investment. The experience of the city of Seattle indicates that additional revenue from upzoning is far lower than costs related to affordable housing mandates, reducing total production and affordability (Bertolet, 2017^[95]).

Box 2.10. Seattle’s Mandatory Housing Affordability (MHA)

In 2019, the city of Seattle (United States) adopted the MHA programme, which is a developer contribution. To achieve the goal of providing affordable housing, the MHA requires all new commercial and multi-family development either to include affordable housing on site or make an in-lieu payment for affordable housing. In exchange for the new affordable housing requirement, additional development capacity is granted in the form of zoning changes. A community input process helps inform the details and location of the zoning changes to implement the MHA. Developer contributions are either a payment or benefit provided in consideration of a proposed project. The city of Seattle requires MHA developer contributions to mitigate the impacts of new development.

Source: City of Seattle (n.d.^[96]), *Seattle Department of Construction & Inspections, Mandatory Housing Affordability (MHA) Program*, [https://www.seattle.gov/sdci/codes/codes-we-enforce-\(a-z\)/mandatory-housing-affordability-\(mha\)-program](https://www.seattle.gov/sdci/codes/codes-we-enforce-(a-z)/mandatory-housing-affordability-(mha)-program); City of Seattle (n.d.^[97]), *Housing Affordability and Livability Agenda (HALA)*, <https://hala.consider.it/find-more-ways-to-help-tenants-stay-in-market-rate-housing-even-as-rent-increases?tab=Feedback%20on%20key%20principles>.

To increase the housing renovation rate, the Brussels-Capital Region needs to address the barriers that disincentivise property owners to renovate their properties, mostly those for the rental market. This is a complex issue as behavioural factors also need to be considered, such as people’s preference to maintain the status quo or loss aversion. The Brussels-Capital Region may wish to:

- Adopt a combination of financial assistance measures for scaling up energy efficiency investment in buildings. Retrofitting requires a significant amount of costs upfront; thus, a variety of financial incentives can be used (e.g. including tax breaks, low-interest-rate mortgages and grants) together with stricter regulations to incentivise property owners to invest in deep energy retrofits as well as to reduce the burden of these regulations, especially on vulnerable households.
- Increase awareness on the advantages of renovation works through media information campaigns aiming at tackling misinformation and filling information gaps, and providing free advice and assistance on energy savings and what it entails as well as the different options to obtain bank loans.
- Clarify the financial benefits of conducting energy-saving renovation works through free financial advice. Property owners are not always fully aware of the savings that increased energy efficiency will produce and focus only on the immediate cost. This information should be made available to both homeowners and tenants. The reason is that tenants should be aware of the savings of living in an energy-efficient unit as they pay the energy bills in most cases.
- Include incentives for renovating when buying a new property and combine with financial instruments ensuring that those are targeted to house buyers, particularly first-time buyers.

- Develop a database of contractors to facilitate homeowners contacting qualified workers, which could be done at the level of municipalities.
- Revise the administrative procedures to apply for loans and permits aiming at simplification, which would not only accelerate decision-making but could reduce hassle for owners and address their perceptions of risks.

Adjust the housing policy target population to include a wider social spectrum and different needs

As discussed above, the Brussels-Capital Region housing policy is largely focused on lower-income households with children and the location of social housing has led to a socially divided city. Across OECD countries, social mix is a key objective of social housing but it has sometimes led to a higher concentration of lower-income and vulnerable tenants and a reduced cross-section of income levels (OECD, 2020^[90]). In the region, housing policy should be used to promote a socially mixed city by recalibrating the target population. This could be achieved by undertaking three main actions:

- **Focus on meeting the residential needs of people who value and require dense urban environments.** As research suggests, the Brussels-Capital Region's housing policy should be reoriented to meet the demands of the elderly, single-parent households, students, single-person households and others who are more likely to require access to services provided in an urban environment (Berns et al., 2022^[85]). This would require embracing both lower- and middle-income residents. Access to social housing, in particular rental housing, should be open to a wider share of the population.
- **Prioritise the social housing rental sector and facilitate access to housing solutions for people from different socio-economic backgrounds.** This would help meet the temporary residential needs of individuals or households who require quick access to public services (e.g. transport, health and education) and the labour market. To strengthen the social housing rental sector, the Brussels-Capital Region government may wish to consider regulating rental prices to ensure tenants do not pay more than, for example, 30% of their household income for housing (i.e. a common measure on housing affordability (OECD, 2022^[98])) as is done by the city of Vienna (Box 2.11). To access social rental housing, the Brussels-Capital Region should continue applying income criteria as it has done so far but only when tenants first move in. Tenants should not necessarily be required to move out if they increase their income. They may be asked to pay extra rent or solidarity rent as it is called in France²⁸ or reduce their social rent benefits at higher income levels, as with the income-dependent rent increases introduced in the Netherlands.²⁹ Another alternative is to develop smaller social housing estates that are more evenly distributed throughout and across the region, effectively deconcentrating social housing estates and not the people living in them and, in turn, helping with social acceptance. The aim of this arrangement should be to promote social integration by mixing together residents with different income levels. Through this action, the Brussels-Capital Region would ensure that housing developments do not turn into low-class enclaves and become stigmatised concentrations of poverty. As part of the regulation of the rental market, the Brussels-Capital Region could consider requesting the federal government to tax rents (see Chapter 4 on tax revenues in the region) as the fear of moving to a higher income bracket may stop owners from increasing rents; renovation of the housing unit may be incentivised as the actual costs could be deducted from income in the tax system and the need to declare possible works, as this is needed to deduct from tax, will reduce undeclared works.
- **Foster residential mobility of social housing tenants.** Tenants should not be required to re-join the queue to access social housing if they take up employment in a different part of the region, even a metropolitan area, as done in England (United Kingdom) with the Right to Move policy.³⁰ Another option is to build an online platform that collects information from social housing providers

to enable social housing tenants to exchange their dwellings, as done in the Paris region in France through the platform *echangerhabiter.fr*.

- **Promote the development of housing configurations that match a new household diversity to deal with the issue of overcrowding.** This could involve facilitating self-construction, owner home renewals or even the construction of community housing. The legal framework should be revised to ensure that new housing practices are protected and facilitated, for example by easing the registration and issuing permits and ensuring that inhabitants participate in the decision-making process.

Box 2.11. Social housing policy in Vienna, Austria

The city of Vienna's housing policy aims to provide affordable, secure housing for low- and medium-income level residents. Social housing is intended for a broad stratum of the population. The city government safeguards the construction of thousands of subsidised dwellings every year and contributes to the rehabilitation of older building stock. The annual investment in affordable housing amounts to EUR 450 million.

Vienna has about 1 million housing units. Of these, 33% belong to the private housing sector, 21% are co-operative dwellings, 22% municipal flats, 19% condominiums and 5% other types of housing. Social and affordable housing accounts for 43% of the housing market. The roughly 220 000 municipal flats (i.e. built and managed by the city) and around 200 000 subsidised dwellings (i.e. built and managed by non-profit or/and limited-profit housing developers) underpin social housing in the city. Approximately 50% of Vienna's population live in 1 of these 2 housing types. Social housing strives for a more equitable society that involves both the middle-class and lower-income groups. Uniform and transparent allocation criteria allow for a good social mix in social housing estates.

To develop housing projects, the city buys land deemed suitable for residential development and retains control over the type and nature of development. It then requests proposals from various private developers, which will build and retain ownership of the housing units. A jury evaluates these proposals based on four criteria: architectural quality, environmental performance, social sustainability and economic parameters (e.g. rent levels and costs). Once the project and the developer have been selected, the city sells the land to the developer at an affordable price. In addition, the city gives the developer a loan with favourable terms such as low interest rates and extended repayment periods. Private developers who build affordable housing in co-operation with the city government must allow the city to rent half of the new apartments to lower-income residents; the developer generally leases the remaining units to moderate-income residents.

Rehabilitation and refurbishment are a critical component of the city's housing policy. Since 1984, 7 463 residential buildings with more than 322 700 housing units have been renovated in the context of the "gentle urban renewal" programme. Currently, 210 residential buildings with approximately 16 800 housing units are under refurbishment. A large part of these projects is conducted under the subsidised thermal-energy renovation programme to ensure a reduction in energy consumption.

Affordable rents boost purchasing power as the large share of social housing contributes towards more affordable prices for a major proportion of the entire housing market. A special feature of the Vienna housing market is that 76% of the population are tenants. Rents are regulated by the city government so that no resident pays more than 20% to 25% of their household income for housing. The housing rental market ensures: i) social stability and financial predictability by open-ended tenancy contracts and affordable rents; ii) a reduction in energy consumption through subsidised rehabilitation and refurbishment projects; iii) prevention of segregation through the "gentle urban renewal" programme;

iv) access to the housing market for both lower- and medium-income groups; v) comprehensive tenant protection as well as manifold, free-of-charge counselling services; vi) rents tied to the consumer price index; and vii) eco-friendly construction methods that safeguard a healthy living environment and improve environmental protection.

Source: City of Vienna (n.d.^[99]), *Affordable Housing as a Public Task*, <https://socialhousing.wien/policy>.

Build synergies among different initiatives for affordable and accessible housing in the city-region

Most of the housing and mobility initiatives in the Brussels-Capital Region are in line with the objective of building a compact, connected and sustainable city, but more needs to be done to make this a reality. It is necessary to build synergies among the different initiatives and plans already approved. To make the Brussels-Capital Region more affordable, regional authorities may consider ensuring that households, especially those in low- and middle-income groups, do not spend more than 30% of their income on housing or 45% on housing and transport combined.³¹ According to the Household Budget Survey 2022, households in the Brussels-Capital Region spend 43% of their income on housing (34.6%) and transport (7.6%) (Statbel, 2022^[100]). As a reference, low-income households in the Metro Vancouver Regional District (Canada) may spend up to 70% of their income on rent and transport. Thus, authorities in the Metro Vancouver region have set the target of ensuring that households do not spend more than 45% of their income on housing and transport combined (TransLink, 2022^[101]). Although households in the Walloon and Flemish Regions spend more on transport (11.5% and 9.1% respectively) and slightly less on housing (32.2% and 31.1% respectively), it should be noted that many residents tend to commute to the Brussels-Capital Region for work, school and access to services. Therefore, any measure aimed at improving transport and housing planning should adopt a metropolitan approach as co-ordination with the two other regions is essential to building synergies and planning joint investments.

Other actions the Brussels-Capital Region may consider include the following:

- **Use urban development as an instrument to meet housing needs and avoid sprawl.** Locating new housing developments near transport networks can help make the Brussels-Capital Region more affordable. For example, to meet the rising demand for housing, the city of Vienna has issued an Urban Development Plan (STEP 2025), defining a compound strategy combining urban expansion with “compaction” of the built stock. The main objective of the plan lies in land-conserving urban development and the preservation of a high share of green spaces, which amounts to 50% of the municipal territory. Thus, the local government aims to ensure that new urban development projects attain a density of 2.5 gross development area and that existing old urban neighbourhoods are further developed. Housing and densification objectives should be mutually supportive but the Brussels-Capital Region should note that it is not necessary to build taller buildings to accommodate a denser population, as shown already by the experience of Jardins de la Couronne in the municipality of Ixelles.
- **Optimise the link between housing policy and urban regeneration.** For the Brussels-Capital Region, urban regeneration is a way to support vulnerable neighbourhoods by improving public infrastructure and revitalising deteriorated or abandoned buildings. The region has a larger number of housing units than households but many of these housing units are in poor condition. Thus, the regional government may wish to shift from a quantitative approach to a qualitative vision of housing policy focused on housing renovation. Further deterioration of the housing stock and some neighbourhoods would require the implementation of costly and complex regeneration strategies to repair the urban and social fabric.
- **Link housing development further to urban sustainability.** The Brussels-Capital Region needs a broader habitat policy to avoid implementing a siloed housing policy and, in that way, build more

liveable neighbourhoods. Providing affordable and decent housing to residents, in particular low-income households, should not be at the expense of urban sustainability. Ensuring that urban spaces are resilient in environmental, economic and social terms should be part of housing development projects in which the habitat is regarded as an extension of housing. For example, Mexico introduced the Sustainable and Comprehensive Urban Developments Certifications (*Desarrollo Urbano Integral Sustentable*, DUIS, now called *Desarrollos Certificados*) and applied a comprehensive evaluation grid, which defined three scales for quality and sustainability: dwellings, neighbourhood and connection to the city. The initiative consists of a package of public subsidies in several fields (education, health, social inclusion, etc.) that are granted to the certified projects. This example offers the Brussels-Capital Region an example of a methodology to introduce sustainability criteria comprehensively in the production of social housing, especially regarding new large-scale social housing urbanisation projects (OECD, 2015^[102]).

- **Reduce impediments to developing lower-priced, infill housing in walkable neighbourhoods** and as part of the urban regeneration programme of the region. Pedestrianisation efforts are already underway in several parts of the region but they must ensure that the construction of social and affordable housing is part of the urban renewal project.
- **Adopt land value tax and undeveloped land surtax to foster a more efficient use of urban land.** This could complement the initiative promoted by CityDev, which allows home buyers to buy the building but not the land. To reduce the cost of constructing buildings, improve and maintain the housing units, and discourage land price increases and speculation, the Brussels-Capital Region may wish to adopt land value taxes that shift property tax burdens from buildings to land value to encourage more compact, accessible urban development (see Chapter 4).
- **Ensure that taxes, development fees and utility rates support compact development.** The Brussels-Capital Region government, in co-ordination with the municipalities, may wish to use development fees, taxes and utility rates to encourage compact development by providing discounts or exemptions for smaller and cheaper housing units, for housing with fewer vehicle trips (i.e. those located in transport hubs) and for compact, infill development, reflecting the lower costs of providing public infrastructure and services to housing units. Research suggests that development fees should be charged by square metre rather than by housing units to reflect public costs more accurately in providing public services (Parent, 2017^[103]). Larger housing units for more affluent families would pay more than those living in smaller units in the same neighbourhood.

Develop a diversified package of measures to finance further development of affordable housing

The challenge for the Brussels-Capital Region is to promote construction and build affordable housing units (see Figure 2.2). The lack of social housing units will require using public funds to continue providing allowances to low- and middle-income households to find accommodation in the private market. Only, in 2023, the budget for social protection represented 25.6% of the total regional budget and almost 37% of these resources were for housing, which includes the rental subsidy, a slightly lower share than in 2022 when 38.3% of the social protection budget was devoted to housing (budget.brussels, 2023^[104]).

Since the rents that low- and middle-income households can afford are often too low to cover the full costs of owning or managing a rental property, countries and cities tend to fill the gap via subsidies. The subsidy can be used to help cover construction costs, rents and/or operating costs or to help tenants pay the rent in private sector housing, as done in the Brussels-Capital Region. Keeping the same level of investment in social housing may be challenging in a context of limited resources and, still, the available resources do not cover social housing construction. Thus, the region needs to explore different policy options, which include tax incentives, tax exemptions for development on certain types of land or in designated areas (i.e. those considered for renewal) or for the conversion of office buildings into residential buildings, and government-guaranteed bonds to provide low-cost finance to community-based organisations to create

and manage social housing across the region. Table 2.4 provides some examples of measures introduced by OECD countries to finance affordable housing and could be of inspiration to the Brussels-Capital Region. These examples refer to measures implemented at the regional or local level of government, not by the national government.

Table 2.4. Examples of measures to finance affordable housing in OECD countries, adopted at the regional/local level of government

Country	Name/description	Tenure type	Requirements applying to the dwelling and/or household	Income thresholds for end users/type of aid
Australia	Among other provisions, the State Environmental Planning Policy (Affordable Rental Housing) 2009 includes floor space incentives for villa, townhouse and residential flat building development projects in accessible locations, where residential uses are already permitted if the development includes affordable rental housing for ten years and is managed by a community housing provider.	Affordable rental dwelling	Affordable rental housing is provided for very low-, low- and moderate-income households. Different eligibility restrictions apply. Under a restriction on the title, dwellings must be used for affordable rental housing for ten years and must be managed by a registered community housing provider. A maximum price applies to dwellings built with support from this scheme.	Income threshold <i>Type of aid:</i> density bonus
Austria	Subsidies Schemes of the Austrian Provinces (Wohnbauförderung der Länder) offer grants, soft loans and guarantees for the construction of new owner-occupied dwellings.	Both affordable owner-occupied and rental dwellings (including collective living facilities, e.g. for students and the elderly)	A maximum price applies to dwellings built with support from this scheme. There are also standards in terms of quality/energy efficiency. Requirement for end users: permanent residents with Austrian or European Union citizenship or recognised asylum seekers.	Income threshold <i>Type of aid:</i> grant, soft loan, guarantee
Ireland	Local Infrastructure Housing Activation Fund (LIHAF) is a key element of Pillar 3 of <i>Rebuilding Ireland: An Action Plan for Housing and Homelessness</i> . The objective of the fund is to provide public offsite infrastructure to relieve critical infrastructure blockages. This will enable the accelerated delivery of housing on key development sites in Dublin and in urban areas of high demand for housing. Funding is 75% grant funding from the Department of Housing, Local Government and Heritage, with 25% matching funding provided by the local authority.	Both affordable owner-occupied and rental dwellings		<i>Type of aid:</i> Grant
Netherlands	The housing deals (Woondeals) (reached with the municipalities of the tightest housing markets) include terms on acceleration of current development projects, availability of sufficient affordable housing and the rental sector.	Both affordable owner-occupied and rental dwellings	Support is given on a broader scale to local governments for large developments (e.g. new neighbourhoods in green field developments), not on a house-by-house basis.	<i>Type of aid:</i> improved access to construction sites; expedited planning and construction procedures
Spain	Tax relief to property developers to finance the construction of affordable housing. The Local Tax Law (RDLeg 2/2004) establishes a mandatory tax relief on the property tax (<i>impuesto sobre bienes inmuebles</i> , IBI). This tax relief may be between 50% and 90% of the total tax charge.	Both affordable owner-occupied and rental dwellings	A maximum price applies to dwellings built with support from this scheme. There are also standards in terms of dwelling size.	Income threshold <i>Type of aid:</i> tax deduction

Source: OECD (2021_[105]), “PH5.1 Measures to property developers to finance affordable housing construction”, <https://www.oecd.org/els/family/PH5-1-Measures-financing-affordable-housing-development.pdf>; For Australia: Government of New South Wales (2009_[106]), *State Environmental Planning Policy (Affordable Rental Housing) 2009*, <https://legislation.nsw.gov.au/view/pdf/asmade/epi-2009-364>; For Ireland: DLR County Council (n.d._[107]), *Local Infrastructure Housing Activation Fund (LIHAF)*, <https://www.dlrco.ie/cherrywood-sdz-news/local-infrastructure-housing-activation-fund-lihaf>; For the Netherlands: Ministry of the Interior and Kingdom Relations of Netherlands (n.d._[108]), *Woondeals Groningen 2022-2030*, <https://www.volkshuisvestingnederland.nl/onderwerpen/woondeals/documenten/publicaties/2023/04/21/woondeals-groningen>; For Spain: Auxadi (2019_[109]), “Spain: tax relief in property tax under construction”, <https://www.auxadi.com/blog/2019/11/13/spain-tax-relief-in-property-tax-under-construction/>.

Transform the Housing Advisory Council (CCL) into a policy formulation body

The Brussels-Capital Region already has a Housing Advisory Council (CCL) that advises and provides opinions on different housing projects and initiatives; it offers a forum for the exchange of experiences and consultation among housing actors operating in the region. However, it is not a decision and policy-making forum per se. Indeed, housing policy is the prerogative of the regional government in co-ordination with municipalities. Tackling the housing crisis in the Brussels-Capital Region requires co-ordinating actions on different fronts under a unifying approach and vision. Transforming the current CCL into a housing co-ordination council (HCC) would help facilitate the elaboration of a more coherent policy. In particular, it would enhance the awareness and understanding of the nature of the housing challenge, develop collaboration schemes and strategies, improve efficiency and effectiveness in the use of resources, including land, financial and human resources, and create new opportunities for partnerships to deliver solutions in specific cases. The HCC would continue to fulfil the current tasks of the CCL but one new important task would be the co-formulation of a housing policy by all regional actors. The membership of the proposed HCC would be the same as the current CCL but it could be chaired by the Brussels-Capital Region represented at the political level by Bruxelles Logement, perspective.brussels and urban.brussels.

Some specific new tasks of the HCC would include:

- Building relations with key housing actors within the region, to gather evidence, set priorities and define policy options to tackle the housing crisis.
- Providing a bridge between the regional housing policy and operational levels (e.g. municipalities or housing providers).
- Conducting surveys on the current housing policy and its effects, which could also be a way to consult citizens and obtain their views.
- Supporting municipal authorities and housing operators to make better use of available data, including tapping into unused resources.
- Supporting the construction of a regional database on land and vacant or available housing units or buildings.
- Mapping current initiatives and practices across the 19 municipalities of the Brussels-Capital Region as well as regional actions to build synergies, identifying good practices (e.g. on housing allocation policies, building new housing, securing or buying properties) and discouraging individual local authorities from duplicating housing policy actions.
- Evaluating the different approaches to address the housing crisis across the different municipalities and the region to stimulate performance improvement.
- Piloting specific new policies or practices to facilitate access to affordable housing.
- Creating economies of scale by bringing together personnel responsible for housing from across the different municipalities for joint training sessions on the legal framework or specific housing issues such as vacant housing and overcrowding.

Address local resistance to urban and (social) housing developments across the region

Opposition to urban, land use and housing development often occurs in a variety of ways. For example, mortgage interest deduction promotes the use of housing as an investment but homeowners may oppose it if they perceive a negative impact on the value of their homes. Research suggests some possible avenues to face opposition to housing projects, which authorities in the Brussels-Capital Region may wish to consider (Monkkonen, 2016^[75]; Litman, 2017^[110]; LAO, 2016^[93]):

- **Shift the scale of land use decisions to the regional or even metropolitan levels.** Research suggests that the decision-making process for land use and housing development is more likely to find support on a citywide basis as opposed to a neighbourhood one (Parent, 2017^[103]). Citywide policies can attract political support from diverse and powerful constituencies. Unlike community plan updates, a regionwide approach does not single out individual neighbourhoods, which tend to attract and organise opposition that favours the status quo. Increasing the geographic scale of political action on land use allows the representation of all those affected. Combining this with a more inclusive planning process would allow local housing policy to reflect the Brussels-Capital Region's overall needs rather than the interests of each municipality or neighbourhood alone. Therefore, if the Brussels-Capital Region approaches urban and housing policy on a regionwide basis – or even on a metropolitan level - it may create the right dynamics for projects to be politically viable.
- **Enforce and enhance the existing housing regulatory and legal framework.** Since only a minority of municipalities in the Brussels-Capital Region have reached the 15% target of social housing, the social housing policy mostly performs a symbolic function. Considering that the municipalities that do not meet their targets face no consequences, the system lacks “carrots and sticks”. The regional government could provide the rewards such as infrastructure investment and legal penalties by sanctioning those municipalities that do not comply with their targets. The housing policy may also be amended to allow municipalities to conduct joint housing projects to achieve their targets.
- **Provide public information to strengthen trust in governments' housing policy.** The Brussels-Capital Region regional and municipal governments should produce and provide non-partisan information and analysis on housing-related issues. For example, if there are concerns about the capacity of the neighbourhood or municipality to ensure access to public services such as water or public transport, governments could produce reports and host clarification meetings or community workshops regarding the ability of power companies, water agencies, sewage lines and other utilities to handle increased density in the urban core.

Enhancing accessibility in the Brussels-Capital Region

The Brussels-Capital Region has initiated a shift towards a new urban development model based on urban accessibility. Urban accessibility means that people should not only move around efficiently but can get to everything they need to satisfy their needs and thrive (Rode et al., 2014^[111]; 2021^[112]). Regional and municipal governments are conducting major investments in public transport and street design – through urban regeneration projects – for more equitable mobility and to make rational use of private cars and increase the share of trips made by public transport modes, cycling and walking. Research has highlighted that compact, transit-oriented developments with high-quality public transport and active mobility alternatives can provide much more balanced access to jobs, education and essential services than sprawling, car-dominated urban areas (Gulati et al., 2020^[113]).

Facilitating urban accessibility at the metropolitan level is one of the region's priorities

Mobility in the Brussels-Capital Region is planned based on the Regional Sustainable Development Plan (PRDD), which identifies accessibility as one of the main challenges for the region. The PRDD stresses the need for an integrated and intermodal mobility plan that combines and promotes the use of different transport modes while reducing the use of individual cars and anticipates new behaviours induced through new technologies and ways of life. Critically, the PRDD calls for reducing travel by promoting the development of the “city of proximity” (*ville de proximité/Buurtstad*). This is in line with the region's general goal of promoting density and a 20-minute city.

Ensuring accessibility in the Brussels-Capital Region, like in any other city or metropolitan area, depends on a combination of factors such as: i) the management and use of land, the geographical distribution of the population and of opportunities within and around the city; ii) how affordable services and amenities are accessed and the social barriers to access them; and iii) the ease of movement (transport) and the availability of telecommunications (Rode et al., 2021^[112]). If the Brussels-Capital Region combines these elements with carbon-neutral and metropolitan-wide public transport policies, it would use resources more efficiently, improve productivity and reap more agglomeration benefits. The challenge for the Brussels-Capital Region is to generate new physical proximities (e.g. city of proximity, higher densities, metropolitan approach) to foster greater social inclusion at lower environmental costs without triggering outward migration.

The need to improve mobility and accessibility in the Brussels-Capital Region stems from many factors, such as: demographic growth, albeit slow in recent years (see Chapter 1); the dissociation between the place of residence and the place of work, as well as the interdependencies between the Brussels-Capital Region and the periphery (metropolitan zone); the traffic jams caused by the use of private vehicles by commuters from the suburbs; and the need to improve logistics in the face of an expected increase in e-commerce. The consequence of these dynamics is a deep social and territorial inequality in access to mobility (Bruxelles Mobilité, 2020^[114]). Moreover, the Brussels-Capital Region suffers from severe traffic congestion despite an extensive public transport network. Part of the explanation is that earlier development patterns have left the region socially and physically fragmented (Clark et al., 2016^[5]). As Chapter 1 shows, almost half of the jobs in the region are taken up by commuters from generally wealthier municipalities and provinces outside the Brussels-Capital Region who do not contribute fiscally to financing urban infrastructure. This model has led to high levels of car usage in the region (Clark et al., 2016^[5]). Moreover, traffic congestion caused by private vehicles forces trams and buses to reduce their speed and it is estimated that it increases by 25% the time they need to cover a given route (Gailly, 2022^[115]).

Promoting accessibility at the metropolitan level will probably require higher densities. Few places in the Brussels-Capital Region could be labelled as “low-density” and most neighbourhoods are relatively well connected through public transport. However, relatively low densities at the metropolitan level (see Chapter 1) are making the provision of public transport costly. Research suggests that the operation of public transport becomes cost-efficient only above certain threshold density levels (OECD, 2020^[111]).

For the Brussels-Capital Region, promoting urban accessibility may also help reduce the operational costs of urban transport. The reason is that urban form characteristics and density levels have a clear impact on the cost-effectiveness of transport provision. Low-density urban development tends to increase the costs for public and private motorised transport and disincentivises non-motorised transport, considered as the most effective means of urban travel (Rode et al., 2014^[111]; OECD, 2020^[111]). Expanding the public transport network to cover and link different remote areas is not only expensive but also prevents the provision of efficient and regular service at a low cost for the operators and users. Thus, in the Brussels-Capital Region, pursuing urban accessibility objectives is a way to provide better mobility choices to larger groups of people at lower costs.

Transport is also a major source of carbon emissions in cities. The co-dependence of urban transport systems with urban form has a key role in the transition to a low-carbon economy (Rode et al., 2014^[111]). Urban travel in the Brussels-Capital Region is the second largest source of local air pollution. The transport sector represents 27% of the greenhouse gas (GHG) emissions in the region, a level that has been stable for the last 20 years (Bruxelles Mobilité, 2020^[114]). In 2022, more than 330 million trips were made by public transport in the Brussels-Capital Region (over 270 million in 2021) (STIB-MIVB, 2023^[116]). Moreover, energy consumption by the public and private transport sectors has increased since the 1990s and accounts for more than a fifth of energy consumption in the region (Bruxelles Mobilité, 2020^[114]). Thus, measures to reduce the need for mobility in the first place, promote the use of public transport and reduce the use of private cars are in line with the objective of improving air quality.

The Brussels-Capital Region has relatively strong planning instruments and infrastructure to foster accessibility

Facilitating access to jobs, services and people calls for strategic planning and the availability of transport infrastructure. The Brussels-Capital Region has reached an inflection point in which policies and investments already made should be reinforced. If not, the region would risk remaining in a “business as usual” situation in urban development patterns that could aggravate the housing crisis and accelerate outward migration. The Brussels-Capital Region should leverage its planning and infrastructure assets to advance better accessibility.

The Brussels-Capital Region has a comprehensive mobility plan

In 2020, the Brussels-Capital Region adopted the Regional Mobility Plan 2020-2030 (known as Good Move), a comprehensive mobility strategy that provides strategic and operational orientations for improving mobility in line with and as a complement to the sustainable regional development policy objectives. While the regional mobility plan is adopted and revised every ten years, Good Move represents a new generation of regional mobility plans. The 1998 Iris I plan and the 2010 Iris II plan were the first efforts to build a culture of sustainable mobility in the region. However, these plans had a larger focus on planning at the regional and communal levels rather than on outcomes or action and lacked a metropolitan perspective. Good Move aims to focus less on plan making and more on actions.

Contrary to previous regional mobility plans, Good Move was developed through a large consultation process following a more bottom-up approach based on a process of negotiation and dialogue with the 19 communes and residents. Good Move places people at the centre of decision-making on mobility and is part of the region’s policy response to social, economic and environmental challenges. It is divided into a City Vision, which identifies goals to improve quality of life through a mobility policy in line with the PRDD; and a Mobility Vision focused on reducing car traffic and favouring the development of public transport and active modes of travelling (Box 2.12). Good Move also includes an Operational Action Plan with 50 actions divided into 6 focus areas. Transport planning in the Brussels-Capital Region aims to serve diverse mobility demands (e.g. pedestrians, cyclists, drivers, people with limited mobility, children) to build an efficient and equitable transport system that allows travellers to use the most efficient option for each trip.

In general, it promotes increased and facilitated access for people, goods and services, which is the basis for economic development. Good Move seeks to make this access more efficient to increase the quality of life of residents and visitors, and reduce the negative impact of transport on the environment. These improvements are expected to help the Brussels-Capital Region seize economies of scale and agglomeration effects. The relatively small territorial size of the Brussels-Capital Region is expected to allow for short distances (i.e. 60% of movement in the region is less than 5 km) and help achieve the objectives of the plan. The PRDD and the Good Move plan seek the physical concentration of people, services and economic activities, the distribution of functions and a degree of mixed use to facilitate accessibility. For the Brussels-Capital Region, this implies particular attention to planning, land use, urban

design, building and managing the specific conditions of each neighbourhood in the region. The reason is that at the neighbourhood level, density, land use mix and street design have an important impact on the likelihood of walking (Ewing and Cervero, 2010^[117]).

Both the PRDD and the Good Move plan seem to acknowledge that transport policy is essential to enhance urban accessibility but that it is only one of several elements. Focusing only on urban mobility – the ease of movement of people and goods – either by favouring walking, cycling, public transport or the use of cars would not have the desired impact on accessibility. Enhancing urban accessibility requires considering elements such as the use and management of land and the way economic activities, services and amenities are distributed across the urban area (Rode et al., 2021^[112]).

Box 2.12. The Brussels-Capital Region Regional Mobility Plan (Good Move): Objectives and City Vision dimensions

The Regional Mobility Plan 2020-2030 seeks to improve quality of life in the different neighbourhoods in the Brussels-Capital Region by influencing residents' mobility habits through the creation of the “city of proximity” (*ville de proximité/Buurtstad*) where walking and cycling are promoted. The plan outlines 50 actions to make the city more liveable by 2030.

The objectives of the plan are to: i) improve quality of life in neighbourhoods by improving (reducing the level of) traffic and offering quality public spaces; ii) guarantee optimal accessibility conditions to the main existing and future urban functions in the Brussels-Capital Region (economic zones, touristic and commercial); and iii) encourage the development of a city of proximity that is dense, mixed and multipolar and a densification strategy linked to good accessibility to the public transport network.

The plan includes a City Vision on how mobility helps confront social, economic and environmental challenges in the region. It is made up of seven dimensions that cover all urban challenges the region must face:

- **Green:** Diminish the impact of the different mobility forms on the environment. Cut 35% of GHG emissions by 2030 in relation to 2005 levels.
- **Social:** Offer different mobility forms that allow all residents to move efficiently and comfortably. Reduce household spending on travel, aiming for a cut from 12% in 2015 to 8% by 2030.
- **Pleasant:** Reconcile mobility needs with a good quality of life for residents. 250 km of quiet areas in 2030 (pedestrian, residential or meeting areas).
- **Healthy:** Promote mobility forms that have a positive impact on physical and mental health.
- **Performant:** Design mobility forms favourable to socio-economic development.
- **Safe:** Ensure safe and secure mobility forms.
- **Efficient:** Develop mobility forms that optimise resources.

The Mobility Vision proposes to achieve six main goals:

- Influence the general demand of travel through denser urban development.
- Reduce the need for a personal vehicle by offering attractive mobility options.
- Reinforce mobility services through, for example, mobility as a service (MaaS), car sharing, taxis and a strategy for autonomous vehicles.
- Ensure a structured and efficient public transport network that provides everyone with a place in the public space.

- Support initiatives of urban distribution through a 10% reduction of road space by 2025.
- Develop a parking policy that promotes off-street parking and reduces the number of parking spaces in the public space.

Source: Bruxelles Mobilité (2020^[14]), *Plan régional de mobilité 2020-2030. Plan stratégique et opérationnel*, https://mobilite-mobiliteit.brussels/sites/default/files/2021-04/goodmove_FR_20210420.pdf.

The Good Move plan is a critical asset for the region to end the bias that led to historical over-investments in automobile infrastructure and under-investments in more affordable, efficient and inclusive transport modes (Table 2.5). However, while the Brussels-Capital Region has shifted from a focus on cars to prioritising bike lanes, it must be highlighted that the Good Move plan is not an anti-automobile plan. By prioritising investments in non-automobile modes, the Good Move plan aims to make driving easier by reducing traffic and parking congestion, driving burdens and car accidents. It also aims to provide good commuting alternatives to drivers when they cannot use their cars. In this respect, research suggests that for traffic reduction to be effective, it is necessary to implement multiple strategies (i.e. congestion pricing, fuel taxes, limited traffic zones, traffic bans, transit-only lanes, etc.) to maximise impact and reduce potential challenges related to political will and equity (ITDP, 2021^[18]). Reallocating road space for people, as the Good Move plan does, should, therefore, be part of a wider traffic reduction strategy. Road space reallocation should be only the first step of a shift towards sustainable transport modes.

Cycling is a key part of transport and one of the priorities of the Good Move plan. It also provides the opportunity to rethink green spaces and space distribution in the city. Pedestrianisation projects in the Brussels-Capital Region are giving new emphasis to cycling through the construction of adequate infrastructure and green spaces for neighbourhoods, taking advantage of the momentum created by the COVID-19 pandemic.

Besides the regional mobility plan, the Brussels-Capital Region has a series of thematic strategic plans called “roadmaps” that provide a breakdown approach by theme and cross-disciplinary focus to the Good Move plan. These plans are being updated to reflect the new vision, objectives and directives of the Good Move plan. The roadmaps are: the bicycle plan, the pedestrian plan, the road safety action plan, the plan for transport of goods, the parking plan, the taxi plan and the lighting plan.³²

Table 2.5. The Good Move Operational Action Plan

Area	Focus	Description	Example of key actions
Territory	Good Neighbourhood	Includes actions that refer to the organisation of mobility within neighbourhoods to improve quality of life.	<ul style="list-style-type: none"> • Install a speed limit of 30 km/h across the region • Work towards calmer neighbourhoods • Support the establishment of Living Labs to reclaim public space • Enhance off-road parking • Optimise deliveries by developing local logistics real estate and smarter urban distribution • Renew emblematic public spaces
	Good Network	Refers to actions that organise the transport network into efficient and high-quality services and routes.	<ul style="list-style-type: none"> • Redevelop major urban axes in a multimodal manner • Create a master plan for pedestrian areas to encourage people to walk more • Create a network of preferred cycle routes • Improve the performance of surface public transport • Facilitate the access of heavy goods vehicles to the logistics zones in the region • Ensure a preventative maintenance plan for infrastructure, networks and equipment (all modes) • Strengthen the management system of traffic dynamics
Behaviour	Good Service	Refers to actions that offer integrated mobility services.	<ul style="list-style-type: none"> • Support the development of mobility as a service • Set up information points and integrated services related to mobility • Develop services related to cycling and other light transport means

			<ul style="list-style-type: none"> • Develop parking as a service • Classify the public transport network according to a service-centred logic • Develop remunerated passenger transport services as an alternative to owning and using a private vehicle • Develop stations and interchange hubs • Implement the regional part of the metropolitan Park and Ride (P+R) strategy • Reinforce shared mobility services
	Good Choice	Refers to actions that guide individual and collective mobility choices without hindering freedom of choice.	<ul style="list-style-type: none"> • Articulate urban development and the mobility offer • Modulate travel pricing based on use • Adopt instruments to disincentivise the ownership and use of private vehicles • Encourage businesses to streamline their orders and delivery • Change the logistics linked to the construction sector
Governance	Good Partner	Includes actions that concern governance, to ensure the implementation of the plan in partnership with other actors.	<ul style="list-style-type: none"> • Reinforce the role of the Region as Mobility Organising Authority • Establish a constructive partnership with the 19 municipalities • Collaborate with the federal and regional authorities • Frame the governance of mobility, infrastructure and road development projects, diversify financing possibilities and standardise design practices for projects in the public space • Reinforce the mechanisms that allow the co-construction of mobility and public space projects with citizens and the social and economic sectors
	Good Knowledge	Groups actions that concern the knowledge and transparency of mobility data to ensure an effective evaluation of the mobility policy.	<ul style="list-style-type: none"> • Evaluate the regional mobility policy • Obtain, analyse and share mobility data • Conduct qualitative and quantitative surveys among users • Foresee the automatisisation of vehicles • Communicate and train on the mobility policy

Source: Bruxelles Mobilité (2020^[114]), *Plan régional de mobilité 2020-2030. Plan stratégique et opérationnel*, https://mobilite-mobiliteit.brussels/sites/default/files/2021-04/goodmove_FR_20210420.pdfhttps://mobilite-mobiliteit.brussels/sites/default/files/2021-04/goodmove_FR_20210420.pdf.

A remaining weakness in the implementation of the Good Move plan is that it is not conceived at a metropolitan level. The Metropolitan Community of Brussels (*Communauté métropolitaine de Bruxelles/Hoofdstedelijke gemeenschap van Brussel*) was created in 2012 to manage issues of transregional importance such as mobility, road safety and road works in and around the region. All municipalities and towns in the Brussels-Capital Region, Flemish and Walloon Regions, are legally part of this metropolitan community. Nevertheless, despite being enshrined in legislation since the sixth state reform, the necessary co-operation agreement for the metropolitan community to exist and undertake its missions has not been signed yet (see Box 3.4). That said, important aspects of mobility are absent from the scope of action of the Metropolitan Community of Brussels, such as environment and regional planning (Gailly, 2022^[115]). The fact that these two issues are not part of the community's competencies complicates mobility planning at the metropolitan level.

Municipalities may produce their own mobility plan

At the municipal level, mobility planning can take three possible routes: i) a municipal mobility plan (MMP); ii) the selection of some elements of the regional mobility plan to be implemented at the municipal level; and iii) focus on mobility at the neighbourhood level.

First, each municipality has the possibility of preparing an MMP. MMPs are strategic plans presenting a forward-looking vision of mobility in the municipality. Their objective is to improve accessibility and quality of life for residents through a more rational use of cars. MMPs must be in line with the Good Move plan and are reviewed and renewed every 12 years after the approval of the new regional mobility plan, as they must translate regional policy into local policy.

MMPs aim to: organise a multimodal, hierarchical system of travel for people and goods; ensure accessibility to goods and services for all, in particular for people with reduced mobility; promote intermodal travel (walking, cycling and public transport) and more sensible use of private vehicles; and encourage a mix of functions. For example, the MMP of Uccle aims to ensure a good performance of networks for all modes of travel, promote multimodality, develop an overarching parking strategy and improve quality of life in neighbourhoods by reducing traffic nuisance and quality of the public space (Commune de Uccle, 2021^[119]). Similarly, the MMP of Molenbeek-Saint-Jean seeks to improve traffic management through pedestrianisation projects such as the Chaussée de Gand, improve connectivity to the metro and develop walking and cycling infrastructure (Commune de Molenbeek-Saint-Jean/Transitec, 2013^[120]). Other objectives that municipal mobility plans seek are to reduce the number of car accidents as well as the negative environmental impacts of mobility (e.g. noise, air pollution). MMPs can also serve as an instrument to improve the use of and conviviality of public spaces.

The region co-finances the elaboration and implementation of MMPs. The regional government must approve the MMP, ensuring its alignment with regional priorities. MMPs have been adopted since 2003 but the approval of the Good Move plan has triggered a need to revise them.

Second, municipalities can select only the actions from the regional plan they consider most relevant and implement them at the municipal level. Changes are being made to the legal framework so that municipalities are able to implement the action strategy of the Good Move plan in their own territory. In the past, municipalities spent two-three years using their limited resources in plan making and then being unable to implement them.

The third option is for municipalities to focus on mobility at the neighbourhood level. In this option, municipalities can adopt a local mobility contract (*contrat local de mobilité/lokaal mobiliteitscontract*, CLM/LMC), a scheme introduced by the regional mobility plan. The CLM/LMC aims to ensure calmer neighbourhoods by easing traffic (i.e. reducing the volume of traffic and introducing speed limits to a maximum of 30 km/h). Implementing a CLM/LMC requires a closer collaboration between the region and the municipality. In total, within the Brussels-Capital Region, 50 neighbourhoods are eligible to be “peaceful neighbourhoods” (*quartiers apaisés/autoluwe wijken*) through a CLM/LMC and 11 CLMs have already been launched.

The Brussels-Capital Region has a wide network of urban mobility services

Good Move emphasises the need to disincentivise the use of private vehicles and free up public space currently used for parking, and one way of doing this is to offer residents different mobility alternatives to cars through a wide network of public transport. In the Brussels-Capital Region, mobility services operated by the public sector or under a contract with the public sector include public transport (i.e. metro, tram, buses), rail and station-based bike sharing (ITF, 2021^[121]). In 2022, the available rolling stock was 83 metro trains, 395 trams and 860 buses (STIB-MIVB, 2023^[116]). The number of users has increased slowly since the pandemic. In 2022, the total number of travellers was 337.8 million (273.8 million in 2021), of which 129.2 million travelled by metro (96.3 million in 2021), 106.6 million by tram (91.1 million in 2021) and 101.8 million by bus (87.2 million in 2021) (STIB-MIVB, 2023^[116]). Other mobility services include docked and dockless e-bikes and cargo bikes, e-scooter sharing, car sharing, carpooling and ride-sourcing. The availability of several mobility services is allowing the Brussels-Capital Region and STIB-MIVB to encourage intermodality to provide alternatives to private cars through collaboration with other mobility providers. An important step has been the ticketing and pricing integration as well as co-ordination among different transport providers. For example, the Brupass XL zone is a travel document that allows a single fare while travelling via the four transport operators throughout the region and the surrounding municipalities. The public transport infrastructure network includes 2 200 bus and tram stops, 69 metro stations and 32 suburban train stations, which allows residents to be within walking distance of a public transport stop in the Brussels-Capital Region (Brussels Mobility, n.d.^[122]).

Mobility options in the Brussels-Capital Region also include a concession service of public bike-sharing named Villo. This service is operated twenty-four hours a day, seven days a week and is partially financed through user fees. The number of cyclists in the Brussels-Capital Region has been increasing even before the COVID-19 pandemic. Since 2019, 40 km of additional cycling lanes have been built across the region and the entire inner ring road is being lined with separate cycling lanes.

