

## Belgium: Pragmatic political agreement in Wallonia

Belgium hasn't had a government for the last four months, but a pragmatic consensus to form a new government has been reached in Wallonia. This could be an important step to boost negotiations at the federal level, but the main question that remains is whether this asymmetrical coalition will work, given the broad spectrum of parties



Handover at the Parliament Of Wallonia, Belgium: Jean-Luc Crucke, Celine Tellier, Philippe Henry, Elio Di Rupo, Willy Borsus, Christie Morreale, Pierre-Yves Dermagne, Valerie De Bue

Source: ING

### Goods news from Wallonia

The European, federal and regional elections took place on May 26th, but even after nearly four months there is no federal government, are yet formed. However, we believe the situation could evolve rapidly.

After the Brussels-Capital Region, the Walloon Region has formed a government bringing together the PS (the Socialists), the MR (the liberals) and Ecolo (the Greens). It is a broad coalition because mathematically the Greens were not even required to form a majority. But having said that, such a coalition has been in power in Wallonia between 1999 and 2004 and even at the federal level between 1999 and 2003.

## Expect more spending

Unsurprisingly, the new Walloon government will focus on three areas: the fight against poverty (the socialists), economic stimulation (the liberals) and the ecological transition (the Greens).

At this stage, the new government's policy is not quantified. That said, the desire to reduce certain taxes (especially on housing), to increase certain expenditures and to increase public investment, without creating any new tax, risks becoming a real challenge for regional finances. Without more precision, the government announces it wants to balance public finances in 2024. This suggests that budgetary relaxation could be observed in the period before.

For this situation to be compatible with the European objectives set for all Belgian public finances on a consolidated level (federal and regional), stronger efforts will have to be made at the federal level. In this regard, the political declaration of the new Walloon government explicitly states that it supports "a resolute approach of inflecting the European budgetary rules in favour of these investments (the investments necessary for the ecological transition) by excluding them from the calculation of budget balances in order to have the necessary room for manoeuvre".

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To conclude, the new Walloon government brings together very different political forces in a pragmatic agreement where each party has achieved some of its demands. That said, maintaining the regional finances will be challenging, based on the bet that more spending now will ensure the necessary conditions to boost economic growth and public income in the future.

### What does it mean at federal level?

Politically, the birth of the Walloon government and the fact that three parties are currently negotiating in Flanders (N-VA, the regionalist party, CD&V, centre party and the Vld, the liberals) for the formation of a regional government, suggests that a coalition could slowly emerge at the federal level. All parties in power in Wallonia and potentially in Flanders could form an asymmetrical coalition (centre-right in Flanders, right-left in Wallonia) at the federal level.

The main question is whether this asymmetrical coalition will work, given the broad spectrum of parties. Mathematically, it is possible to form a coalition without the N-VA, the biggest party in Belgium, something the more leftwing parties prefer. However, such a coalition would probably not have a majority in the Dutch-speaking part of the federal Parliament, which is a problem for some of the Flemish parties. In any case, now that a government in Brussels and Wallonia has been formed and a government in Flanders is likely in the next few weeks, we can finally expect some acceleration in forming a federal government.

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