In addition, car-share operators operate in the Brussels-Capital Region after obtaining a license from Brussels Mobility. The licence conditions stipulate that costs must be proportionate to trip distance and duration. The Brussels-Capital Region government works to ensure that station-based services (i.e. the specific location where shared vehicles can be picked up or roped off) cover the entire region, especially where public transport coverage is not optimal, through a scoring procedure that is reviewed when the licence is renewed (ITF, 2021^[121]). The coverage of station-based services has been growing since their introduction in 2003 to reach 646 stations in 2020. However, the distribution of station-based services across the region has not been even, as the City of Brussels and the municipalities of Etterbeek, Ixelles and Schaerbeek host more than half of the available offer with 352 stations (parking.brussels, 2020^[123]). Taxis, collective taxis and car rental services with a driver are other transport options available in the region. However, the main users of car-sharing services tend to be from high-income groups, young (26-39 years old), university graduates (69.4% of users) and male (77% of users) (Wiegmann, Keserü and Macharis, 2020^[124]).

Brussels-Capital Region authorities acknowledge that the region's public transport system needs to be further developed. One goal, for example, is to increase bus capacity by 30% by 2030. Developing an efficient transport network is a central part of the Good Move plan. The renewal and expansion of the infrastructure and the rolling stock to improve the performance of the public transport network are essential to the fluidity of the traffic. A master plan for the development of eight additional tramlines over the next decade has been prepared. However, even if the network of buses and trams is further developed, it is essential to manage the circulation of company cars and private cars. As mentioned above, traffic congestion reduces public transport performance and lengthens public transport trips by 25% at rush hour (Lebrun, 2018^[125]).

The resources available to the Brussels-Capital Region for investment in the public transport sector amount to EUR 1.5 billion out of the EUR 7.4 billion of the total budget. However, alternative sources of revenue are needed to finance the significant investment needs of the Brussels-Capital Region due to its specificities as an international capital (see Chapter 4). Thus, in 2002, the Brussels-Capital Region obtained a loan of EUR 475 million from the European Investment Bank to modernise the urban transport fleet and make it more sustainable (e.g. 43 metro trains, 94 electric buses, 90 trams).³³

The Brussels-Capital Region is developing an integrated transport network based on a MaaS ecosystem

Good Move has set the objective of developing an integrated transport network with public and private operators and providers that responds to the specific needs of each user (Bruxelles Mobilité, 2020^[114]). The Brussels-Capital Region aims to develop a MaaS market for the entire region to improve accessibility and expand sustainable transport options across the territory. MaaS builds on the idea of accessing, via a single medium such as a smartphone, a large variety of mobility services, including public transport and shared mobility services (Crozet, 2020^[126]). The Brussels-Capital Region MaaS ecosystem is expected to integrate transport services and ensure non-discriminatory access to the data management platform for operators and long-term financial sustainability for the services provided.

The International Transport Forum (ITF) of the OECD conducted a study on the actions taken by the Brussels-Capital Region government to develop and introduce the MaaS ecosystem in 2021 (ITF, 2021^[121]). It provided an assessment of the conditions that need to be met to successfully introduce a MaaS in the region. Among the key points, the ITF report has emphasised the need for viable business

models that support a large-scale MaaS ecosystem and the imperative of avoiding overly restricted or inflexible regulation for a new evolving market, as it would undermine the ability of market actors to find sustainable business models (ITF, 2021^[121]). A critical point is to provide clarity on data governance to assist the MaaS market and support the development of a competitive, open-entry MaaS ecosystem. Having a diversified and efficient public transport network is the basis for a MaaS ecosystem. For the Brussels-Capital Region, this is even more critical if public transport is to reinforce the objectives of Good Move.

At the same time, a key warning from the ITF assessment was that MaaS is not a remedy for achieving all sustainable mobility outcomes and that the Brussels-Capital Region government should pursue sustainable mobility objectives through other actions contained in the Good Move plan (ITF, 2021^[121]). Seeking sustainable mobility outcomes through regulations specific to MaaS can certainly help but would represent a rather limited approach to achieving the objectives of the Good Move. The ITF has formulated 11 recommendations to enable the creation of a MaaS ecosystem, develop an efficient and equitable market and define how MaaS should contribute to broader mobility outcomes (Box 2.13).

Box 2.13. ITF recommendations for the development of MaaS in the Brussels-Capital Region

To enable the creation of a MaaS ecosystem:

- Regulate mobility operators and MaaS providers separately.
- Adopt an explicitly pro-competitive approach to MaaS in policy and legislation.
- Clearly establish the status of MaaS providers via a licensing scheme.
- Review conditions for mobility operator licences to ensure they do not include barriers to developing MaaS.
- Add mandatory minimum data-sharing requirements relating to informational and operational data to licences for mobility operators.

To enable the emergence of an efficient and equitable market:

- Build mandatory consumer data portability, subject to user consent, into the conditions of all mobility operator and MaaS provider licences.
- Adopt competition safeguards as part of the MaaS provider licensing framework.
- Ensure public transport operators have the freedom to negotiate the terms of public transport ticket resale with MaaS providers, which, in turn, should be free to determine the pricing of services to consumers.
- Apply OECD and EU best practice principles on regulatory policy and governance to inform approaches to regulating MaaS.
- Make data reporting requirements to public authorities specific and directly related to regulatory tasks.

To contribute to mobility outcomes:

- The Good Move policy package should remain the key vehicle for implementing sustainable urban mobility policies.

Source: ITF (2021^[121]), "Developing Innovative Mobility Solutions in the Brussels-Capital Region", <https://www.itf-oecd.org/sites/default/files/docs/innovative-mobility-brussels-capital-region.pdf>.

Using fiscal instruments to improve mobility

Given the growing number of trips made via private cars in the Brussels-Capital Region, traffic jams are a constant in residents' lives. Despite the existence of several alternatives for travelling or commuting, people's top choice remains the private car, which is most of the time occupied by a single passenger. Currently, car lanes or parking spaces occupy 70% of public space in the region. In the Brussels-Capital Region, 45% of households own at least 1 car and have an average rate of 0.57 cars per household, which is still below the national average of 1.06 in 2021.³⁴

Changing commuters' behaviour and influencing their choices of transport means is an objective of the Good Move plan. To that end, since 2020, the Brussels-Capital Region government has been exploring the introduction of measures to reduce traffic congestion, improve air quality, support the local economy and enhance quality of life in the region as part of the SmartMove plan currently in discussion. The aim is for SmartMove to introduce a road user charging scheme across the entire territory. Such a scheme is not new as it has been introduced in other cities such as London (United Kingdom) but the difference is that other plans have been restricted to smaller areas while the Brussels-Capital Region's scheme aspires to be the first regionwide smart road user charging system in the world. SmartMove would have three pillars of action currently under consideration:

- **Shift from possession-based to use-based vehicle taxation.** The aim is to introduce an intelligent kilometre tax that would partially replace traffic taxes. It is based on the distance travelled, time of the day (off-peak or peak hours) and the power of the vehicle. A driver would pay more for an internal combustion vehicle than for an electric one. Driving to the central areas during rush hour would cost more than to other zones.
- **Multimodality** by which the region offers a wide range of quality mobility alternatives and good connections between them. This requires investments in infrastructure and public transport.
- **Raising awareness of the impact of mobility choices** on the environment, health, economy and the duration of the trips.

SmartMove seeks to incentivise residents to make more economical and sustainable mobility choices in the long term. Moving drivers from single occupancy cars to more sustainable options such as carpooling, public transport, cycling and walking is at the core of the initiative.

Digital technologies are used to implement SmartMove. The SmartMove application provides a full range of transport options available in the Brussels-Capital Region and shows different alternatives to reach the destination. Users register and set up automatic payment of the intelligent kilometre tax. The application allows for buying tickets for public transport and provides access to networks of shared bikes, cars, electric and non-electric scooters; it keeps track of the kilometres travelled and helps check the environmental impact of the travel choices.

The Brussels-Capital Region government expects that the introduction of SmartMove will decrease the use of cars for short distances but not essential trips, while cycling and using public transport will increase. The target by 2030 is to cut single-occupant car trips by 30%, time wasted in traffic by 30%, kilometres driven by car during rush hour by 18% and CO₂ emissions from cars by 10% while increasing bus capacity by 30% and kilometres on foot or by bike by 10%.³⁵

A favourable tax system for company cars contributes to traffic congestion in the region

In the Brussels-Capital Region, company cars – vehicles made available to a worker by the employer and which can be used for private purposes – are considered to have a significant negative impact on mobility across the region (May, Ermans and Hoofman, 2019_[127]; Gailly, 2022_[115]). According to estimates, in 2016, there were 650 000 company cars in Belgium and approximately 100 000 of them entered, left or circulated in the Brussels-Capital Region every day (Gailly, 2022_[115]). According to estimates, at national level, 13.5%

of workers benefit from a company car (which represent 11.5% of the total number of cars); 92% of people with a company car use it for home-work journeys compared to 81% of people with a private car, and are more likely to have longer commutes than those who use a private car (May, Ermans and Hooftman, 2019_[127]).

Company cars are sometimes used as a method of remuneration. In Belgium, employers can use company cars as a means to alleviate the income tax paid by their employees (on average one third of the revenue of the Brussels-Capital Region comes from personal income tax); they constitute a tax arrangement that helps reduce the taxes and other charges related to workers' pay (May, Ermans and Hooftman, 2019_[127]). Employees benefiting from a company car receive a financial advantage as they partially avoid paying social security contributions, the benefit in kind is underestimated in the calculation of personal income tax and, if they receive a fuel card this is a tax-free salary supplement. The result is a reduction in the amount of the salaries subject to personal income tax (May, Ermans and Hooftman, 2019_[127]). Employers pay 32% of social security contribution of the gross salary of the worker. For company cars they pay a flat rate (between EUR 300 and EUR 1 100) regardless of salary level and kilometres travelled, and amount which is much lower than the social security contribution. Employers can recover part of the VAT related to company cars through different mechanisms such as the employer's social contribution, the CO₂ contribution, and the cost of leasing and fuel (May, Ermans and Hooftman, 2019_[127]). The deduction rate for fuel costs is 75%.

The company car tax system is under the federal government's purview; the regional government is only responsible for the circulation tax and the taxes levied when the vehicle is first put on the road. In 2019, the federal government tried to introduce a mobility budget to encourage employees to switch to modes of travel other than the company car.³⁶ In 2021, the federal government passed a reform to make company cars greener with the aim of making company cars CO₂-neutral by 2026 but without ending the favourable tax regime.³⁷

In addition, a specific group of the population tends to benefit more from company cars. According to research, 64% of employees in the upper decile, particularly males, tend to use company cars, while employees with the lowest salaries do not have access to this benefit and use more public transport (May, Ermans and Hooftman, 2019_[127]). The tax system is made in a way that the company car system is not necessarily advantageous for employees with the lowest or average income. Generally, their income is too low for a company to buy a car for them; their personal tax income rates are thus lower and it could affect their pensions or unemployment benefits.

Multiple actors take part in the governance and management of transport in the Brussels-Capital Region

In Belgium, public transport is the responsibility of subnational governments. However, as research suggests, the role of the different actors in charge of mobility in the Brussels-Capital Region is complex and, in many cases, unknown to the general public (Gailly, 2022_[115]). In the Brussels-Capital Region, the regional government through Brussels Mobility (*Bruxelles Mobilité/Brussel Mobiliteit*) and parking.brussels, in co-ordination with the 19 municipalities of the region, govern and manage transport. The Brussels Office of Planning (perspective.brussels), the Brussels office for urban planning and heritage (urban.brussels), the Brussels Institute for the Management of the Environment (Bruxelles Environnement), the Society for the Development of the Brussels-Capital Region (citydev.brussels) and the Urban Planning Corporation (sau-msi.brussels) also have a role to play in mobility policy as they have responsibility over the way public space is structured. The federal government has no mobility plan but is in charge of railways, airports and ports.

Brussels Mobility is the regional body responsible for equipment, infrastructure and mobility issues. Its main function is to satisfy the growing need for mobility solutions in the Brussels-Capital Region while improving the quality of life of residents and enhancing sustainable development. To that end, Brussels

Mobility defines mobility strategies and renews and maintains public transport infrastructure, public spaces and roads.³⁸ Parking.brussels is the regional agency in charge of harmonising parking rules in the Brussels-Capital Region in collaboration with the 19 municipalities to improve mobility by seeking maximum vehicle rotation in parking spaces. It also issues the allocation of parking space for licensed car-sharing operators. Although parking is a municipal competency, some municipalities (such as Anderlecht, Berchem-Sainte-Agathe, Evere, Forest, Ganshoren, Ixelles, Jette, Koekelberg, Molenbeek-Saint-Jean, Schaerbeek and Watermael-Boitsfort) have delegated the management of parking to the regional agency.³⁹ The Brussels-Capital Region government and the municipalities are responsible for roads.

The Brussels Intercommunal Transport Company (STIB-MIVB) is a public corporation responsible for the operation of public transport in the region and contributing to the region's objectives of quality-of-life improvement and sustainability. It grants licenses for bike-sharing operators, taxis, collective taxis, car-sharing and car-hire services with a driver in the region. The Flemish government transport company De Lijn, the Walloon regional bus company (TEC) and the national railway company (SNCB/NMBS) are the other three transport companies that operate in the Brussels-Capital Region.

A key action set in the Good Move plan refers to the need to establish constructive partnerships with the 19 municipalities to co-ordinate and manage public transport as well as negotiate and collaborate among the regional authorities and municipalities. For example, the regional and municipal governments are responsible for a network of streets and roads (municipal and regional streets and roads). There are 20 road managers or authorities (*gestionnaires de voirie/wegbeheerders*) across the region. That has a significant impact on the implementation of the mobility plan. When the regional government builds a tramline that crosses the territory of two or more municipalities, they must all agree to changes in the circulation as they have competencies for some sections of the roads, if the tramline passes through a municipal road. If a local mayor argues that changes to the circulation may have a negative impact on safety, the project could be compromised even if all other stakeholders agree.

Metropolitan transport planning in the Brussels-Capital Region is largely compromised by diverging visions of the impact of public transport in the area. For some years, the Brussels-Capital Region has been trying to improve the Regional Express Railway (RER), which is considered instrumental in improving connectivity and accessibility between the central districts and the suburbs. However, regional governments have different views on its role and possible impact. While Flemish municipalities adjacent to the region tend to fear that the integration into the Brussels-Capital Region may bring a higher inflow of low-income people, particularly French-speaking immigrants, the Brussels-Capital Region government regards the RER as a driver of urban sprawl and may facilitate the exodus of wealthy residents to Flemish communities, thereby reducing its tax base and impoverishing neighbourhoods in the Brussels-Capital Region (Romańczyk, 2015_[30]).

Strategies for metropolitan-wide transport and accessibility in the Brussels-Capital Region

The Brussels-Capital Region is working to deliver a shift in urban transport and accessibility prompted by technological innovation, a changing socio-demographic context, economic conditions that demand greater efficiency in the use of resources and the climate change emergency.

The PRDD and Good Move follow three general pathways to promote urban accessibility: i) a reduction of travel intensity through greater physical proximity and mixed land use to facilitate different urban functions in the same geographic space; ii) a shift from spatially inefficient and energy-intensive private motorised vehicles to public, shared and non-motorised transport modes; and iii) improvements in the efficiency of road-based vehicles in terms of energy and space consumption. All three pathways are expected to deliver a paradigm shift for the Brussels-Capital Region in urban transport and mobility. However, some barriers remain and may hinder the region's progress towards that paradigm shift, such as:

- Strong preferences of residents for car usage, despite having viable alternatives and suburban lifestyle prompted by housing prices.
- Policy integration required for urban accessibility that may be compromised by sector and disciplinary silos.
- Complex and fragmented governance and the need for greater co-ordination across levels of government for urban form and transport.
- Lack of clarity on how density regulation is co-ordinated with new infrastructure financing schemes.
- Unclear sequencing, co-ordination and integration of infrastructure investments with land use development, which are necessary to determine the Brussels-Capital Region's energy efficiency and competitiveness in the long term and improve social inclusion by prioritising housing, mostly for low-income households.
- Financial constraints may prevent or slow down the implementation of different urban projects conducive to urban accessibility.
- Short-term political priorities, a lack of information on the part of citizens and negative perception of urban mobility projects that could act to the detriment of progress in the implementation of the Good Move plan.
- Municipalities with limited financial and human resources for transport planning and implementation. A municipality may have 100 000 inhabitants but only 2 or 3 people may be working on mobility planning in the local administration.
- Urban planning processes that could be made faster and more efficient in granting construction permits. Keeping the permit application and granting process simple is regarded as an initiator of greater efficiency. There does not seem to be any arbitrage in contentious cases. The legal instability in courts due to the lack of clarity in the legal framework (e.g. who co-ordinates what and who has the final say) and the complexity of governance due to the existence of different rules and frameworks that impact mobility make mobility planning and implementation complicated.

To improve urban accessibility and in line with the objective of transforming the Brussels-Capital Region into a compact, connected and sustainable city, policy makers in the region could pay particular attention to: linking housing, land use and transport policies, promoting hyper-localisation, exploring new financing models that support metropolitan-wide transport and linking digital connectivity with the mobility strategy.

Strengthening the link between housing, land use and transport policies

Accessibility planning is more than just the provision of public transport. The Brussels-Capital Region must ensure that by renewing neighbourhoods, improving infrastructure and providing access to public transport options, the rises in land value and housing prices do not force many low- and middle-income households to move out of central areas. The combination of housing, land use and transport policies should ensure that households of different income levels can afford to live in the region. At least two policy tools could be used:

- Introduce low-income housing tax credits (LIHTCs). For example, the experience of the United States shows that LIHTCs are more effective at producing affordable housing as part of transport-oriented developments than other tools such as inclusionary zoning. The reason is that inclusionary zoning tends to target moderate-income households and only an average of 5% of housing units are affordable. Moreover, inclusionary zoning may lead to a smaller number of affordable housing units because, in many instances, housing developers have the possibility of paying a fee instead of providing affordable housing.
- Issue regulation requiring affordable (social) housing along transport corridors and as part of urban regeneration projects. This could be around the 12 priority development poles established in the

PRDD. This regulation should include incentives for private sector developers to build social housing along transport corridors.

Promoting hyper-localisation as part of the “20-minute city” policy

As mentioned above, the Brussels-Capital Region government’s goal is to help all residents meet most of their daily needs within a short walk or bike ride from home. This means that Brussels-Capital Region authorities should ensure that all urban services and opportunities are available across the region. The COVID-19 pandemic has led to a contraction in the office buildings market as the new ways of working (e.g. remote working) require less office space per employee (perspective.brussels, 2022^[52]). Those empty office spaces could be repurposed into residential buildings and some of them, due to their architectural design, into schools or used for other activities. This trend may lead to the emergence of local hubs and satellite “serviced” office spaces in more traditionally residential neighbourhoods. It may also create new economic opportunities in neighbourhoods that were mainly residential, giving a boost to local businesses and helping revitalise smaller commercial areas. To be successful, the “20-minute city” policy will require rethinking public and active transport planning. The dominant model in the Brussels-Capital Region, as in many other OECD cities, is the “hub and spoke” transport and cycling networks connecting residential areas to the urban core where jobs are clustered. This model often ignores the transport needs of other groups, such as women, people with disabilities and the elderly, who must go to medical appointments. It should also be noted that a large component of the Brussels population (79 000 workers and students) commute to work or study outside the region to areas that are not well serviced by public transport (Emans et al., 2019^[128]). Thus, based on the Good Move plan, the Brussels-Capital Region should put emphasis on creating better connections both within and between neighbourhoods to improve accessibility. While daily needs may largely be met locally, enabling individuals from all income groups to access a diversity of opportunities across the region should be a priority. This should also be a consideration in transit-oriented development, which will remain an important complementary strategy to connect neighbourhoods regardless of the municipality where they are. Certainly, this local reconfiguration should not come at the expense of the integrated metropolitan transport system to ensure accessibility for residents living in the broader FUA of the region. To facilitate hyper-localisation and the realisation of a 20-minute city, authorities in the Brussels-Capital Region may wish to consider the following actions:

- Building on the municipal transport plans, invest more in orbital transport systems that connect neighbourhoods rather than just the urban core and, in co-operation with the neighbouring regions, invest in connectivity between the outer neighbourhoods of the Brussels-Capital Region and those in the close periphery of the region.
- Provide support for housing affordability to mitigate increases in house prices due to improved accessibility and attractiveness. In particular, provide support for low-income residents and invest in public and co-operative housing to ensure that improved public transport in certain neighbourhoods does not lead to outward migration.
- If the implementation of the scheme to price road use goes ahead, use it in combination with other traffic reduction strategies such as low-emission zones, parking maximums, limited traffic zones, traffic bans and on- and off-street parking pricing, among others, to maximise impact.
- Continue the implementation of traffic calming, traffic speed reduction programmes and vehicle restrictions in neighbourhoods and the reallocation of road space from cars to more active forms of mobility as part of the pedestrianisation efforts.
- Invest in shared mobility hubs through the different sustainable transport modes available in the region to facilitate accessibility.
- Foster data collection to support analysis of the distribution of neighbourhood-level amenities, businesses and services, in line with the actions set in the Good Move plan.

Enhancing metropolitan transport planning and exploring new financing models for transport provision

The Brussels-Capital Region authorities seem to clearly understand that supporting public transport is not just a cost but rather an investment that yields social, economic and environmental returns. The Good Move plan provides the vision to improve mobility and make the Brussels-Capital Region more accessible. However, the Brussels-Capital Region should not operate in isolation from the Walloon and Flemish Regions; as Chapter 1 shows, there is a constant inflow of residents from those regions to the Brussels-Capital Region commuting for work or to access services. Therefore, planning and financing transport with a metropolitan-wide approach would contribute to mitigating the negative effects of urban sprawl by ensuring high-quality transport provision both within and between peripheral neighbourhoods and improving connectivity to areas where employment opportunities are clustered. The Good Move plan refers to the need to build partnerships between the region and the 19 municipalities to co-ordinate mobility strategies but it is also essential to include the neighbouring regions and their municipalities within the FUA for a more efficient and effective public transport service. There are at least three actions that authorities in the Brussels-Capital Region may wish to consider in this respect.

Promoting the creation of a metropolitan-wide transport authority

This should facilitate the planning and integration of all urban modes available in the FUA. The creation of a metropolitan transport authority responsible for the organisation and provision of transport services in multiple jurisdictions in a metropolitan area is increasingly common across OECD countries. A metropolitan transport body would help the Brussels-Capital Region institutionalise consultation and co-operation for public transport planning and financing with other regional governments and stakeholders, and would assist in shaping a metropolitan community that facilitates financing and investments.

In the Brussels-Capital Region, the creation of a metropolitan transport authority will require clear buy-in from all levels of government as well as private transport operators. A feature that would support the proper operation of a metropolitan transport authority is a clear definition of responsibilities to avoid overlaps with other existing institutions, such as Brussels Mobility. According to research, ensuring the sustainability and suitability of a lead transport institution across a metropolitan area will require to:

- Demonstrate public value to advance societal good.
- Possess the internal technical and financial capacity to perform its tasks.
- Have external and political support from the highest political levels to ensure resources are made available to build organisational capacity (Kumar and Agarwal, 2013^[129]).

Although there is no common blueprint that defines the responsibilities of a transport authority, some are direct providers of transport services (e.g. Transport for London and TransLink in Metro Vancouver), while others co-ordinate the work of different service providers (Consortio Regional de Transportes de Madrid [CRTM], Spain, Île-de-France Mobilités [Paris, France] and, in Czechia, the Regional Organiser of Prague Integrated Transport [ROPID]). Irrespective of the focus of a metropolitan transport authority for the Brussels-Capital Region, some of the responsibilities it may have, following the typical responsibilities of transport authorities across OECD countries, include the following:

- Planning the transport system by ensuring the provision of services across the metropolitan area and discouraging the use of private vehicles (e.g. Transport for London, TransLink in Vancouver).
- Setting fees and tariffs for transport services across the metropolitan area (e.g. ROPID).
- Contributing to the achievement of regional development objectives (i.e. housing, environmental, economic) through transport provision (e.g. TransLink in Vancouver).
- Managing the operation or co-ordinating the operation of transport services (e.g. Île-de-France Mobilités).

- Defining investment projects on mobile and fixed infrastructure (e.g. New York City Department of Transportation).
- Co-ordinating the planning of transport service provision across municipalities in the metropolitan area (e.g. Transport for London, TransLink in Vancouver, ROPID, Rhine/Main Regional Transport Association in Germany).
- Ensuring intermodality to facilitate the movement of people and goods and make the most of existing infrastructure (e.g. CRTM) (OECD, 2020^[130]).

A clear example the Brussels-Capital Region can use to create its metropolitan transport authority is the Rotterdam-The Hague Metropolitan Area (MRDH) in the Netherlands. The experience of the MRDH suggests that it is not necessary to merge different territorial units into a single metropolitan area to manage transport. In fact, transport is a policy domain that has contributed greatly to regional integration by connecting the cities of Rotterdam and The Hague, forming a regional transport network and contributing to its functional integration. The provision of public transport is enhancing territorial cohesion not only by supporting a better provision of transport but also by integrating the management and provision of public transport services into one single body for the entire region (Box 2.14). Moreover, the case of the metropolitan area of Prague (Czechia) suggests that a mobility plan jointly designed and adopted by municipalities located in different but neighbouring regions could assist in integrating a fragmented metropolitan area (Box 2.14).

Inter-regional co-operation and co-ordination have been key in developing a transport strategy in the Brussels-Capital Region. The Good Move plan was built in consultation with the Flemish regional government to co-ordinate priorities and investments. Moreover, one of the actions of the Good Move plan calls for stronger collaboration with the federal and other regional authorities on mobility projects. Although co-operation depends on the political will of the moment, the regional governments now have a focal point within their administrations to follow up on mobility projects that have an impact on each region. Dialogue between the Brussels-Capital Region and the neighbouring regions has improved, allowing for mobility projects with a metropolitan impact. A clear example is the integration of tariffs. There are four transport operators in the Brussels-Capital Region, one from the region itself and the others from the private sector or from other regions. Before 2021, commuters had to purchase different tickets to use different transport modes depending on the transport operator. Nowadays, it is possible to use different transport modes within 2 km around the Brussels-Capital Region with a single ticket. The goal is to expand this to 20 km around the Brussels-Capital Region, although each region currently has its own pricing policy, which complicates tariff integration. Transport infrastructure is financed based on agreements; each region finances the infrastructure section that crosses its territory.

Box 2.14. Transport as a metropolitan integrator: The cases of the Prague Metropolitan Area (Czechia) and the Rotterdam-The Hague Metropolitan Area (Netherlands)

Planning mobility in a fragmented metropolitan area, Prague

The Regional Organiser of Prague Integrated Transport (ROPID), created in 1993, acts as the transport authority of the city of Prague. One of its critical tasks is to develop and operate Prague Integrated Transport (PID) further, applicable in the city of Prague and certain municipalities in the Central Bohemian Region. Other tasks include organising and designing transport, co-ordinating the operations of multiple providers, setting quality standards, discussing traffic solutions and their funding with subsidy providers and transport operators, negotiating contracts and supervising operators' performance, organising financial flows of revenues and subsidies within the PID system, setting tariffs and fares within the system and checking and marketing the system. ROPID serves the entire area of Prague and two-thirds of the Central Bohemian Region that surrounds Prague, although there are plans to expand it to cover the entire Central Bohemian Region. In 2019, the city of Prague and the Central Bohemian Region approved the Sustainable Mobility Plan for Prague and its Suburbs (SMP).

Regional integration through transport, Rotterdam-The Hague Metropolitan Area

The Rotterdam-The Hague Metropolitan Area (*Metropoolregio Rotterdam Den Haag*, MRDH) was created in 2015 following the abolition of the eight Dutch city-regions. The MRDH was constituted by the 23 municipalities that used to form the 2 separate city-regions of Rotterdam and The Hague. The work of the MRDH is organised into two pillars: top-down collaboration on transport and bottom-up collaboration on economic development. The MRDH body has created two governing committees: one directing the formally transferred responsibility from the central government for public transport and the other voluntary inter-municipal co-operation for economic development.

The MRDH has two important advantages. The first is its authority over a wide range of issues on mobility policy. The MRDH has retained competencies in all matters of planning and management of public transport (except railways), such as new investments, maintenance and network development. It also manages highways, traffic management, bicycle lanes, park and ride facilities and traffic safety. The second advantage is that the MRDH transport authority forecasts mobility needs that will be generated by future metropolitan growth. Since commuting flows across the whole area are still concentrated in the two former city-regions, the MRDH has the potential to develop a mobility strategy and a transport network that can accompany more effectively the population and employment dynamics.

Source: Huerta Melchor, O and J. Gars (2020^[131]), "Planning mobility in a fragmented metropolitan area. The case of Prague and its suburbs", <https://doi.org/10.1787/4cdf2d31-en>; OECD (2016^[132]), *OECD Territorial Reviews: The Metropolitan Region of Rotterdam-The Hague, Netherlands*, <https://dx.doi.org/10.1787/9789264249387-en>.

Exploring new sustainable funding streams

Investing in public transport calls for diversified sources of funding. To strengthen public transport investment, the Brussels-Capital Region needs new financing models, including how the region might cross-subsidise public transport through the use of road pricing and other taxes, such as land value capture instruments. In some cases, this will require reforms at the national level to empower the Brussels-Capital Region to create sustainable funding streams to support the expansion of public transport. In that context, national government support for the establishment of a metropolitan transport authority will be important to help reduce competition between different transport modes and facilitate much closer collaboration within and between the public sector and private franchise holders and operators. The Good Move plan does not make any explicit reference to funding schemes for public transport investments. As mentioned

above, the SmartMove plan introduces use-based vehicle taxation in a quest to disincentivise private car use. However, the Brussels-Capital Region can complement the SmartMove initiative through other policy interventions that would not only provide additional financial resources for investment but also promote a more compact, clean and connected city-region. Some policy interventions that could be explored are:

- **Land value capture (LVC) instruments.** As part of a PRAS update or CoBAT reform, they would enable governments to raise revenue from increases in property values and/or business income owing to public investment (e.g. metro or tram line expansion) and use it to finance public transport infrastructure. The federal government should support regional governments in institutionalising LVC mechanisms, ensuring that this revenue stream can facilitate large-scale public investment in new infrastructure.
- **Tax breaks for automobiles.** The regional government could request the federal government to eliminate any tax breaks that incentivise the purchase of new personal or company vehicles or subsidise the cost of driving. The final goal should be to make car ownership less attractive.
- **New vehicle registration.** This could help limit the registration of new vehicles, either through a fixed ceiling with lottery or via licence plate auctioning. The benefit would be a reduction of the number of cars added to roadways to match infrastructure capacity. But this policy intervention should be co-ordinated among the three regions to avoid contradictions.
- **Property tax revenue.** A part of the tax revenue could be dedicated to funding the implementation of the Good Move plan and it could also help form a fund for anti-displacement investments. The city of Austin in the United States provides a good example of how to use tax property revenue to fund public transport (Box 2.15).

Box 2.15. Funding public transport in the Austin metropolitan area (United States)

In 2020, the city of Austin, Texas (United States) approved the expansion of 2 light rail lines and transport-oriented development of 21 stations as part of Project Connect, a 20-year plan for the expansion of the region's public transit system. To fund the programme, voters approved an increase in the city's property tax rate to fund a portion of the initial investment. USD 0.87 of every dollar of the city's property tax rate revenue is dedicated to the implementation of a portion of Project Connect. The funds are managed by the Austin Transit Partnership formed by the city of Austin and the Capital Metropolitan Transportation Authority (CapMetro), the public transport provider. Federal funding is anticipated to provide approximately 45% of the estimated USD 7.1 billion capital cost.

Project Connect includes the introduction of an equity tool intended to guide the use of anti-displacement funding to benefit people most at risk of displacement from public transport investments. The tool is expected to help community members and decision makers look at how transit investments may impact people at risk of displacement and direct nearly USD 300 million to programmes and projects that help vulnerable people most impacted by displacement living close to transit lines.

Source: Project Connect (n.d.^[133]), *Homepage*, <https://www.projectconnect.com/>; Austin Transit Partnership (n.d.^[134]), *Homepage*, <https://www.atptx.org/about>.

Promoting transit-oriented housing development

Achieving the goals of the PRDD and municipal plans, as well as those of the Good Move plan, requires alignment of land use and public transport strategies. Accessible and sustainable public transport options should be supported by strategies for a compact urban area, with transit-oriented development patterns

that focus on growth in urban centres, major transit growth corridors and Frequent Transit Development Areas (FTDAs). FTDAs could be understood as priority locations along the frequent transit corridors to accommodate concentrated growth in higher-density forms. Adopting a transit-oriented pattern of growth could help the Brussels-Capital Region reduce vehicle use, traffic congestion, energy consumption and GHG emissions from on-road sources while fostering transit ridership and active transportation. Aligning land use and public transport in this way would enable the Brussels-Capital Region to provide a diversity of transit-oriented affordable housing, shorter trips and greater access to opportunities (i.e. public services, jobs). Careful and co-ordinated planning efforts among administrative departments at the regional level and across levels of government will ensure that new mobility options, including micro-mobility and automated vehicles, are integrated into the region's public transport system in an equitable way, reducing GHG emissions and traffic congestion. Transit-oriented housing development should be applied at the metropolitan level and, in this respect, co-operation and co-ordination with the neighbouring regions and municipalities is essential. In fact, due to the low levels of connectivity in the neighbouring areas of the region, the adoption of transit-oriented development would benefit the other regions more than the Brussels-Capital Region, which already enjoys relatively good connections in most places.

Over time, co-ordination of land use and public transport could help create a regional growth pattern where destinations are closer together and more accessible for all, with less need to drive. Potential benefits include reduced GHG emissions, the formation of more compact neighbourhoods, lower public transport costs, diverse and affordable housing and a more resilient economy with better access to job opportunities. Perspective.brussels and Brussels Mobility could jointly lead land use policies contained in the PRDD to guide development – especially FTDAs – and to support the efficient provision of transport, regional infrastructure and community services, as well as to protect air quality and reduce GHG emissions. Promoting transit-oriented housing development in the Brussels-Capital Region requires perspective.brussels and Brussels Mobility to work in co-ordination and complement each other. Table 2.6 provides a set of recommendations that both organisations could follow to co-ordinate land use and public transport.

Table 2.6. Actions to co-ordinate land use and public transport policies to promote transit-oriented growth

perspective.brussels	Brussels Mobility
Continue providing advice and input into Brussels Mobility Good Move plan, planning demand management strategies through the provision of land use, growth management and air quality information. This could include identifying vacant land or buildings near transport hubs that can be used to build housing.	Prepare and implement public transport strategic plans that support focused growth in urban centres and FTDAs that encourage the use of multiple occupancy vehicles and active mobility.
Work with Brussels Mobility and the 19 municipalities to increase transport services between neighbourhoods across the different transport networks in the region (major, frequent and local) but always aiming to preserve affordable housing.	Provide perspective.brussels with adequate opportunities to provide input on the different public transport strategies, decisions and actions in the implementation of the Good Move plan that would affect the achievement of the PRDD.
In collaboration with Brussels Mobility and parking.brussels, develop a regional parking strategy that provides guidance to inform municipal parking requirements, considers local needs through tailored guidance for different land use and transport contexts and seeks to right-size the parking supply in the Brussels-Capital Region, making more efficient use of limited land supply.	Establish and monitor performance measures and/or targets that support an increased share of trips made by public transport, shared mobility, zero-emission vehicles, cycling and walking.
Evaluate and develop measures to mitigate the potential negative impacts on the region's industrial, commercial, conservation and recreation lands when planning public transport infrastructure, including roadways, tramways, metro and bus lanes.	Support the continuous development of safe and comfortable cycling networks across the region, including along FTDAs and other areas of high potential for utility and/or recreational cycling.

perspective.brussels	Brussels Mobility
Co-ordinate with the Walloon and Flemish Regions' public transport planning and infrastructure projects and efforts to provide sustainable sources of funding for expanding, upgrading and operating the metropolitan transport system.	Explore methods to support affordable housing by seeking partnership opportunities between the regional government and other stakeholders to support delivering affordable housing, seeking commitments on the development of affordable housing policies and targets in partnership agreements required for major public transport projects, and considering the impacts of proposed public transport projects on affordable housing when evaluating future transit investments.
In co-ordination with Brussels Mobility, formulate suggestions to streamline the regulatory process for building new housing.	Continue developing active transportation, micro-mobility and transport networks to reduce car use and promote low-emission travel options.
	In co-ordination with perspective.brussels and the finance authority, consider the development and introduction of an equity tool to support residents at risk of displacement due to increases in property taxes and rents in light of public transport investments.

Introducing a mobility budget to limit or replace the use of company cars

The federal and regional governments could work together with private sector stakeholders to explore the feasibility and means of introducing a mobility budget. The aim would be to replace company cars as much as possible by offering employees a mobility budget they can use to pay for their mobility expenses: taxi, public transport, etc. This has the possibility of helping companies attract and retain talent and improve cost efficiency by reducing fleet costs. However, it must be mentioned that the introduction and success of a mobility budget in the Brussels-Capital Region may be compromised by the characteristics of the employees entitled to this benefit and the companies that provide it. Most of the employees with company cars tend to live far away from the job centres (the higher the salary, the longer the commute) in places with poor transport connections, so it may be hard for them to give up those cars. At the very least, reforms should be designed to limit or withdraw any other support. To make it attractive, a mobility budget should integrate various transport modes in mobility offerings, in particular public transport, and enhance it with other customised employee benefits such as food vouchers.

Including digital connectivity as part of the mobility strategy

By reducing the need to travel, digital technologies may help reduce GHG emissions from transport and enhance quality of life in cities and beyond. According to estimates, digital technologies could help reduce emissions by 5% by 2050 in the mobility sector through improvements in route optimisation through the use of sensing technologies to collect real-time data to drive system decision-making (WEF, 2022^[135]). During the COVID-19 pandemic in particular, digital technologies have played a key role in helping citizens access services and goods across the city-region. However, the Brussels-Capital Region has not yet fully exploited the advantages of digitalisation in the mobility sector. It may wish to revisit its mobility agenda to treat digital connectivity on par with physical transport access. This requires establishing digital access as an alternative to physical mobility as one of the tools to achieve the 20-minute city goal the regional government sets.

To this end, the Brussels-Capital Region could build on its high level of adoption of digital technologies by its enterprises and digitally savvy human capital. According to estimates, 61% of Brussels-Capital Region residents between 16 and 74 years old had basic digital competencies, while 35% had advanced digital competencies in 2019; and 75% of small and medium-sized enterprises in the region had at least a basic level of digitalisation in the same year (IBSA/perspective.brussels, 2023^[136]). A strong point for the Brussels-Capital Region is the high level of digitalisation of public services: for example, 68% of online administrative forms are pre-filled with residents' personal data from different sources. However, the Brussels-Capital Region still needs to improve its digital infrastructure. For example, although the Brussels-Capital Region has good coverage for fixed broadband connections, there are delays in the deployment of fifth-generation technology standard for cellular networks (5G) (IBSA/perspective.brussels, 2023^[136]).

Moreover, the Brussels-Capital Region needs to improve digital connectivity in transport systems (e.g. on-board streaming of real-time transport traffic and services) and digitally optimise transport services, routing, pricing and ticketing, which is in line with the installation of a MaaS system considered in the Good Move plan, and conduct governance reforms to either join up departments or improve co-ordination for building and maintaining infrastructure. Critically, the Brussels-Capital Region needs to ensure that digital infrastructure is equitably distributed across its territory, as is the case with public transport infrastructure, to close the gap between the wealthier and poorer neighbourhoods in the region. Discussions on which transport means to promote and how digital connectivity could be leveraged should be part of urban regeneration and mobility projects.

In this respect, the Brussels-Capital Region government would need to have a full overview of the regulatory framework of digital connectivity together with a comprehensive understanding of the resources that would need to be deployed to the sector. Working with the national government and the Walloon and Flemish regional government authorities would be essential as digital connectivity for accessibility should be ensured throughout the country.

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Notes

¹ For further information, see: <https://statbel.fgov.be/en/themes/population/structure-population>.

² A “20-minute city” is a place where residents have easy and convenient access to jobs, services they use daily (e.g. grocery stores, restaurants, schools, parks, banks) and other urban opportunities without relying heavily on a car.

³ Research has pointed out that the high density of the Belgian population together with the liberal system of land acquisition, a low proportion of social housing and the lack of a co-ordinated spatial planning with a metropolitan approach have caused urban sprawl in the country (ESPON, 2018^[6]).

⁴ De-densification can be understood as the redistribution of people and remaking of places trying to optimise urban densities in a way that creates more value for the city, identify the places most appropriate for inhabitants and activities, and ensure an equitable access to services and public amenities. For further information, see https://www.researchgate.net/publication/350385284_Regulating_urban_densification_what_factors_should_be_used. For further information on Brussels-Capital Region densification purposes, see <https://www.galivel.com/en/14-0-4919/press-releases/brussels-capital-region-presents-its-method-for-smart-densification-at-mipim>.

⁵ For further information, see <https://perspective.brussels/nl/plandocumenten-reglementen-en-handleidingen/historique-des-modifications-du-pras-nl>.

⁶ Information provided by Brussels-Capital Region officials during the interviews for this review.

⁷ The term “distressed area” refers to the area of a unit of local government that has a lower per capita income than the regional average or has higher an unemployment rate than the national average. However, the problem of distressed urban areas is not poverty as such, but an interlocking mix of environmental, social and economic circumstances, sometimes exacerbated by public policies, that discourages investment and job creation and encourages alienation and exclusion. These areas are can be located in the centre or in the periphery of a city and reduce a city’s capacity to pursue area-wide goals regarding sustainability and competitiveness.

For a more in-depth discussion see: OECD (1998) *Integrating distressed urban areas*, Territorial Development, at: <https://www.oecd-ilibrary.org/docserver/9789264162884-en.pdf?expires=1704809229&id=id&accname=ocid84004878&checksum=32070C274635C3E0682A86E7B30D507F>

⁸ See <https://quartiers.brussels/1/>.

⁹ For further information, see <https://www.brussels.be/cinquantenaire-2030>.

¹⁰ For further information, see <https://www.code-de-la-route.be/fr>.

- ¹¹ For further information, see <https://www.vub.be/en/news/vub-study-reveals-airbnb-market-in-brussels>.
- ¹² For further information, see https://urbanisme.irisnet.be/lesreglesdujeu/les-plans-daffectation-du-sol/le-plan-regional-daffectation-du-sol-pras/prescriptions/j.-programmes-des-zones-dinteret-regional?set_language=fr.
- ¹³ For further information, see <https://www.revenue.pa.gov/Tax%20Rates/Pages/default.aspx>.
- ¹⁴ For further information, see https://www.ecologie.gouv.fr/demarche-et-outils-elaborer-plan-local-durbanisme-plu-et-plui#scroll-nav_3.
- ¹⁵ See <http://www.ejustice.just.fgov.be/eli/decreet/2021/12/23/2021043623/justel> and <https://www.vlaanderen.be/belastingen-en-begroting/vlaamse-belastingen/registratiebelasting/wijzigingen-verkooprecht-vanaf-1-januari-2022>.
- ¹⁶ See <https://www.expatica.com/be/housing/renting/renting-in-brussels-445862/#social-housing>.
- ¹⁷ For further information, see <https://slrb-bghm.brussels/fr/societes-immobilieres-de-service-public/toutes-les-sisp>.
- ¹⁸ See *Arrêté du Gouvernement de la Région de Bruxelles-Capitale relatif aux permis d'urbanisme à durée limitée*, 29 January 2004, http://www.ejustice.just.fgov.be/mopdf/2004/03/24_3.pdf#Page30.
- ¹⁹ The Urban Planning College is formed by experts responsible for issuing an opinion in the context of the procedure for the suspension and cancellation of permits (supervisory power of the region over the municipalities) and in the context of appeals to the government against the decisions (or lack thereof) of the board of mayor and aldermen or the delegated official. See <https://urbanisme.irisnet.be/mots-cles-1/mots-cles#section-9>.
- ²⁰ See MyPermit.Brussels, <https://mypermit.brussels/fr/>.
- ²¹ For further information, see <https://www.lexology.com/library/detail.aspx?g=edb73ea3-4e0b-4fd2-bc90-4836d2ca5f8b>.
- ²² For example, Toyota's move from California to Texas in the United States was at least in part due to high housing costs (Hirsch, 2014_[137]).
- ²³ For further information, see <https://www.brusselstimes.com/260349/municipality-of-molenbeek-accused-of-faking-opposition-to-housing-project>.
- ²⁴ For further information, see <http://www.febul.be/>.
- ²⁵ For further information, see <https://logement.brussels/ccl/>.
- ²⁶ For further information, see <https://www.citydev.brussels/fr>.
- ²⁷ See <https://slrb-bghm.brussels/fr/societe-du-logement-de-la-region-de-bruxelles-capitale/nos-missions/construction>.
- ²⁸ For further information, see <https://www.service-public.fr/particuliers/vosdroits/F31601?lang=en>.

²⁹ For further information, see <https://www.rijksoverheid.nl/onderwerpen/woning-huren/vraag-en-antwoord/wat-is-de-maximale-huurverhoging-in-2020>.

³⁰ For further information, see <https://www.gov.uk/government/publications/right-to-move-statutory-guidance-on-social-housing-allocations-for-local-housing-authorities-in-england>.

³¹ These are the targets suggested by research as the ideal levels that would allow a household to cover housing and transport expenses and meet other needs such as food, education, leisure etc. (Litman, 2017^[138]; OECD, 2020^[130]).

³² For further information on the different roadmaps, see <https://mobilite-mobiliteit.brussels/en/good-move/les-declinaisons-good-move>.

³³ For further information, see <https://www.railwaypro.com/wp/eib-funding-for-brussels-public-transport-modernisation/> and <https://www.globalconstructionreview.com/eu-lends-brussels-e475m-for-sustainable-public-transport/>.

³⁴ For further information, see <https://statbel.fgov.be/en/themes/mobility/traffic/vehicles-household>.

³⁵ See: <https://smartmove.brussels/content/smartmove/be/en/policy-overview/brussels-regional-government.html>.

³⁶ For further information, see <https://lebudgetmobilite.be/fr>.

³⁷ For further information, see https://www.ey.com/en_be/tax/tax-alerts/new-tax-law-on-the-greening-of-mobility-reform-of-the-mobility-budget and <https://www.fidelium.eu/en/tax-news/the-mobility-budget-new-features>.

³⁸ For further information, see <https://mobilite-mobiliteit.brussels/en/about-brussels-mobility>.

³⁹ For further information, see <https://parking.brussels/lagence>.

3

Governing the Brussels-Capital Region

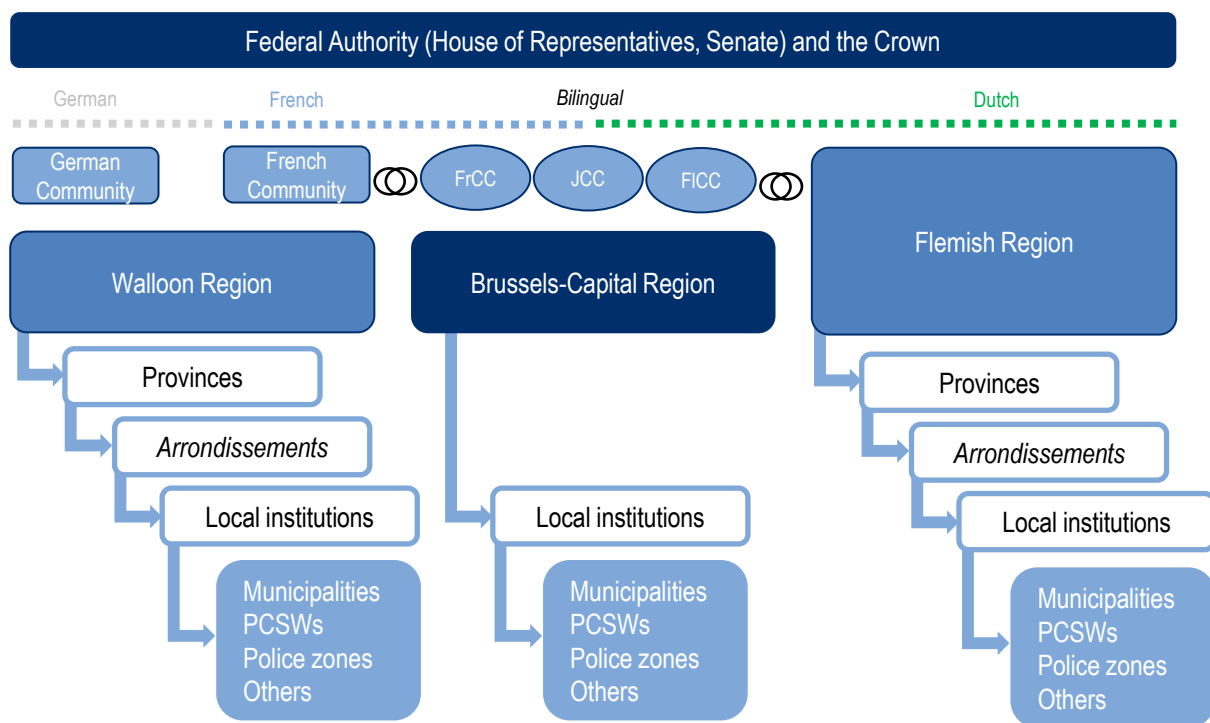
This chapter provides a comprehensive analysis of the governance of the Brussels-Capital Region. After a detailed description of the current state of governance arrangements, the chapter identifies key challenges that have emerged over time and proposes policy recommendations to enhance efficiency, transparency and accountability, ultimately paving the way for a more robust and sustainable governance framework.

Created initially as a unitary parliamentary monarchy in 1831, Belgium has undergone a gradual but deep transformation since the beginning of the 1970s with the purpose of better accommodating its different linguistic and cultural communities. Most importantly, this process has taken place through a series of constitutional reforms, with the last one in 2014, all of which have made Belgium's federal structure evolve towards a greater decentralisation of decision-making power to the six federated entities (Box 3.1). Today, Belgium is a federal country that hosts a variety of institutions at different levels of government and with different powers, responsibilities and resources, seeking to respond to the different needs and preferences of its Dutch-, French- and German-speaking populations.

The institutional architecture of Belgium is complex, particularly in the Brussels-Capital Region

Figure 3.1 provides a stylised representation of the institutional architecture of Belgium. Belgium's six federated entities can be classified into two groups: regions and communities. The determining characteristic of regions is their territorial area, whereas that of communities are person-related matters, such as language.

Figure 3.1. Belgium's multi-level governance structure



Note: FrCC – French Community Commission; FICC – Flemish Community Commission; JCC – Joint Community Commission; PCSW – Public Centre for Social Welfare.

Source: Adapted from Albrechts, L. (2001^[11]), "Devolution, regional governance and planning systems in Belgium", <https://doi.org/10.1080/13563470123288>.

Based on Figure 3.1, Belgium presents the following level of government:

- **The federal level**, where the legislative power is exercised by the federal parliament, composed of two assemblies: the House of Representatives and the Senate. Following the sixth state reform in 2014, members of the Senate, serving as the chamber of the communities and regions, are

designated by the federated entities (50/60) or co-opted (10/60) and no longer elected (Article 67 of the constitution). Senators have no veto powers over federal legislation (OECD/UCLG, 2022^[2]).

- **The regional level**, comprising three out of the six federated entities known as the Brussels-Capital Region, the Flemish Region and the Walloon Region.¹ It must be noted that the Flemish Region has never existed as an independent body; rather, the Flemish Region merged its institutions with those of the Flemish Community.
- **The community level**, encompassing the three remaining federated entities referred to as the Flemish Community, the French Community and the German-speaking Community. Within the Brussels-Capital Region, three community commissions were created to recognise the co-existence of both Dutch- and French-speaking populations: the Flemish Community Commission, the French Community Commission and the Joint Community Commission.
- **The provincial level**, amounting to ten provinces serving as an intermediate level of government, with limited powers and under the supervision of the regions. Provinces are also subdivided into administrative *arrondissements*. However, the Brussels-Capital Region does not have any provinces within its territory.
- **The local level**, including a total of 581 municipalities. Each municipality also has a Public Centre for Social Welfare (*Centre public d'action sociale/Openbaar Centrum voor Maatschappelijk Welzijn*, PCSW) in charge of social welfare and assistance. The Brussels-Capital Region has 19 municipalities with their corresponding 19 PCSWs, besides six police zones as well as other local institutions for specific purposes. Municipalities are responsible for their actions as well as those of the PCSW and other local bodies, and their actions are overseen by the regions, especially regarding budget balance and financial health.

Box 3.1. The birth and evolution of Belgium and the Brussels-Capital Region through state reforms

Since 1970, Belgium has undertaken a series of state reforms that have profoundly reshaped the country's institutional landscape. Notably, the Special Act of 12 January 1989 marked the establishment of the Brussels-Capital Region. Over the course of six state reforms, a gradual yet substantial devolution of responsibilities to the regions, communities and municipalities has taken place, seeking to address a range of funding and taxation issues. The sixth state reform, adopted in 2014, is, for the time being, the last reform of a long and complex process.

- **First state reform (1970)**: In its first constitutional revision, Belgium established three cultural communities and laid the groundwork for the formation of three regions (Flemish Region, Walloon Region and Brussels-Capital Region). Although the principle of creating these regions was embraced, its full implementation was initially postponed. However, progress was made in 1971 when the Agglomeration (*Agglomération/Agglomeratie*), a unified administrative body, was established to oversee the governance of the 19 municipalities in the Brussels-Capital Region. This new metropolitan entity was granted various powers in crucial areas such as town and country planning, transportation, safety, healthcare, public cleanliness and economic development.
- **Second state reform (1980)**: The Special Law of 8 August 1980 marked a significant milestone as it established regional institutions, albeit exclusively for the Flemish and Walloon Regions. In that instance, legislation fell short of encompassing any provisions for the Brussels-Capital Region. This omission was attributed to the complexities of reaching a political agreement.
- **Third state reform (1989)**: The Special Act of 12 January 1989 represented a definitive turning point as it established the Brussels-Capital Region on the territory of the 19 municipalities. This

legislation not only set up the region's legislative and executive bodies but also facilitated the transfer of powers from the Agglomeration to the newly formed region. Moreover, the reform significantly bolstered the authority of the communities, making them responsible for education, and further reinforced the regions by granting them additional powers on transport and public works, among others. It was also through this reform that the three community commissions were established. The Special Financing Act (*Loi Spéciale sur le Financement/Bijzondere Financieringswet*, SFA), adopted on 16 January 1989, regulates inter-governmental transfers between the Federal Authority and the regions and communities.

- **Fourth state reform (1993):** Belgium became a federal state in its own right, where the communities and regions are its six federated entities with their own governments and institutions. The SFA was also reformed (see Chapter 4). One year after this reform, the French Community Commission's powers were expanded, mainly through a transfer of health and social welfare responsibilities from the French Community. This was not mirrored by a similar transfer from the Flemish Community to the Flemish Community Commission, thereby increasing the degree of institutional asymmetry among community commissions.
- **Fifth state reform (2001):** The Lambermont Agreement and the Lombard Agreement entered into force thanks to the two special laws of 13 July 2001. This reform also included a new amendment of the SFA (see Chapter 4).
 - The Lambermont Agreement facilitated the transfer of specific powers to the communities and regions, encompassing responsibilities such as municipalities and provinces, agriculture, sea fishing, foreign trade and development co-operation (pertaining to regional and community competencies). Moreover, this agreement introduced various measures concerning the financing of the communities, the expansion of taxing powers for the regions and an additional allocation from the federal government to the French and Flemish Community Commissions.
 - The Lombard Agreement modified the functioning of the Brussels institutions, particularly concerning the representation of linguistic groups within the Parliament of the Brussels-Capital Region and the representation of Brussels representatives at the Flemish Parliament. Notably, the six Brussels members of the Flemish Parliament were henceforth directly elected as a result of this agreement.
- **Sixth state reform (2012-14):** With the purpose of improving the institutional design of the country and reducing tensions among the linguistic communities, the sixth state reform entered into force gradually from 2014 until 2019. It continued the decentralising trend of shifting the state's centre of gravity from the federal level to the federated entities. It revolved around four main chapters, including: i) measures of "political renewal" with a reform of the Senate and a reinforcement of the Chamber of Representatives' role as well as that of the Concertation Committee; ii) the scission of the electoral and legal circumscription of *Bruxelles-Hal-Vilvoorde/Brussel-Halle Vilvoorde* as well as the promotion of a metropolitan community that would foster "tight" co-operation relations between the Brussels-Capital Region and its hinterland; iii) the transfer of new competencies to the regions and communities in the fields of employment, economy, health, social assistance and family allowances among others; and iv) the strengthening of regional and community fiscal framework, with a new reform of the SFA of the regions and communities.

Source: Chamber of Representatives (2011^[3]), *Accord institutionnel pour la sixième réforme de l'état : Un état fédéral plus efficace et des entités plus autonomes*.

Assessing public governance in the Brussels-Capital Region

The comprehensive examination of the current state of the Brussels-Capital Region's institutional landscape offers valuable insights into its governance and helps to identify areas that require improvement. Key highlights include the complexities posed by the intricate institutional setup and ongoing efforts to streamline governance in the Brussels-Capital Region for better efficiency, alongside the absence of well-defined metropolitan governance arrangements, the existence of various co-operation mechanisms to foster co-ordination and collaboration among the different layers of government and the importance of citizen engagement in shaping the institutional landscape.

The Brussels-Capital Region's "institutional lasagne" displays a high degree of complexity and unclear competency allocation

Because the Brussels-Capital Region's institutions reflect the arrangements made to accommodate the territorial specificity, the linguistic diversity and the different preferences of the communities, its multi-level governance structure is exceptionally complex. Compared to the Flemish and Walloon Regions, the Brussels-Capital Region has three particular characteristics. First, while surrounded by Flemish territory, the Brussels-Capital Region is the only bilingual federated entity inhabited by both Dutch- and French-speaking populations. Second, despite its reduced land area of only 162 square kilometres (km²) (compared to 13 635 and 16 845 km² for the Flemish and Walloon Regions respectively, see Chapter 1), the Brussels-Capital Region encompasses the capital of the country (i.e. the City of Brussels) and gathers the two Assemblies of the French and Flemish Communities of Belgium. Third, the Brussels-Capital Region also acts as the capital of the European Union and headquarters of most European Union (EU) institutions as well as other international organisations such as the North Atlantic Treaty Organization (NATO) (Peiffer, 2021^[4]; Brussels International, 2021^[5]).

This accumulation of institutional structures creating multiple layers of governance at different scales has sometimes been referred to as an "institutional lasagne" (Corijn, 2023^[6]). While the Parliament and the Government of the Brussels-Capital Region manage a wide array of competencies, other actors such as the Federal Authority or the two communities remain as key actors for specific competencies. The various layers of governance, including the community commissions and the institutions at the local level, often share their competencies with the Brussels-Capital Region and the Federal Authority, which may lead to overlaps and underlines the need for effective co-operation.

The Parliament of the Brussels-Capital Region is the main legislative body in the region, responsible for electing a government. It consists of 89 representatives directly elected by the population every 5 years, split into 2 linguistic groups with 72 French-speaking and 17 Dutch-speaking representatives. The existence of these two groups ensures the protection of the Dutch-speaking minority (Peiffer, 2021^[4]). The Parliament of the Brussels-Capital Region legislates by issuing ordinances, which have the same effect and rank as decrees and federal laws.

The Government of the Brussels-Capital Region represents the executive power. Elected by the parliament, it comprises one minister-president, four other ministers, two of whom are French-speaking and the remaining two Dutch-speaking, and three state secretaries, among whom at least one is Dutch-speaking. The Government of the Brussels-Capital Region issues the necessary legal acts for the execution of the ordinances without ever being able to suspend the ordinances themselves or exempt them from execution. It also sanctions and promulgates the ordinances approved by the Parliament of the Brussels-Capital Region. According to Article 69 of the Special Law of 8 August 1980 on institutional reforms, the Government of the Brussels-Capital Region deliberates "collectively, following the consensus procedure followed in the Council of Ministers, on all matters within its competency". This consensus rule has a strong rationale in the Belgian context but also entails some risks (Box 3.2).

Box 3.2. The consensus rule: Rationale and risks

The consensus rule – which is the same for the governments of other federated entities – can be seen as a measure to protect the Dutch-speaking minority but also as a way to promote the representativeness of the government, protecting each represented view within the government.

Nevertheless, deliberating based on consensus has its risks. Combined with the rule that each minister is accountable to their language group, the consensus rule may generate deadlocks. Indeed, any members of the Brussels-Capital Region’s government pertaining to one or the other linguistic groups could block any decision-making without fearing repercussions in parliament or, more specifically, within their language group.

The consensus rule may thus ensure that all decisions are acknowledged and owned by all members and linguistic groups in the government. However, especially in contentious issues, this may contribute to slowing down or even halting the decision-making process.

Source: Peiffer, Q. (2021^[4]), “Les spécificités institutionnelles de la région bruxelloise”, <https://doi.org/10.3917/CRIS.2510.0005>.

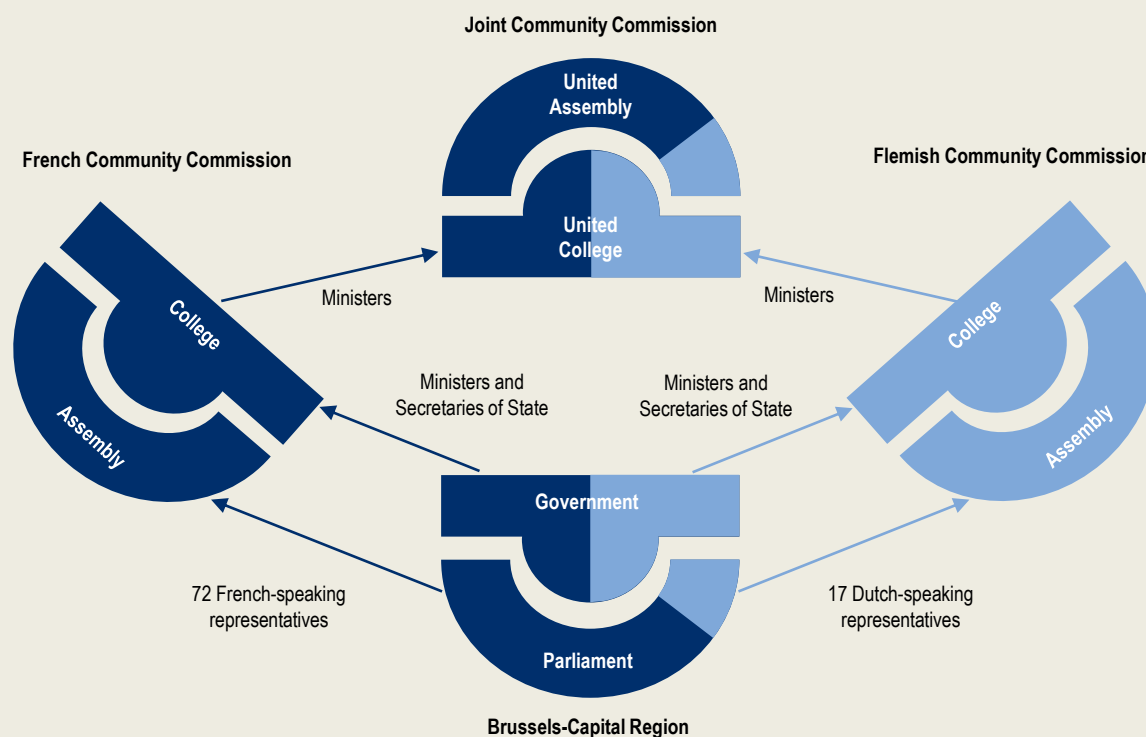
Even though the Brussels-Capital Region manages an extensive range of competencies, most of them are shared with other governments, especially with municipalities

The Brussels-Capital Region’s competencies can be classified into two distinct categories: those explicitly recognised in Article 6 of the Special Law on Institutional Reforms (8 August 1980) and those incorporated after the sixth state reform. Based on the former law, the Brussels-Capital Region is, in general, competent to legislate in the areas of spatial planning, environment and water policy, rural renovation and nature conservation, housing, agriculture, economy, energy policy, local authorities (e.g. municipalities, PCSWs, police zones, etc.) and public works and transport. On the other hand, since the sixth state reform took place, responsibilities such as employment, animal welfare and road safety also fall under the Brussels-Capital Region’s legislative purview. These newly allocated competencies also encompass certain cultural responsibilities regarding the funding and subsidising of municipal sports facilities, vocational training programmes, as well as bicultural matters (i.e. for both linguistic communities) as long as they remain of regional interest. As such, the successive reforms of the Belgian state have resulted in the assignation of extensive competencies to the regional level while the residual ones are assigned to the federal government, giving greater autonomy to the regions and communities, the latter of which are present in the Brussels-Capital Region both through the community commissions and the communities themselves (Box 3.3).

Box 3.3. The competencies of the community commissions in the Brussels-Capital Region

Recognising the bilingual essence of its population, three community commissions were established in the Brussels-Capital Region to effectively administer “language-based competencies” and “other person-related competencies”,² each to varying degrees: the French Community Commission, the Flemish Community Commission and the Joint Community Commission (JCC). Each Community Commission is comprised of members who hold seats in the Parliament of the Brussels-Capital Region. The JCC consists of all 89 parliamentary representatives, while the French Community Commission represents the 72 French-speaking members and the Flemish Community Commission does the same for the 17 Dutch-speaking members (Figure 3.2).

Figure 3.2. The Brussels-Capital Region and the community commissions



Note: Dark blue refers to French-speaking representatives, while light blue refers to Dutch-speaking representatives.

Source: Adapted from Corijn, E. (2023^[61]), *Brussels, Metropolis*.

Language-based competencies involve education and cultural affairs, whereas other person-related competencies refer to matters such as health and social welfare allocations, which vary from one person to another, irrespective of any language differences. At the same time, these competencies can be exercised over two different beneficiaries or recipients: individuals or institutions, be they unilingual or bilingual (also known as bi-community) (Table 3.1).

Community commissions are asymmetric bodies in terms of their degrees of autonomy. The Joint Community Commission acts as a fully decentralised body,³ exercising its jurisdiction over public institutions (PCSWs, public hospitals, etc.) as well as private institutions that do not belong to either of the 2 communities and consequently subsidises over 300 bi-community establishments and services, including psychiatric care homes, protected housing initiatives, mental health services, nursing homes, day care centres, etc. It can also create its own bi-community institutions, such as Bruss Help, an institution responsible for co-ordinating emergency aid and integration programmes for homeless people in the Brussels-Capital Region. With the sixth state reform, the Joint Community Commission's competencies were expanded in scope and number by adding, namely, justice and electronic surveillance establishments, film classification and promotion of Brussels.

Table 3.1. Competency allocation among community commissions

	Language-based competencies (culture and education)	Other person-related competencies (health, social welfare allowances)
Individuals	Federal Authority	Joint Community Commission
French-speaking institutions	French Community Commission	French Community Commission
Dutch-speaking institutions	Flemish Community Commission	Flemish Community Commission
Bi-community institutions	Federal Authority*	Joint Community Commission

Note: This table focuses on the main competencies of community commissions and hence does not include other auxiliary competencies in which community commissions are involved, such as some aspects of international relations, scientific research, infrastructure development or the decentralised management of public services and criminal competencies (French Community Commission, 2020^[7]).

* For language-based competencies that are of common interest (i.e. culture), the Joint Community Commission is legally in charge of legislating them, which is not to be confused with the Federal Authority's role regarding federal cultural and scientific institutions.

Source: Based on references for Box 3.3.

Contrary to the Joint Community Commission, the French Community Commission acts as a partially decentralised entity with a dual nature: for some competencies, it is a subordinate body of the French Community of Belgium, respects the French Community's decrees and intervenes only by issuing regulations, while on the other hand, it is fully responsible and can legislate regarding the competencies that the French Community has decided to transfer to it, as per Article 128 of the constitution (e.g. sports facilities, vocational training, assistance to people with disabilities, school transport, family policy, social assistance, social cohesion, migrant integration, the elderly, and health (French Community Commission, 2020^[7])). This is different for the Flemish Community Commission, which acts as a subordinate body of the Flemish Community. The latter both supervises and can suspend or annul decisions taken by the Flemish Community Commission's Assembly or College. It also oversees the annual budget and accounts of the Flemish Community Commission. In terms of competencies, the Flemish Community Commission is explicitly assigned responsibilities in decrees of the Flemish Community and may act as a "deputy" municipal or provincial government as needed. This intricate web of institutions that are responsible for different fields and different target beneficiaries has other complexities. For instance, so-called bicultural affairs of regional interest, related to support for museums or festivals that concern both linguistic communities, are, since the sixth state reform, no longer under the jurisdiction of the JCC but rather that of the Brussels-Capital Region (Nassaux, 2012^[8]).

Community commissions, especially the JCC, also play an indirect role in policies such as housing. For example, the JCC provides funding and holds authority over PCSWs, which can facilitate rental guarantees, offer transitional housing and provide housing suitable for individuals with disabilities, among other services.

Source: French Community Commission (2020^[7]), *Compétences*, <https://ccf.brussels/qui-sommes-nous/competences>; Nassaux, J. (2012^[8]), "Les aspects bruxellois de l'accord de réformes institutionnelles du 11 octobre 2011", <https://doi.org/10.3917/cris.2129.0005>.

However, responsibilities are seldom allocated exclusively to one institution or level of government only (see Annex Table 3.A.1). On paper, the Brussels-Capital Region and the other regions do have exclusive competencies, such as the management of inland waterways, agriculture and rural development, environment and nature conservation, of housing, research and development and religious affairs, among others. Yet, in reality, there are many overlaps among levels of government, be it at the federal, the community or, particularly, the local levels. For instance, the Brussels-Capital Region collaborates with the

Federal Authority in domains such as spatial planning, civil protection and emergency services, public works, public transport, telecommunications, manufacturing and construction and climate protection. On the other hand, competencies related to culture, vocational and higher education, sports and recreation and social welfare fall mostly under the communities' purview, notwithstanding the exceptions mentioned above for which the Brussels-Capital Region has become competent. Most importantly, the Brussels-Capital Region legislates on a variety of topics together with local authorities, which may have some legislative power and/or may restrict their action to implementation. Apart from tourism and support to local enterprises, the Brussels-Capital Region and the municipalities are both responsible for urban planning, parking facilities as well as social housing, where the Brussels-Capital Region conducts and implements its overarching housing strategies while municipalities can establish their own priorities and strategies, which may diverge from those outlined by the Brussels-Capital Region (see Chapter 2).

The institutional compromises to accommodate the bilingual nature of the Brussels-Capital Region in its parliament hinder its capacity to develop its own regional vision

As mentioned earlier, the Brussels-Capital Region is officially bilingual and its parliament aims to represent both Dutch and French speakers by apportioning seats to their respective communities, with 72 seats allocated for French speakers and 17 for Dutch speakers. This arrangement ensures that both linguistic communities are represented within the parliament. However, in practice, this has led to electoral dynamics that can hinder the development, execution and co-ordination of regional policies.

This fixed allocation of seats to each linguistic group may result in the inability of the Brussels-Capital Region to develop, establish and implement its own regional vision. Indeed, the primary consequence of this linguistic rule is that eligible voters must first make a language-based choice before considering the policy proposals put forth by political parties. In essence, voters are required to decide whether to vote for a Dutch-speaking or French-speaking list and only then make their choice among the various options within their chosen language group. This dual choice, together with the involvement of the communities in language-related matters within the Brussels-Capital Region, adds complexity to the task of reaching agreements (Sinardet, 2022^[9]) and obstructs the establishment of a cohesive, solid regional vision that the Brussels-Capital Region can proactively manage and implement.

Moreover, the sociodemographic landscape of the Brussels-Capital Region has evolved over time. In 2022, a significant 35.9% of the population did not possess Belgian nationality, marking a 7.6% increase since 2000 (IBSA/BISA, 2022^[10]). While some of these non-Belgian citizens may have Dutch or French as their primary language, the majority are likely to speak other languages. Consequently, even if they are not eligible to vote, the division of languages in the Brussels-Capital Region and its parliament falls short of accurately mirroring the diverse society residing within its boundaries.

Despite the decentralising trend, the Federal Authority remains a relevant player in certain policy areas in the Brussels-Capital Region

While Belgium's three regions have expanded their portfolio of responsibilities through successive state reforms, the Federal Authority has residual competencies and still maintains several avenues to influence certain policies implemented within the territory of the Brussels-Capital Region, albeit with some overlaps.

Federal residual competencies are all those competencies which are not explicitly attributed to any other level of government.⁴ The distribution thereof among regions, communities and the federal level is subject to judicial control, carried out by the Constitutional Court of Belgium, which can repeal legislation that contravenes the division of powers, and by the Council of State.

As mentioned earlier, numerous competencies that are theoretically exclusive are, in practice, shared among various institutions (see Annex Table 3.A.1). This occurs because different aspects pertaining to the same field are managed by multiple entities. For example, the Brussels-Capital Region is the main

entity responsible for public transport in co-ordination with the 19 municipalities. However, the Federal Authority remains competent for rail networks, airports and specific aspects of public transport (see Chapter 2). Concerning urban planning and the environment, waste management falls under the purview of the Brussels-Capital Region, although the Federal Authority does play a role in managing radioactive waste (État de l'environnement wallon, 2018^[11]). In reality, only a few competencies remain exclusive to a level of government, such as those relating to defence or nationality under the discretion of the Federal Authority.

Additionally, the Federal Authority is responsible, within the limits of the Brussels-Capital Region, for the use of languages for administrative matters, the use of federal scientific establishments, bicultural matters and matters relating to the international role and function of Brussels-Capital Region as a capital (Peiffer, 2021^[4]).

The local level in the Brussels-Capital Region also hosts a large number of stakeholders with a complex allocation of competencies

The institutional landscape of the Brussels-Capital Region is also particularly intricate at the local level, both due to the numerous institutions in place as well as the ambiguity in competency allocation.

The 19 municipalities of the Brussels-Capital Region have a legislative and executive body. The municipal council is the legislative assembly of the municipality, composed of a mayor, municipal executives and councillors, as well as the president of the respective PCSW. Mayors, municipal executives and councillors are directly elected in municipal elections every six years and, as of 2024, will not be able to serve as regional elected representatives simultaneously (see Box 3.7 in the policy recommendations section of this chapter). There are no linguistic quotas for elected representatives in municipalities. In practice, this means that municipalities with smaller numbers of Dutch speakers also tend to have a smaller number of Dutch-speaking representatives and could, in principle, not have any.

Legislation does not always clearly state what competencies are allocated to local governments. The constitution recognises the municipalities' autonomy in all matters of "municipal interest" (Articles 41 and 162), with the region playing an oversight and supervisory role. Nevertheless, the constitution does not clarify the legal notion of "municipal interest" and does not provide a comprehensive list of municipal competencies. As a result, everything that is not expressly regulated by another level of power potentially falls within the competency of the municipality.⁵ Within this limit, municipalities, which are remarkably diverse among each other, may each determine what they consider to be of municipal interest, which may lead to conflicts over the distribution of responsibilities and may ultimately hamper accountability. The high degree of autonomy granted to municipalities and the significant number of competencies shared between the region and the municipalities may also translate into deadlocks or asymmetric implementation of regional policies.

The Public Centres of Social Welfare and other local bodies act alongside the municipalities

Similar to the region, the complexity of governing at the local level partly stems from the multitude of local institutions. To the 19 municipalities must be added the 19 PCSWs, the police zones, inter-municipal companies, municipal non-profit associations and other sub-local bodies at the neighbourhood level, such as the Local Identity Nexus.

Each municipality in the Brussels-Capital Region has its PCSW. PCSWs have a distinct legal personality with their own structure headed by a council of social action elected by the municipal council. The council of social action can also create special committees within itself to which it can delegate specific tasks (Bruxelles Pouvoirs Locaux, 2023^[12]). The PCSW provides assistance to the individuals of its municipalities in different forms: financial, in kind, medical, socio-professional, family or even legal. For example, they can provide social housing or assist in finding housing adapted for people with disabilities. The PCSWs

are also legally permitted to form an association with one or more other PCSWs, with other public authorities or with legal persons other than those with a profit-making purpose.

Another set of local institutions is the six police zones in the Brussels-Capital Region. The establishment of 6 – instead of 19 – police zones that operate across various municipalities already streamlines the governance of safety and public order. This strategic decision has effectively minimised the number of separate actors that would have existed if the police zones were strictly aligned with municipal borders. Other purpose-specific institutions culminate the complexity of the Brussels-Capital Region’s governance at the local level. They include, for example, inter-municipal companies, the network of hospitals, municipal entities and municipal non-profit associations.

Institutional complexity may pose significant challenges for efficient and effective policy making, and discussions on simplification reforms are ongoing in the Brussels-Capital Region

In many countries worldwide, the COVID-19 crisis presented a unique opportunity to assess the strengths and weaknesses of institutional frameworks (OECD/UCLG, 2022^[13]). Belgium, along with the Brussels-Capital Region, faced the challenge of co-ordinating multiple institutions to swiftly respond to the pandemic, transcending administrative boundaries. This entailed the collaboration of seven ministers of health, their respective administrations and other ministries and departments responsible for areas indirectly linked to crisis management (Faniel et al., 2021^[14]). The complexity of co-ordinating diverse institutions led to discussions on streamlining Belgium’s institutional framework and clarifying the allocation of competencies among these bodies. Discussions started during an online participatory initiative throughout Belgium called “A country for tomorrow” led by the federal government, in which around 11 000 citizens from Belgium expressed their views on the future of the Belgian state. While the sample may not be entirely representative, the prominence of the simplification topic underscores its significance to the public (Federal Government of Belgium, 2023^[15]).

While institutional fragmentation theoretically allows for greater choice in public service provision and encourages competition among local governments to cater to residents’ preferences, it is important to acknowledge that, in practice, it often leads to negative consequences for economic performance. This is particularly evident when considering the implementation gaps apparent in major infrastructure projects and urban development processes that may, for example, delay the construction of housing blocks in a city. The complexity arising from institutional fragmentation has predominantly been associated with adverse effects, primarily due to duplicated efforts and a lack of economies of scale. As a result, the efficient delivery of crucial public services becomes more challenging, particularly when financial resources are constrained.

For example, an OECD study has shown that increasing the number of local governments within a metropolitan area can reduce labour productivity by about 6%, outweighing the benefits of spatial agglomeration (Ahrend et al., 2014^[16]). Moreover, metropolitan areas with low administrative fragmentation have experienced stronger gross domestic product (GDP) per capita growth than those with high fragmentation (OECD, 2019^[17]). Fragmentation is particularly detrimental to growth in and around urban areas, where the suboptimal provision of public transport infrastructure is often observed due to administrative boundaries. Research often concludes that the negative effects of administrative fragmentation can be addressed by creating co-ordination and co-operation mechanisms, both vertical and horizontal, across the local, regional as well as metropolitan levels. As will be seen below, metropolitan governance bodies exist in approximately two-thirds of the metropolitan areas in the OECD (OECD, 2019^[17]).

However, in the Brussels-Capital Region, the ways to simplify the institutional architecture vary widely across the different governments and stakeholders, including the various political party representatives (Dodeigne et al., 2022^[18]). Different stakeholders in Belgium and the Brussels-Capital Region have put

forward various proposals for new institutions. So have the 11 000 citizens participating in the survey above. Although all ideas concur that simplification should be a priority, the ways in which this should be achieved are very diverse, ranging from more unitarist to more devolutionist reform proposals.

In particular, considerable attention has been directed towards two divergent propositions: refederalisation and regionalisation. On the one hand, some believe that, after the experience of the COVID-19 pandemic, some competencies should be transferred from subnational levels of government to the Federal Authority, particularly in those domains where co-ordination must be ensured and where quick responses may be needed (Van Overbeke and Stadig, 2020^[19]). In this case, the recentralisation process must be collaboratively developed but this is not always simple since this reorganisation affects the core and sometimes even the existence of certain institutions or levels of government. On the other hand, an alternative perspective advocates for further decentralising the country into a “four-region Belgium”, whereby competencies would be transferred to four regions – the Flemish Region, the Walloon Region, the Brussels-Capital Region and the German-speaking Community – mainly from the communities and the Federal Authority, with a view to act more autonomously and consistently. Proponents argue that this could induce a reduction in the number of institutions and clarify competency allocation. Said reform may, however, run into complications due to the Brussels-Capital Region’s bilingual nature, as this may in practice loosen or cut the link between the linguistic communities in the Flemish Region and the Walloon Region with those in the Brussels-Capital Region. Although these changes so far remain unclear in the details, stakeholders generally agree that a change in the governance structure is needed (Faniel et al., 2021^[14]).

In spite of the institutional complexity, no governance arrangement covers the metropolitan area of Brussels

Paradoxically, despite the wide array of institutions involved in policy making in the Brussels-Capital Region, there is no governance arrangement at the metropolitan level. Although the relevance of the Brussels metropolitan area is widely recognised, this consensus breaks down when it comes to the management of this territory and its resources. This is why the Metropolitan Community, a formalised body included in the legal agreement of the sixth state reform, has never become a reality (Box 3.4). Therefore, the existing administrative boundaries of the Brussels-Capital Region often fail to accurately reflect the functional relationships that exist between people and activities across different areas (Bisciari and El Joueidi, 2022^[20]; Kitagawa and Vidmar, 2023^[21]). For example, one out of two workers in the Brussels-Capital Region is a commuter who lives outside the borders of the region, a situation that may exert a negative impact on regional public finance (Actiris, 2023^[22]).

The metropolitan phenomenon is not new in OECD countries. Over the last 60 years, the world has increasingly urbanised, driven by population growth, economic development, improved transportation and widespread communication technologies. Metropolitan areas, defined as urban agglomerations with more than 500 000 inhabitants, account for only 4% of land but house about half of the world’s population and contribute to nearly 55% of GDP in OECD countries (OECD, 2015^[23]; UNDESA, 2019^[24]). The number of metropolitan governance authorities has quadrupled from 38 to 165 between 1970 and 2018, with many countries such as France, Italy and the Republic of Türkiye (hereafter Türkiye) adopting asymmetric arrangements to accommodate the specificities of metropolitan areas and city-regions, acknowledging their pivotal role in driving economic progress (OECD, 2022^[25]). This expansion positions metropolitan areas and dynamic medium-sized cities as powerful engines for job creation, innovation and green growth.

Discussions surrounding the Brussels metropolitan area have been a recurrent topic in Belgium on numerous occasions. However, as is often the case in other countries, the negotiations regarding the establishment of a metropolitan governance arrangement have encountered significant obstacles due to their inherent political sensitivity. On the one hand, these discussions have arisen from the imperative need to enhance the fair and equitable financing of services and infrastructure in areas where commuters work

but do not reside. Past studies have quantified the costs and revenue losses stemming from the substantial commuter population, estimating approximately EUR 490 million per year in 2003 (Van Wynsberghe et al., 2009^[26]). On the other hand, the urgency for metropolitan-scale discussions is also evident in contentious issues such as the Drogenbos incinerator and noise nuisances from flights passing over Brussels, both of which impact the broader territory of the Brussels Metropolitan Area rather than being confined to the Brussels-Capital Region alone.

The lack of a metropolitan governance structure covering the Brussels metropolitan area prevents Brussels from exploiting its full economic potential, with policy fields that would potentially fall under the purview of a metropolitan governance body currently being legislated on by the regions, communities, 138 municipalities and the Federal Authority. With a population of 3 322 000 in 2020, the metropolitan area of Brussels stands out as an anomaly as it does not have any supra-municipal and/or supra-regional authority at the metropolitan level, nor does it have a special status as a metropolitan city. While good examples of ad hoc co-operation at the metropolitan scale exist in fields such as transport and mobility (see Chapter 2), these are rather scattered instances of co-operation and fall short of the formal arrangement that the Metropolitan Community sought to be. Since the metropolitan scale is becoming gradually more relevant for policy making, the absence of a stable metropolitan co-operation mechanism – from informal to more formal ones – that reflects the unique reality of the Brussels metropolitan area is in contradiction with well-established OECD decentralisation guidelines, which acknowledge that, due to the constant evolution of multi-level governance systems, co-operation arrangements must be stable and flexible to accommodate changes in economic activity and be best suited to achieving specific policy goals (OECD, 2019^[27]).

Box 3.4. The Metropolitan Community, so far only on paper

The sixth state reform recognised the Brussels metropolitan area to be of crucial development for Brussels itself. As a result, the amended Special Law of 1980 on Institutional Reforms proposes in its Article 92bis the establishment of a Metropolitan Community with the main aim of facilitating consultation on regional matters of cross-regional importance, particularly in the areas of mobility, road safety and roadworks in, to and around the Brussels-Capital Region. The legal text provides that the governments of the three regions are members of the Metropolitan Community. Similarly, the Federal Authority and all municipalities in the Brussels-Capital Region, as well as the municipalities of Flemish Brabant and Walloon Brabant – totalling 111 municipalities –, are also automatic members of the Metropolitan Community. The provinces of Flemish Brabant and Walloon Brabant have the freedom to join. Therefore, the Metropolitan Community is not solely a Brussels institution since the Brussels-Capital Region is just one of its members, along with the other two regions and the Federal Authority.

Albeit regulated by law, the Metropolitan Community has never become a reality. Indeed, the legal provisions only establish its members and some of the policy areas that the Metropolitan Community may discuss. However, Article 92bis clearly states that a co-operation agreement to “set the modalities and the purpose of this consultation” is required. Since the three regions and other governments involved have not reached a consensus, the absence of a co-operation agreement prevents any Metropolitan Community from existing. Among the reasons why it has not yet come to fruition may be the fact that the idea of the Metropolitan Community was primarily conceived as a full-fledged formal institution instead of building on existing co-operation, which may have contributed to its challenges (Van Wynsberghe, 2013^[28]). Although the text specified the members of the Metropolitan Community, it fell short in providing details about the institutional structure and governance of this new entity as well as its competencies. As a result, crucial aspects were left to be addressed in the co-operation agreement, which has yet to materialise. Instead of gradually building trust and support through smaller

joint projects, the agreed text directly proposed the most formalised type of governance arrangement, establishing a metropolitan body. This approach might have unnerved the various institutions involved, which were concerned about the potential loss of competencies. This may have instilled hesitation in regard to signing the co-operation agreement.

In the meantime, pending the conclusion of this agreement, consultations regarding metropolitan-scale affairs are conducted outside of the Metropolitan Community, although this remains scattered and dependent on political will (Peiffer, 2021^[4]). Most institutions that cover a part of the Brussels-Capital Region's functional urban area operate in silos and only co-operate ad hoc, usually using co-operation agreements. Relying mostly on co-operation agreements at the metropolitan scale has at least two main caveats. First, co-operation agreements are concluded on a voluntary basis, which means that if there is no political will to co-operate, there is no formal channel at the metropolitan level to do so, including at the administrative level. Second, the lack of an overarching framework at the metropolitan level leads to a proliferation of co-operation agreements of different natures and various entities that make the institutional context even more complex and risk lowering transparency and accountability.

Source: Van Wynsberghe, C. (2013^[28]), "Brussels and Washington: Two federal capital cities with two similar metropolitan experiences?", <https://doi.org/10.4000/brussels.1142>; Peiffer, Q. (2021^[4]), "Les spécificités institutionnelles de la région bruxelloise", <https://doi.org/10.3917/CRIS.2510.0005>.

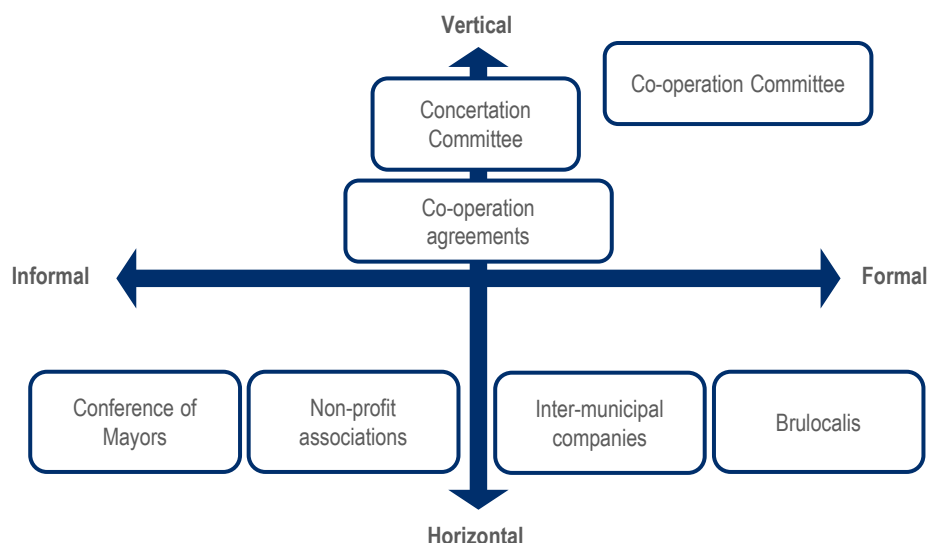
Co-operation mechanisms within and among levels of government are numerous but sometimes inefficient

As described earlier, the institutional evolution of the Brussels-Capital Region has resulted in the creation of a highly complex governance structure. In this context, various forms of co-operation mechanisms have been established to foster collaboration among different levels of government and jurisdictions. These mechanisms can be horizontal (co-operation among institutions at the same level of government) and vertical (co-operation across levels of government) and they take a variety of shapes, ranging from soft or informal arrangements to harder or more formalised depending on the issue on which governments choose to co-operate, as well as the institutional and political context. Different policy areas and issues may require varying degrees of co-operation, ranging from informal knowledge sharing to more robust and legally binding arrangements.

- Following Figure 3.3, at the soft or informal end of the continuum, different levels of government engage in voluntary co-operation through various means. This includes sharing best practices, exchanging information and data and reaching or attempting to reach a consensus on topics that may concern all parties involved. These activities foster dialogue and knowledge sharing among participants, enabling them to learn from each other's experiences and improve their own policies and practices. In the Brussels-Capital Region, the Conference of Mayors is a horizontal co-operation mechanism which remains highly informal.
- Moving along the continuum, the framework also encompasses medium-level co-operation mechanisms that involve more structured engagements, usually via the signature of a contract for a specific issue or responsibility. Non-profit associations and inter-municipal companies are used in the Brussels-Capital Region to provide a shared platform for municipalities, public and private actors to collaborate. Contracts, referred to as co-operation agreements in Belgium, are used in countries such as Australia, Ireland, New Zealand and the United Kingdom. In addition, the Brussels-Capital Region is one of the regions participating in the Concertation Committee, which, albeit not constitutionally recognised, has formal procedures and serves as a common space to co-operate.
- Lastly, towards the harder or more formalised end of the continuum, co-operation is formally institutionalised through binding agreements that set the obligations and responsibilities of newly

created institutions, along with their structures and legal procedures. In the Brussels-Capital Region, this is the case of the Co-operation Committee, even if it only covers a very specific policy area.

Figure 3.3. A continuum from soft to more formalised forms of co-operation in the Brussels-Capital Region



Note: This is a stylised, non-exhaustive diagram of co-operation mechanisms.

This section examines the current co-operation mechanisms in place, which notably encompass the Conference of Mayors, the association Brulocalis, co-operation agreements, the Co-operation Committee and the Concertation Committee (Figure 3.3). It presents their advantages and drawbacks as well as opportunities for their improvement.

The Conference of Mayors provides a flexible setting for informal co-ordination and co-operation, albeit outside the legal framework

The Conference of Mayors in the Brussels-Capital Region is a platform that brings together the mayors of the 19 municipalities within the region. The conference lacks a legal framework explicitly defined in legislation and thus remains an informal association without legal personality. As a result, it acts as an informal, horizontal co-ordination and co-operation mechanism that meets with varying frequency, aiming to achieve a bi-monthly schedule.

With its informal status, the Conference of Mayors acts as a collaborative forum that facilitates co-ordination among the mayors and allows them to align their efforts and work together on common issues, mostly related to governance, public services and local development. The platform also encourages the exchange of best practices and learning from each other. Additionally, the conference helps to build consensus around key regional issues and allows the mayors to advocate for the interests and concerns of their communities in a more concerted manner in front of the Brussels-Capital Region and other institutions where municipalities may be represented.

Despite the flexibility offered by the status of the conference, this informality may also raise some important issues. The lack of a formal legal framework and binding authority results in decisions and recommendations not being legally enforceable. The informal setting also gives equal weight to each mayor, irrespective of the size, population and other factors that may be very disparate across

municipalities. Moreover, the ability to hold each of the members of the Conference of Mayors accountable may be hindered inasmuch as the lack of legal framework reduces transparency in the topics discussed and decision-making processes. Finally, different political affiliations and rivalries among mayors may impact the objectivity and impartiality of the discussions, as well as limit the scope of the compromises reached.

Across the OECD, similar bodies could be compared to the Conference of Mayors in the Brussels-Capital Region, especially in the United States. For instance, the Metropolitan Mayors Caucus brings together the principal elected officials of metropolitan Chicago to work together on shared challenges. The caucus convenes every quarter and operates under the governance of an executive board that holds bi-monthly meetings. Additionally, the caucus currently oversees 12 committees and taskforces that regularly convene to tackle specific regional concerns. Consensus remains the basis for any decisions the caucus takes as a whole (Metropolitan Mayors Caucus, 2021^[29]). Another example is the Metropolitan Mayors Coalition in metropolitan Boston, which brings city and town leaders together to address common challenges affecting urban core communities. The coalition promotes collaborative approaches through working groups, reports, legislation advocacy, joint projects to access state and federal funds, and undertaking co-operative actions to achieve cost savings and efficiencies (MAPC, 2023^[30]).

Although the scale of these OECD examples is metropolitan, the critical difference between these international examples and that of the Conference of Mayors is that the latter lacks a clear legal status and thus operates under a legal vacuum that can raise some concerns regarding its transparency, despite the numerous advantages listed above related to knowledge sharing, co-ordination and consensus-building.

Finally, it is important to note that the Conference of Mayors offers little co-ordination beyond executive personnel. In other words, administrative staff do not seem to have a platform and a systematic reflex to exchange their views and lessons learnt. Research shows that knowing staff members in other municipalities, especially in those that are closer geographically or in terms of the challenges they face, can improve co-ordination and co-operation. However, OECD interviewees acknowledge that there is barely a culture of co-operation among administrative staff members in different local authorities. For example, even if most of the municipalities of the Brussels-Capital Region have initiated citizen participation exercises, this does not necessarily mean that they exchange on good practices as well as areas to be improved. Nurturing a culture of co-operation at the administrative level would allow for information sharing, less policy duplication and better co-ordination and co-operation (van Haute et al., 2018^[31]).

Brulocalis acts as a formal platform for horizontal co-operation, albeit unrelated to the Conference of Mayors

Brulocalis is a non-profit organisation created in 1993, serving the local authorities of the Brussels-Capital Region, established and managed by them. It is composed of the constituent members and the 19 municipalities of the Brussels-Capital Region, as well as the so-called affiliated members, comprising the 19 PCSWs and associations formed among them and inter-municipal entities headquartered in one of the 19 municipalities. Member municipalities and the PCSWs pay an annual contribution based on their population to fund the activities and operational expenses of Brulocalis.

Brulocalis is administered by its different governing bodies: the General Assembly, the Board of Directors and the Bureau. The General Assembly comprises all active members of Brulocalis, with each municipality holding a single voting right. Adherent members are also invited to participate in an advisory capacity. The General Assembly appoints the Board of Directors and serves for a term of six years. This body consists of 19 to 39 administrators, a position that is reserved for mayors, municipal executives or municipal councillors of the Brussels-Capital Region. One of these administrators represents the equivalent of Brulocalis for the PCSW, the Federation of the PCSW of the Brussels-Capital Region, which has its own

set of governing bodies. Lastly, the Board of Directors appoints a Bureau of up to ten administrators, including the president and three vice-presidents.

Each of Brulocalis' governing bodies handles specific responsibilities. Through the different governing bodies, Brulocalis' main mission is to assist the 19 municipalities in fulfilling their role as public service providers to their citizens. This often involves helping to improve the general functioning conditions, encompassing financial matters, personnel management and competency allocation, as well as providing timely assistance to local powers while ensuring their long-term capacity to tackle issues independently is built through various capacity-building activities. In this sense, Brulocalis formulates proposals for laws, decrees, ordinances and amendments to various projects on which it is regularly consulted. Brulocalis' advisors lead various working groups consisting of officials and local representatives who examine concrete problems municipalities and PCSWs face.

One of the largest assets of Brulocalis is that it acts as a communication channel for local governments with other levels of government. Indeed, Brulocalis participates in both formal and informal discussions with governments, parliaments and administrations at all levels of governance: local, regional, community and federal. It is also active at the international level by being a member of the Council of European Municipalities and Regions, United Cities and Local Governments, and other international associations of national associations of municipalities. Brulocalis also represents all of the Brussels-Capital Region's municipalities by actively participating in the board of directors of the Association of Belgian Cities and Municipalities, whose main objectives are to facilitate consultation and co-ordination between the three regional associations of cities and municipalities on any matter of common interest. While resource-intensive, this network of contacts and interactions makes Brulocalis' technical advice notably valuable and can serve, when effectively used, as a swift channel of communication among the municipalities and across other levels of government.

Given the mission to co-ordinate the policies of the 19 municipalities and in light of its structure, a closer collaboration with the Conference of Mayors seems beneficial, most importantly to ensure that these two bodies act in a co-ordinated manner, especially when liaising with other levels of government.

Inter-municipal companies and non-profit associations offer an alternative to provide services but may pose issues of democratic legitimacy

An inter-municipal company adopts the legal form of a limited liability co-operative company. It can operate within the administrative boundaries of specific municipalities or extend its activities to the entire regional territory. These entities are active in various sectors, such as water, energy, hygiene, funeral services, telecommunications and cable television. These inter-municipal companies are all overseen by the Brussels-Capital Region.

Non-profit associations can also serve communal interests. Municipalities can delegate various missions to these bodies as long as they do not fall within the specific competencies reserved for municipalities by law, such as public order maintenance or civil status record-keeping. This delegation is contingent upon the belief that the non-profit association can efficiently fulfil these missions better than municipal administration services or autonomous municipal agencies. Moreover, when over 50% of the municipal non-profit association's budget is covered by municipal subsidies, a convention must be established outlining the missions, resources, control mechanisms and performance indicators, ensuring effective oversight and evaluation of the non-profit association's activities in serving communal welfare.

While both forms of inter-municipal co-operation arrangements have the potential to enhance service efficiency, it is crucial to uphold democratic standards throughout their operations. Although these entities include representatives from municipal executives, the inclusion of municipal representatives outside the executive branch and other non-governmental actors in decision-making processes is not always guaranteed and transparency, particularly for citizens, may be lacking. Moreover, the sheer number of

these organisations, such as the roughly 100 non-profit associations in the City of Brussels, further compounds the complexity and transparency issues despite their numerous benefits in terms of service delivery.

Co-operation agreements or contracts are the most widely used mechanisms for vertical co-operation between the Brussels-Capital Region and the rest of the regions and the Federal Authority

Overlapping areas of responsibility in fields create an intricate allocation network of competencies (Dumont, 2006^[32]). This means that collaboration among federated entities and/or with the Federal Authority is frequently necessary to pursue coherent public policies, especially in cross-cutting domains. Examples in Belgium include water management, transport or urban planning, among others (Lowies and Schrobiltgen, 2016^[33]).

Co-operation agreements are a key tool of co-operative federalism in Belgium, located at the centre of the formalisation continuum. They are negotiated and concluded by the federated entities themselves, in contrast to imposed law, which originates from the federal level of power. These agreements can involve “the joint creation and management of common services and institutions, the joint exercise of specific competencies or the development of joint initiatives”.⁶ Co-operation agreements can be either vertical (between the Federal Authority and one or more federated entities) or horizontal (between two or more federated entities). This co-operation can involve the entire territory of federated entities or a part of them only, apply to federated entities of the same or different nature, and can be formed with or without the Federal Authority. Such co-operation agreements also exist in other federal countries under different denominations, such as *ententes* in Canada, *Staatsverträgen* in Germany or inter-cantonal agreements in Switzerland. In Germany, state treaties between *Länder* must be ratified by their parliaments to attach the highest possible solid and transparent legal basis to them.

In Belgium, co-operation agreements are mostly optional and based on the consent of the parties involved. They can cover a wide range of domains since the list provided by law is not exhaustive, thereby allowing for greater flexibility for institutional partners, with the only legal limit that they must adhere to matters within their respective competencies. Exceptionally, the law also mentions several cases where it is mandatory to enter into a co-operation agreement, for example the maintenance, operation and development of telecommunication and remote-control networks that extend beyond the boundaries of a region.

Co-operation agreements that could affect the institutional partners or bind Belgian individuals require approval from the relevant parliaments. Most agreements fall under these conditions, which ensures that parliaments have the opportunity to oversee agreements that are most often initiated by the executive bodies of the relevant institutions. Therefore, the executives propose, negotiate and sign the agreement, which is then presented to the parliaments for approval by decree of assent. Nevertheless, parliamentary assemblies have limited power in this process as they can only accept or reject the agreement as a whole without the ability to make amendments. Rejection of agreements is rare and, in cases where there is a risk of non-approval, decision makers may opt for a simple political agreement instead. In such cases, the benefits that a co-operation agreement provides in terms of formal legal status and higher visibility in the public sphere are lost and the diversion from parliamentary control prompts concerns about the ceremonial role of parliament in the co-operation agreement approval process.

Over the different institutional reforms, co-operation agreements have gained significance in Belgium’s co-operative federal system. In fact, the Constitutional Court and the legislative section of the Council of State regularly recommend using this instrument as a way to avoid potential conflicts of interest or lengthy disputes (Cour constitutionnelle de Belgique, 2004^[34]; Dumont, 2006^[32]; Lowies and Schrobiltgen, 2016^[33]). One of these areas is environmental policy, often inspired by European directives and international conventions in different EU member states. The Brussels-Capital Region legislates on environmental matters through different pieces of legislation relating to housing, energy, waste management and

biodiversity, among others. Certain special laws provide for mandatory concertation procedures among different levels of government, as is the case for co-operation agreements. For example, there are several co-operation agreements between the Federal Authority and the three regions on the co-ordination of cross-border waste transfers (2021), the integration of aviation activities into the community system for greenhouse gas emission allowance trading as per European Commission directives (2020), or the prevention and management of the spread of invasive exotic species (2019) (Environnement Wallonie, 2022^[35]).

As will be seen in Chapter 4, co-operation agreements are crucial instruments for public finance, too. For example, the Beliris fund, which aims to finance the promotion of the international role and the capital function of Brussels, as well as the 2013 co-operation agreement on budgetary co-ordination across levels of government, are two such examples (EC, 2023^[36]).

Co-operation agreements have a wide array of virtues but also face some challenges (Table 3.2). On the positive side, it provides the legal framework to co-ordinate policy actions effectively among diverse actors and avoid policy duplication and inconsistencies, which may lead to more coherent and efficient governance. It may also lead to improved service delivery as it results in the pooling of resources, expertise and knowledge to address complex challenges that all parties involved may be facing. Co-operation agreements are also flexible, customisable devices, as they can be established between two or more parties regarding a specific matter. Moreover, following the sixth state reform, once a decree of assent is issued for a specific co-operation agreement, any additional conclusion of co-operation agreements for implementation no longer requires a new decree of assent, simplifying the implementation of co-operation agreements (Lowies and Schrobiltgen, 2016^[33]). Finally, co-operating within agreed contractual boundaries promotes visibility in the public sphere and can, when the agreement is considered to have attained its objectives, boost trust among governments, potentially encouraging them to co-operate further in the same or other domains.

Table 3.2. Benefits and challenges of co-operation agreements in Belgium

Benefits	Challenges
It provides a legal framework to co-ordinate policy actions effectively among levels of government, based on Article 92bis of the Special Law of 8 August 1988 on Institutional Reforms.	Inter-governmental co-operation via this instrument is subject to political will .
It encourages pooling human and financial resources to address common and complex challenges, potentially generating efficiency gains.	The added complexity to co-operate is often resource-intensive , for which sufficient resources may not always be in place unless clearly defined in the agreement. Lack of clarity may hamper accountability.
It offers flexibility to establish the terms and modalities of co-operation preferred by the parties to the agreement. Most of them are optional.	Where political will exists, governments still have the possibility to avoid the parliamentary approval process by signing a simple political agreement for non-mandatory co-operation areas.
Implementation co-operation agreements no longer require decrees of assent if one was already issued for the initial co-operation agreement.	The flexible and ad hoc character of co-operation agreements, as well as the need for signing a new one instead of amending it, can lead to a proliferation of these agreements, potentially creating issues of administrative burden , duplication, delays or even lack of implementation, and institutional and legal complexity.
It raises visibility in the public sphere and can foster trust among governments, especially when co-operation is deemed successful.	Co-operation agreements can only foster trust where some level thereof already exists. If parties do not trust each other from the beginning, it is hard for co-operation agreements to come to fruition.

However, co-operation agreements also face some challenges. First, these agreements are subject to the political will of all parties represented, implying that a change in government may lead to modifications or suppression of said co-operation agreement or that co-operation may simply not follow if governments do not see a political incentive to co-operate. Second, co-operation agreements are also resource-intensive, requiring sufficient financial resources and skilled personnel that can manage the additional administrative

burden. If not clearly defined in the agreement, the added complexity can also blur lines of accountability and make it difficult to assign responsibility for outcomes. In addition, the executive bodies initiating a co-operation agreement may decide to avoid parliamentary control and sign a simple political agreement, which raises democratic issues of transparency and accountability. When co-operation agreements are the chosen legal format, there is no regulatory limit to the number of co-operation agreements that can be concluded. In practice, this can lead to a proliferation of co-operation agreements that involve different parties and staff representatives thereof and that could potentially run the risk of having contradictory provisions among each other, creating policy duplication and placing a heavy and complex burden on institutions and administrative staff. Finally, co-operation agreements do not have the possibility of fostering trust where there is not any in the first place: if parties do not trust each other, co-operation agreements are not concluded, and this instrument is not put to use.

Even if these challenges were successfully overcome, it is imperative to shift the focus beyond the mere design and approval of co-operation agreements, directing attention towards their actual implementation (OECD, 2022^[25]) – an aspect that has not always been adequately addressed within the Brussels-Capital Region. A prominent example of this can be seen in the unachieved full implementation of the 2013 co-operation agreement seeking to ensure effective budgetary co-ordination between federated entities and the Federal Authority (EC, 2023^[36]). Much like previous years, the Consultative Committee's actions in 2022 merely involved taking note of the overall fiscal trajectory outlined in the stability programme without securing its formal approval. This lack of agreement on targets at each level of government presents a significant hurdle in effectively monitoring compliance with these objectives, rendering the “Public sector borrowing requirement” section of the High Council of Finance unable to fulfil its monitoring responsibilities. Consequently, ensuring the proper implementation of co-operation agreements becomes paramount, with rigorous monitoring mechanisms in place to safeguard their success.

The Concertation Committee serves as an instance where conflicts of interest and competency are discussed but not always resolved

Apart from instruments such as co-operation agreements, the Brussels-Capital Region has different and more formal co-operation structures at its disposal to co-operate with the Flemish or Walloon Regions, as well as with the Federal Authority. These include the Concertation Committee for the prevention or resolution of conflicts and the Co-operation Committee for the collaboration among institutions on the international role of the Brussels-Capital Region (Box 3.5).

In 1980, the Belgian system established by law the Concertation Committee, an institution that, while still not constitutionally recognised, aims to prevent or resolve conflicts of interest and competency that may arise between the Federal Authority and a federal entity (i.e. a region or a community), or between two federal entities due to the overlapping, unclear allocation of competencies. It is made up of 12 representatives from the different levels of government (including the prime minister, who chairs the committee) in a way that maintains a double parity between the linguistic communities and the members designated by the Federal Authority and those designated by the federal entities (Crisp, 2020^[37]; Cossement, 2015^[38]).

The Concertation Committee can mediate in competency and interest conflicts. If a draft law surpasses a federal entity's jurisdiction, the Council of State may consult the committee. If the committee agrees, it urges the relevant government to revise the draft or propose amendments to resolve the competency conflict. If the committee does not agree, the legislative procedure may continue. For interest conflicts, if one parliamentary assembly opposes a draft law in another assembly, it can ask the committee – with strong support – to halt the procedure. Opinions from the Senate and Concertation Committee are needed. If consensus is not reached, the suspension ends and the concerned parliament or government proceeds.

The topics for which the Concertation Committee has met range from institutional reforms and public health to culture or the environment and include subjects related to urban policy. For example, the Concertation

Committee has brought the federal and federated entities together several times to discuss different restrictions on flight traffic over Brussels. In 2017, the Flemish government initiated a conflict-of-interest procedure against the Brussels-Capital Region's decision to no longer grant a tolerance margin on noise standards, a decision that the Flemish government argued would result in job loss, affecting Flemish inhabitants. However, no consensus has yet been found. A similar case is that of non-cumulation of roles, where the Flemish government also initiated a conflict-of-interest procedure against an ordinance proposal by the Brussels-Capital Region that sought to prohibit one person from holding the functions of assembly representative and a local executive representative simultaneously (see Box 3.7 below).

It is important to note that the Concertation Committee is not a jurisdictional body. Its decisions are not binding and the committee's role is to advise governments and parliamentary assemblies on a solution, without imposing it on them in any way. The Concertation Committee may also establish inter-ministerial conferences, which are specialised committees composed of federal government members and the governments of the regions and communities. These inter-ministerial conferences work on specific topics to provide more information and advice on specific questions prior to the committee in order to promote consultation and co-operation between the Federal Authority and the federated entities. Following the sixth state reform, the role and functioning of the Concertation Committee were somewhat clarified, making agendas accessible to the parliament and formalising operating procedures to enable governments to prepare their positions to be presented before the Concertation Committee.

Box 3.5. The Cooperation Committee: A collaborative platform restricted to international affairs

Established by Articles 43-45 of the Special Law of 1989 on the Brussels-Capital Region's institutions, the Cooperation Committee in the Brussels-Capital Region is a body composed of four federal ministers and four members of the Brussels-Capital Region's government, respecting linguistic parity within each group of representatives (Peiffer, 2021^[4]).

The Cooperation Committee serves as a meeting body between the federal and regional levels regarding matters – exclusively – linked to the Brussels-Capital Region's international role and its functions as the capital of Brussels. Specifically, the Cooperation Committee is involved in joint initiatives that the Federal Authority and the Brussels-Capital Region may take to promote and enhance Brussels' international role and function as a capital. These initiatives may be fully financed by the federal budget or only partially, in which case the Brussels-Capital Region also provides a financial contribution. In 2021, the Cooperation Committee decided on projects funded by Beliris I and II, a co-operation agreement and fund between the Federal Authority and the Brussels-Capital Region (see Chapter 4). Lastly, the Cooperation Committee plays a consultative role when the federal government submits measures which, in its opinion, the Brussels-Capital Region should take to develop the international role or capital function of Brussels.

The Cooperation Committee is, hence, an example of co-operation across levels of government in a very specific and determined field of action. It acts as an instance of consultation, inasmuch as the Federal Authority must engage with the Brussels-Capital Region when it wants to propose an initiative, and an instance co-operation, when it decides jointly among the Federal Authority and the Brussels-Capital Region on important decisions, such as those related to Beliris. Following the same principles, the Brussels-Capital Region could envisage similar co-operation formats with other regions, communities and the local levels on issues such as mobility, urban planning and housing. In fact, the Cooperation Committee could, broadly speaking, be defined as a sectoral co-ordination group mentioned in the policy recommendations section of this chapter.

Source: Peiffer, Q. (2021^[4]), "Les spécificités institutionnelles de la région bruxelloise", <https://doi.org/10.3917/CRIS.2510.0005>.

Citizen engagement initiatives are on the rise in the Brussels-Capital Region and its municipalities but best practices are not always shared

Deliberative processes and citizen engagement play a crucial role in achieving effective policy outcomes, facilitating difficult decision making by policy makers and fostering trust between citizens and the government (OECD, 2020^[39]). As seen in Chapter 2, the Brussels-Capital Region has engaged with the public on several occasions, such as the renovation of the Gaucheret neighbourhood in the municipality of Schaerbeek or the construction of the House of Citizens. Indeed, institutionalising deliberative processes has several benefits, including enabling governments to make difficult decisions more effectively and at a lower cost. It also fosters collective learning and experimentation, and has the potential to increase trust in government, strengthen democracy and enhance society's democratic fitness by providing more opportunities for people to shape public decisions. However, there is no one-size-fits-all approach to institutionalisation, as it depends on the context, purpose and process.

Effective citizen engagement is essential for successful policy and investment processes as it involves citizens in establishing and realising a shared vision and strategy for local development (OECD, 2019^[40]). Citizens have a direct interest in the outcomes as they are directly affected by subnational public investment, which often involves significant infrastructure projects with social implications. Engaging citizens, together with local authorities, public boards, private enterprises, academia and civil society organisations, at the right time, for the right reasons and in the right ways can improve the quality of investment projects and policy outcomes. However, citizens are often not engaged early enough in the policy or investment cycle (OECD, 2020^[41]). This could be due to inertia, superficial engagement that merely fulfils formal requirements or inappropriate consultation processes and mechanisms that do not align with the objectives at hand.

Furthermore, citizen engagement, when properly implemented, has the potential to cultivate trust in government. The European Quality of Government Index indicates that trust is a significant concern for the Brussels-Capital Region (EC, 2021^[42]). In terms of trust in government, the Brussels-Capital Region remains below the EU average and lags behind both Flanders and Wallonia, both of which exceed the EU average by a significant margin. This aligns with the findings of the National Bank of Belgium, which highlight the Brussels-Capital Region's lower performance in terms of the quality and accountability of government services, the absence of corruption and the impartiality of government services (Bisciari and El Joueidi, 2022^[20]).

Similar to other OECD countries, the Brussels-Capital Region is taking part in a deliberative wave, both at the regional and local levels, to improve its scores in trust and citizen engagement. Deliberative commissions have been established in the Parliament of the Brussels-Capital Region as well as in the Joint Community Commission. A deliberative commission is a forum for debate between randomly selected parliamentarians and citizens (one-quarter parliamentarians, three-quarters citizens) (Vrydagh et al., 2021^[43]). This commission is established to address a specific theme that can be proposed by the residents of Brussels (using the "citizen suggestion" mechanism) or by the parliamentarians. After several meetings of the deliberative commission, parliamentarians and citizens jointly propose recommendations that will be discussed within the parliament. Ultimately, these recommendations can lead to legislation or at least questions posed to the government and, therefore, influence political decisions. Topics discussed through this procedure range from mobility, housing and environment to finances, security and animal welfare. For example, on 17 February 2023, the Parliament of the Brussels-Capital Region decided to establish a deliberative commission tasked with formulating recommendations on urban noise. This deliberative commission was formed following a citizen's suggestion regarding noise pollution caused by motorcycles and scooters. The deliberations, preceded by a presentation and an overview of the "quiet.brussels plan", will primarily focus on matters within the Brussels jurisdiction and will be limited to the noise resulting from collective urban life (excluding domestic noise).

Box 3.6. The Brussels-Capital Region's Sustainable Citizen Neighbourhoods

The Brussels-Capital Region's Brussels Environment is responsible for the Sustainable Citizen Neighbourhood (*Quartiers Durables Citoyens/Participatieve duurzame wijken*, SCN) project since 2008, now part of the Inspire the Neighbourhood project call. SCNs are comprised of over 80 citizen-led initiatives that work to develop projects on various themes aimed at improving their environment with a focus on community building. The Participatory Budget of Sustainable Citizen Neighbourhoods aims to encourage and support residents who engage in their neighbourhoods by developing environmental and sustainable development projects. The projects should promote diversity within the neighbourhood and aim to reach out to more challenging target audiences. Lastly, the actions should, as much as possible, be concrete, easily replicable and sustainable in the long term.

The participatory budget operates in cycles. Its operation is reviewed annually during an assembly that brings together all of the SCNs and individuals interested in the theme, whether closely or remotely. For 2022, a budget of EUR 85 000 was available. There is no limit to the number of projects. However, the total amount of subsidy granted per neighbourhood cannot exceed EUR 15 000, including value added tax.

The Council of SCNs meets once a year, at the initiative of Brussels Environment and is composed of at least one representative from the Brussels Environment administration, one from the minister's cabinet as an observer, one from the support team and representatives from the SCNs, provided that they do not submit a funding request. At least 50% of the people represented in the council must come from a minimum of 5 SCNs. Neighbourhoods submitting a subsidy request may be invited to present their group dynamics to the council members on the day of the council. Decisions are made by consensus, by voting when no consensus can be reached. The council aims to improve projects and neighbourhood dynamics to strengthen them.

Source: Bruxelles Environnement (2022^[44]), *Le budget participatif des Quartiers Durables Citoyens*, <https://inspironslequartier.brussels/budget-participatif/>.

In turn, almost all municipalities have started implementing some form of participatory budgeting initiatives. As a result, the Brussels-Capital Region has adapted its New Municipal Law to provide a legal framework for all municipalities. Among other provisions, the Brussels-Capital Region's legal framework underlines that citizens can be entrusted with the management of a portion of the municipal budget but that the responsibility can only be assumed by the municipal council. Moreover, no member of the municipal council can sit on the jury. The selection of jury members must be clear and transparent, although it is left to the discretion of the municipality (e.g. volunteer recruitment, random selection, etc.). The projects can be implemented either by municipal services or by project holders.

For example, the Haren neighbourhood in the City of Brussels started a participatory budget initiative in May 2021. It provided a brochure with all of the information needed to propose ideas as well as clear examples to guide applicants across the different stages of participation. After a vote in October 2021, nine projects were selected, amounting to a total value of EUR 400 000 and relating to fields such as urban planning, environment and community building. Some projects include the redevelopment and modernisation of a kitchen in the Haren community centre to organise cooking workshops, the installation of a covered kiosk in an underutilised area of the Sleutelgatpark to allow for small performances and storytelling sessions, and the construction of the small flower and vegetable HA-lo garden of which residents collectively take care (Bruxelles Participation, 2023^[45]).

Despite the multitude of examples in the 19 different municipalities, experts indicate that municipalities do not systematically exchange good practices and lessons learnt on citizen engagement initiatives among each other (van Haute et al., 2018^[31]). The absence of a formal information-sharing platform at the administrative level impedes enhancing citizen engagement mechanisms with which the municipalities are experimenting and which they are tailoring to their specificities. Apart from further collaboration among municipalities, the Brussels-Capital Region's department for citizen engagement and democracy, hosted by perspective.brussels (*Service de la Participation en Région Bruxelloise/Dienst Participatie in het Brussels Gewest*), could play a major role in co-ordinating the different experiences and sharing lessons learnt across municipalities. This newly created department acts as a resource and method centre for public participation. Its action plan includes the creation of an online platform, participation.brussels, which will make its resources available to the public actors in the Brussels-Capital Region.

Enhancing multi-level governance in the Brussels-Capital Region

Numerous institutions with different competencies coexist within the Brussels-Capital Region, resulting in a complex landscape whose potential reform triggers a highly sensitive debate. This section starts describing the base scenario, where no change occurs and the status quo prevails and outlines the major risks of inaction. It then presents three major and broad policy recommendations with suggestions for concrete policy actions. Their benefits and pitfalls are carefully explained, considering the context of the Brussels-Capital Region. Concrete policy actions that can resolve the issues identified in previous sections are presented, explaining their main rationale. It is important to recognise that the policy actions suggested in each policy recommendation are not mutually exclusive; rather, they can be combined with policy actions located under the umbrella of the other policy recommendations to achieve a more comprehensive and integrated approach.

Base scenario: Maintaining the status quo

In earlier sections, this report has shown the peculiarities of the institutional architecture in the Brussels-Capital Region. Although its institutional structure is largely a result of a compromise between the different linguistic communities in Belgium, the ensuing complexity, informal co-ordination mechanisms and the lack of a metropolitan governance arrangement pose serious challenges to the effective and efficient governance of the Brussels-Capital Region.

This base scenario takes the current situation and expands it over time, assuming no change occurs from now on. Certainly, this is an oversimplification of reality as shocks and crises have taken place very frequently over the last decade and because multi-level governance systems need to be intrinsically flexible and adaptive to change (OECD, 2019^[27]).

What are the main risks for the Brussels-Capital Region if its governance system stays as it is today?

- **The lack of clarity in the distribution of competencies may pose issues of policy inaction as well as a lack of transparency and accountability.** In situations where competencies are shared, as is the case of multiple functions in the Brussels-Capital Region, the ambiguity of competency allocation may promote a “pass the buck” behaviour whereby various institutions sharing a responsibility may not deliver. The absence of clear transparency regarding responsibilities may result in a lack of accountability, with citizens being unable to trace inaction back to the responsible institution.
- **Co-ordination among levels of government may suffer from ineffectiveness and inefficiency issues.** Indeed, co-ordination among levels of government, particularly the Brussels-Capital Region and the municipalities, currently happens in an informal manner. While this type of co-ordination importantly allows for the involved actors to share knowledge, it may be subject to

political will and may suffer from a lack of transparency. If co-ordination does not take place in a systematic way, there is a risk that different departments at the same or different levels of government operate in silos, resulting in different sectoral policies with unaligned objectives as well as a potential policy duplication.

- **Duplication of co-ordination mechanisms may promote fragmentation and policy coherence.** For example, if the Conference of Mayors as well as Brulocalis remain unmerged, this may hinder speaking with one voice at the regional level.
- **Implementation of joint policy interventions may be severely impaired.** If co-operation agreements are not better monitored and enforced, they may be seriously delayed or even not implemented.
- **Unclear competency allocation and the absence of well-functioning co-ordination and co-operation mechanisms may slow the response to crises and emergencies.** For example, if during the outbreak of a pandemic, it is unclear which institution must procure medical supplies to each medical facility; this may delay the speed of a response that could save lives.
- **A lack of metropolitan governance arrangements may compromise essential infrastructure investments and jeopardise the state of public finances, limiting economic development in the region.** Being unable to co-ordinate metropolitan affairs systematically may place additional pressure on regional finances, limit capital investment crucial to accelerating and consolidating the digital and green transitions, and leave a portion of the economic potential of the region untapped.

Policy recommendations for governance reform in the Brussels-Capital Region

After careful assessment of the institutional framework in the Brussels-Capital Region, the OECD developed three main policy recommendations: streamlining the governance framework, strengthening co-ordination and co-operation mechanisms, and fostering incremental collaboration at the metropolitan level. For each of these recommendations, an explanation of their potential benefits and pitfalls to avoid, as well as a list of detailed and concrete policy actions, are provided in the sub-sections below.

Policy recommendation 1: Streamline the governance framework

In earlier sections, this report has shown the peculiarities of the institutional architecture in the Brussels-Capital Region. Complex systems may suffer from issues of duplication, incoherence, inefficiency and lack of transparency and accountability, resulting in lower citizen trust in institutions. Streamlining the governance framework could help to avoid these issues. This could be undertaken through two main groups of policy action: i) clarifying competency allocation; and ii) simplifying competency allocation.

Benefits

Streamlining the governance framework in the Brussels-Capital Region can entail several benefits. First, it can promote a principled and transparent division of powers, which is crucial for governments to fulfil their mandates and be held accountable by their citizens. This transparency is especially desirable in cases where functions are jointly responsible for several levels of government, as is the case in the Brussels-Capital Region in many fields, including education, health and social welfare. Clarity in the division of powers not only ensures accountability but also helps in avoiding government failures, inefficiencies and inequities in public service provision, ultimately leading to improved service delivery.

Furthermore, a streamlined governance framework provides additional benefits, such as the ability to respond promptly to critical infrastructure needs. In the event of emergencies, it becomes clear what actor is responsible for what task, enabling a swift response. This added clarity also mitigates the risk of unfunded or underfunded mandates, as it aids in the division of spending powers, tax assignment and the design of higher-order transfers. Additionally, a well-defined governance framework supports the

development of subnational government capacities and facilitates mechanisms for inter-governmental and cross-sectoral partnerships and co-ordination.

Pitfalls to avoid

Policy makers need to pay attention to the incentives that a particular separation of competencies may create. Importantly, separating operating and capital expenditures can lead to service failures, as there may not be adequate funding for the upkeep of critical infrastructure facilities or the maintenance of infrastructure that has been built without sufficient financing for ongoing maintenance. This situation can result in the creation of “white elephants” – projects or facilities that become unsustainable in the long run, posing significant challenges for the region’s finances.

Another potential pitfall to avoid is the creation of silos between departments when pursuing a clear-cut allocation of responsibilities. While reaching clarity of responsibilities is essential, an overly rigid division can lead to the isolation of different government departments and hinder collaboration and information sharing, both within the same level of government or among them. This siloed approach can impede effective governance and co-ordination, potentially resulting in inefficiencies and wasteful duplication across various functions and sectors.

How could the governance framework be streamlined?

Establishing a **transparent division of powers** involves codifying responsibilities in detail within legal and regulatory frameworks, inter-governmental agreements, etc. Apart from allocating functions (e.g. education, health, public safety, etc.) to different levels of governments, each sub-function must be clearly defined, specifying the roles of various levels of government in policy development, legislation, standard setting, oversight, financing, provision/administration, performance monitoring and evaluation and citizen engagement mechanisms. This codification should aim to eliminate ambiguity, making it easier for all stakeholders to navigate the governance framework. A systematic review of competencies and a concerted effort to provide clear legislation on who is responsible for each subfunction are vital steps to achieve this.

Moreover, when implementing streamlining measures, it is important to consider **transferring competencies to other levels of government**. This can simplify governance by reducing duplication and fragmentation of efforts, making the overall governance framework more efficient and effective. In principle, policy makers could consider three transfers of competencies to simplify the institutional architecture of the territory covered by the Brussels-Capital Region.

- **Transfer of competencies from the Joint Community Commission (JCC) to the Brussels-Capital Region.** The rationale behind this transfer is rooted in several key considerations. First, the JCC is composed of the same representatives present in the Parliament of the Brussels-Capital Region. As a result, removing this institution would not alter the representatives responsible for legislating in the fields currently under the JCC’s purview. Additionally, the sixth state reform introduced the concept of “bicultural affairs of regional interest”, indicating that the Brussels-Capital Region has already begun assuming some responsibilities previously held by the JCC. Expanding this coverage to include the remaining competencies, particularly those related to other person-related issues such as healthcare and social welfare, could further simplify the governance structure within the Brussels-Capital Region. However, it is essential to acknowledge the financial implications of this transfer. The Special Financing Act of the Regions and the Communities would need to be modified to account for the increased expenses and higher deficit that would be transferred to the Brussels-Capital Region. Careful planning and financial adjustments should accompany this transition to ensure the region’s fiscal stability while simplifying its governance framework.

- **Transfer of competencies from the Flemish and French Community Commissions to the Brussels-Capital Region.** The Flemish Community Commission could potentially be dismantled as it acts as a representative of the Flemish Community and lacks legislative autonomy. Instead, the Dutch-speaking representatives of the Brussels-Capital Region could handle their responsibilities within the Parliament of the Brussels-Capital Region. This would not cut the link with the Flemish Community as several members of the Parliament of the Brussels-Capital Region have a seat in the Flemish Community. As for the French Community Commission, the competencies currently under its responsibility and those for which the French Community is responsible could be transferred in a similar vein to the French-speaking representatives of the Brussels-Capital Region. Again, this would not cut the link with the French Community since several French-speaking representatives of the Brussels-Capital Region are members of the French Community. Of course, this policy action would require extensive negotiations, involving not only the Brussels-Capital Region and the community commissions but also the Flemish and French Communities of Belgium as well as the Federal Authority. These transfers could make the Brussels-Capital Region's institutional structure easier to navigate as four institutions (the region and the three community commissions) could become integrated. This would mean that education, culture and other person-related matters in the Brussels-Capital Region would be decided inside the Brussels-Capital Region. It would require the representatives of each linguistic group within the Brussels-Capital Region to collaborate with the Flemish and French Communities through the Brussels-Capital Region's representatives holding seats in each of these institutions or an alternative co-ordination mechanism that may be envisaged for this purpose. These representatives would assume a co-ordination role, while the Brussels-Capital Region itself would retain full agency. As seen earlier, this could allow the Brussels-Capital Region to develop a solid regional vision that overcomes the complexity and duplication of institutional structures due to linguistic reasons.
- **Transfer of competencies from the Public Centres for Social Welfare (PCSWs) to the Brussels-Capital Region.** This transfer could consolidate social welfare responsibilities at the regional level, leading to streamlined administrative processes, reduced duplication and lower administrative costs. This consolidation could also simplify decision making and resource allocation, making it more efficient. Second, the transfer of competencies may enhance accountability by establishing clearer lines of responsibility for social welfare services in the region. Citizens would have a better understanding of a single social welfare system instead of 19, leading to improved transparency and responsiveness in service provision. However, this transfer is not without its challenges. It would necessitate significant administrative and legal changes, including modifications to the PCSW Law. It would also require establishing a new department at the regional level to handle social welfare responsibilities. Some personnel from the PCSWs could be integrated into this new department at the regional level while others are incorporated into the municipality as liaison officers with the regional level, thereby ensuring continuity as well as tailoring social welfare policy interventions to the local conditions. Engaging with key stakeholders, such as service providers, social workers and civil society organisations, is vital to consider their insights and expertise during the transition. Additionally, the regional government would need to establish robust mechanisms for monitoring and evaluating the effectiveness of social welfare programmes to ensure that they align with their intended goals (OECD, 2022^[25]).
- **Transfer of specific competencies from the municipalities to the Brussels-Capital Region.** In order to promote policy coherence, some responsibilities that may have a regional scope could, in essence, be regionalised. For example, this would be the case for mobility and transport, parking and urban planning. This transfer would put an end to administrative duplication and could increase policy coherence by having only 1 instead of 19 different legislative actors. This could follow the model of the cities of Antwerp, Belgium, or Paris, France, whose districts/*arrondissements* have limited managing and administrative competencies while the municipal council concentrates the

primary powers and responsibilities to undertake more comprehensive actions (Van Dooren and Sinardet, 2013^[46]). These models, which could be replicated at least for some competencies in the Brussels-Capital Region and its municipalities, have the benefit of striking a balance by remaining in close proximity to citizens through the district councils (which would be the municipalities in the case of the Brussels-Capital Region) while promoting policy coherence and streamlining governance through the municipal council (which would refer to the Brussels-Capital Region itself).

The implementation of one or more policy actions included in this policy intervention has the potential to streamline the complex governance framework in the Brussels-Capital Region if executed with transparency and active stakeholder engagement.

Policy recommendation 2: Strengthen co-ordination and co-operation mechanisms

Even though a clear allocation of responsibilities contributes to the effectiveness and efficiency of public policies, in practice, the question is not reaching a perfectly clear-cut allocation of responsibilities but rather how to manage these shared responsibilities. Indeed, multi-level governance implies managing mutual dependence among levels of government and a series of gaps or co-ordination failures that may occur among them. Such co-ordination failures may be overcome by governance tools such as dialogue platforms, partnerships/contracts across levels of government, co-financing arrangements, etc.

Benefits

Strengthening co-ordination and co-operation mechanisms among different levels of government in the Brussels-Capital Region can yield a multitude of benefits that contribute to more efficient and effective governance. First, such mechanisms provide a platform for executive and legislative agreements with relatively low transaction costs. These instruments, particularly when used in regards to constitutional matters, can ensure the durability and wider political acceptance of policies, fostering greater coherence and stability in the governance framework. Another primary advantage of strengthening co-ordination and co-operation is the avoidance of policy duplication and the promotion of policy coherence. Policy alignment brings together the strategies and actions of diverse policy sectors across different levels of government, enhancing the implementation of policies and resulting in gains in efficiency. Additionally, collaboration enables better policy design and implementation by allowing different levels of government to work together comprehensively to address complex issues.

Resource optimisation is another notable benefit, as co-operation can enable the efficient allocation of financial and human resources by pooling them across different levels of government. This approach minimises duplication of efforts and spending, with resources being used more effectively. Moreover, close co-operation fosters innovation by bringing together diverse perspectives and expertise, allowing for the exchange of ideas and best practices. This can lead to policy experimentation that provides innovative solutions to complex problems. Added to this, during crises such as natural disasters or public health emergencies, co-ordinated efforts between levels of government are essential for a swift and effective response, saving lives and mitigating economic damage. Lastly, enhanced co-ordination and co-operation can increase public trust in the government's ability to address complex issues and improve the quality of life for citizens, ultimately strengthening the overall governance framework in the Brussels-Capital Region.

Pitfalls to avoid

While strengthening co-ordination and co-operation mechanisms among different levels of government in the Brussels-Capital Region can yield substantial benefits, it is crucial to be aware of potential pitfalls that should be avoided to ensure effective and efficient governance. First, one must exercise caution in multiplying co-ordination mechanisms without clear roles in the decision-making process. Creating excessive co-ordination bodies can lead to confusion and significant transaction and opportunity costs, which can hinder rather than enhance governance.

Second, an open and transparent system of inter-governmental co-ordination with broad legislative and civil society participation, while desirable in principle, can have downsides. Depending on its design, it may prove to be expensive, time-consuming and susceptible to gridlock or a “joint decision trap”. This occurs when the inclusion of numerous stakeholders leads to difficulty in reaching decisions or, worse, results in decision-making paralysis. Striking the right balance between inclusivity and efficiency is essential.

Lastly, it is crucial to avoid that one level of government perceives itself as the primary institution of inter-governmental co-ordination: if one level of government becomes dominant, it can lead to political resistance from other levels of government. Such resistance can undermine inter-governmental effectiveness, particularly if they are seen as serving the interests of a single level of government rather than facilitating co-operative decision making. Balancing power and interests among all levels of government is essential to avoid these pitfalls and ensure successful co-operation and co-ordination mechanisms in the Brussels-Capital Region.

How could the co-ordination and co-operation mechanisms be strengthened?

Following the assessment of the existing co-ordination and co-operation mechanisms in the Brussels-Capital Region, several policy actions can be considered to strengthen them.

To begin, **formalising the Conference of Mayors and integrating it within the governing structure of Brulocalis** could ensure a stronger foundation for co-operation at the local level. This would eliminate potential duplication between these bodies and could enhance co-ordination among municipal executives as well as municipal staff. Various approaches could be considered for integrating the Conference of Mayors into Brulocalis’ governing structure. For instance, it could be established as a fourth governing body alongside the General Assembly, the Board of Directors and the Bureau. However, to prevent an excessive proliferation of governing bodies, a more effective approach could be to integrate the Conference of Mayors directly into the General Assembly, whose voting members consist of the 19 municipalities. By doing so, the General Assembly’s agenda could encompass not only issues related to Brulocalis’ operational functioning but also policy discussions that regularly take place within the Conference of Mayors. This integration would necessitate the development and formal approval of a new statute for the association, considering factors such as the financial resources required to support the organisation of the conferences, which occur more frequently than the General Assembly at present. Doing so would provide a stable platform for co-ordination, information exchange and policy alignment among local governments. Alternatively, if the Conference of Mayors remains separate from Brulocalis, formal co-operation channels should be put in place within the conference. A developed statute outlining the main goals, composition and procedures of the conference for agenda setting and voting would be essential. In any case, this policy option on its own is unlikely to strengthen co-ordination and co-operation at the local level as the members of the Conference of Mayors, even if integrated within Brulocalis, could still meet informally outside this potentially formalised structure.

Co-ordination mechanisms at the local level should also play a proactive role in promoting discussions on inter-municipal co-operation in the Brussels-Capital Region. These platforms are not only useful tools for municipalities to co-ordinate their municipal policies with each other but they can also encourage municipalities to explore opportunities for sharing resources and jointly delivering public services and infrastructure projects, which is particularly important when subnational capacities are lacking or when financial resources are scarce.

Granting a more formal and systematic role to the Conference of Mayors, Brulocalis or an eventual merger of these entities in regional policy-making procedures could enhance trust among institutions and promote better implementation of regional policies at the local level, apart from strengthening horizontal co-ordination at the local level. Consultation procedures could either be mentioned in the constitution or lower-rank laws and regulations. Moreover, the Brussels-Capital Region’s obligation to seek input from municipalities could take two possible forms. It could be a general requirement applicable in all

cases where local authorities may be affected, thereby allowing for extensive participation from local government associations. On the other hand, it could be more specific, resulting in a clearly defined list of instances in which municipalities should be consulted. This latter approach would effectively restrict their involvement to only those scenarios outlined in the list. In the OECD, Germany shows a wide variety of approaches through which consultation mechanisms are integrated into the various legal frameworks of its *Länder*. Alternatively, the Brussels-Capital Region could create a new instance where the region and the 19 municipalities meet on a regular basis but it should not be limited to a conversation among political representatives and also include the relevant public civil servants. However, creating a new body would risk duplicating the missions of already existing institutions such as Brulocalis. Be it as it may, better formalising the exchanges among the representatives at the regional and local levels would serve to compensate for any losses of communication and co-ordination that may occur as a result of the non-cumulation of mandates (Box 3.7).

Box 3.7. The non-cumulation of mandates

On 27 June 2018, the Flemish parliament triggered the conflict-of-interest procedure in the Concertation Committee, following the vote that took place on 8 June in the Parliament of the Brussels-Capital Region regarding the proposal for full non-cumulation of mandates (*décumul intégral/volledige decumul*), which did not achieve the required majority within the Dutch-speaking group. However, both parties were unable to reach a consensus on a resolution of the conflict-of-interest procedure regarding Brussels-Capital Region's ordinance proposal on the non-cumulation of functions as a member of parliament with those of mayor, municipal executive or president of a PCSW. They had gathered for the second time since the Flemish Community initiated the conflict-of-interest procedure.

After extensive deliberations, the ordinance amending the New Municipal Law as part of the local governance reform was officially adopted and published on 25 August 2022. This marks a significant milestone as the upcoming 2024 elections, encompassing both regional and local contests, will be the inaugural implementation of the non-cumulation of mandates. Nevertheless, there are differing viewpoints on this matter, with some advocating for the substantial advantages of non-cumulation while others draw attention to the potential challenges it could bring about.

Proponents of the non-cumulation of mandates at the subnational level underlined several advantages. First, prohibiting dual mandates ensures that regional parliamentarians and municipality representatives can fully focus on the specific needs and concerns of their constituencies. Regional parliamentarians can concentrate solely on regional affairs, such as large-scale infrastructure projects, economic development and regional policies, while municipality representatives can focus on local matters like public services, local development and community engagement. Second, with politicians unable to hold simultaneous roles at both the regional and local levels, potential conflicts of interest are minimised, in contrast to a situation with dual mandates creating situations where elected officials prioritise one level of government over the other, leading to neglect or insufficient attention to the needs of one constituency. Lastly, prohibiting dual mandates can lead to a more diverse and representative political landscape. With separate elected officials at the regional and local levels, a wider range of voices can be heard, as different individuals may have varying expertise, experiences and perspectives. This can result in better representation of the interests and concerns of citizens at both levels of government.

On the other hand, there are those who question and contest these purported advantages. In fact, the prohibition of dual mandates can create challenges in co-ordinating and collaborating between regional and local governments. With elected officials no longer holding roles in both levels of government, the direct connection and understanding of issues between the two may be affected. Therefore, there is a

risk that communication gaps between regional and local authorities may emerge. In addition, having elected representatives with dual mandates could provide a more holistic perspective on governance, leading to more integrated and comprehensive approaches to problem solving.

Similar to the Brussels-Capital Region, discussions on whether or not to prohibit dual mandates are ongoing in several OECD member countries and some have opted to proceed. France is a notable example of a country that has enforced a prohibition on dual mandates. The 2014 law on the non-cumulation of mandates (*Loi sur le non-cumul des mandats*) aimed to prevent elected officials from holding multiple political positions simultaneously. It restricted parliamentary representatives and senators from also serving as mayors or regional presidents, and vice versa (Ministère de l'Intérieur et des Outre-mer, 2023^[47]).

With politicians unable to hold dual roles, establishing effective communication channels and vertical co-operation mechanisms becomes crucial. As from 2024, effective co-ordination mechanisms need to be established or improved to ensure smooth communication and co-operation, especially when dealing with matters that require joint efforts and resources. Establishing clear communication channels and platforms for sharing information and exchanging ideas is essential to prevent misunderstandings and ensure a cohesive approach to governance.

Source: Grandjean, G. (2015^[48]), "La limitation du cumul de mandats par les députés wallons", <https://doi.org/10.3917/cris.2255.0005>; Ministère de l'Intérieur et des Outre-mer (2023^[47]), *Comment le cumul des mandats est-il limité ?*, <https://www.elections.interieur.gouv.fr/comprendre-elections/pour-qui-je-vote/comment-cumul-des-mandats-est-il-limite>.

Establishing flexible sectoral co-ordination groups could help to further encourage the conclusion and implementation of co-operation agreements. These groups, which would gather civil servants responsible for a particular policy field at different levels of government, could facilitate discussions and agreements on specific topics before translating them into legislation. For instance, there could be a sectoral co-ordination group on the topic of urban planning, bringing together civil servants responsible for this area at the level of the region(s) and the municipalities. These meetings would be an occasion to co-ordinate but also to share knowledge and best practices, something that does not always happen, as evidenced in the field of citizen engagement above. Moreover, apart from meetings with policy makers at different levels of government within the same sector, cross-sectoral co-ordination meetings across levels of government could also be organised, thereby avoiding silos among departments and governments (OECD, 2022^[25]). For example, once or twice per year, the sectoral co-ordination groups on urban planning, housing, mobility and environment could meet to discuss and co-ordinate their policies across sectors. Sectoral co-ordination groups could have a flexible membership and structure but should ensure that meetings are held on a regular basis. A specific rank of civil servants could organise the organisation of the meetings of each of the sectoral co-ordination group, while an overarching department (such as the Department of Public Administration or similar) could take on the responsibility of organising the larger cross-sectoral co-ordination group meetings. Ultimately, these flexible and interconnected co-ordination mechanisms could limit the proliferation of co-operation agreements and foster a culture of collaboration and co-ordination across different levels of government within the region, potentially leading to more effective governance and better policy outcomes (van Haute et al., 2018^[31]).

Contracts are one of the most widely used co-operation instruments in the Brussels-Capital Region. **Making co-operation agreements more explicit in detailing how the co-operation will unfold** could enhance their use and ensure implementation. This would include clearly defining which entities are involved, specifying their mutual duties and establishing enforcement and dispute resolution mechanisms. Without such clarity, ambiguity or misunderstandings can lead to delays or conflicts during implementation. Additionally, **creating a repository of co-operation agreements** is essential for monitoring progress and preventing non-implementation. This repository should also allow for tracking the outputs and milestones

of each agreement, making it possible to promptly identify and address any delays or deadlocks in projects. This could not only foster greater accountability and transparency but also help in identifying areas where adjustments or interventions may be needed.

Municipal mergers can be considered as one of many policy actions to strengthen co-operation at the local level but their impact goes beyond this aspect. Indeed, territorial reforms are the most formal co-operation mechanism as two or more municipalities effectively become one. Territorial reforms can, under specific circumstances, be a solution to reap economies of scale, improve efficiency and increase cost savings. National and regional governments can, in turn, provide either positive or negative financial incentives to encourage mergers. This has been the case in Euro-Asian and European countries such as Armenia and Ukraine, which have drastically reduced the number of municipalities. Even in Belgium, the Flemish Region further shrank its number of municipalities from 308 to 300 in 2019 and is continuing to support voluntary mergers by guiding local councils in their implementation. However, while mergers can potentially reduce per capita expenditure and increase efficiency, such an outcome is not assured and depends on various factors, such as the fragmentation of local government systems, the size of merged territories and the technical capacity of local administration, among others. In other words, empirical evidence shows that, while they are an effective tool to reduce fragmentation, territorial mergers may have unintended effects on both efficiency and democratic indicators. Additionally, mergers do not necessarily solve other issues, such as the unclear allocation of competencies. For the Brussels-Capital Region, territorial mergers could be considered as a policy option after examining the findings of an *ex ante* assessment of the effects of territorial mergers on a set of economic and political indicators. In any case, since these territorial reforms are highly politically sensitive, significant changes to institutional structures required for two or more municipalities to merge should only take place if local government decision makers and all local stakeholders are actively involved from the beginning of the process, as opposed to imposing mergers in a top-down fashion. Therefore, before resorting to municipal mergers, it is pivotal to consider strengthening co-ordination and co-operation mechanisms through the policy actions proposed above and drawing inspiration from international examples (Box 3.8).

Box 3.8. Inter-governmental co-operation across OECD federal countries

OECD countries, particularly federal ones, have established a series of mechanisms to co-operate across levels of government. In **Canada**, numerous instruments and mechanisms are involved in inter-governmental relations that focus on federal-provincial/territorial relations. These mechanisms can be vertical or horizontal. Unlike in other federations – but similar to the Conference of Mayors in the Brussels-Capital Region –, they are not anchored in the constitution and do not have any basis in law or statute. The mechanisms allowing for the exchange of information and negotiation are the Federal/Provincial/Territorial First Ministers Conferences or Meetings, the ministerial meetings in specific policy sectors, the Canadian Inter-governmental Conference Secretariat and Federal/Provincial/Territorial Agreements. They constitute an important element of Canadian federal governance to strengthen the economic and social union. On the other hand, horizontal co-ordination between provinces takes place through the Council of the Federation, which comprises Canada’s 13 provincial and territorial premiers to provide a forum to discuss and work together on issues of mutual interest or concern. Through its Annual Premiers’ Conferences, it develops common positions, providing a “united front” when interacting with the federal government, fostering a “constructive relationship” with the federal government.

In **Germany**, maintaining inter-governmental relations is a constitutional principle (*Bundestreue*): the federation-*Länder* relationship is based on the principle of co-operative federalism and loyalty to the federation. Apart from the participation rights of the *Bundesrat* representing the *Länder*, there are few formal inter-governmental co-ordination arrangements, such as Joint Planning Councils, sectoral

Bund-Länder Co-ordination Councils or the Stability Council. Joint Planning Councils also involve the participation of local governments and experts. Horizontal co-ordination between the *Länder* is made through the Conference of the Minister-Presidents (MPK), which meets at least bi-annually as well as through “standing specialised conferences”. In addition to these conferences, there are also horizontal Ministerial Conferences between the *Länder*, this time excluding the federal government. In practice, this means that the ministers of one or more *Länder* may meet to clarify any issues. For example, the Coastal Conference of Economic and Transport Ministers meets every six months to discuss agreements at both the political and technical levels among the ministers of economy and transport of five *Länder* (Bremen, Hamburg, Lower Saxony, Mecklenburg-Western Pomerania and Schleswig-Holstein). The presidency rotates annually.

In the **United States**, the Advisory Commission on Intergovernmental Relations, an official governmental forum to raise inter-governmental issues, was abolished in 1996. Today, most inter-governmental relations take place through ad hoc and short-lived inter-governmental committees, taskforces and sectoral working groups. The states lobby the federal government via their associations. Among others, the Intergovernmental Policy Advisory Committee provides advice on trade policy matters of importance to state and local governments. The National League of Cities, created in 1924, represents United States cities, towns and villages along with 49 state municipal leagues. With over 2 000 member cities, it plays a role in convening organisations, support networks and representatives in federal affairs. At the state and local levels, some states, such as Connecticut, have created Advisory Commissions on Intergovernmental Relations or a Local Government Advisory Committee, such as in Massachusetts.

Australia has several inter-governmental fora, including the National Cabinet and the Council for the Australian Federation. The National Cabinet was established on 13 March 2020 and meets regularly to collaborate on matters of national significance. The prime minister chairs the National Cabinet, which comprises all state premiers and territory chief ministers. The Council for the Australian Federation was established in October 2006 to support and enhance Australia’s federal system by providing an inter-governmental forum for state and territory leaders in Australia. Membership comprises all state and territory first ministers. Other groups include the First Secretaries Group (FSG), a senior officials inter-jurisdictional forum chaired by the Secretary of the Department of the Prime Minister and Cabinet and comprising secretaries and directors-general from state and territory first ministers’ departments. The multitude of formal governing bodies for co-operation has been recognised as a potential area for reform, with a focus on reducing the number of fora (Conran, 2020^[49]).

Source: OECD/UCLG (2022^[2]), *2022 Country Profiles of the World Observatory on Subnational Government Finance and Investment*, <https://dev.mediactive-studio.com/maquettes/OCDE/menu.html>; Conran, P. (2020^[49]), *Review of COAG Councils and Ministerial Forums*, <https://www.pmc.gov.au/sites/default/files/resource/download/final-report-review-coag-councils-ministerial-forums.pdf>.

Policy recommendation 3: Foster incremental collaboration at the metropolitan level

Despite the presence of many actors in the governance framework of the Brussels-Capital Region, there is no governance arrangement covering the Brussels metropolitan area.

Benefits

Gradually building a metropolitan governance arrangement in the Brussels metropolitan area could benefit the Brussels-Capital Region in a multitude of ways. First, it is well established that metropolitan governance reduces the cost of administrative fragmentation. By promoting co-operation and co-ordination among different jurisdictions (i.e. regions, municipalities, provinces and even the Federal Authority), metropolitan arrangements can streamline administrative processes and minimise policy duplication. In times of natural

disasters or emergencies, metropolitan governance arrangements can help provide a co-ordinated response, thereby improving disaster preparedness, response and recovery efforts by breaking down jurisdictional silos and ensuring a unified approach.

Efficient service delivery is another critical advantage of metropolitan governance. Co-ordination of services such as transportation, housing and utilities across jurisdictions results in reduced redundancies and more optimal resource allocation. Particularly in the field of transport, effective transportation and infrastructure planning are essential in metropolitan areas to alleviate congestion, reduce pollution and improve mobility. Metropolitan governance allows for better co-ordination of transportation networks, including roads, public transit and other critical infrastructure, enhancing overall urban mobility.

Furthermore, rational land use planning is vital for managing urban growth and ensuring sustainable development. Metropolitan governance can help align land use policies with broader regional goals, such as affordable housing, environmental conservation and efficient land utilisation. Environmental sustainability is also a key consideration, as it requires a holistic approach to managing the environmental impact of a metropolitan area. Metropolitan governance facilitates the development of regional environmental policies and initiatives, ensuring that environmental challenges are addressed comprehensively.

Metropolitan well-governed and efficiently managed areas are often more attractive to investors and businesses, leading to increased economic opportunities for residents and a stronger local economy. Moreover, a unified governance structure promotes clearer lines of political accountability, allowing citizens to understand which level of government is responsible for particular issues and hold them accountable for their actions.

Finally, metropolitan governance encourages co-operation and collaboration among subnational governments, enabling them to pool resources, share expertise and jointly make decisions on issues of mutual concern. It also helps reduce fragmentation in metropolitan areas with numerous small municipalities, promoting a more cohesive and co-ordinated approach to regional challenges.

Pitfalls to avoid

While fostering incremental collaboration at the metropolitan level in the Brussels-Capital Region can yield numerous benefits, some potential pitfalls should be avoided to ensure the success of these initiatives. First, if parties involved in a metropolitan governance arrangement fail to understand and acknowledge the advantages of metropolitan collaboration, it may result in reluctance and resistance, hindering the progress of co-operative efforts. This would require policy makers to raise awareness about the benefits of metropolitan governance arrangements, providing evidence-based arguments.

Furthermore, metropolitan governance arrangements risk reaching a deadlock unless co-operation is voluntary. Parties to the metropolitan governance body should act as a “coalition of the willing”, with each actor retaining a right to opt out of a particular project. In turn, this carries the risk of free-riding, where some parties may benefit from co-operation without contributing to its costs. To prevent this, contractual arrangements and financial transfers should be used to incentivise inter-governmental collaboration.

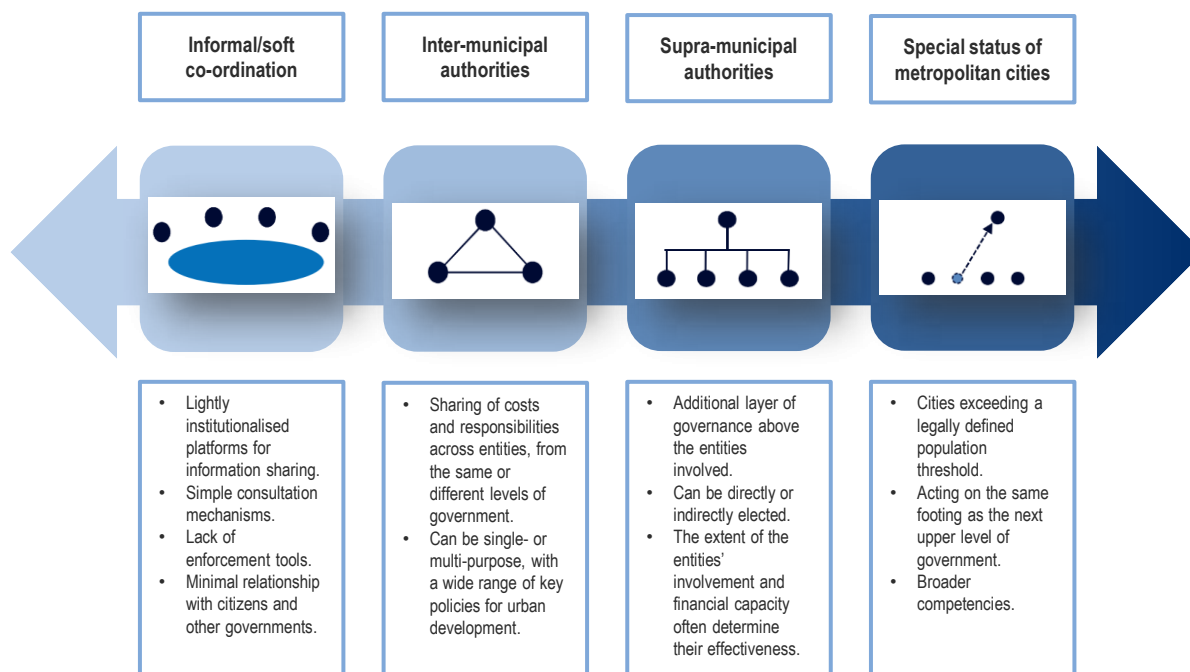
Another pitfall to avoid is that of rushing into formalised structures, building a metropolitan governance body from scratch without considering earlier collaboration experiences and the challenges faced in the past. Enshrining a new institution in law without real implementation capacity can lead to inefficiencies and ineffectiveness. Related to this, insufficient funding and human resources can also hinder the implementation of metropolitan governance arrangements.

Lastly, the lack of democratic legitimacy and trust can undermine metropolitan governance. Ensuring that governance structures are transparent, accountable and inclusive is essential for building trust among stakeholders and residents. This can be achieved through open and participatory decision-making processes or by ensuring that metropolitan representatives are either directly or indirectly elected.

How could metropolitan governance arrangements be incrementally fostered?

Various types of co-operation arrangements are possible, ranging from soft co-ordination, such as dialogue platforms, to inter-municipal, supra-municipal or metropolitan bodies. Based on experiences in OECD metropolitan areas, four broad categories of metropolitan governance bodies can be identified, ranging from the least institutionalised to the most stringent: informal/soft co-ordination, inter-municipal authorities, supra-municipal authorities and a special status for “metropolitan cities” (Figure 3.4).

Figure 3.4. A typology of metropolitan governance arrangements in OECD metropolitan areas



Source: OECD (2015_[50]), *Governing the City*, <https://doi.org/10.1787/9789264226500-en>.

Metropolitan governance takes various forms, each with its own set of advantages and challenges. Often shaped as platforms or associations, soft co-ordination mechanisms provide spaces for stakeholder consultation and information exchange on specific projects, offering flexibility to engage relevant interlocutors. However, their effectiveness relies on member goodwill, which lacks enforcement mechanisms. Inter-municipal authorities offer a more structured approach, promoting consultation, cost-sharing and efficient project execution. Supra-municipal authorities, an intermediate layer of governance, possess regulatory or legislative powers with direct representation and varying decision-making structures. They often rely on funding mechanisms that involve contributions from their members and serve as hubs for co-operation and information exchange. Lastly, the special status of metropolitan cities grants greater administrative autonomy, enabling them to address unique challenges and lead in co-ordinating with other municipalities. These cities engage in strategic planning to align their goals with the broader objectives of the metropolitan region. Examples such as Daejeon in Korea and Türkiye's 30 metropolitan municipalities demonstrate the effectiveness of this approach, especially in areas like transport and urban planning, as shown throughout Chapter 2.

In the case of the Brussels-Capital Region, instead of immediately pursuing the establishment of a formal Metropolitan Community, which has faced implementation challenges, **a step-by-step strategy could prove to be more fruitful**, initially encouraging collaboration and co-ordination at a less formal level. This would allow stakeholders to build trust, gain confidence and witness the benefits of working together. This

incremental approach serves as a foundation for moving towards a more formal supra-municipal authority in the future. In the meantime, this bottom-up approach would ensure that **participants who are willing to collaborate on specific projects can do so freely and as smoothly as possible**. Informal agreements could be combined or transformed into a more formal co-operation agreement, similar to those concluded under Article 92bis of the Special Law on Institutional Reforms. This approach would establish a more structured framework in which parties commit to concrete actions within specific policy domains. In the end, collaboration among the different regions and municipalities could culminate in the formal establishment of the Metropolitan Community or similar.

To be more precise, metropolitan governance arrangements can be promoted in the Brussels-Capital Region following the OECD's five steps for effective metropolitan reforms (OECD, 2015^[23]). A detailed analysis of these five steps is provided below (Figure 3.5).

Figure 3.5. The five steps for effective metropolitan governance reform in the Brussels metropolitan area



Source: Adapted from OECD (2015^[50]), *Governing the City*, <https://doi.org/10.1787/9789264226500-en>.

1. Motivate collaboration by identifying concrete metropolitan projects

OECD experience shows that gathering interest in co-operating at the metropolitan scale can be facilitated when there is a clear electoral mandate for change, approaching elections or alignment among different levels of government. For instance, in Milan (Italy), the 2011 municipal elections brought a new political majority to the core city, which was based on the same coalition as the provincial one, an alignment which helped establish metropolitan cities. In the Brussels-Capital Region, political alignment is significantly difficult due to the numerous institutions, different linguistic groups as well as the asynchronous political cycles that change the potential symmetry of government executives at the regional and local levels. The 2024 elections, both at the regional and local levels, thus provide parties with an opportunity to insert the metropolitan angle in their proposed concrete projects, thereby building momentum for co-operation among different stakeholders.

As a first step, all actors involved in the metropolitan area should seek to identify concrete metropolitan projects where they can collaborate effectively together. These need not be large-scale projects but would serve as a first instance where parties work together and build trust. Those expressing interest should first identify framework conditions outlining the responsibilities of each party involved and present how the project will be financed. Importantly, those actors who may not be willing to join a particular project should

be free to stay outside said project but should not be able to block the progress of the remaining interested actors.

To motivate potential participants and reduce the sensitivities related to metropolitan collaboration, it is crucial to carry out an *ex ante* impact assessment study on what effects are expected overall from any metropolitan co-operation agreements, most importantly on economic activity and development for all participants. An *ex post* analysis could also be conducted on the benefits and lessons learnt from existing or past co-operation agreements at the metropolitan scale. Promoting evidence-based dialogues would raise awareness about the collective gains of metropolitan collaboration and could increase trust among participants.

Fault tolerance and a realistic timeframe are essential prerequisites for the successful establishment of metropolitan collaboration. In fact, it is imperative for policy makers to embrace a certain degree of tolerance for potential setbacks, particularly during the early phases of collaboration when participants might be new to this form of co-operation. Furthermore, policy makers should exercise patience and refrain from prematurely suspending a joint project before allowing ample time for its effective implementation to yield the desired benefits.

After several collaborative initiatives around tangible projects, a broader vision at the metropolitan scale will gradually emerge. Collaborating on projects, including less successful ones, can foster trust and generate momentum. Later, major infrastructure projects, such as cross-border initiatives or flagship events like the Olympic Games, can contribute to sparking metropolitan dynamics and integration.

Over time, it becomes crucial for metropolitan projects to sustain the dynamics they generate. For example, the strategic planning process in Barcelona, Spain, initiated during Olympic preparations, gradually expanded to the metropolitan scale and led to the creation of a new metropolitan authority. Cultural projects also have the potential to drive metropolitan debate and action (OECD, 2015^[50]). The European Capital of Culture designations, for which the Brussels-Capital Region has presented its candidacy for 2030, fostered co-operation among municipalities and civil society in Lille and Marseille (France), extending beyond cultural objectives. Exploiting the Brussels-Capital Region's benefits from hosting the European Union's capital could foster a sense of urgency in establishing metropolitan co-operation.

2. Build metropolitan ownership among key stakeholders

Metropolitan governance reforms require a strong advocate to serve as the driving force behind the process. The presence of a relevant personality or institution can play a crucial role in leading the change and maintaining the momentum for reform. Examples such as Barcelona (Spain), London (United Kingdom) and Lyon (France) demonstrate how the strong political will of mayors was instrumental in achieving successful reform.

The drive for reform can originate from various constituencies within the same country. For instance, in France, different actors have primarily influenced the recent governance reforms in the three largest metropolitan areas. The central government in Paris, local governments in Lyon (municipalities and *département*), the private sector and civil society all played significant roles in initiating and implementing these reforms (OECD, 2015^[50]). Additionally, universities can also contribute to building and implementing metropolitan governance reforms by providing expertise, research and fostering collaboration between academia and policy makers.

Stakeholders can be widely diverse and usually comprise federal or central governments, intermediate levels of government and the private sector, civil society and universities. In federal countries, the national government may initiate metropolitan approaches and delegate implementation to state governments. In the Brussels-Capital Region, the Federal Authority holds jurisdiction over various areas that extend beyond the territorial boundaries of the Brussels-Capital Region, such as aviation or road safety. Therefore, it is imperative for the Federal Authority to actively engage in discussions and actively promote the metropolisation of its relevant competencies.

Intermediate levels of government are crucial for any metropolitan project to succeed; yet, they are often reluctant to relinquish power to a new metropolitan authority that could become a rival centre of influence, especially if it is imposed top-down by the central or federal government. This may have been the case for the Metropolitan Community inasmuch as the lack of clarity regarding its competencies may have been perceived as a threat to the rest of the institutions, most importantly at the regional and local levels. International experiences show the political sensitivity of this initial stage. In France, buy-in from intermediate levels of government was secured by reinforcing regional competencies and promoting contracts as instruments where the central government and regions included a metropolitan component to facilitate strategic co-ordination. In the Brussels-Capital Region, a metropolitan governance body could be created as a collaborative institution whose goals include the co-ordination and co-operation among various institutions at different levels of government.

Lastly, the engagement of citizens, universities and the private sector can contribute to raising awareness at a metropolitan scale. A lack of support from the private sector can pose challenges to metropolitan projects. For instance, the relocation of the pharmaceutical company AstraZeneca from the Swedish region of Skåne had a detrimental effect on the potential of the cross-border Öresund region (OECD, 2015^[50]). Furthermore, engaging citizens at the early stages of decision-making processes and establishing consultation mechanisms can enhance trust in metropolitan authorities, and universities can contribute to strengthening collaborative dynamics within the metropolitan context. An example is the merger of universities in Aix-en-Provence and Marseille, which established Aix-Marseille University, the largest university in France. In the Brussels metropolitan area, there have been instances where business organisations have worked together at the metropolitan scale, as mentioned earlier. Citizen engagement is currently gaining track at the regional and especially at the local level, but this could be emulated at the metropolitan scale. Engaging with these stakeholders would clearly illustrate that, irrespective of territorial borders, many challenges are shared among the 138 municipalities conforming to the functional urban area. It would gradually build trust and foster a culture of collaboration at the metropolitan level.

3. Tailor reliable sources of metropolitan financing

The need for metropolitan reforms may also arise from financial challenges faced by municipalities and, in the Brussels-Capital Region's case, the region. Metropolitan areas typically experience significant disparities in terms of revenue generation, expenditure requirements and investment capacity.

In the early stages of metropolitan co-operation, characterised by informal collaboration on selected projects, metropolitan financing is essential to ensure the completion and the fulfilment of all objectives set forth by parties involved in the project. As stated earlier, initial collaborations should be prioritised inasmuch as they pave the way towards wider and more structured co-operation projects, ultimately calling for the establishment of a more structured governance arrangement.

Once a metropolitan body is in place, it is crucial to consider how the new governance structure can address the financial needs of the metropolitan region and ensure that no under- or unfunded mandates arise, that is, that the responsibilities of the new structure align with the available financial resources.

Addressing intra-metropolitan inequalities and financing metropolitan infrastructure is a complex and controversial issue. The provision of public services often extends beyond municipal boundaries, leading to debates on how to share costs fairly within a metropolitan area. To address these challenges, intra-metropolitan equalisation schemes can be implemented to compensate for inequalities in tax bases and negative externalities caused by urban sprawl, although these schemes may create perverse incentives for economic development, as wealthier municipalities receive fewer grants. These are often implemented in megalopolises governed by a single metropolitan government (e.g. Seoul in Korea, Tokyo in Japan). A performance-based system of grants may be well-suited to counter these incentives.

In addition to equalisation schemes, metropolitan finance reforms need to consider alternative ways to finance growing infrastructure needs and address new urban challenges. Property tax is a critical revenue source for metropolitan areas but relying solely on it limits the scope of services that can be provided. Metropolitan areas can also diversify their tax portfolio by considering income, sales and business taxes. User fees can be an appropriate source of revenue for financing infrastructure operations and maintenance while also encouraging resource conservation. Congestion charges and parking fees can help reduce road congestion, generate additional resources for public transport and discourage car use. Financing metropolitan infrastructure can also be facilitated through land-based revenue sources such as development charges and betterment levies, which require new residents and private sector beneficiaries to contribute to the costs of infrastructure. Public-private partnerships (PPPs) are utilised to build metropolitan infrastructure, especially when public resources are limited, but a robust legal framework must be in place for them to be effective in attracting private finance as well as transparent. PPPs are also being employed to fund green infrastructure projects, leveraging private sector participation and creating new markets for green products. Lastly, metropolitan governance reforms can improve municipalities' access to borrowing for infrastructure financing. Borrowing allows metropolitan areas to fund large capital expenditures but it also presents challenges such as moral hazard and constraints on fiscal flexibility.

A metropolitan governance body in Brussels should thus ensure that the appropriate sources of funding are available and stable, as well as the capacity to obtain and manage them to fulfil its allocated responsibilities. Apart from federal and regional transfers, as well as pooling some resources from municipalities, the metropolitan governance body could benefit from increased size and better access EU funds. To achieve this, it is essential to garner support from the federal and regional levels of government, emphasising the significance of the metropolitan scale for Brussels' economic development. Anchoring the metropolitan notion into all relevant legislation would reinforce the importance of metropolitan governance and facilitate the allocation of resources accordingly. Moreover, the metropolitan entity should actively pursue cross-border co-operation with other metropolitan areas, aligning with the strong focus of the European Union's Cohesion Policy (ESPON, 2021^[51]).

4. Design incentives and compensations for metropolitan compromises

To successfully implement metropolitan reforms, it is crucial to effectively communicate the long-term benefits of the reforms and the potential costs of maintaining the status quo. Stakeholders must be made aware of how the current situation could impact their interests in both the short and long terms. Therefore, a clear strategy is needed to identify and manage the expectations of different groups involved.

Experience from the OECD suggests that co-operation among municipalities is most successful when it is voluntary and supported by incentives from the top. It is important to engage those who may feel threatened by the reform and find ways to gain their support or compensate them for anticipated losses. Examples of such incentives include the City Deals in the United Kingdom, where cities are granted new powers in exchange for strengthening collaborative governance, and the case of Helsinki, Finland, where the level of powers given to the Metropolitan Council is tied to municipal mergers according to the government's consolidation plan. In Lyon, France, the core city accepted a reduction in its seats in the "urban community" as compensation for other municipalities joining (OECD, 2015^[50]).

To facilitate the creation of a metropolitan community in the Brussels-Capital Region, it is essential to first identify the factors that deter participation from the different institutions and stakeholders involved at the metropolitan level. After the interests of each party involved are outlined, the metropolitan governance arrangement should initially be devised as a "coalition of the willing", where actors within the body can opt out of projects if they so wish but cannot block those who wish to pursue the said project. For instance, this is the case of the Hamburg Metropolitan Region in Germany, in which Lower Saxony decided not to join a project regarding the creation of an innovation centre for automotive driving (Box 3.9). These mechanisms allow to be as inclusive as possible without the risk of reaching a deadlock.

Box 3.9. The Hamburg Metropolitan Region

The Hamburg Metropolitan Region (HMR) is one of 11 metropolitan regions in Germany, comprising the city of Hamburg and parts of 3 surrounding federal states. Co-operation within the HMR began in the 1950s with joint regional planning between Hamburg, Lower Saxony and Schleswig-Holstein, including the establishment of bilateral promotional funds for funding regional projects. After decades of collaboration, the HMR was recognised as a metropolitan region by the Council of Europe Standing Conference of Ministers responsible for Spatial Planning in 1995. A more structured and formal body, the joint Planning Hamburg Metropolitan Region, was established in 1997, with political and executive bodies such as the Regional Council, Steering Committee and thematic working groups. Over the years, the region expanded and operational programmes and administrative agreements for co-operation were established. Initially decentralised, the secretariat of the HMR was centralised in Hamburg from 2009 onwards.

Similar to the Brussels metropolitan area, the HMR has a relatively fragmented administrative structure compared to other metropolitan regions in Germany. It encompasses four federal states: Hamburg (a city-state entirely within the HMR), Lower Saxony (26% of the HMR), Mecklenburg-Western Pomerania (30% of the HMR) and Schleswig-Holstein (51% of the HMR). Additionally, the HMR consists of 20 districts. The relatively fragmented administrative structure of the HMR necessitates increased co-ordination and co-operation among its stakeholders due to variations in administrative processes implemented at the regional and local levels across different federal states.

Significantly, the projects undertaken by the HMR do not require unanimous approval from all four federal states. According to an informal rule, any member of the HMR has the option to abstain from participating in a particular project but cannot obstruct or veto projects that others are interested in pursuing. This approach effectively prevents deadlocks and promotes a co-operative spirit among those willing to collaborate, ensuring the organisation's continuous progress.

The HMR is one of the seven German metropolitan regions that have a legal mandate given to them through a state treaty, but it does not have any legal form, such as registered associations, limited companies or corporations under public law. The HMR has a central governing body composed of stakeholder representatives, determined by a general assembly. Staff numbers have increased over the years, reaching ten full-time and ten part-time employees in 2023. Regarding its budget, around EUR 0.4 million is at its disposal for material resources per year, together with EUR 3.6 million from development funds, which are often used to co-finance large infrastructure projects (e.g. Park and Ride stations), the construction of streets and tourist infrastructure. These funds can also be used to cover the co-financing contributions of certain municipalities, signalling to other funding bodies that individual projects at the municipal level coherently fit into a wider regional and metropolitan strategy.

Since 2006, the HMR has undergone several geographical expansions and increased stakeholder involvement (e.g. the federal state of Mecklenburg-Western Pomerania joined in 2012 or the capital city of Schwerin in 2017, as well as various stakeholders such as Chambers of Commerce and Industry, Chambers of Crafts, the United Business Association, the German Trade Union Confederation, etc.). All stakeholders are then involved in adopting the HMR's strategic frameworks covering four-year periods, which provide a strategic direction for the region's development and co-operation efforts.

Joint strategy planning is in place in most metropolitan regions in Germany across various policy domains. The Rhine-Neckar Metropolitan Region has strategies in all 15 key domains, followed by the Rhine-Ruhr Metropolitan Region (12 domains) and the Stuttgart Metropolitan Region (11 domains). Following the OECD Territorial Review of the HMR (2019_[17]), the HMR has now adopted a joint innovation strategy, a joint international marketing strategy, a joint tourism strategy and a joint strategy

for skilled workers. Plans for jointly monitoring the housing market have been completed and are expected to be adopted in November 2023. Other strategies, such as the settlement structure strategy, will be adopted in 2024. In addition, the HMR is preparing a project to establish an innovation agency and its own innovation centre for autonomous driving, as well as a project to establish a network of innovation parks.

Source: OECD (2019^[17]), *OECD Territorial Reviews: Hamburg Metropolitan Region, Germany*, <https://doi.org/10.1787/29afa27f-en>.

5. Implement a long-term process of metropolitan monitoring and evaluation

Independent expertise and research capacity are crucial for demonstrating the necessity for change, presenting viable solutions and establishing and maintaining credibility in advocating for reforms. In Australia, an independent panel of experts conducted a comprehensive review of local government reform, leading to a proposal for new boundaries in Perth, with extensive public consultation. Similarly, in Turin, the Metropolitan Conference and the Metropolitan Table facilitated metropolitan-level dialogue supported by independent expertise from the Piemonte Institute of Economic and Social Research. Involving independent experts to analyse options and engage stakeholders is thus essential.

Additionally, implementing robust monitoring and evaluation mechanisms is vital for continuous improvement. For instance, Toronto, Canada, regularly gathers input from citizens and stakeholders on metropolitan issues to drive collective action. Flexibility in timing, sequencing and pace of reforms is also key. Sweden's incremental experimentation through pilot experiences in metropolitan areas allowed for testing, evaluation and adjustments before extending reforms to other regions (OECD, 2015^[50]). This approach ensures steady progress and the ability to adapt as needed.

In the Brussels-Capital Region, the establishment of a metropolitan governance arrangement has been a long-standing process spanning several decades. Adopting an incremental approach that allows for experimentation and gradual progress is crucial. First, all co-operation agreements with a metropolitan component should be closely monitored and evaluated to perfect any future collaborative undertakings. Once the trust is built and parties feel the need to better structure their metropolitan activities, a pilot metropolitan community could be envisaged within a defined timeframe, enabling thorough monitoring and evaluation at the conclusion of this period. Such an initiative would serve two important purposes: first, it would provide an opportunity to introduce a more formal metropolitan governance structure, even if temporary, and check how it works and how it could be improved. Second, it would create a "legal safety net" for institutions that may have reservations about implementing a metropolitan community, as it would allow for modifications to the institutional framework once the predetermined time limit is reached.

In any case, the scarcity of co-operation in the Brussels metropolitan area does not allow for it to exploit its own economic development potential. Any metropolitan governance arrangement, from more informal to more structured ones, should make sure to take into consideration the steps provided in this section and avoid pitfalls related to institutional co-ordination, the human and financial capacity of metropolitan governance arrangements, as well as democratic legitimacy and trust.

Annex 3.A. Distribution of responsibilities among levels of government in the Brussels-Capital Region

Annex Table 3.A.1. Distribution of responsibilities among levels of government in the Brussels-Capital Region

Main responsibility sectors and sub-sectors	National	Brussels-Capital Region	Community Commissions			Municipalities	PCSW	Other
			French	Flemish	Joint			
1. General public services (administration)								
Administrative services (marriage, birth, etc.)	✓					✓		
Public buildings and facilities (townhouses, etc.)		✓	✓			✓		
Administration and operation of general services (not assigned to specific functions)	✓	✓	✓	✓		✓	✓	✓
Basic research activities (not assigned to specific areas)								✓
2. Public order, safety and defence								
Police	✓	✓ ¹				✓		
Firefighting		✓						
Civil protection and emergency services	✓	✓						
Road traffic control/Traffic signs and lights	✓	✓				✓		
Defence (military and civil)	✓							
3. Economic affairs/transport								
Road networks and facilities (highways, national, regional, local)	✓	✓				✓		
Parking		✓				✓		
Railway networks and facilities (national, regional, local)	✓							
Airports (international, national, local)	✓							
Ports (sea and fishing, inland waterways)		✓						
Public transport (road)	✓	✓						
Public transport (railways, tramway)	✓	✓						

Main responsibility sectors and sub-sectors	National	Brussels-Capital Region	Community Commissions			Municipalities	PCSW	Other
			French	Flemish	Joint			
Special transport services (e.g. pupil and student transport)			✓	✓ ²		✓ ³		✓
Employment policies/services	✓	✓				✓	✓	✓
Support to local enterprises and entrepreneurship		✓				✓		
Agriculture, rural development, irrigation		✓						
Telecommunications/Information technology	✓	✓						
Manufacturing and construction	✓	✓						
Mining	✓							
Tourism		✓	✓ ⁴	✓ ⁵		✓		
Commerce	✓	✓				✓		
Energy (electricity, gas, etc.)		✓ ⁶				✓ ⁷		
4. Environment protection								
Parks and green areas		✓				✓		
Nature preservation		✓						
Noise and vibration abatement		✓						
Air pollution		✓						
Soil and groundwater protection		✓						
Climate protection	✓	✓						
Waste management (collection, treatment and disposal of waste)	(Nuclear)	✓				✓ ⁸		
Sewerage (wastewater management)		✓						
Street cleaning		✓				✓ ⁹		
5. Housing and community amenities								
Drinking water distribution		✓				✓		
Public lighting	✓	✓				✓		
Urban heating		✓				✓		
Housing (subsidies)		✓						
Housing (construction/renovation)		✓				✓		
Housing (management)		✓						
Urban and land use planning		✓				✓		
Urbanism		✓				✓		

Main responsibility sectors and sub-sectors	National	Brussels-Capital Region	Community Commissions			Municipalities	PCSW	Other
			French	Flemish	Joint			
6. Health								
Pharmaceutical and medical products	✓							
General and specialised medical services and paramedical services (dental care, etc.)	✓							
Primary healthcare (medical centres)	✓		✓	✓	✓			
Hospital services (general and specialist)	✓		✓	✓	✓ ¹⁰	✓ ¹¹		
Preventative healthcare	✓		✓	✓	✓			✓
Public health services	✓		✓	✓	✓ ¹²			
7. Culture, recreation and religion								
Sports and recreation	✓	✓ ¹³	✓	✓		✓		✓
Libraries	✓		✓	✓		✓ ¹⁴		
Museums	✓	✓ ¹⁵	✓	✓		✓ ¹⁶		
Cultural activities (theatres, exhibition halls, zoos, botanical gardens, etc.)	✓	✓	✓	✓		✓		✓
Cultural heritage/monuments	✓	✓	✓	✓ ¹⁷				✓
Media/Broadcasting and publishing services	✓		✓	✓ ¹⁸				
Religious affairs		✓			✓ ¹⁹			
8. Education								
Pre-primary education			✓	✓		✓		✓
Primary education			✓	✓		✓		✓
Secondary education			✓	✓		✓		✓
Higher education (universities, other tertiary education institutions)			✓	✓		✓ ²⁰		✓
Vocational education/training			✓	✓		✓		✓
Special education			✓	✓		✓ ²¹		
Research and development	✓ ²²	✓	✓ ²³		✓ ²⁴			
9. Social welfare								
Social care for children and youth			✓	✓	✓		✓	
Support services for families			✓	✓	✓		✓	✓
Elderly			✓	✓	✓		✓ ²⁵	
Disabled people	✓		✓	✓	✓		✓	✓

Main responsibility sectors and sub-sectors	National	Brussels-Capital Region	Community Commissions			Municipalities	PCSW	Other
			French	Flemish	Joint			
Social exclusion/poverty (benefits and policies)	✓		✓ ²⁶	✓ ²⁷	✓		✓	
Immigrants	✓							
Integration of foreigners			✓	✓	✓	✓		
Social welfare centres	✓				✓		✓	
Housing subsidies/benefits		✓				✓		
Unemployment subsidies/benefits	✓							

1. The Brussels-Capital Region has no police competencies *stricto sensu* as there is no regional police force as such. However, the Brussels-Capital Region does have co-ordinating responsibilities in terms of prevention and security policies following the sixth state reform (safe.brussels, 2023^[52]).
2. The Flemish Community Commission organises special transport, including for people with impaired mobility (Flemish Community Commission, 2023^[53]).
3. Some municipalities organise school transport.
4. Despite tourism competencies having been regionalised (albeit not entirely) as part of the sixth state reform, the French and Flemish Community Commissions retain an “auxiliary” competency for the financing of tourist infrastructures in the Brussels-Capital Region (van Haute et al., 2018^[31]).
5. The Flemish Community Commission also supports “cultural tourism” (Flemish Community Commission, 2023^[54]).
6. Brugel is the regulatory authority for electricity, gas and water pricing (brugel.brussels, 2021^[55]; van Haute et al., 2018^[31]).
7. Sibelga is an inter-municipal company that manages the electricity and gas distribution networks in the Brussels-Capital Region (Sibelga, 2023^[56]).
8. Although the responsibility for waste management lies at the regional level both for establishing the legal framework and for implementing policies, some municipalities have their own waste collection centres (*recyparks*) or organise cumbersome waste collection (Woluwe-Saint-Pierre, 2023^[57]; Brussels-Capital Region, 2023^[58]).
9. Municipalities are responsible for the cleanliness of municipal roads (City of Brussels, 2023^[59]).
10. Namely through the Iris network (Iris Hôpitaux, 2023^[60]).
11. Several municipalities contribute to the financing of the Iris network (including Anderlecht, City of Brussels, Etterbeek, Ixelles and Saint-Gilles).
12. Source: (Joint Community Commission, 2023^[61]).
13. Since the sixth state reform, the Brussels-Capital Region has become responsible for some municipal sports infrastructures and has provided grants and subsidies in this area (clerfayt.brussels, 2021^[62]; van Haute et al., 2018^[31]).
14. Some municipalities, such as the City of Brussels, have municipal libraries (biblio.brussels, 2023^[63]).
15. Since the sixth state reform and only with regard to “bicultural affairs of regional interest” (van Haute et al., 2018^[31]).
16. Several municipalities, such as Ixelles, have their own municipal museums (Ixelles-Elsene, 2023^[64]).
17. The Flemish Community Commission provides some subsidies and services related to cultural heritage and monuments (Flemish Community Commission, 2023^[65]).
18. The Flemish Community Commission is responsible for media productions by the Dutch-speaking media within the Brussels-Capital Region (Flemish Community Commission, 2023^[66]).
19. Municipalities are represented on certain management bodies of religious institutions whose deficit they cover (be.Brussels, 2023^[67]).
20. In some specific cases, higher education is also organised by municipalities, such as the City of Brussels (City of Brussels, 2023^[68]).
21. Several municipalities, such as the City of Brussels also organise special education (City of Brussels, 2023^[69]).
22. Belspo, the federal public service for science policy, is based within the Brussels-Capital Region (Belspo, 2023^[70]).
23. The French Community Commission has an auxiliary responsibility regarding scientific research (French Community Commission, 2020^[71]).

24. The Joint Community Commission also has an auxiliary responsibility regarding scientific research (Joint Community Commission, 2023^[61]).

25. Some rest homes are managed by certain PCSWs (City of Brussels, 2023^[71]).

26. The French Community Commission is also responsible for several social welfare matters such as elderly care, youth, social cohesion and those linked to disabled people (French Community Commission, 2020^[7]).

27. The Flemish Community Commission also exercises its powers in diverse social welfare matters (Flemish Community Commission, 2023^[72]).

Source (overall): OECD (2023^[73]), "OECD questionnaire to the Brussels-Capital Region", OECD, Paris.

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Notes

¹ The Brussels-Capital Region was created by a Special Law of 12 January 1989.

² The concept of "person-related matters" was first created in Flanders to refer to matters that were intended to be transferred to the communities because it was felt that they were closely related to people's lives and should be dealt with by each community in its own language (Crisp, 2023_[75]).

³ The OECD defines decentralisation as the transfer of powers and responsibilities from the central government level to elected authorities at the subnational level (regional governments, municipalities, etc.),

having some degree of autonomy (OECD, 2019^[27]). In the Belgian case, decentralisation is to be understood as a process that can affect the regional, community, provincial as well as local levels of government.

⁴ Despite Article 35 of the constitution providing that regions and communities have the residual competencies, this is true as it has never come into effect.

⁵ In general, municipal competencies can be divided into compulsory and optional depending on whether or not these are prescribed in the constitution (Nassaux, 2018^[76]). Compulsory competencies include the organisation and co-financing of the PCSW, the organisation of primary education, the maintenance of civil status registers, public order (cleanliness, sanitation, safety, tranquillity), planning, the issuance of building licenses, management of pavements, administrative supervision of church committees and the coverage of their deficits, the establishment of electoral lists and the management and maintenance of municipal roads. On the other hand, optional competencies comprise childcare, education beyond primary level, housing, tourism, promotion of economic activity, territorial development, healthcare, sports, social and cultural activities, etc. (Bruxelles Pouvoirs Locaux, 2023^[74]).

⁶ Article 92bis of the Special Law of 8 August 1980 on Institutional Reforms.

4 Financing the Brussels-Capital Region and its municipalities

This chapter provides a comprehensive analysis of the public finances of the Brussels-Capital Region and its municipalities. After examining the evolution of fiscal federalism in Belgium and the Brussels-Capital Region over the past decades, this chapter presents a thorough examination of the key public finance challenges and puts forth a range of policy recommendations to tackle these issues, ultimately working toward bolstering fiscal sustainability.

The institutional structure of the Brussels-Capital Region has become increasingly complex due to successive state reforms, leading to the devolution of many competencies from the federal to the subnational levels of government, in particular the regional one (see Chapter 3). While the sixth state reform aimed to enhance fiscal regional autonomy, imbalances between decentralised expenditures and revenues persist, exacerbated by the post-COVID crisis and current inflationary pressures.

In addition, as seen in Chapter 3, the Brussels-Capital Region faces similar but also unique metropolitan and urban challenges due to its specific characteristics. On the one hand, as in many metropolitan areas across OECD countries, the Brussels-Capital Region's economic activity and commuting flows extend well beyond its administrative borders, with one in two workers in the Brussels-Capital Region coming from outside its borders (Actiris, 2023^[1]). On the other, as the Brussels-Capital Region includes the Belgian and European capital, it plays a vital role, which brings both benefits and constraints, including increased charges, such as centrality-related costs and metropolitan infrastructure investment needs. The issue of fairly compensating the Brussels-Capital Region for the costs it incurs while contributing to the country's wealth remains a contentious topic that is closely tied to the institutional framework that allocates powers, responsibilities and resources to Belgium's different regions, communities and local governments.

At the local level, municipalities are also grappling with rising expenditures, resulting in over half of them facing budget deficits, which is not permitted by law. While the "golden rule" has helped limit municipal debt, the escalating pension costs of statutory and contractual personnel pose a significant concern for future years.

After examining the evolution of fiscal federalism in Belgium and the Brussels-Capital Region over the past decades, this chapter provides a comprehensive assessment of public finance challenges in the Brussels-Capital Region and its municipalities and proposes policy recommendations and actions to address them under the current governance framework.

The evolution of fiscal federalism in Belgium and the Brussels-Capital Region

With its three main levels of government (federal, regional, community and local), Belgium has often sought to reform its institutional framework since its inception. Over time, six state reforms (in 1970, 1980, 1988-89, 1993, 2001 and 2011) have gradually transformed Belgium from a unitary to a federated state (see Chapter 3). The sixth state reform devolved more powers and competencies from the federal to the regional and community levels and further enhanced the fiscal autonomy of the federated entities by introducing regional personal income tax (PIT) and enhancing budgetary autonomy (Table 4.1).

As mentioned in the previous section, there is no hierarchical relationship among the Federal Authority, the regions and the communities. All three are considered equal from a legal perspective, each being granted specific powers and responsibilities in various areas. Importantly, institutional reforms have been accompanied by funding and financing legislation changes, mainly the Special Law of the Funding of Regions and Communities. Table 4.1 offers an insight into the most important fiscal measures taken throughout the different reforms.

Table 4.1. The main legislative changes in financing prior to the sixth state reform

Reforms	Main legislative changes in financing
1970	<ul style="list-style-type: none"> The three linguistic communities were created, with grants from the Federal Authority as their main source of financing.
1980	<ul style="list-style-type: none"> The 1980 Act of Regionalisation allowed regional and community governments to levy taxes but <i>non bis in idem</i> (except for PIT). Some tax revenue was transferred from the Federal Authority to the regions and communities.
1988-89	<ul style="list-style-type: none"> Adoption of the Special Financing Act (SFA) of the communities and regions (16 January 1989) that determines the mechanisms of financial transfers between the Federal Authority and its federated entities. An equalisation transfer was introduced in 1990 to compensate regions whose regional PIT per habitant would be lower than the

Reforms	Main legislative changes in financing
	federal average. <ul style="list-style-type: none"> • Communities were allocated two new grants: a claim on value added tax (VAT) revenue for education and one on PIT for their remaining competencies.
1993	<ul style="list-style-type: none"> • The Special Act of 16 July 1993 amended the SFA to refinance the federal entities, particularly the French Community, which was facing significant financial challenge. <ul style="list-style-type: none"> ○ The Flemish and Walloon Regions received a grant to finance the competency transfer previously undertaken by the Agricultural Investment Fund. ○ Some tax restrictions were relaxed by granting regions autonomy over taxes related to water and waste and by removing the authority of the federal government and communities to establish surtaxes or grant discounts on such taxes. ○ The management of the social security funds shifted from a system where revenues were earmarked for specific sectors to a “global management” system, where revenues collected for social security were no longer pre-allocated to a particular sector but were distributed among sectors based on their respective needs instead. Social security funds started to account for a significant portion of transfers to communities.
2001	<ul style="list-style-type: none"> • The Special Act of 13 July 2001 (Lambermont Agreement) amended the SFA, which reinforced revenue decentralisation. It enlarged the fiscal powers of the regions and provided further financial resources to the communities: <ul style="list-style-type: none"> ○ Tax autonomy was increased at the regional level, which now could levy positive or negative surcharges on PIT within a limit (6.75%). ○ Communities were allocated an additional grant and the VAT claim for education was increased.

Source: Based on OECD/UCLG (2022^[2]), *2022 Country Profiles of the World Observatory on Subnational Government Finance and Investment*, <https://dev.mediactive-studio.com/maquettes/OCDE/menu.html>; Wong, Y. (2023^[3]), “Fiscal federalism in Belgium: Challenges in restoring fiscal sustainability”, <https://doi.org/10.5089/9798400235511.018>; Bayenet, B. and G. Pagano (2013^[4]), “Le financement des entités fédérées dans l'accord de réformes institutionnelles du 11 octobre 2011”, <https://doi.org/10.3917/cris.2180.0005>.

The Special Law enacted on 6 January 2014, which substantially amended the SFA, marked a significant turning point in the realm of regional fiscal autonomy within the framework of the sixth state reform. This legislative reform resulted in a substantial increase in main public finance indicators, especially compared to OECD country averages, and more in line with other OECD federations (Box 4.1).

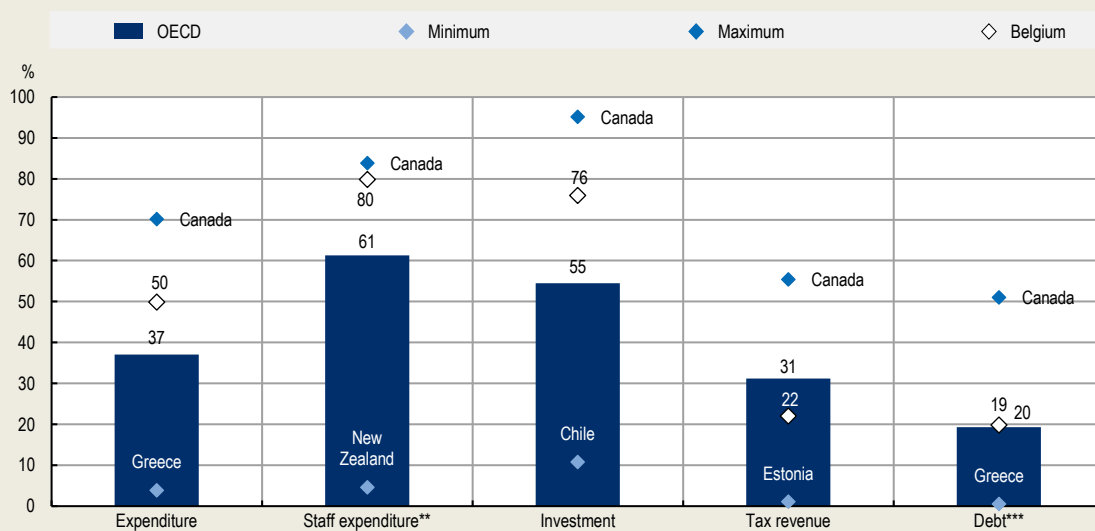
A primary facet of this transformation involved a greater number of decentralised funding mechanisms with, for example, an increase in tax autonomy, providing regions with the authority to levy additional contributions to PIT. This sought to effectively link the economic and employment policies of regions to their budgetary revenues, which enhanced fiscal autonomy and fostered greater control but simultaneously rendered regions more susceptible to the ebb and flow of economic fluctuations. In addition, the reform facilitated the allocation of tax reductions based on individual expenditures pertinent to regional material powers. The legislative overhaul also mandated partial refinancing adjustments for the Brussels-Capital Region, either from the federal budget acknowledging its role as a national and international capital or from the budgets of the other two regions. Moreover, regions assumed a triple responsibility encompassing pensions, greenhouse gas emission reductions and employment initiatives. This reshaping of financial responsibilities corresponded with broader efforts towards budgetary consolidation and addressing the challenges posed by an ageing population. Notably, a transition mechanism was instituted, ensuring each federated entity a guaranteed nominal amount in alignment with the Special Act of 1989 for a decade, followed by a gradual decline in the guarantee. This mechanism, the National Solidarity Mechanism, is expected to expire in 2025 (see below). Amidst these changes, adherence to principles of federal loyalty, prevention of unfair tax competition, avoidance of double taxation and alignment with European economic and monetary norms formed integral components of the reformed fiscal landscape (CEJG, 2017^[5]).

Box 4.1. A comparison of Belgium's subnational public finance indicators with OECD averages

In the wake of federalisation and fiscal decentralisation, subnational governments have taken on a significant role in Belgium's public expenditure landscape. In 2021, they contributed 49.9% to public spending, equivalent to 27.6% of gross domestic product (GDP), a notable surge from the 38.5% of public expenditure and 20.2% of GDP recorded in 1995. This growth has propelled Belgium's subnational government shares beyond the OECD average for federal countries, registering at 44.3% and 20.0% for public spending and GDP respectively, in 2021. Within this framework, regions and communities shoulder the primary load of subnational government expenditure, constituting 75% of the total and 37.3% of overall public expenditure. In contrast, while still substantial, local government spending occupies a relatively smaller space, contributing 25.2% to subnational government expenditure and 12.6% to total public spending.

These subnational entities have become vital not only in shaping the public expenditure landscape but also in employment, engaging 79.8% of the total public workforce spending, surpassing the 76.0% seen in OECD federal countries. Municipalities and provinces stand as significant employers too, allocating over half of their budgets to staff expenditure and encompassing 40.3% of subnational government staff spending. This financial commitment to staff is intertwined with the rising expenses tied to funding statutory officials' pensions, which presents a distinct fiscal challenge.

Figure 4.1. Subnational governments as a percentage of general government, 2021



* 2013 data for Colombia for all indicators except debt (2014).

** No data for Australia and Chile.

*** Debt OECD definition, i.e. including insurance reserves and other accounts payable. No data for Chile, Mexico and New Zealand

Source: OECD (2023^[6]), *Subnational Governments in OECD Countries: Key Data (brochure)*, OECD, Paris.

Belgian subnational governments are also major public investors, contributing to 75.9% of public investment, surpassing figures of 61.4% in OECD federal countries and 55% in OECD countries. Among these subnational entities, regions and communities exhibit prominent significance, accounting for 68% of the overall subnational government investment in 2021. Their investment focus predominantly revolves around economic affairs and transportation, constituting 34% of the subnational

government investment in 2021, followed closely by general services at 29%, and subsequently encompassing education, recreation, culture and religion.

As for revenue, the composition of subnational government revenue out of total public revenue increased by 8%, rising from 43.8% in 2013 to 51.9% in 2021, which can be attributed to the impacts of the sixth state reform. Notably, regions and communities contribute to nearly three-quarters of the subnational government revenue, while local governments account for 27%. However, the ability to finance expenditure through own-source revenue remains limited for regions and almost non-existent for communities whose competencies lack distinct territorial bases. Despite the sixth state reform, the largest part of combined subnational government revenue continues to stem from grants and subsidies, composing 58.2%. Comparatively, subnational government tax revenue, standing at 25.6% of the total revenue in 2021, falls notably below averages of 42.7% for OECD federal countries and 31.2% for OECD countries. This trend persists when considering the proportions of subnational government tax revenue in Belgium's GDP and public tax revenue, with respective figures of 6.6% and 22.0%, which lag behind the OECD federations (9.3% of GDP and 42.7% of public tax revenue on average) and the OECD countries (7.2% and 31.2%).

Finally, subnational debt in Belgium accounts for 19.8% of the overall public debt and 25.6% of GDP. These figures slightly surpass the OECD average of 19.3% of total public debt and 25.5% of GDP, yet they remain below the average for OECD federal countries, where subnational debt represents 25.2% of total public debt and 32.5% of GDP.

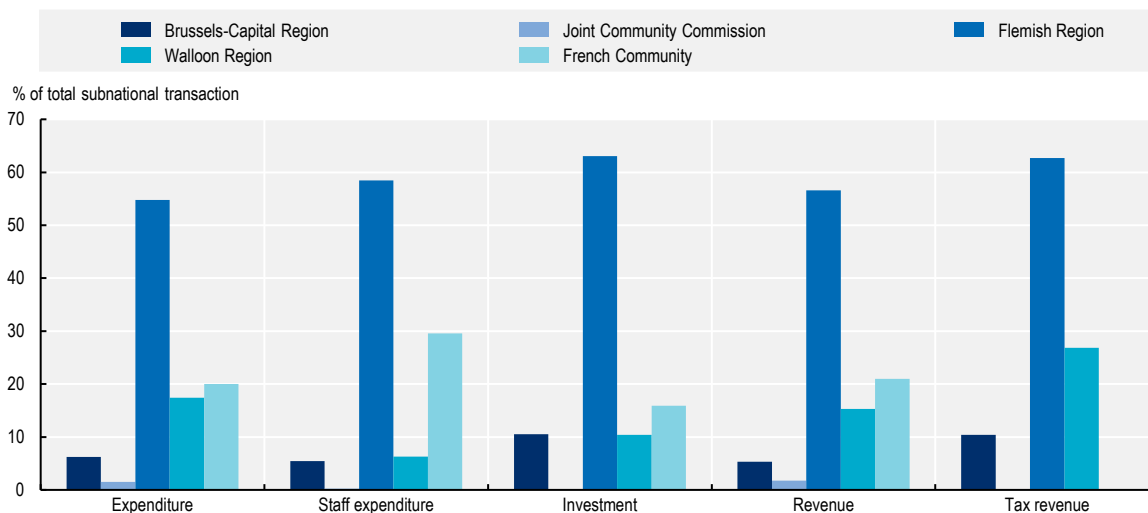
Source: Based on OECD (2023^[6]), *Subnational Governments in OECD Countries: Key Data (brochure)*, OECD, Paris; OECD/European Commission (2020^[7]), *Pilot Database on Regional Government Finance and Investment: Key Findings*, https://www.oecd.org/cfe/regionaldevelopment/REGOFI_Report.pdf.

After the sixth state reform, a comparison among federated entities unveils some striking inter-regional disparities (Figures 4.2 and 4.3). Whether measured as a percentage of total subnational transactions or in per capita terms, the indicators for the Brussels-Capital Region consistently lag behind those of other regions, often significantly so. Out of all subnational expenditure in Belgium, only 6.2% takes place within the Brussels-Capital Region (around 7.7% if the Joint Community Commission is taken into account). This starkly contrasts with the Flemish Region, which accounts for 54.8% of the country's subnational spending. The French and Walloon Regions jointly reach 37.3% of subnational expenditure. This disparity is particularly significant in per capita terms, where the Flemish Community and the Walloon Region allocate EUR 8 094 and EUR 5 154 per capita compared to the Brussels-Capital Region's EUR 585. Similar dynamics extend to other subnational finance indicators. For instance, 58.4% of total subnational staff expenditure in Belgium is attributed to the Flemish Region, roughly over EUR 2 500 per capita, compared to 5.4% and EUR 137 respectively for the Brussels-Capital Region.

Similarly, subnational investment is much higher as a proportion of total subnational investment in the Flemish Region (63.1%), while the French Community, the Brussels-Capital Region and the Walloon Region each allocate 15.9%, 10.5% and 10.4% respectively. In per capita terms, subnational direct investment ranges from EUR 643 in the Flemish Region to only EUR 62 per capita in the Brussels-Capital Region, i.e. over ten times more. This low level of subnational investment per capita in the Brussels-Capital Region is notably linked to the revenue trends observed, encompassing both total revenue and tax revenue exclusively. The share for the Brussels-Capital Region accounts for merely 5.3% of total subnational revenue and 10.4% of subnational tax revenue. In per capita terms, the Brussels-Capital Region receives over 18 times less revenue than the Flemish Region and 9 times less than the Walloon Region, amounting to EUR 8 420, EUR 4 160 and EUR 456 per capita respectively. This raises significant questions on the adequate funding of the Brussels-Capital Region, particularly considering its substantial investment needs in regional, inter-regional, urban and metropolitan infrastructure in the forthcoming years to align with

United Nations Sustainable Development Goals and the objectives outlined in the digital and green transition strategies.

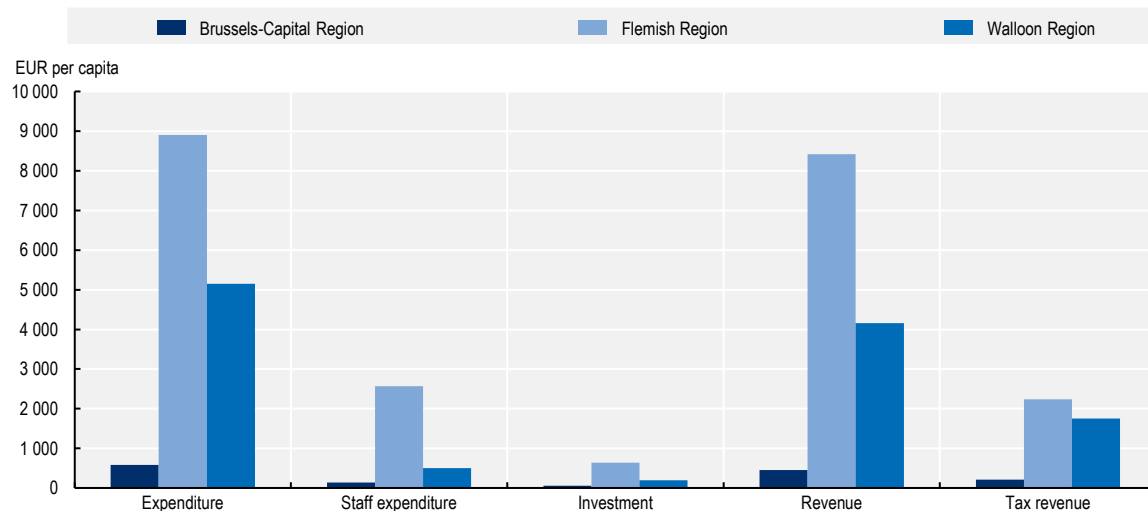
Figure 4.2. Main indicators on subnational finance across federated entities, 2021



Note: Data from 2021. Note that data for the Flemish and French Community Commissions are not included in the Plan's Federal Bureau, hence their absence in this figure.

Source: Plan's Federal Bureau (2023^[8]), *Annexe statistique HERMREG: 1995-2028*.

Figure 4.3. Main indicators on subnational finance across regions per capita



Note: Data from 2021. Only regions are considered as official population data are only provided at the regional level, not the community level.

Source: Plan's Federal Bureau (2023^[8]), *Annexe statistique HERMREG: 1995-2028*.

Assessment of public finances in the Brussels-Capital Region

The decentralisation trend in Belgium has resulted in the transfer of numerous competencies to the regions, communities and municipalities, a process that gained significant impetus with the sixth state reform (see Chapter 3). This section provides an assessment of essential public finance indicators in the

Brussels-Capital Region, encompassing expenditure, investment, revenue and debt, both at the regional and municipal levels. Evaluating the current status and trends of public finances lays the foundation for recognising challenges and, in the next section, formulating evidence-based recommendations.

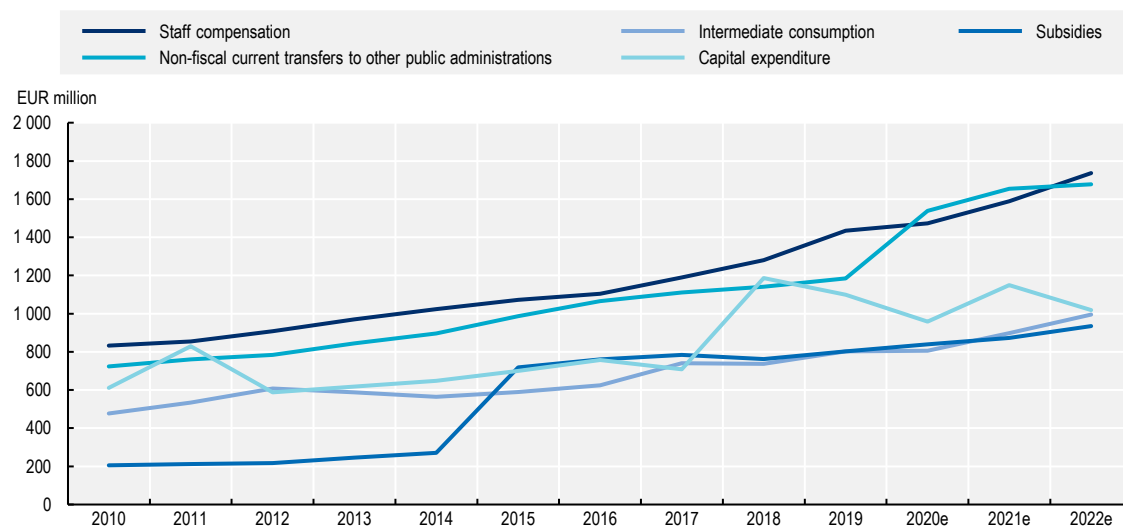
Increasing expenditures have been accompanied mostly by tax revenue, yet the budget balance has continued to deteriorate

Staff costs and transfers to municipalities have grown substantially over the last decade

Total expenditures in the Brussels-Capital Region amounted to EUR 7.4 billion in 2022, representing a 123% increase from 2010, and are expected to reach 7.8 billion in 2023 (Figure 4.4). This rise in expenditures has been recently aggravated by the COVID-19 pandemic and recovery policies as well as the inflationary pressures on energy prices, among others, stemming from the effects of Russia's large-scale war of aggression against Ukraine.

Most of the Brussels-Capital Region's expenditure is current expenditure, dedicated to two main items: staff salaries (32.5% of total current expenditure in 2022) and current transfers to other public administration services (namely municipalities, accounting for 31.4% of total Brussels-Capital Region's current expenditure). Current transfers to municipalities have been intensified especially from 2019, following the reallocation of competencies to the local level with the sixth state reform and have continued to increase amidst the COVID-19 crisis. This aims to match newly allocated competencies at the local level with sufficient and adequate resources at the local level, thereby avoiding the emergence of under- or unfunded mandates, a phenomenon that has been shown to put a drag on economic growth and development (Rodríguez-Pose and Vidal-Bover, 2022^[9]).

Figure 4.4. The Brussels-Capital Region's expenditure by economic classification



Note: In nominal terms. Years followed by an "e" show estimated values.

Source: IBSA/BISA (2023^[10]), *Finances publiques*, <https://ibsa.brussels/themes/finances-publiques> (accessed on 31 July 2023).

Regarding investment, Figure 4.4 shows that Brussels-Capital Region's capital expenditure has substantially fluctuated but has overall increased throughout the decade to account for 16.0% of the region's total expenditure in 2022. Importantly, since 2016, some of these investments have been labelled as "strategic investments" by the government of the Brussels-Capital Region (Box 4.2). Indeed, the latter considers that certain investments have a particular strategic value linked to the green and digital

transitions. The government is thus willing to finance those investments with public debt, which has grown substantially over the years.

Box 4.2. Financing strategic investments in the Brussels-Capital Region

Strategic investments were introduced in 2018 as highly targeted capital expenditures focused on essential infrastructure projects for the region. The primary focus areas include expanding and renovating the metro system, as well as upgrading architectural structures like tunnels and viaducts. Additionally, there was an emphasis on improving security measures following the Brussels attacks in 2016.

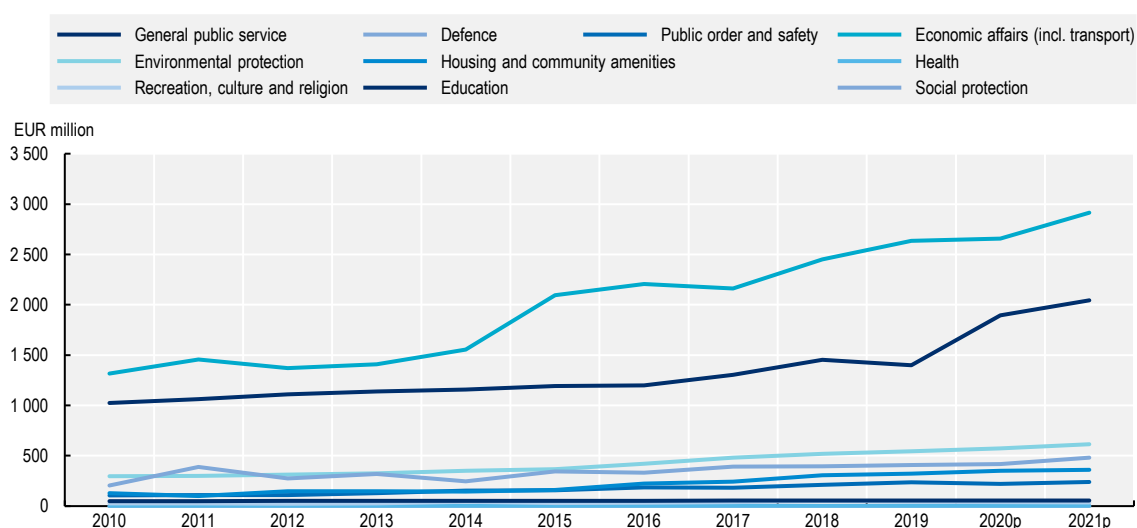
The government of the Brussels-Capital Region has considered these investments to have a neutral impact on the budget, most importantly because these investments are seen as key to accelerating the green and digital transitions and securing long-term economic development. Yet, as seen below, debt levels have increased substantially since the introduction of these investments.

In 2018, a budget of EUR 360 million was allocated to strategic investments, of which 96% was finally executed. In 2019, the projects associated with the strategic investments, which had been initiated in 2018, gradually progressed, leading to a budget increase of EUR 472 million, which increased to almost EUR 500 million for 2021. To cover the financial deficit, the initial consolidation plan for 2020, following a similar approach to previous years, relied on the projected amortisations for 2020 (EUR 206 million) and the approved volume of strategic investments (EUR 500 million). In early 2020, the 2020 consolidation plan was increased by an additional EUR 300 million to lower the high floating debt from 2019. Before the onset of the COVID-19 pandemic, nearly EUR 1 billion was allocated for baseline consolidations in 2020. Notably, much of this was covered in 2019 through a “consolidations” strategy that raised EUR 414 million and forward-start financing of EUR 95 million.

Examples of strategic investments include the renovation (not the maintenance) of some tunnels, such as the Annie Cordy Tunnel, which is being financed through a public-private partnership where the public investment is labelled as a strategic one. Strategic investments also include the financing of a new metro project, the extension of certain tramlines, the electrification of the bus fleet, the purchase of a new stock of buses, etc.

Source: Parliament of the Brussels-Capital Region (2022^[11]), *Exposé général du budget pour 2023 - Algemene toelichting bij de begroting 2023*; OECD (2023^[12]), “Questionnaire to the Brussels-Capital Region”, OECD, Paris.

Economic affairs (including transport) and general public services (administrative costs and debt service) are by far the largest regional expenses (Figure 4.5). Urban development expenditures have also been significant since 2016 as the Brussels-Capital Region has launched seven Urban Renovation Contracts, amounting to a total of EUR 154 million. Moreover, the Brussels-Capital Region has also co-financed 2 operational programmes for urban development with European Regional Development Fund (ERDF) funds since 2010 (EUR 115 million from 2007 to 2013 and EUR 200 million from 2014 to 2020). For the new operational programme 2021-27, the Brussels-Capital Region will co-finance urban development projects amounting to a total of EUR 300 million. Environmental expenditure has also slowly but steadily increased by 48% over a decade.

Figure 4.5. Brussels-Capital Region expenditure by functional classification

Note: In nominal terms. Years followed by a “p” show provisional values.

Source: IBSA/BISA (2023^[10]), *Finances publiques*, <https://ibsa.brussels/themes/finances-publiques> (accessed on 31 July 2023).

Since 2010, tax revenue has increased significantly, 70% more than transfers

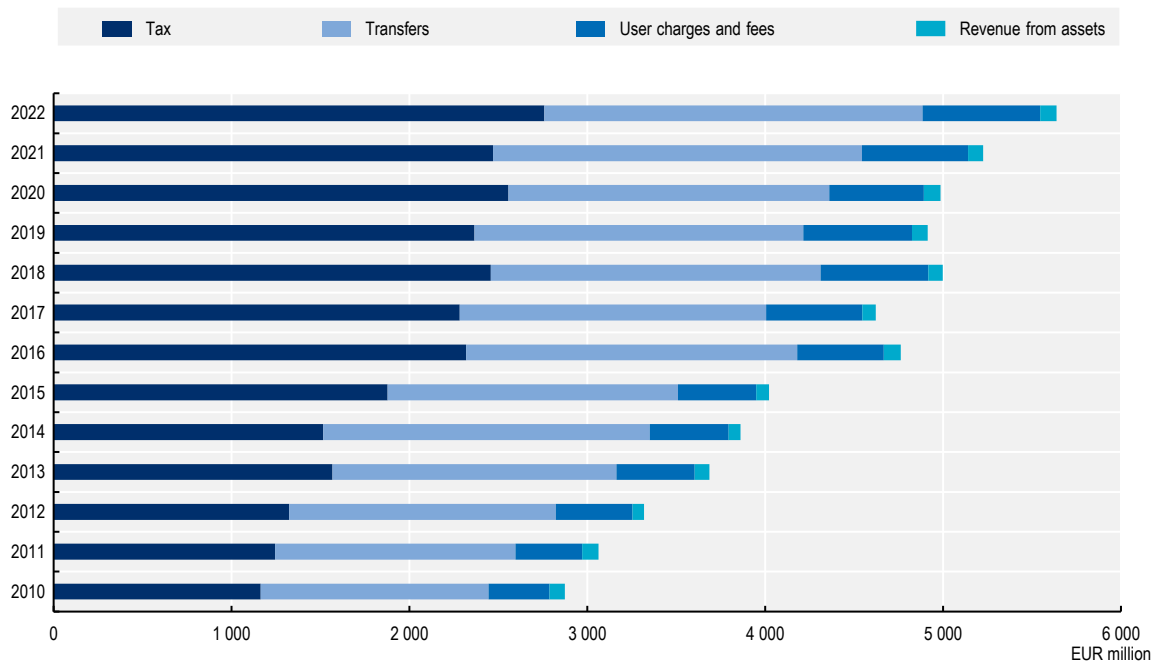
The revenues for the Brussels-Capital Region amounted to a total of EUR 5.6 billion for 2022, representing a 7.3% increase in nominal terms compared to the previous year’s budget in 2021 and a 49.7% increase since 2010 in nominal terms (Plan’s Federal Bureau, 2023^[8]).

Tax revenues accounted for 47.0% of the Brussels-Capital Region’s revenues, making them by far the primary source of regional revenues (Figure 4.6). Between 2010 and 2022, tax revenue witnessed a notable growth of 136% in nominal terms, reaching a total of EUR 2 758 million, while transfers only increased by 66%, also in nominal terms. Comparatively, transfers stand at 39.5%, while fees and assets both represent 11.3% and 1.6% of the total budget. The prevalence of tax revenue in relative terms within the Brussels-Capital Region’s budget may be pointing to insufficient transfers to cover the additional expenditures which the region incurs, including those that aim to compensate for the Brussels-Capital Region’s specificities (see Figure 4.8 below). Nevertheless, tax revenue in the Brussels-Capital Region represents 10% of total subnational tax revenue in Belgium, thus a significantly lower amount relative to the rest of the regions, as a total and in per capita terms (see Figures 4.2 and 4.3 above).

Tax revenue in the Brussels-Capital Region is composed of various sources. First, the region sets the tax base and rate of 11 regional taxes, including registration, inheritance or circulation taxes, as listed in Article 3 of the Special Federal Law of 16 January 1989 on the Funding of the Regions and Communities.¹ These taxes have been decentralised from the Federal Authority to the regions, granting them the authority to regulate the rate or tax base, subject to certain limitations.²

Second, regions and municipalities in Belgium also possess the authority to introduce new taxes and determine their rates, provided that a bill meeting the principles of taxation (as described in Articles 170 to 173 of the constitution) is adopted by their respective democratic councils while adhering to the aforementioned principles. Consequently, the Brussels-Capital Region imposes several taxes that are distinct from the regional taxes mentioned in the special law above.³ The Brussels-Capital Region also collects the taxes falling pertaining to the Brussels Agglomeration.⁴

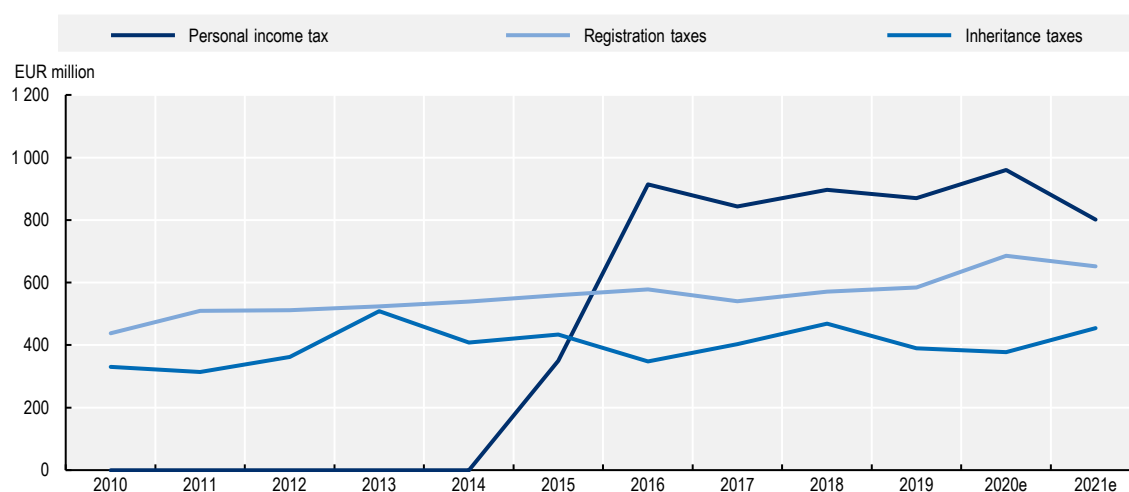
Figure 4.6. The evolution of revenue streams at the regional level



Source: Plan's Federal Bureau (2023^[8]), *Annexe statistique HERMREG: 1995-2028*.

Moreover, following the sixth state reform, the previous system in which the Federal Authority established a base rate and distributed a share of income tax revenue to the regions underwent modification. Even though the Brussels-Capital Region and the other regions and communities are generally prohibited from creating taxes, levying “cents” (i.e. surcharges) or granting discounts in matters that have already been subject to imposition by the Federal Authority, this is not the case for PIT. For this particular tax, the regions have the flexibility to levy a surtax or even reduce the base rate originally set by the Federal Authority. As a result, total revenues from PIT are separated in the budget into tax revenue and transfers: the funds stemming from the base rate put in place by the Federal Authority are accounted for as transfers to the Brussels-Capital Region, whereas those collected through the surtax on PIT are accounted for as tax revenue. In 2021, revenue from PIT accounted for 38.6% of total revenue. More precisely, revenue from PIT represented 36.2% of total tax revenue and 58.6% of total transfers received by the Brussels-Capital Region. Both streams of funding are equally non-earmarked revenue to be spent at the discretion of the Brussels-Capital Region’s government. This shows that the Brussels-Capital Region retains considerable freedom to shape its tax policies and optimise its revenue streams within the parameters set forth by the Federal Authority. Its tax autonomy is thus significant relative to other European counterparts (OECD/UCLG, 2022^[2]).

Figure 4.7 shows how the different sources of tax revenue have evolved over the last decade. The revenues from the surtax on personal income tax levied by the Brussels-Capital Region soared between 2014 and 2016 since this was incorporated in the funding system following the sixth state reform, accounting now for 32.4% of the Brussels-Capital Region tax revenues in 2021 (IBSA/BISA, 2023^[10]). Registration taxes and inheritance taxes come second and third respectively, as sources of revenue, increasing by 33% and 27% since 2010.

Figure 4.7. Evolution of main tax revenue sources in the Brussels-Capital Region

Note: Years followed by an “e” show estimated values.

Source: IBSA/BISA (2023_[10]), *Finances publiques*, <https://ibsa.brussels/themes/finances-publiques> (accessed on 31 July 2023).

Mechanisms to compensate for the Brussels-Capital Region’s special circumstances in place may be insufficient or discontinued in the coming years

In the Brussels-Capital Region, there are several transfers, most of which come from the Federal Authority. In the adjusted 2022 budget, transfers from the Federal Authority represent 33.6% of the total revenue of the Brussels-Capital Region. Out of these transfers, 35.0% account for the transfers from PIT’s base rate set and collected by the Federal Authority to be transferred later to the Brussels-Capital Region. This has been the case since the sixth state reform in order to finance the newly devolved competencies to the region. Other transfers from other institutions to the region are those from the Brussels Agglomeration (EUR 255 million), the European Union (totalling EUR 142.1 million) and finance.brussels (EUR 8.9 million) (Voglaire et al., 2022_[13]).

Two other types of transfers coming from the Federal Authority are worth highlighting, given the specific circumstances of the Brussels-Capital Region: compensation transfers and equalisation transfers. These are both key for the region. Considering the international role and capital function of the City of Brussels, the Brussels-Capital Region faces distinct challenges that are not encountered by other federated entities. While this presents opportunities for the Brussels-Capital Region, it also places a financial burden on it. For instance, the fact that one in two workers are commuters leads to revenue losses (see Chapter 1) whereas the security needs incurred both by the region and the municipalities in the Brussels-Capital Region push expenditure up substantially (Verdonck, 2023_[14]). Moreover, past studies have quantified the costs and revenue losses stemming from the substantial commuter population, estimating approximately EUR 490 million per year in 2003 (Van Wynsberghe et al., 2009_[15]).

In the initial stages of the existence of the Brussels-Capital Region, there were no specific mechanisms to compensate for the additional costs that the region faced. An exception to this rule was the signature of the co-operation agreement giving birth to the Beliris funds. These funds were designed to finance joint initiatives between the Federal Authority and the Brussels-Capital Region, ensuring that the region can finance and exploit its role as an international capital. Although these funds are useful to carry out important investments in the Brussels-Capital Region, over time, the allocation criteria have become less transparent. The increasing use of Beliris to fund expenses beyond its legally defined scope raises questions about transparency in the allocation of Beliris-related funds and, above all, represents a symptom of underfunding in the Brussels-Capital Region, calling for the implementation of more targeted financing mechanisms (Box 4.3).

Box 4.3. Financing the Brussels-Capital Region as host of the capital of Belgium and the European Union through Beliris

The Federal Authority and the Brussels-Capital Region concluded a co-operation agreement on 15 September 1993, aimed at promoting the City of Brussels' international role and function as capital city, which subsequently created two funds known as Beliris I and Beliris II. This agreement entails joint initiatives between the Federal Authority and the Brussels-Capital Region, ensuring that the region can fully embrace its role as an international capital. Over time, several amendments have been made to this agreement through the Cooperation Committee.

The underlying principle of Beliris is that promoting the City of Brussels' international role benefits the entire country and should not be the sole responsibility of the Brussels-Capital Region. The initiatives covered in the agreement mainly pertain to mobility, strategic area development, public buildings and spaces, land acquisition, priority zone development, neighbourhood revitalisation and cultural, scientific and heritage investments.

Initially, the initiatives focused on serving all Belgians, with projects like the Belliard Tunnel catering to commuters leaving the Brussels-Capital Region. As time passed, the initiatives became more oriented towards the residents of the Brussels-Capital Region, including neighbourhood contracts (*contrats de quartier/wijkcontracten*), metro station renovations, the elevator works at Place Poelaert and the restoration of parks and pools. Nevertheless, the international role of the Brussels-Capital Region was not forgotten, as seen through projects like the Atomium's renovation and the development of the Square exhibition and conference centre.

To further finance the Brussels-Capital Region's international role and capital function, the law of 10 August 2001 created a fund specifically for this purpose, divided into two sub-funds: the "Fund for financing the international role and the function of the Capital of Brussels" (known as Beliris I) and the "Fund for financing certain expenses incurred which are linked to security arising from the organisation of European summits in Brussels, as well as security and prevention expenses in relation to the function of national capital and Brussels International" (Beliris II). The Cooperation Committee decides on the means to use this fund.

Despite the positive impact of this co-operation agreement, some questions arise regarding its nature. The Beliris funds are not direct financial means allocated to the Brussels-Capital Region. In fact, the Brussels-Capital Region does not exercise any budgetary or technical control over the funds but only participates in the negotiation of allocations that it does not set alone, except in cases where it provides complementary sources of financing. In the end, it seems that the Beliris funds may be aiming to cover specific federal expenses located within the Brussels-Capital Region.

Beliris appears to have a certain coherence within a federal state, as financing important initiatives for the function of the capital and the international role of Brussels seem fully justified for all components of the Belgian federal state. However, Beliris has also financed neighbourhood projects or the renovation of social housing, which may not align well with the limits of intervention specified in Article 43 of the Special Law of 12 January 1989 relating to Brussels institutions. The growing utilisation of Beliris funds for purposes outside its officially designated boundaries raises concerns regarding the transparency of Beliris-related fund allocation. Moreover, it may point to an inadequate funding system of the Brussels-Capital Region, thereby emphasising the need to establish more precise and targeted financing mechanisms.

Source: Peiffer, Q. (2021^[16]), "Les spécificités institutionnelles de la région bruxelloise", <https://doi.org/10.3917/CRIS.2510.0005>; Beliris (2023^[17]), *Beliris - Qui sommes-nous ?*, <https://www.beliris.be/qui-sommes-nous/> (accessed on 1 August 2023).

In addition to Beliris, various mechanisms have been established to finance policies that benefit all components of the Belgian federal state. However, these mechanisms are a relatively early addition and the Brussels-Capital Region has historically experienced structural underfunding, both before its establishment and after 1989.

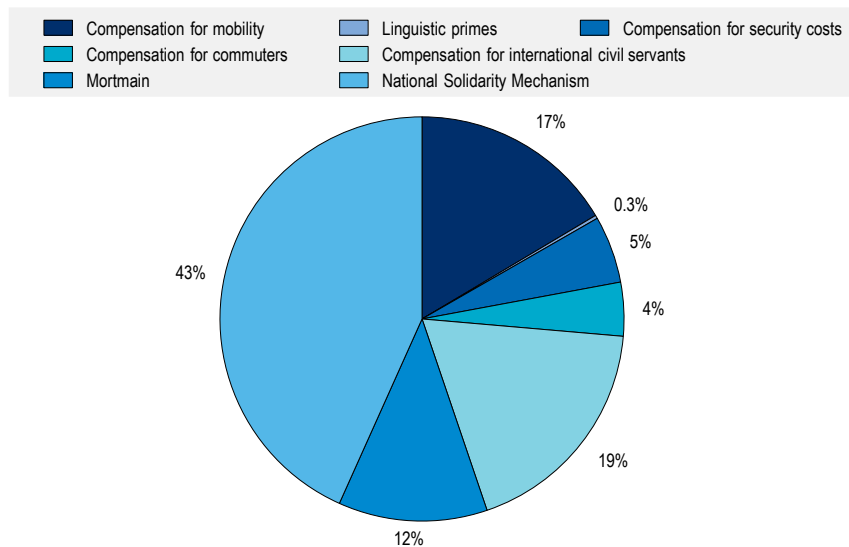
The sixth state reform sought to address the lack of actual compensation transfers by adopting the Special Law of 19 July 2012, “Ensuring fair funding for Brussels institutions”. Four main ideas informed this legislation. First, the crucial role played by the Brussels-Capital Region in the development of Belgium and the other two regions. Second, the recognition that fiscal capacity using the metric of PIT fails to reflect the region’s contribution to wealth creation due to the omission of income from many individuals working within its territory. Third, the revenue loss experienced by the Brussels-Capital Region due to the presence of international and national institutions led to the exemption of numerous properties from real estate taxation. Lastly, there are additional responsibilities imposed on the City of Brussels as a national and international capital, including bilingualism, mobility, education and security (Peiffer, 2021^[16]).

Therefore, following the sixth state reform, the Special law of 16 January 1989 concerning the financing of the communities and regions currently acknowledges the unique case of the Brussels-Capital Region and encompasses the following new provisions (Peiffer, 2021^[16]):

- Compensation for mortmain, which entails granting credits through the Brussels-Capital Region to municipalities where properties, such as Federal Authority buildings or embassies, are exempt from property tax.
- The provision of a special endowment to the City of Brussels.
- The allocation of a special endowment to the Brussels-Capital Region for mobility policies.
- The allocation of a deduction from the proceeds of PIT to the Fund for the International Role and Capital Function of the City of Brussels, intended to cover all security and prevention expenses related to Brussels’ national and international capital functions.
- An annual allocation of resources to the Brussels-Capital Region to partially compensate for the loss of income resulting from the presence of international civil servants.
- An annual allocation of resources to the Brussels-Capital Region to partially compensate for the loss of income due to commuter flows.

According to the Brussels-Capital Region’s budget for 2022, the Brussels-Capital Region received over EUR 1 billion from different compensation and equalisation mechanisms, each representing 57% and 43% of the total (Figure 4.8). In terms of compensation transfers, compensation for the presence of international civil servants and mobility issues represent 19% and 17% of these transfers, with other lower amounts related to mortmain, security costs, the presence of commuters and linguistic premiums. When compared to the total revenues of the region, compensation (including mortmain) and equalisation transfers account for 11.1% and 9.1% respectively. In other words, 21.0% of the Brussels-Capital Region’s revenues come from compensation or equalisation transfers.

Apart from the compensation transfers that the Brussels-Capital Region receives, the National Solidarity Mechanism is Belgium’s equalisation instrument and it involves an annual deduction from the proceeds of federal PIT. This system facilitates a vertical transfer of funds from the federal level to the regions. It aims to address disparities by applying the mechanism of national solidarity to regions with a lower share in federal PIT than their share of the population. The calculation of the amount for a specific budget year and region involves multiplying the base amount for that year by 80% of the absolute difference between the region’s percentage in the total revenues of federal PIT and its percentage of the total population of Belgium.

Figure 4.8. Equalisation and compensation allocations in 2022

Note: Adjusted budget for 2022.

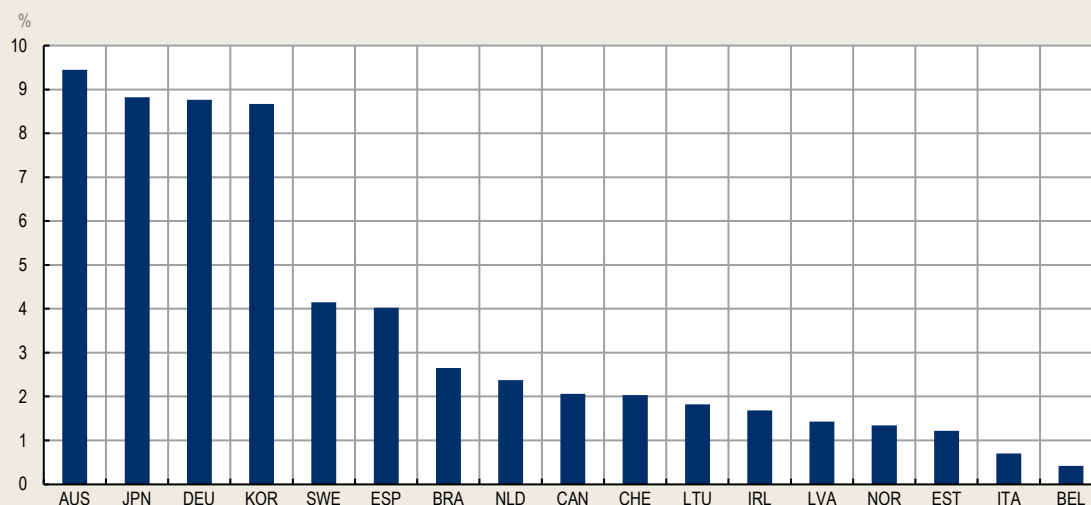
Source: Parliament of the Brussels-Capital Region (2022_[11]), *Exposé général du budget pour 2023 - Algemene toelichting bij de begroting 2023*; Voglaire, J. et al. (2022_[13]), “Les perspectives budgétaires de la Région Bruxelles-Capitale de 2022 à 2027”, Centre for Research in Regional Economics and Economic Policy.

Nevertheless, although the National Solidarity Mechanism is projected to increase by EUR 100 million between 2022 and 2024, it is to be discontinued in 2025. This would see one of the main mechanisms for equalisation disappear in Belgium, which is already of limited size compared to other OECD federal countries (Box 4.4). This raises significant uncertainties about how the Brussels-Capital Region will be compensated for this funding gap and effectively prevents long-term strategic planning of key capital investments or current expenditures. Currently, there are discussions that could point the way to two potential solutions. The first involves revising the distribution of national personal income taxes, which is part of a broader political dialogue involving the other two regions. The second option under consideration is the different modalities of implementation of the SmartMove tax, which would generate additional revenue for the Brussels-Capital Region from non-residents who commute into the region for work while simultaneously replacing the road tax and first vehicle registration tax for residents. However, regarding the SmartMove tax, this instrument was not conceived to replace any transfers and was mainly a mechanism to reduce congestion and improve quality of life (see Chapter 2). These discussions are being held in collaboration with the Flemish and Walloon Regions to find suitable and equitable solutions for all parties involved (S&P, 2023_[18]).

Box 4.4. Equalisation mechanisms in Belgium and other OECD countries

Equalisation mechanisms are most often in place and widely diverse across the OECD. OECD research shows that the size of Belgium’s fiscal equalisation system is relatively small compared to other OECD countries, among countries with the smallest size of equalisation systems. Figure 4.9 depicts the scale of equalising transfers as a percentage of total government expenditure across all levels for 16 OECD countries. With an average of equalising transfers at 3.6% of government expenditure, Belgium has the smallest transfers as a share of total government expenditure (0.6%), whereas Australia has the largest (9.9%). Note that OECD federal countries have a higher average (4.6%) in contrast to Belgium’s score.

Figure 4.9. Equalising transfers as a percentage of total government expenditure across a selected sample of OECD countries



Source: OECD (2021^[19]), *Fiscal Federalism 2022: Making Decentralisation Work*, <https://doi.org/10.1787/201c75b6-en>.

Equalisation is even more frequent and sizeable in federal countries, where solidarity among the federated states as well as across levels of government is often a constitutional principle. For example, Canada's fiscal equalisation system, initiated in 1957 and later enshrined in the 1982 constitution, addresses the revenue disparities between provinces by offering unconditional transfers from the federal government to the provinces based on their respective fiscal capacities. At the moment, five provinces benefit from these equalisation payments: Manitoba, New Brunswick, Nova Scotia, Prince Edward Island and Quebec. In the 2021/22 fiscal year, equalisation is projected to be the most substantial source of federal transfer payments for each of these provinces, making up over 10% of their total provincial revenues.

Equalisation systems are also subject to modifications. In 2020, the German parliament enacted new regulations and constitutional amendments to reform the intergovernmental fiscal relations between the federal state and the *Länder*, aiming to increase the federal government's role. The key aspect of this reform was the elimination of the horizontal equalisation mechanism among the *Länder*. Instead, the focus now lies on two main categories of grants and equalisation mechanisms: i) the distribution of the *Länder's* share of VAT revenue, which takes into account their respective fiscal capacities through surcharges and deductions, and ii) vertical equalisation, involving additional transfers to the economically disadvantaged states, particularly the former East Germany. The latter received "supplementary grants for special needs" for infrastructure until 2019. Additionally, a new provision, Article 143d, was added to the Basic Law, stipulating annual transfers of EUR 400 million from the federal state to Bremen and the Saarland, to support them in adhering to the debt brake regulation for an indefinite period.

Source: OECD/UCLG (2022^[2]), *2022 Country Profiles of the World Observatory on Subnational Government Finance and Investment*, <https://dev.mediactive-studio.com/maquettes/OCDE/menu.html>.

Regarding other compensation transfers, the allocations for international civil servants (EUR 189 million in 2022) and commuters (EUR 44 million) have remained stable over time and are projected to continue doing so over the following years (Voglaire et al., 2022^[13]). In fact, the amount allocated for commuters is not expected to change, regardless of fluctuations in parameters such as inflation rate or growth rate, which tend to vary from year to year (Parliament of the Brussels-Capital Region, 2022^[11]). When considering the socio-economic characteristics and investment needs of the Brussels-Capital Region and its municipalities, these allocations appear relatively low when examined in isolation. If past studies, which estimated the costs of a commuter population at approximately EUR 490 million per year in 2003, are to be believed, today, these compensation mechanisms seem insufficient (Van Wynsberghe et al., 2009^[15]).

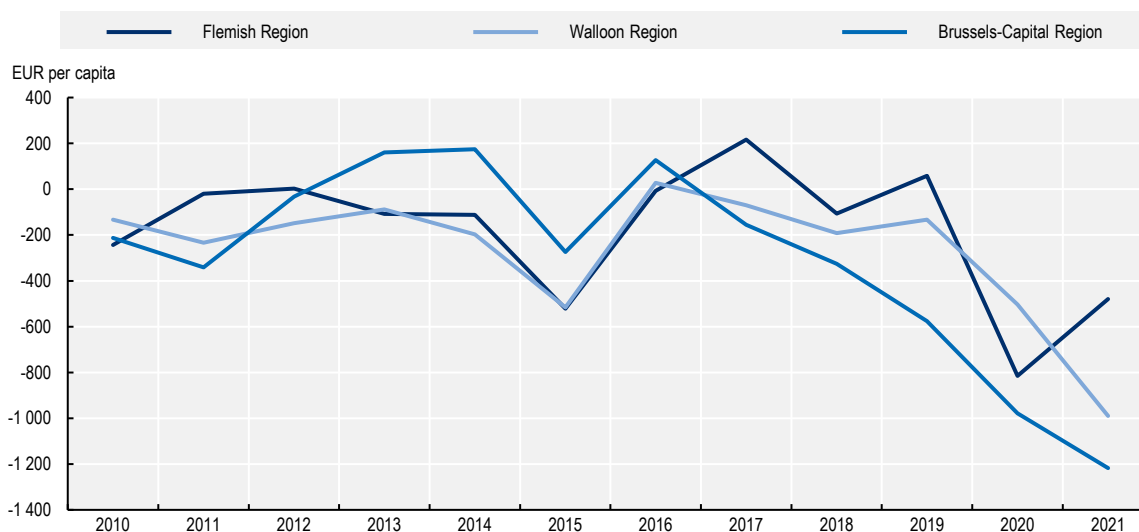
It is worth highlighting that the compensation for commuters is financed proportionally by the Flemish and Walloon Regions, based on their respective shares in commuter flows towards the Brussels-Capital Region.⁵ This compensation recognises the territorial specificity of the latter and aims to address the absence of a joint budget or fund for metropolitan endeavours. However, the size of this compensation remains modest.

Increasing costs and modest revenues have led to a significant deterioration of budget balances and debt levels in the Brussels-Capital Region

The regions of Belgium are allowed to run fiscal deficits and incur debt, as well as for current expenditure. While existing fiscal rules in the country cover the Federal Authority, the social security sector as well as the local authorities, this is not the case for the regions, despite the regions' high share in general government expenditure (EC, 2023^[20]). The only instance of fiscal rules at the regional level can be found in the Flemish Region's multiannual budget, which factored in the implementation of a spending norm for the first time.

In the Brussels-Capital Region, the absence of sound fiscal rules and rising expenditure costs have led to a steep and persistent deterioration of the budget balance. In fact, the deficit has widened to a substantial EUR 1.6 billion in 2022. When measured per capita, the Brussels-Capital Region has recorded the largest deficits among the rest of the regions since 2017, showing that revenues have struggled to keep up with expenditures (Figure 4.10).

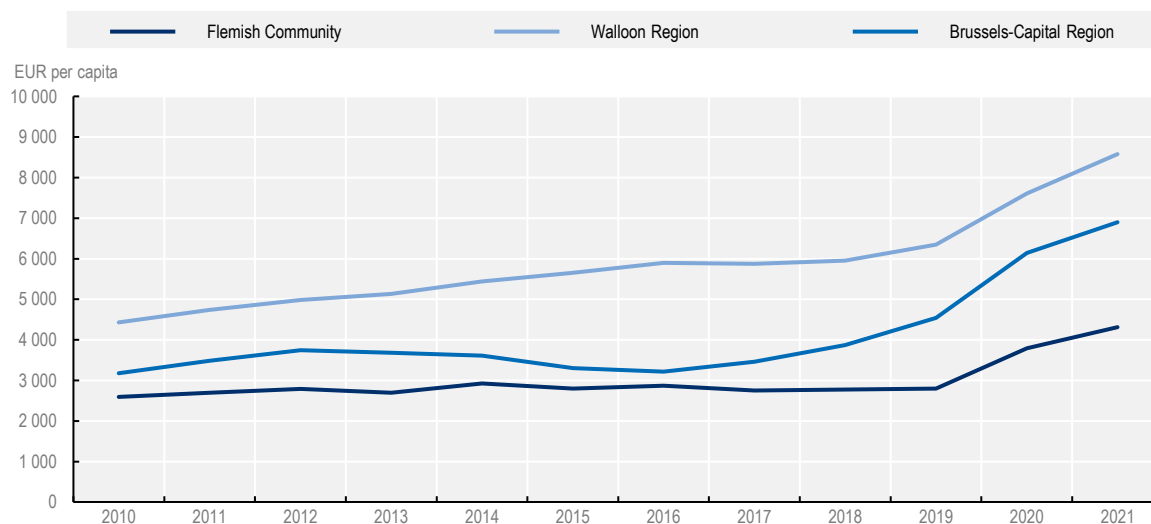
Figure 4.10. Budget balance per capita by region



Source: NBB (2022^[21]), *Public Finance - Non-Financial Account of the Government*, <https://stat.nbb.be/index.aspx?DatasetCode=NFGOV>.

In regard to debt, strategic investments have had a profound impact on the regional trajectory of debt since 2018. Direct debt⁶ has more than doubled in recent years since 2016, from EUR 2.6 billion to over EUR 7 billion in 2021 (NBB, 2022_[21]). Debt per capita has followed the upward trend as well, with the Brussels-Capital Region located between the debt per capita values of the Flemish Region and the Walloon Region (Figure 4.11).

Figure 4.11. Debt per capita by region



Source: NBB (2022_[21]), *Public Finance - Non-Financial Account of the Government*, <https://stat.nbb.be/index.aspx?DatasetCode=NFGOV>.

On 26 March 2021, the credit rating agency Standard and Poor's downgraded the long-term rating of the Brussels-Capital Region from "AA" to "AA-" with a stable outlook.⁷ This downgrade was primarily due to the combined effects of the COVID-19 pandemic and strategic investments, which significantly increased the region's debt and impacted its revenues and expenses. Despite the increase in debt, Standard and Poor's noted that the debt service remains relatively stable and the Brussels-Capital Region has solid access to capital markets thanks to proactive and efficient debt and liquidity management. Nevertheless, the credit rating agency maintained in 2022 the long-term rating at "AA-" on 23 September but revised the outlook from stable to negative. According to the agency, the negative outlook reflects the opinion that the reduction of deficits in the Brussels-Capital Region may take longer than expected due to extraordinary costs such as those related to inflation, as well as other operational and investment expenses, particularly in mobility infrastructure, which ultimately increase debt. The deterioration of budgetary performance since late 2019, particularly worsened by the health crisis, was the main reason for the rating downgrade.

The lack of co-ordination of public investment among levels of government risks leading to duplication and inefficiency

Unlike other European Union (EU) countries, Belgium has a unique approach to public investment management, which is primarily overseen by the communities, regions and local authorities, with limited federal government involvement. Historically, investment project selection and monitoring at the federal level have followed procedures similar to other budgetary spending items. However, significant reforms are underway in response to the Recovery and Resilience Facility and other investment packages. These include the introduction of a multi-year investment plan, detailed monitoring mechanisms and the establishment of a high council for public investments.

In the Brussels-Capital Region, investment planning is conducted at the sectoral and sub-sectoral levels, encompassing general public services, housing, community amenities and economic affairs. For strategic investments, particularly in the transportation system (STIB-MVIB), standardised appraisal procedures are applied, accounting for 70% of growth-fostering investments and 30% of all investments in the region. Forward capital estimates are provided for major investment expenditures, like transportation and social housing, which are closely monitored and adjusted as needed due to factors such as permit delays. Capital and current expenditures follow distinct approval processes, with budgets generally including appropriate amounts for standard maintenance. Monitoring STIB-MVIB projects involves a joint committee comprising representatives from the ministry-president, Ministry of Finance and Budget, Ministry for Mobility, Brussels Mobility and the STIB-MVIB. Monthly and quarterly implementation reports are published to ensure transparency and accountability in the process.

Nevertheless, Belgium still faces challenges in effectively governing public investment. Major investment projects often lack systematic monitoring and comprehensive *ex ante* evaluations, as they are not overseen by a specialised authority. This issue extends across all federal departments and various levels of government, revealing a lack of co-ordination and a common investment strategy among different authorities.

Three primary challenges hinder the multi-level governance of public investment: co-ordination challenges, requiring collaboration between sectors, jurisdictions and government levels, which can be challenging in practice due to the diverse interests of the involved actors; capacity challenges, where weak capacities to design and implement investment strategies may hinder the achievement of policy objectives; framework condition challenges, as good practices in budgeting, procurement and regulatory quality are essential for successful investment but may not consistently exist across government levels (OECD, 2019^[22]; 2023^[23]).

The main reason budgetary co-ordination in Belgium and in the Brussels-Capital Region has not achieved its desired level of effectiveness is that the 2013 co-operation agreement on budgetary co-ordination has not been implemented in full. All federated entities and the Federal Authority signed the agreement. However, the concertation committee merely “took note” of the overall fiscal trajectory presented in the 2019 Stability Programme, including the postponement of the fiscal target achievement to 2021 by all government levels. The lack of formal approval has resulted in a lack of agreement on investment targets at each government level.

Therefore, although the 2013 co-operation agreement entrusted the High Council of Finance (HCF) with the responsibility to advise and supervise all government levels on their budget trajectories in alignment with the European Union’s Fiscal Compact, the partial implementation of the agreement undermines its co-ordination role as well as the viability of the overall trajectory towards the medium-term objective and hampers the monitoring of compliance with fiscal targets by the public sector borrowing requirements section of the HCF. Although the establishment of an Experts Committee of Public Investment at the federal level as of March 2023 must be recognised as a step in the right direction, the effectiveness of the HCF’s co-ordination role will depend on the full implementation of the 2013 co-operation agreement.

Municipal finances are also experiencing expenditure increases and substantial fiscal disparities among them

Municipalities within the Brussels-Capital Region wield significant competencies, including the execution of policies stemming from higher tiers of government (see Chapter 3). This section offers a comprehensive overview of local public finance indicators within the Brussels-Capital Region, focusing particularly on the growing expenses due to the pension and security cost burdens and fiscal disparities among municipalities.

The gradual growth of staff expenditure has driven overall expenditure higher, particularly due to the burden of pensions and security expenses

Expenditure has increased significantly since 2010. Current expenditure amounted to EUR 2.7 billion (that is EUR 2 218 per capita), which represents a 6.0% increase compared to 2021 ordinary expenditures (Belfius, 2022^[24]). This sharp rise from one year to another is mainly due to high inflation rates as well as the high energy costs that municipalities – some more than others – face.

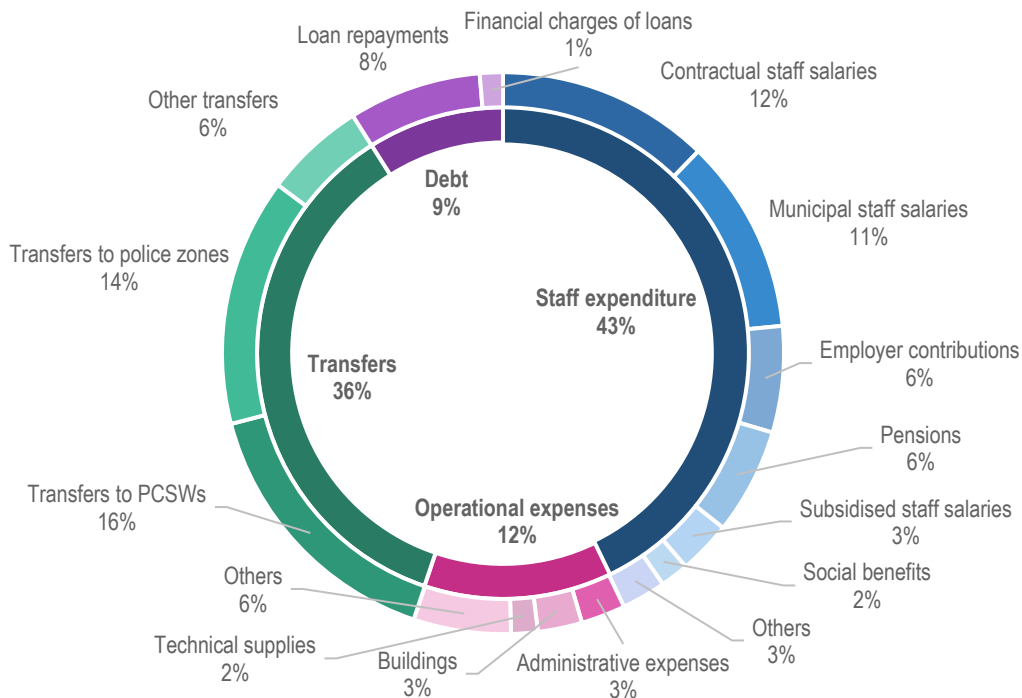
Staff remuneration is the main expenditure item for municipalities, amounting to 38% of total municipal expenditure in 2021 (Figure 4.12) and 43% in 2022 (Figure 4.13) on an unweighted average (Parliament of the Brussels-Capital Region, 2022^[11]). Transfers make up 36% of the ordinary expenses, slightly surpassing the proportion seen in other regions. A significant portion – 90% of these transfer expenses – is directed towards other local public authorities, fulfilling the municipalities' obligation to cover the deficits of Public Centres for Social Welfare (PCSWs), police zones, hospitals, religious entities, etc. Transfers to PCSWs and police zones are proportionally higher in per capita terms in the municipalities located at the centre of the Brussels Agglomeration (first ring and canal area), especially in the City of Brussels, when compared to the more residential municipalities (second ring).

Figure 4.12. Evolution of local expenditure by economic classification



Source: NBB (2021^[25]), *Breakdown of Local Government*, National Bank of Belgium, <https://stat.nbb.be/>.

Staff expenditure by the Brussels-Capital Region's municipalities increased by 7.4% in 2022 compared to the previous year. This growth was primarily driven by the implementation of the sectoral agreement protocol aimed at upgrading the salaries of local public servants by indexing them to inflation. Energy costs may have also influenced the rise in staff expenditure. According to the social security bureau (ONSS), as of the end of 2021, the number of full-time personnel in the Brussels municipal administrations, including agencies, slightly increased by 0.3% compared to the previous year, totalling 17 531 staff members. Statutory personnel now represent 36.4% of the total municipal personnel, which is significantly higher than in the other regions (24.5% in the Flemish Region and 22.0% in the Walloon Region). It is worth noting that the proportion of statutory personnel varies greatly among the 19 municipalities, with a minimum rate of 20% and a maximum rate of 50% (Belfius, 2022^[24]).

Figure 4.13. Current expenditure by category and sub-category for the municipalities

Source: Adapted from Belfius (2022^[24]), *Les finances des pouvoirs locaux de la région bruxelloise*, <https://research.belfius.be/wp-content/uploads/2022/09/Finances-des-pouvoirs-locaux-de-la-R%C3%A9gion-bruxelloise-2022.pdf>.

Pensions are also following an upward trend and are projected to continue doing so. Together with the gradual ageing of a considerable percentage of the Brussels-Capital Region's population (Comité d'Étude sur le Vieillessement, 2023^[26]), this evolution is concerning because the pensions of statutory personnel at the local and provincial levels are covered entirely by their budgets, without intervention from the Federal Authority. Since a legal reform in 2018, the municipalities are also responsible for creating a pension fund for municipal contractual staff. Even though the Solidarity Pension Fund and the double-contribution mechanism should, in principle, suffice to cover all pension expenses without deteriorating the budget balances of municipalities, in reality, this does not seem to apply: since the reform, the Federal Authority has had to intervene in the form of additional transfers amounting to EUR 140 million in 2 years to the municipalities most affected, with the Brussels-Capital Region intervening only minorly. The projected evolution of this expense item is nearly exponential: the contribution rates are expected to increase from EUR 44.6 million in 2019 to EUR 107.2 million in 2025 (Belfius, 2022^[24]).

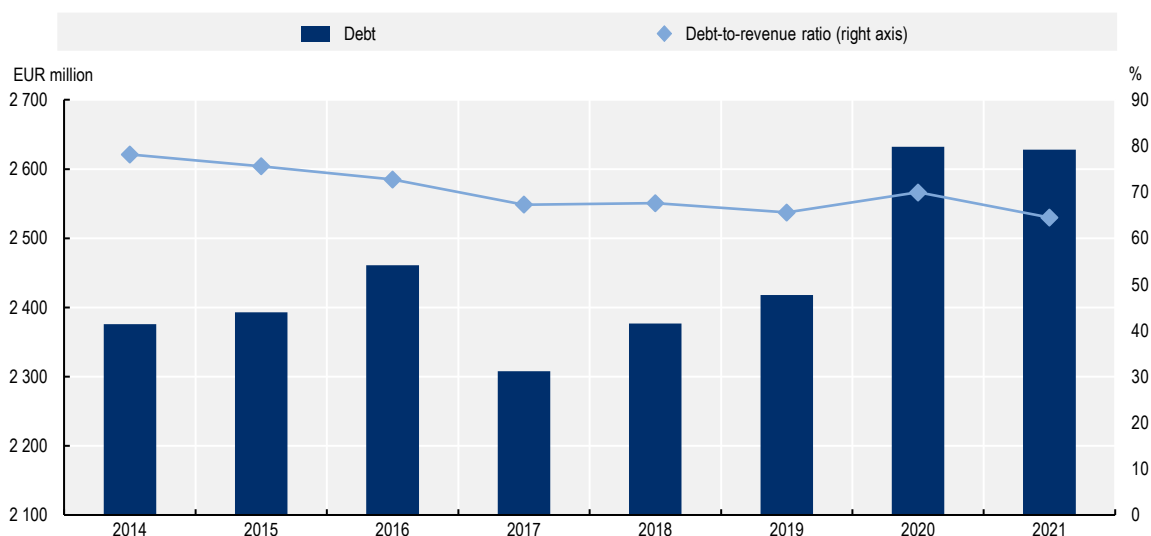
Over a third of municipal expenditures (36%) are undertaken in the form of transfers to other local administrations, including the PCSWs (16%) and the police zones (14%). Municipalities must ensure that these institutions do not have negative budget balances while they deliver the necessary public services. For example, 99.5% of the funding for police zones in 2022 came from transfers from other levels of government, out of which 64.2% came from municipalities, 28.4% from the Federal Authority and 2.6% from the Brussels-Capital Region, on average (Verdonck, 2023^[14]). Therefore, security costs weigh heavily on municipal budgets despite the transfers from the Federal Authority.

As for investment, capital expenditure has shown a steady increase since 2017, although there was a noticeable drop in 2021, likely due to the impact of the COVID-19 crisis. Despite this setback, investment expenses in Brussels-Capital Region municipalities have rebounded, reaching almost EUR 916 million, indicating a considerable surge of nearly 40% compared to the previous year. However, it is important to contextualise this growth at the regional level, as it is primarily driven by a large-scale investment project

undertaken by the Brussels-Capital Region (Belfius, 2022^[24]). The primary areas of investment for Brussels-Capital Region's municipalities include general administration (such as administrative buildings), urban development and housing, sports and cultural infrastructure, education (i.e. school buildings) and, to a lesser extent, road infrastructure. Regarding financing, a significant portion of investments (approximately 74%) is secured through borrowing, while the region plays a crucial role by providing capital subsidies, accounting for about 22% of the funding (Belfius, 2022^[24]).

Finally, debt is not particularly worrying for municipalities subject to the golden rule (i.e. they are allowed to borrow for capital expenditures only). The debt-to-revenue ratio has evolved downward since 2014 with the exception of 2020 due to the pandemic crisis (Figure 4.14). However, the reduction of debt levels may stop or even be reversed if pension contributions start growing too big on municipalities' budgets and the golden rule is lifted to finance them. This would only contribute to further endangering the fiscal sustainability of municipalities, placing a heavier burden on future generations.

Figure 4.14. Average debt level of municipalities



Source: NBB (2021^[25]), *Breakdown of Local Government*, National Bank of Belgium, <https://stat.nbb.be/>.

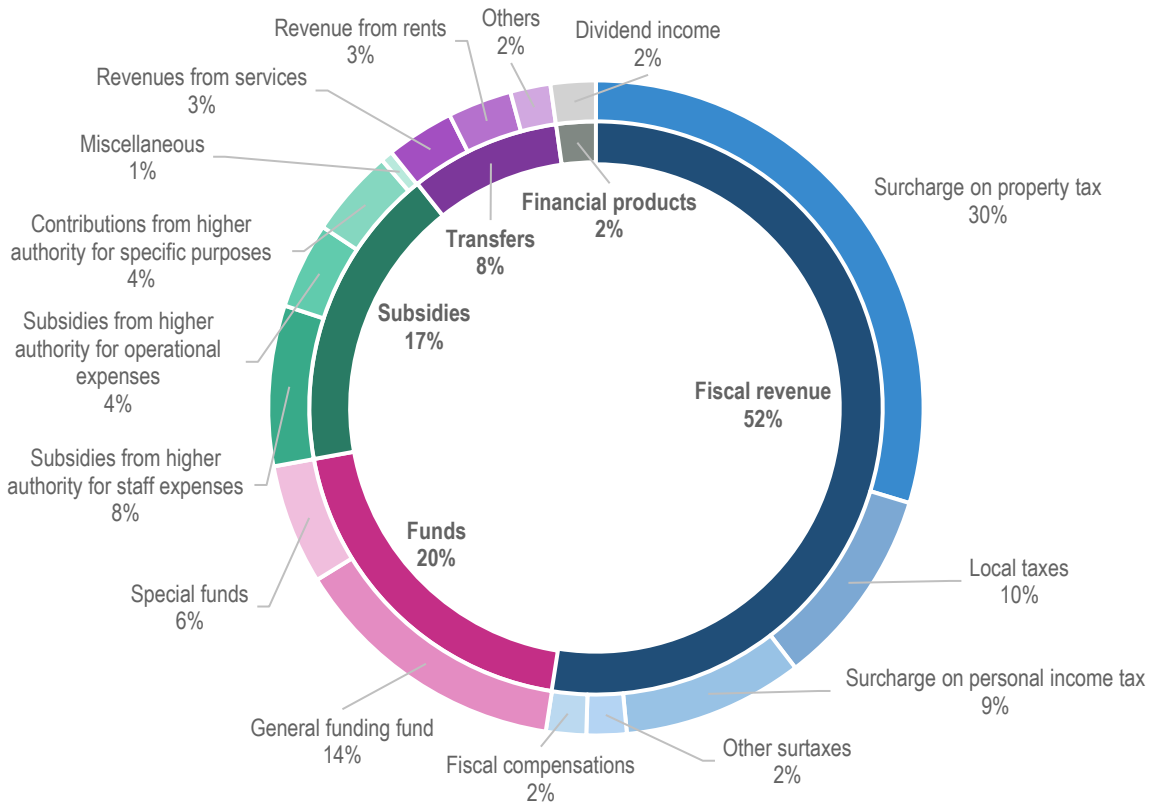
The uneven distribution of tax revenue and transfers reveals fiscal and income disparities among municipalities

Based on the initial budgets for 2022, municipalities in the Brussels-Capital Region show levels of ordinary revenues to the amount of EUR 2.7 billion, reflecting a notable 6% increase from the previous year's figures. This increase can be attributed to two primary factors: first, the introduction of new regional subsidies as part of the financing for the local personnel's remuneration enhancement agreement, pushing transfer revenues upward by 14%, and second, a substantial rise in revenues from parking fees.

Municipalities receive their revenues from different sources (Figure 4.15). In 2022, over half of municipal revenues (52%) are tax revenues, which can be broadly classified into two main categories: municipal surtaxes and own-source municipal taxes. Municipalities can apply a surtax on property tax, personal income tax, traffic tax and the regional tax on tourist accommodation establishments. Surcharges on property tax and PIT account for 39% of all municipal revenues on an unweighted average. For municipal surtaxes, municipalities can determine the rate (although not the base) and the basic levying authority is responsible for the establishment and collection. In practice, however, the possibilities for creating new taxes are limited, as most taxable matters are already taxed by some level of government.

Own-source municipal taxes refer to a range of activities such as taxes on administrative services, public hygiene services, as well as industrial, commercial and agricultural undertakings. Municipalities have a larger margin of manoeuvre to determine the tax base, rate and eventual exoneration criteria. Despite having larger autonomy, they represent on unweighted average of 10% of total revenues as of 2022.

Figure 4.15. Revenue streams by category and sub-category for the municipalities



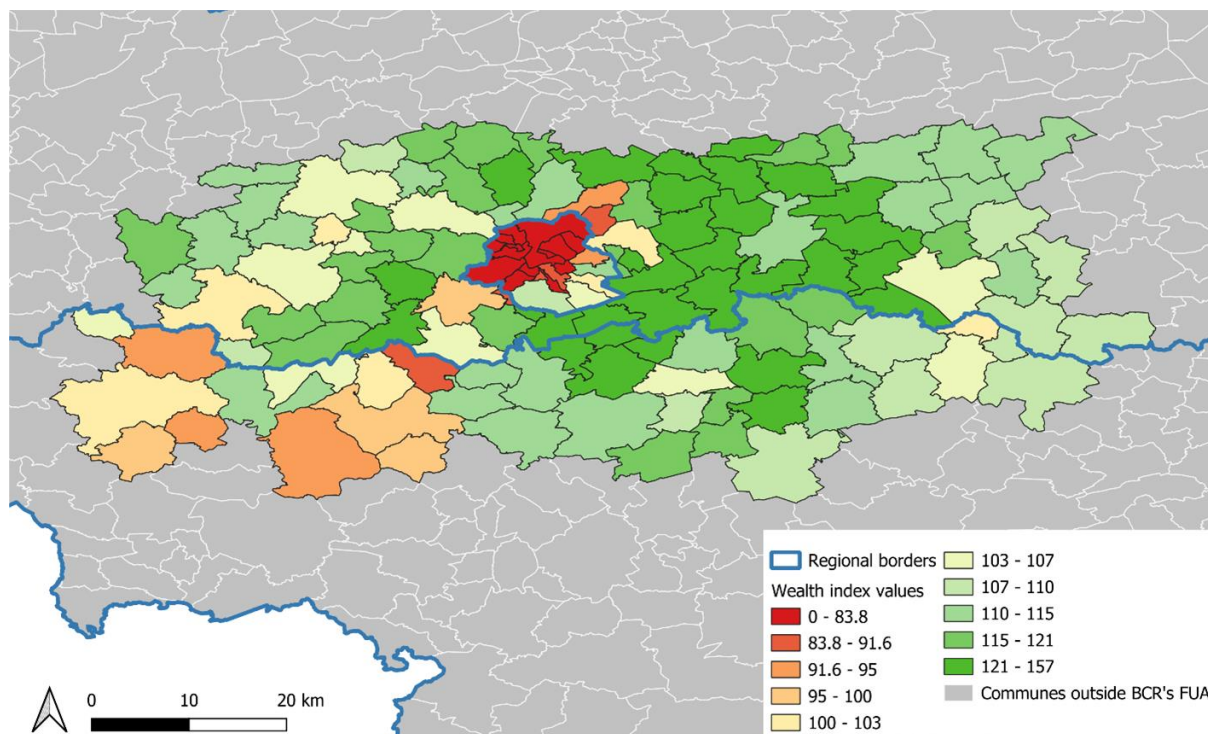
Source: Adapted from Belfius (2022^[24]), *Les finances des pouvoirs locaux de la région bruxelloise*, <https://research.belfius.be/wp-content/uploads/2022/09/Finances-des-pouvoirs-locaux-de-la-R%C3%A9gion-bruxelloise-2022.pdf>.

It is essential to highlight that the relative significance of each revenue source varies across municipalities based on their socio-economic characteristics. Figure 4.16 displays the wealth index value for all 138 municipalities in the Brussels functional area. A score below 100 indicates that the value is below the national average. An analysis of the map reveals two main findings. First, most municipalities located within Brussels-Capital Region have scores below 83 points, with a few municipalities in the southeastern regions having higher scores. Second, most of the Brussels-Capital Region's neighbouring municipalities present high values above the national average, particularly the municipalities located to the east in both Flemish and Walloon territories.

This highlights the presence of territorial inequalities, where the population in Brussels-Capital Region is disproportionately disadvantaged with low levels of income compared to the wealthier populations living outside but, to a large extent, working in the Brussels-Capital Region. Commuters thus travel from the neighbouring municipalities to work in the Brussels-Capital Region (thereby reaping the benefits of Brussels-Capital Region's infrastructure investments) but do not contribute to its finances through their tax payments on PIT or property tax, as they live outside the Brussels-Capital Region's administrative boundaries. There are also intra-regional inequalities among municipalities, with the southern and southeast municipalities showing a higher level of income than those in the rest of the municipalities,

especially the ones in the north (see Chapters 1 and 2). This also translates into different needs and preferences at the local level, for example, in terms of social welfare allocations.

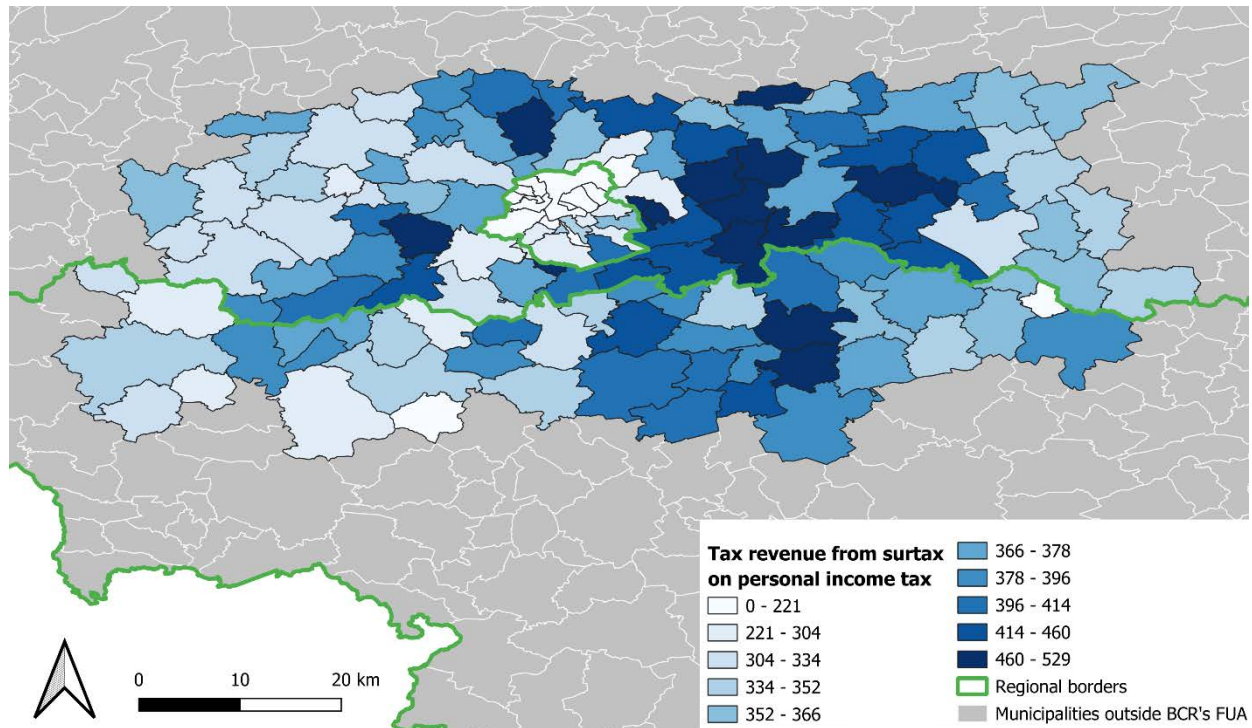
Figure 4.16. Wealth index values for Brussels functional urban area at the municipality level



Source: Statbel (2020^[27]), *Revenus fiscaux*, <https://statbel.fgov.be/fr/themes/menages/revenus-fiscaux#figures>.

To provide some context, in 2021, there were a total of 754 287 jobs in the Brussels-Capital Region, with 50.5% held by Brussels-Capital Region residents and 49.5% held by commuters (Actiris, 2023^[1]). Essentially, approximately one out of every two jobs in the Brussels-Capital Region are occupied by a commuter (see Chapter 1). Around 300 000 commuters are employed by or within Brussels-based enterprises but cannot be taxed based on their income due to their residence status or the tax exemptions granted to EU civil servants. However, these workers benefit from the capital investments made by the Brussels-Capital Region. Simultaneously, the population within the Brussels-Capital Region is gradually experiencing increased poverty, leading to reduced revenue for the region. This situation leads to the structural underfunding of the region, wherein the available funds are insufficient to meet the growing demands for public services and investments in the region.

Wealth inequalities have significant implications for both expenditures and revenues at the local and, by extension, regional levels. On the expenditure side, municipalities with lower levels of wealth often require additional funding to provide essential public services such as healthcare and social welfare assistance through their PCSWs. Moreover, they may face challenges in implementing necessary infrastructure investments, such as building adaptations and environmental initiatives. In terms of revenue, the combination of a less affluent population and the inability to levy taxes on both commuters and international civil servants results in insufficient tax revenues, notably income tax. This shortfall in tax income makes it difficult to cover the costs associated with public services and infrastructure that are utilised by both residents and non-taxable individuals (i.e. commuters and international civil servants).

Figure 4.17. Surtax on PIT by municipality in the Brussels functional urban area

Note: In million EUR.

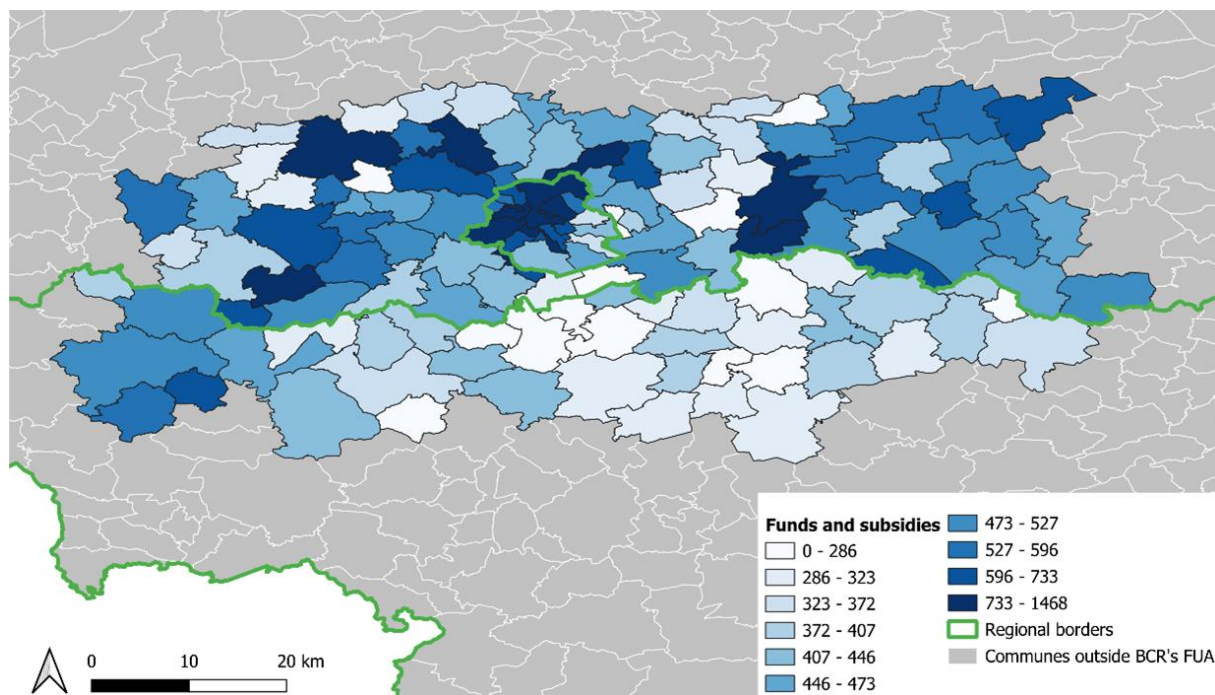
Source: Based on data from Statbel (2020^[27]), *Revenus fiscaux*, <https://statbel.fgov.be/fr/themes/menages/revenus-fiscaux#figures>.

Although total tax revenue is higher in most of Brussels-Capital Region than in the rest of the metropolitan area, the surtax on PIT is practically insignificant in the less affluent municipalities of the Brussels-Capital Region (Figure 4.17). Indeed, while taxation remains the primary financing source, its proportion in the total revenues fluctuates between 45% for the northern municipalities and 65% for the residential municipalities of the southeast, where higher income levels and, consequently, higher taxable bases are prevalent. This fiscal variation can be explained, at least partly, by the socio-economic characteristics of each municipalities' tax bases.

On the other hand, the General Grant to the Municipalities (GGM) plays a crucial role in fiscal equalisation, accounting for 26% of all revenues in the northern municipalities while comprising only 8% in the residential municipalities of the southeast. Apart from general and special funds, operating subsidies have also registered a sizeable increase in order to finance the sectoral agreement (as well as adapting to inflation depending on the type of subsidy). Figure 4.18 shows the uneven geographic distribution of aggregated revenue from subsidies and funds. When separated, funds are practically inexistent in the southeastern municipalities of the Brussels-Capital Region (Figure 4.19).

The uneven increase in the size of transfers for funding expenses across municipalities underlines the importance of equalising mechanisms such as the GGM, whose allocation criteria are being discussed to better account for the fiscal potential of each municipality (Box 4.5).

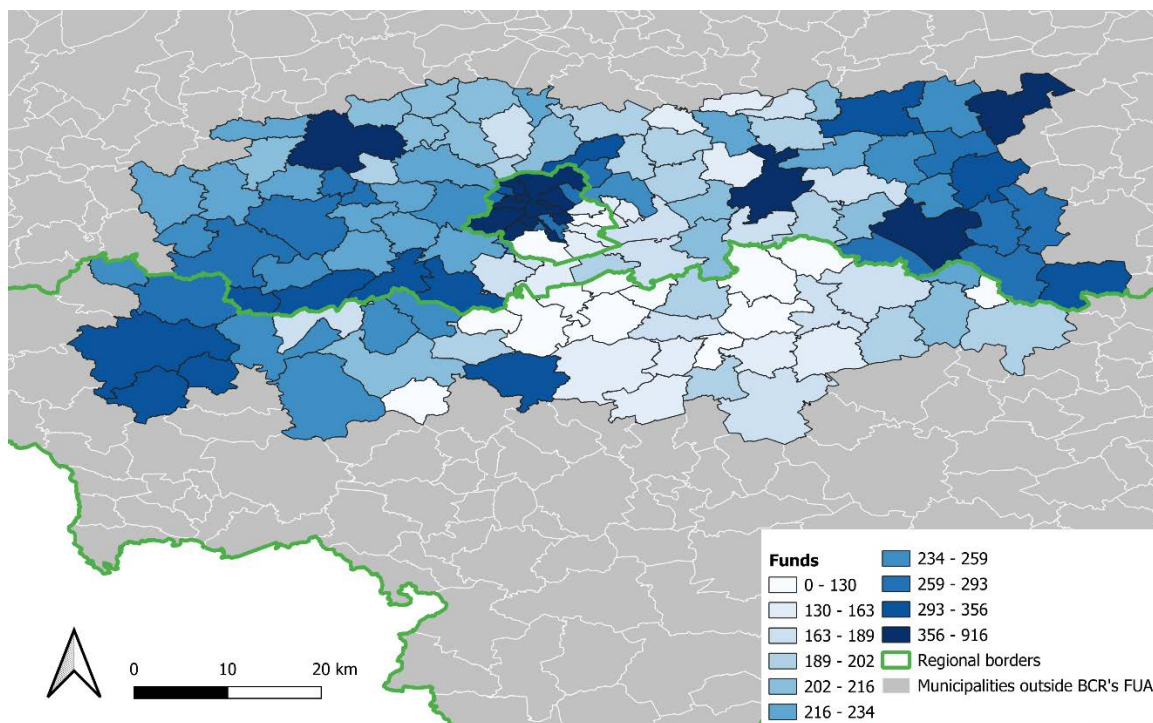
Figure 4.18. Revenue from funds and subsidies by municipality in the Brussels functional urban area



Note: In million EUR.

Source: Based on data from Statbel (2020^[27]), *Revenus fiscaux*, <https://statbel.fgov.be/fr/themes/menages/revenus-fiscaux#figures>.

Figure 4.19. Revenue from funds by municipality in the Brussels functional urban area



Note: In million EUR.

Source: Based on data from Statbel (2020^[27]), *Revenus fiscaux*, <https://statbel.fgov.be/fr/themes/menages/revenus-fiscaux#figures>.

Box 4.5. Towards a new General Grant to the Municipalities (GGM)?

The GGM is a system of financial transfers from the federal government to the municipalities in the Brussels-Capital Region. It intends to provide the municipalities with financial support for their administrative and operational expenses. The sixth state reform brought about several changes to this system:

- **Increase in its amount:** The sixth state reform involved the transfer of additional responsibilities from the federal government to the regions and municipalities. With these new responsibilities came additional financial burdens. As a result, the dotation system was modified to account for the increased funding requirements associated with these transferred responsibilities.
- **Differentiated allocation criteria:** The reform introduced changes in the allocation criteria for the general grant. Factors such as population size, poverty factors, specific challenges faced by the municipalities and demographic considerations were taken into account in determining the allocation of funds.
- **Greater regional autonomy:** The changes to the general grant system also aimed to provide the Brussels-Capital Region with increased fiscal autonomy. This allowed the region to have more control over the allocation and management of the funds received through the general grant system.

The GGM represents around 55% of the total amount for transfers to municipalities. It is also the second funding source after the surtaxes on property tax.

The financial support to the municipalities has been significantly enhanced through several key measures. First, an additional transfer of EUR 30 million has been allocated to bolster their funding. Furthermore, a separate transfer of EUR 3 million has been specifically earmarked for the Joint Community Commission to support the financing of the PCSWs. These initiatives have resulted in a substantial increase in the overall budgetary mass, with a structural growth of 12%. Additionally, to ensure the sustainability of this increased support, the budget has been indexed annually by 2%.

Source: Belfius (2022^[24]), *Les finances des pouvoirs locaux de la région bruxelloise*, <https://research.belfius.be/wp-content/uploads/2022/09/Finances-des-pouvoirs-locaux-de-la-R%C3%A9gion-bruxelloise-2022.pdf> (accessed on 1 August 2023); OECD (2023^[12]), "Questionnaire to the Brussels-Capital Region", OECD, Paris.

Growing expenditure and insufficient revenue have placed 10 out of the 19 municipalities in a negative budget balance

According to law, municipalities cannot incur a deficit. However, with expenditures increasingly higher, in practice, several municipalities have moved into deficits. When that happens, the Brussels Regional Fund for Refinancing Local Treasuries (BRFRLT) acts as the regional agency responsible for redressing the deficits of municipalities. The BRFRLT is entrusted with three essential missions. First, it can grant loans to support the financial recovery of local authorities within a financial recovery plan. Second, it actively intervenes as a "financial co-ordination centre" with local authorities to assist them in their financial endeavours. Lastly, the BRFRLT plays a crucial role in providing long-term loans for financing municipal investments. These missions underscore the vital role of the BRFRLT in contributing to the development and financial stability of the local authorities in the region.

Municipalities that no longer comply with the budgetary balance rule and face structural cash flow difficulties can seek assistance from the BRFRLT, which then grants potentially non-repayable loans. The financial recovery plan for local authorities undertaken by the BRFRLT encompasses all operations related

to financing local authorities experiencing financial difficulties. Additionally, the BRFRLT contributes to the rationalisation and better co-ordination of the activities of local authorities. The main objective of the financial recovery plan is for the municipality to rebound and re-establish its budgetary balance without needing any more assistance in the future.

Since 1993, the fund has intervened in 11 municipalities with such financial recovery plans. Recently, there have been 10 (and soon 11) municipalities under a financial recovery plan. Loans from the BRFRLT can be used for specific projects and offer valuable assistance and, if they adhere to the plan, municipalities are exempt from repaying the debt. Among the ten municipalities under a financial recovery plan, some are in a healthier situation than others.

The major problem of these financial recovery plans has been that municipalities benefitting from them have successfully restored budgetary balance for a short period but have often fallen back into deficits soon after the financial aid from the BRFRLT stopped. The possibility of going from one financial recovery plan to another may have fostered the perception among municipalities that the budget balance rule is a soft fiscal rule and that the BRFRLT can act as a safety net every time they incur in a deficit.

Enhancing public finance in the Brussels-Capital Region at the regional, local and metropolitan levels

Considering the assessment provided in the section above, the following section delves into the primary challenges confronted by the Brussels-Capital Regions' municipalities and presents four policy recommendations. Each recommendation is introduced by a brief summary of the main challenges justifying the rationale for said recommendation and is accompanied by a series of policy actions, following the model already used in Chapter 3.

Policy recommendation 1: Better cover the additional costs in the Brussels-Capital Region

Challenges

Over the past decade, the Brussels-Capital Region has experienced a substantial increase in its expenditures. This upward trend has been further exacerbated by the COVID-19 pandemic and recovery policies as well as the inflationary pressures stemming from the effects of Russia's large-scale war of aggression against Ukraine on energy prices, among others. Consequently, the region has faced a rapid deterioration of its budget balance and a surge in debt levels, especially since 2016. Similar to the other Belgian regions as well as other EU regions, the population aged 65 or more in Brussels is expected to increase by 11.8% between 2020 and 2030, and to continue doing so at least until 2070, a year when this segment of the population will have grown by 82% compared to 2020. This increase is already manifesting itself unevenly across municipalities, with those with the largest shares of elderly people also being in a more precarious fiscal state. The expected increase in people aged 65 or more will push social expenditure and the demand for public services for the elderly (e.g. care homes) upward, unequally across municipalities (Observatory of Health and Social Affairs in Brussels, 2023^[28]). These challenges present a significant obstacle to maintaining long-term fiscal sustainability at the regional and local levels.

Although tax revenue has shown a gradual increase in nominal terms since 2010, compensation transfers, including those related to the National Solidarity Mechanism, the allocation for the presence of commuters and the allocation for the presence of international civil servants, appear to fall short of covering the region's growing expenses. These expenses are primarily linked to staff remuneration, pension obligations and transfers to municipalities.

Furthermore, while Belgium already stands out as a federal country with a relatively small equalisation transfer system, the impending disappearance of the National Solidarity Mechanism by 2025 further exacerbates this challenge as it deprives the Brussels-Capital Region of the budget certainty required to commit to much-needed investment projects.

Policy actions

To ensure better funding of the increasing expenditures of the Brussels-Capital Region, there are a few policy actions can be undertaken.

To start with, the Brussels-Capital Region should actively initiate and advocate for the **organisation of a Federal Conference on the Additional Financing of the Brussels-Capital Region** that would bring together all of the key governmental stakeholders as well as technical staff to discuss the funding system of the Brussels-Capital Region. The primary objective of this conference would be to collaboratively explore and devise innovative approaches to address the escalating financial needs of the Brussels-Capital Region. By engaging all relevant actors (i.e. the Federal Authority, the regions and the municipalities, among others), this conference would, first, provide a strong message that it is in the interest of all parties to ensure the vibrancy and sustainability of the Brussels-Capital Region and its metropolitan area. The conference could facilitate discussions and knowledge-sharing on new financial models, fiscal policies and revenue-generation strategies that can sustainably cover the region's increasing costs with the co-operation of other relevant governmental actors. This forum should foster constructive dialogue and encourage the adoption of co-ordinated financial solutions. If the outcomes of this body are successful, this could be maintained as a regular platform for exchange, ensuring that there is no duplication with other institutions, such as the High Council of Finance or the ones mentioned in Chapter 3.

Within this conference or outside its framework, the Federal Authority and the regions should **design a system of long-term compensation transfers rooted in a shared diagnostic analysis** providing a consolidated view of the region's financial challenges and should **incorporate agreed-upon indicators** to assess the financial health and sustainability of the Brussels-Capital Region. These indicators may include, broadly, population growth, economic development as well as infrastructure needs. The compensation transfers should be designed to ensure a fair and equitable distribution of funds from the federal government as well as the regions, taking into account the benefits they gain from their proximity to an economically dynamic region such as the Brussels-Capital Region.

Complementing existing or new funding sources with spending reviews can help better monitor and rationalise expenses, thus maintaining a steady budget trajectory. Formally embedding spending reviews in the budget process with the preparation of the budget ordinance for the upcoming fiscal years, as is expected to happen in the coming years, would ensure a critical appraisal of public expenditure and identification of areas of inefficiency while enhancing transparency and accountability. This would be an especially useful exercise in the context of the high level of public spending in Belgium and taking account of the necessary consolidation of public finances in the aftermath of the COVID-19 crisis. Spending reviews can also help adapt expenditure priorities to changing economic conditions or emerging challenges, and contribute to detecting risks to the fiscal sustainability of the region, such as long-term care and population ageing, shedding light upon evidence-based plans to tackle them (Comité d'Étude sur le Vieillissement, 2023^[26]; EC, 2023^[20]).

In terms of data management, all institutions within the Brussels-Capital Region should join and establish **a centralised hub for public finance**. This hub should serve as a single point of access where regions, communities and, ideally, all municipalities can collaborate in sharing and synchronising their data. Such an approach would facilitate a comprehensive understanding of financial trends across diverse regional contexts and would mitigate any redundancy in data collection and analysis efforts.

Finally, the Brussels-Capital Region should start including **green budgeting practices** in its budgeting exercises, as a way to achieve the green objectives that feature prominently in Belgium's National Recovery and Resilience Plan (EC, 2023^[20]). Green budgeting is a practical approach for subnational governments to integrate climate and environmental considerations throughout the budgetary process, from drafting to voting and reporting. It helps in prioritising low-carbon and resilient investments, crucial for post-pandemic green recovery with increased resources for green projects. Additionally, green budgeting helps identify funding gaps for green objectives, enabling the mobilisation of public and private finance through green funds, loans and bonds. Apart from being a decision-making tool, it responds to the call for transparency and accountability from civil society, enhancing citizens' trust in government. Cities like Venice (Italy) and regions such as Brittany (France) have become pioneers in establishing methodologies for green budgeting at the subnational level (OECD, 2022^[29]). This could be linked to the spending reviews alluded to above, which would allow identifying what expenditure items align with green standards and what portion of total expenditure they represent. This could represent a starting point towards the development of a green budgeting methodology at the regional level, following the OECD guidelines on this matter.

Policy recommendation 2: Mobilise funding for public investment and co-ordinate it among and across levels of government effectively

Challenges

In the field of public investment co-ordination, Belgium's investment planning operates at the sectoral and sub-sectoral levels of the subnational level, with limited involvement from the Federal Authority. Major projects often lack systematic monitoring and comprehensive *ex ante* evaluations, a deficiency that stems from the absence of a specialised authority to oversee such projects. This leads to a lack of co-ordination and a lack of a common investment strategy among various levels of government and sectoral departments.

The diverse interests of the parties involved seem to complicate the task of collaboration between sectors, jurisdictions and government levels, a task complicated by the diverse interests of the parties involved. Moreover, capacity challenges arise due to the presence of weak capacities for designing and implementing investment strategies, potentially hindering the achievement of policy objectives. Framework condition challenges also highlight the importance of sound practices in budgeting, procurement and regulatory quality, which are integral to the success of investments but may not consistently prevail across government levels.

Finally, a central impediment to effective budgetary co-ordination in Belgium and the Brussels-Capital Region lies in the incomplete implementation of the 2013 Co-operation Agreement on budgetary co-ordination. While this agreement entrusted the High Council of Finance with the responsibility to advise and supervise all government levels on their budget trajectories, its partial implementation compromises its co-ordination role and the feasibility of attaining medium-term objectives. This shortcoming also hampers monitoring compliance with fiscal targets by the public sector borrowing requirements section of the High Council of Finance.

Policy actions

Deploying innovative tax revenue sources could help the Brussels-Capital Region make the most of its fiscal potential for public investment. Land value capture instruments can serve this purpose. While Belgium and the Brussels-Capital Region use several land value capture mechanisms, the intricate competency allocation among levels of government and the fragmentation at the local level make it harder to apply land value capture effectively (see Chapter 3). However, some concrete instruments, such as charges for development rights, could be imported into the Brussels-Capital Region. For example, when

zoning changes occur, landowners could pay charges for the new development rights, as is the case already in the Flemish and Walloon Regions. Another example of an innovative tax revenue source is **earmarked taxes**, which can help to create a visible link between taxation and expenditure and may increase public acceptance of new taxes. Examples of earmarked taxes can include transport taxes to help fund transport infrastructure and carbon taxes to fund investments in the green transition. Another instrument to finance public infrastructure investment is **tax increment financing**, a mechanism that typically allocates expected increases in property taxes across a defined area towards the repayment of financing for that investment (OECD, 2022^[30]). Lastly, the Brussels-Capital Region could also harness thematic bonds (e.g. green bonds, social bonds, climate bonds) to finance specific activities, such as renewable energy, affordable housing and basic infrastructure (OECD, 2021^[31]; 2023^[32]).

As for the co-ordination of public investment, a first step towards better co-ordination in the Brussels-Capital Region would be to **mobilise sectoral and cross-sectoral co-ordination groups** with technical staff at different levels of government, following Chapter 3's policy action. In practice, this would mean that technical staff at different levels of government in departments such as housing, environment or urban planning meet to discuss not only their policies but also the investments that they are or will be undertaking with a view to co-ordinate and avoid any duplication.

Apart from better co-ordinating across sectors and levels of government, the Brussels-Capital Region should have **a clear common investment strategy**, at least for its own capital investment and that of municipalities. Ideally, this would also extend to the municipalities in the Brussels metropolitan area and even the remaining two regions. A common investment strategy would not only ensure that resources are allocated most efficiently and that economies of scale are reaped, it would also facilitate the co-ordination of infrastructure projects, potentially leading to more integrated and inter-connected systems, which is particularly important for transport systems covering the Brussels metropolitan area (see Chapter 2).

Given the importance of co-ordination, the 2013 co-operation agreement on budgetary co-ordination must be fully implemented to **empower the High Council of Finance** to advise and co-ordinate public investment effectively across all levels of government. This could also provide an opportunity to apply a metropolitan perspective to public investment. An empowered High Council of Finance could also ensure that strategic investments, which are essential and in line with international recommendations on how to move towards greener and more sustainable societies, yield substantial benefits to uphold the long-term fiscal sustainability of the Brussels-Capital Region. This is especially true given that the responsibility for financing essential investments lies not solely with the Brussels-Capital Region but also extends to the authorities benefitting from the resulting infrastructure.

Policy recommendation 3: Establish a metropolitan fund

Challenges

The Belgian state has taken steps to address the absence of a dedicated metropolitan body responsible for major investments in the Brussels functional urban area by implementing a series of compensation allocations, as described earlier. However, there are two significant limitations to this approach. First, the scope of these allocations is relatively limited, preventing a substantial impact on the region. Second, the nature of this compensation mechanism restricts strategic planning at the regional scale, resulting in investments primarily focused within the Brussels-Capital Region without fostering synergies with metropolitan stakeholders from other regions who will potentially make use of these investments unless there is sufficient political will.

Furthermore, as evident from the preceding chapters, economic activity within the Brussels-Capital Region does not stop at its administrative boundaries, extending into the broader Brussels metropolitan area. Notably, ad hoc collaborations in the realm of transport and mobility underscore the significance of this scale, as discussed in Chapter 2. However, the financing of metropolitan projects requires the involvement

of numerous government actors, introducing complexities in fund allocation and co-ordination. This ongoing challenge in securing funding for metropolitan projects does not facilitate setting a metropolitan vision or exploring solutions for policy issues at a metropolitan scale.

Policy actions

Metropolitan collaboration and, in particular, funding are especially contentious. Potential participants may be reluctant to join an initiative as they may fear losing powers, funds or participate in a common good while others free ride.

To reduce the sensitivities related to metropolitan collaboration, clarifying how metropolitan investments are undertaken and what resources exist may be of particular use to co-ordinate investment at the metropolitan level, for example, by establishing a metropolitan fund. Although ideally, the Metropolitan Fund would be coupled with its governing body, such as the Metropolitan Community (see Chapter 3), it is not indispensable for this fund to have a formal institutional structure.

The fund's purpose would be to finance metropolitan projects (including studies, plans, evaluations, programmes, projects and infrastructure works) to promote more effective territorial development planning while enhancing the economic competitiveness and capacity of metropolitan areas. As such, projects would be characterised by their cross-border impact among regions. The involved regions would thus be able to apply for funding for particular projects that have an impact across regions. The Federal Authority could establish specific but clear criteria for the approval of projects to be funded by the Metropolitan Fund and would be able to decide on the allocation of these projects. Funding could be gathered in different ways, such as a yearly contribution from the three regional budgets based on different indicators. These indicators could result from the conclusions of an impact assessment study that would estimate the potential gains for each population and territory involved, thereby linking these results to costs per entity involved.

In creating a metropolitan fund, international lessons invite policy makers to pay sufficient attention to the following items to ensure that the fund fulfils its intended purpose.

- **Sufficient and adequate resources:** Since limited or unstable resources make it hard to plan and sustain the implementation of large-scale metropolitan projects, the fund's allocation must be adequately tailored to the needs of the metropolitan area by increasing the size of said allocation and/or by diversifying. This can be achieved by exploring additional funding sources, such as public-private partnerships or seeking international co-operation.
- **Clear objectives:** Convolutional goals may result in ambiguity and inconsistent project selection. Establishing clear and measurable objectives for project eligibility is essential, ensuring that funded initiatives have a genuine metropolitan impact and effectively address infrastructure deficiencies. The inclusion of specific criteria and guidelines in the Metropolitan Fund's operation rules will provide clarity and transparency.
- **Place-based approach:** Each metropolitan area, as well as the entities within itself, has distinct characteristics and requirements. It is necessary to account for these differences when allocating funds and designing projects. Customising project evaluation and selection processes based on the territorially specific needs and priorities of each metropolitan area will enhance the effectiveness and relevance of the funded initiatives.
- **Budgeting and timing certainty:** Short budgeting cycles and unclear timelines may pose challenges for the design and implementation of long-term projects. A multi-year funding approach can be considered to address this issue, allowing for consistent support throughout the project's duration. Additionally, establishing clear timelines and ensuring predictable resource transfers to involved entities will facilitate better project management and minimise uncertainties.

- **Full alignment with the legal framework:** In order to avoid administrative duplication and enhance efficiency, the operating rules of the fund must find its place and be aligned with the overall legal framework. Harmonising these two elements is essential to streamline processes, eliminate redundancies and promote efficient utilisation of resources. Regular review and revision of the operating rules to align with existing laws and regulations can contribute to a more streamlined and effective operation of the Metropolitan Fund.

There are several examples of metropolitan funds across the world, including in Mexico (Box 4.6).

Box 4.6. The Metropolitan Fund of Mexico

In Mexico, the Metropolitan Fund, established in 2008 by the Ministry of Finance, is a federal subsidy that supports officially recognised metropolitan areas in the country. It aims to finance studies, plans, evaluations, programmes, projects and infrastructure works that promote sustainable urban and territorial development, economic competitiveness and the capacity of metropolitan areas. The fund can be used for new and ongoing projects and provides additional financing for projects that have depleted their resources. It covers a range of areas, such as regional and urban development programmes, transportation, water supply, acquisition of territorial reserves and environmental impact analysis.

The management of the Metropolitan Fund involves federal, state and municipal authorities, as well as citizen participation through individuals and non-governmental organisations. Oversight is provided by the Metropolitan Development Council, Technical Committee and Technical Sub-Committee. However, the fund has limited resources compared to the scale of metropolitan projects, typically representing between 4% and 10% of municipalities' public investment. Additionally, there is a lack of alignment between the operation rules and the legal framework for public works, resulting in duplicated administrative work. Preventing the emergence of unfunded mandates at the metropolitan level as well as avoiding duplication of bureaucratic procedures, should be important considerations when setting up a metropolitan fund.

Source: OECD (2019^[33]), *OECD Territorial Reviews: Hidalgo, Mexico*, <https://doi.org/10.1787/9789264310391-en>.

Policy recommendation 4: Bridge fiscal disparities among municipalities

Challenges

At the local level, a notable challenge pertains to the rising expenditures incurred by municipalities. Predominantly, these expenses are related to staff compensation and transfers to other local administrations. Within staff expenses, pension costs for both statutory and contractual personnel are currently posing concerns, with projections indicating substantial increases in the short to medium term. Additionally, municipalities are burdened with police expenses in the form of transfers required to cover the costs of police zones, further straining their budgets.

Moreover, municipalities exhibit diverse socio-economic characteristics, resulting in pronounced fiscal disparities. These disparities are, in part, a consequence of income inequalities among municipalities, unveiled by the wealth index presented in the preceding section of this chapter. While the GGM serves as an equalisation transfer in practice, its efficacy may be limited, as mounting expenditures tend to increase more significantly in lagging municipalities. The uneven increase across municipalities of the size of transfers for financing their expenses underlines the differing financial situations and requirements among the municipalities. Above all, these income and fiscal disparities underscore the importance of tailoring

financial strategies and resource allocation to address the specific challenges and priorities of individual municipalities.

With increasing expenditures and inadequate compensation, a concerning issue arises even though municipalities are prohibited from incurring deficits, 10 out of the 19 municipalities display negative budget balances. Consequently, these municipalities participate in the programme administered by the Brussels Regional Fund for Refinancing Local Treasuries in an effort to restore their fiscal health. Although this programme serves as a mechanism to uphold fiscal discipline, at least one municipality has been readmitted into the programme for a second time after an initial recovery, highlighting the persistent challenges these local administrations face.

Policy actions

First, **the GGM should be revised to add weight to the fiscal potential of each municipality** in the allocation formula to tackle fiscal disparities. This would aim to address resource disparities linked to the municipalities' socio-economic characteristics directly and more effectively. Considering the recent surges in inflation, the region could contemplate revising the fixed annual indexation rate of 2%, taking into account the fluctuations in the consumer price index when calculating the budget allocation.

A horizontal equalisation system could also be considered, mainly to reduce fiscal disparities, enhance service provision and mitigate tax base erosion through the relocation of residents and businesses (OECD, 2019^[34]; Moisiu and Vidal-Bover, 2023^[35]). The Inter-municipal and Communal Resource Equalisation Fund in France serves as an illustrative example of a horizontal equalisation mechanism (Box 4.7).

Box 4.7. The Inter-municipal and Communal Resource Equalisation Fund in France

The Inter-municipal and Communal Resource Equalisation Fund (*Fonds de péréquation des ressources intercommunales et communales*, FPIC) is the first national mechanism for horizontal equalisation in France. It was created to address fiscal disparities between territories after the 2010 reform of the business tax.

The main specificity of the FPIC is that it operates uniquely at the level of territories, not at the municipality level. This led to the creation of a new territorial category called “inter-municipal ensembles,” comprising municipalities and inter-municipal co-operation entities (*Établissement public de coopération intercommunale*, EPCI).

The financial potential of an inter-municipal ensemble is assessed through aggregated financial potential, while fiscal pressure is measured by aggregated fiscal effort. Redistribution occurs in two stages. At the national level, inter-municipal ensembles are either contributors or beneficiaries based on aggregated resource and cost criteria. Subsequently, the amount collected or allocated is distributed between the EPCI and its member municipalities. Importantly, inter-municipal ensembles have the autonomy to determine, if they so wish, their internal FPIC distribution modalities through a two-thirds majority or unanimous resolution.

While some have suggested a “municipal FPIC” mechanism, this would face significant obstacles. The FPIC's core principle is that inter-municipal ensembles are the best level to assess territorial wealth for horizontal equalisation. It suits France's evolving geographical and political context, where inter-municipal co-operation is on the rise. Additionally, implementing a national equalisation system among municipalities would necessitate neutralising their fiscal choices within respective EPCI structures.

Available data confirm the FPIC's effectiveness in reducing territorial inequalities. In 2020, the FPIC reduced inequalities in aggregated financial potential per capita between territories by 12%, as measured by the Gini coefficient, compared to 4% in its initial implementation year.

Ongoing discussions aim to finetune the FPIC further. Policy makers may consider adding criteria to the aggregated fiscal effort formula, including the construction of an indicator for "spatiality charges" to better account for the situation of sparsely populated territories. This indicator would consider the charges incurred to maintain networks and provide equitable public services across the territory, regardless of its population.

Moreover, less than one-third of inter-municipal ensembles utilised alternative internal distribution methods in 2020. However, these methods are the most effective way to make the FPIC a true instrument of inter-municipal financial solidarity. Current practices often focus on determining shares between the EPCI and member municipalities without using specific, place-based indicators adapted to the territory's situation.

Future reforms will require embedding the FPIC within a comprehensive strategic reflection on objectives and means of internal financial solidarity, particularly for inter-municipal ensembles with community solidarity endowments or financial and fiscal agreements. Policy makers will also need to find ways to encourage inter-municipal ensembles to develop financial and socio-economic expertise to design an FPIC internal distribution system tailored to their territory.

Source: Commission des finances (2021^[36]), *L'essentiel sur le contrôle budgétaire - Pour un Fonds de péréquation des ressources intercommunales et communales plus proche des réalités locales*, <https://www.senat.fr/rap/r21-073/r21-073-syn.pdf>.

It would also be crucial to **critically assess and review the municipal local finance system** and, where possible, quantify any under- or unfunded mandates at the local level, that is, estimate any gaps between the responsibilities allocated to the municipalities and the accompanying resources to fulfil them. This would allow for a review of competency allocation (see Chapter 3) and a potential restructuring of funding sources for the municipalities and other local institutions.

Similar to the regional level, **innovative tax revenue sources could be explored at the local level**, not least of which is land value capture. Indeed, local authorities in Belgium are in charge of the implementation of most land value capture instruments (see Policy recommendation 1). For example, municipalities can employ two options for charging an infrastructure levy: the reimbursement tax, a mandatory payment after a public service is provided, and the urbanisation tax, an annual flat rate tax. Municipalities can use this levy to offset public works costs, with flexibility in calculating it. Payment can be made in lump sums or instalments, with exemptions for specific land categories (OECD/Lincoln Institute of Land Policy, PKU-Lincoln Institute Center, 2022^[37]; OECD, 2022^[30]; 2023^[32]).

On the side of expenditure, there are a number of policy actions that can help restore budget balance and promote fiscal sustainability. First, the Brussels-Capital Region could **promote inter-municipal co-operation** among the different municipalities and other local government bodies could ensure a more efficient provision of public goods and services (Box 4.8). Pooling resources among municipalities allows participants to share the costs of procurement and gain from economies of scale. In the Brussels-Capital Region, the case of the municipal swimming pools offers an illustrative example of this practice. Following the bump in energy costs, only 5 out of 14 municipal swimming pools could cover the costs of their services, so the region invested around EUR 2 million to create a structure where municipalities can manage this service together. From inter-municipal associations to co-operation agreements, the forms of co-operation for service delivery are widely diverse (Box 4.8) (OECD, 2022^[38]; 2021^[39]).

Box 4.8. Examples of inter-municipal co-operation across OECD countries

With the population generally projected to shrink in most OECD countries, municipalities are increasingly co-operating to deliver public services by taking advantage of larger size and economies of scale. These are some examples of countries and fields of action where inter-municipal co-operation takes place:

- In **France**, the 2014 NOTRe Law simplified the system by imposing minimum co-operation requirements, resulting in 1 258 inter-municipal co-operation bodies (EPCI, see Box 4.7) by January 2019, encompassing all 35 000 French municipalities, which vary in terms of demographics and responsibilities. The NOTRe Law also broadened mandatory responsibilities for these bodies, such as spatial planning and local economic development, effectively establishing them as a distinct quasi-subnational level of government in France.
- In **Portugal**, a total of 22 Pacts for Territorial Development and Cohesion for the 2014-20 programming period were established, involving EUR 1.15 billion. These multi-level governance contracts are used to promote inter-municipal co-operation as they are aimed at consolidating the financial and strategic capacities of inter-municipal co-operation entities (created in 2003 as *Comunidades intermunicipais*). There is now a strengthened sub-regional level of inter-municipal co-operation in Portugal, which has enhanced capacity and increased the relevance of their interventions.
- In **Germany**, various municipal associations (*Kommunale Gemeinschaftsstellen*) allow municipalities to co-operate in delivering public services. These associations can cover areas such as joint procurement, waste management and public infrastructure projects.
- In **Canada**, many municipalities form partnerships to deliver services jointly. For instance, several municipalities might share resources and expertise to establish a regional fire department, police force or public transit system. This approach allows them to benefit from economies of scale and reduce administrative costs.
- In the **United Kingdom**, local authorities often collaborate through local government partnerships and joint ventures to deliver services more efficiently. Examples include shared waste management facilities, regional economic development initiatives and joint procurement of goods and services.

Source: OECD/UCLG (2022^[21]), *2022 Country Profiles of the World Observatory on Subnational Government Finance and Investment*, <https://dev.mediactive-studio.com/maquettes/OCDE/menu.html>; OECD (2021^[39]), *Decentralisation and Regionalisation in Bulgaria: Towards Balanced Regional Development*, <https://doi.org/10.1787/b5ab8109-en>; OECD (2019^[34]), *Making Decentralisation Work: A Handbook for Policy-Makers*, <https://doi.org/10.1787/g2q9faa7-en>; OECD (2020^[40]), *Decentralisation and Regionalisation in Portugal: What Reform Scenarios?*, <https://doi.org/10.1787/fea62108-en>.

Furthermore, in order to promote the establishment of a coherent and solid vision for the entire Brussels-Capital Region and its municipalities, **the region should increase the number of calls for regional projects directed at the municipalities**. These calls would require not only that two or more municipalities come together to design and implement a project but that this project is inscribed and works towards the regional objectives set in its development vision. This would bring municipalities closer among them but also to the region and would foster policy coherence within and beyond the region's boundaries. This could potentially facilitate future collaboration at the larger metropolitan scale.

Apart from inter-municipal co-operation practices, **the Brussels-Capital Region could design a performance-based grant system**. Performance-based grants would allow the Brussels-Capital Region to set specific objectives for municipalities to achieve their budgetary balances. These grants, conditional

on performance, could, in principle, encourage municipalities to excel in their budgetary practices, provided that the grant in question is of considerable size (ADB, 2023^[41]). Spending reviews also at the local level could shed light upon ways to rationalise expenditure, allowing to reallocate resources more efficiently. Moreover, a simplification of the institutional framework could contribute to downsizing unnecessary expenses. Although research has found ambiguous evidence regarding the efficiency gains from municipal mergers, institutional fragmentation has been found to generate cumbersome requirements that can significantly increase costs and reduce efficiency (see Chapter 3) (OECD, 2021^[39]; OECD/UCLG, 2022^[42]).

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Notes

¹ These comprise tax on games and betting, tax on automatic recreational devices, opening tax on liquor stores of fermented beverages, inheritance tax, property tax, registration duty on transfers for consideration of immovable property located in Belgium and registration duty on donations, television and radio retribution, traffic tax on motor vehicles, tax on entry into service of vehicles and the Eurovignette.

² The regions, including the Brussels-Capital Region, cannot modify the federal cadastral income, a fictive income determined by the federal level that serves as the basis for regional property tax. The fictive income approximately corresponds to the average annual net income that a property would yield to its owner. Similarly, changes to the rate and tax base of vehicle taxes impacting leasing companies can only occur after a potential agreement is reached with the Federal Authority and the other regions.

³ These include regional tax on tourist accommodation establishments, regional tax on non-residential surfaces, tax on banking, financial institutions and automated teller machines, tax on horseracing betting agencies, tax on billboards, tax on liquid or gaseous motor fuel distribution devices, tax on establishments deemed dangerous, unhealthy or causing nuisance, tax on piles of scrap metal or old vehicles, tax on taxi services or chauffeur-driven vehicles, tax on hotels, tax on specific parking spaces, waste tax and taxes on electricity and gas.

⁴ The Brussels Agglomeration was a unified administrative body established to oversee the governance of the 19 municipalities in the Brussels-Capital Region from 1970. This new metropolitan entity was granted various powers in crucial areas such as town and country planning, transportation, safety, healthcare, public cleanliness and economic development. The Brussels-Capital Region has been exercising its powers since 1989 and the abolition of the Council of the Brussels Agglomeration. To finance these operations, the parliament of the Brussels-Capital Region establishes taxes, surcharges and fees collected in the Brussels Agglomeration area (see Chapter 3 for more details on governance).

⁵ Article 64quater of the Special Financing Act (SFA).

⁶ Direct debt refers to the type of public debt that is directly contracted by public authorities such as the Federal Authority, federated entities (such as regions or communities), provinces or municipalities to fulfil their own financial requirements. This means that the debt is incurred by these authorities to cover their own needs, whether it be for funding government programmes, infrastructure projects or other public expenditures. On the other hand, indirect debt or off-budget debt refers to the type of public debt that is contracted for the benefit of specific institutions or public services. In this case, the borrowing organisations, which may be separate entities under the supervision of the relevant government administrations, are the recipients of the debt. However, the responsibility for repaying the principal and interest on this debt lies with the state and these charges are included in the budgets of the administrative bodies overseeing the borrowing organisations.

⁷ It must be noted that regions and communities are not permitted to have a rating higher than that of the Federal Authority.

OECD Territorial Reviews

BRUSSELS-CAPITAL REGION, BELGIUM

The OECD Territorial Review of the Brussels-Capital Region, Belgium, provides an in-depth assessment of the trends, challenges and opportunities for sustainable and inclusive urban development in the region. It aims to help tackle the so-called ‘Brussels paradox’ between a highly performing region in terms of economic wealth creation and competitiveness but relatively poor social conditions. The region is also grappling with a shortage of affordable and quality housing, as well as several mobility challenges, including a high reliance on individual cars and traffic congestion, resulting in high commuting times and pollution levels, despite good accessibility to public transport. Although a comprehensive urban and land-use planning system exists, there is a lack of co-ordination with the surrounding regions and municipalities to drive more effective policies on housing, mobility, and other infrastructure investments. This review also examines the governance and institutional framework and suggests policy actions to strengthen co-ordination and co-operation mechanisms, and promote incremental collaboration at the metropolitan level. Finally, the review provides recommendations to enhance public finances in the region, focusing on better compensating for its additional charges, co-ordinating public investment among levels of government more efficiently, and establishing a metropolitan fund.

