CREDIT OPINION
29 October 2025

Update

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RATINGS

Communaute Francaise De Belgique

Domicile	Belgium
Long Term Rating	A2
Type	LT Issuer Rating
Outlook	Negative

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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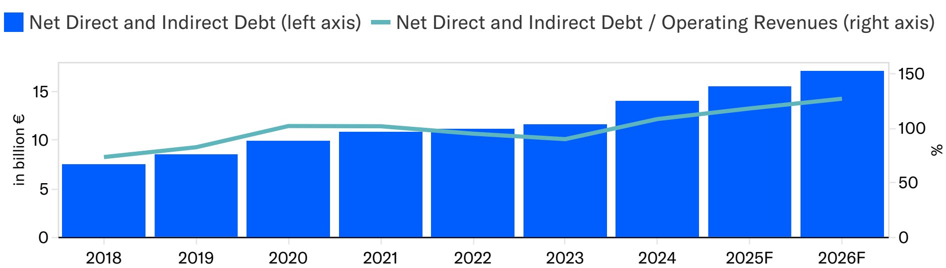
Communaute Francaise De Belgique (Belgium)

Update following ratings affirmation and BCA lowered

Summary

The credit profile of the Communaute Française de Belgique (CFB, A2 negative/Prime-1) reflects wide recurring financing deficits that are pushing the community's debt burden up to a high level. CFB's credit profile is further constrained by limited budgetary flexibility. Our assessment of CFB's creditworthiness also takes into account a mature and robust legislative background, CFB's prudent and sophisticated debt management, as well as its unquestioned market access. The community benefits from a strong likelihood of support from the Government of Belgium (Aa3 negative) if it were to face acute liquidity stress.

Exhibit 1
CFB's debt burden will keep on increasing



F: forecast
Source: Communaute Francaise de Belgique, Moody's Ratings

Credit strengths

» A mature and robust legislative background with well-defined responsibilities amid a complex Belgian institutional system

» Prudent and sophisticated debt management underpin unquestioned market access

Credit challenges

» Wide recurring financing deficits are pushing debt up to a high level

» Limited budgetary flexibility constrains the intrinsic ability to face shocks

» Need to fill the investment gap in schools and education

Rating outlook

The negative outlook on the Communaute Francaise de Belgique's ratings reflect the close institutional, operational and financial linkages with the Government of Belgium (Aa3 negative), as well as structural deficits that are driving a steadily increasing debt burden. Broad wage and benefit indexation and weak fiscal coordination further constrain the deficit reduction.

Factors that could lead to an upgrade

Given the negative outlook, a positive rating action is not likely. However, the outlook could be stabilized at the current rating level if the outlook of Government of Belgium's was stabilized and in presence of effective fiscal consolidation measures that provide clear direction toward significantly reducing deficits, leading to a downward trend in the debt burden.

Factors that could lead to a downgrade

One or a combination of the following could result in downward pressure on the ratings: a downgrade of the Government of Belgium sovereign rating; a faster increase in Communaute Francaise de Belgique's debt burden than we currently expect would put negative pressures on the ratings; a material weakening in market access would also be credit negative.

Key indicators

Exhibit 2
Communaute Francaise de Belgique

	2020	2021	2022	2023	2024	2025F	2026F
Primary operating balance / operating revenues (%)	-16.8%	-7.4%	-9.9%	-3.8%	-8.3%	-7.4%	-6.6%
Capital spending / total expenditure	1.8%	2.8%	2.3%	2.3%	1.6%	2.6%	2.8%
Self-financing ratio	-8.4	-2.7	-4.3	-2.3	-5.8	-3.0	-2.6
Direct debt / operating revenues (%)	88.8%	89.3%	88.2%	80.0%	98.4%	108.2%	117.3%
Net Direct and Indirect Debt / operating revenues (%)	101.4%	101.2%	94.4%	89.4%	107.8%	117.5%	126.4%
Interest expenses / operating revenues (%)	1.7%	1.5%	1.7%	1.8%	2.0%	2.2%	2.5%

F: forecast
Source: Communaute Francaise de Belgique, Moody's Ratings

Recent developments

On 24 October we affirmed the A2 long-term ratings of the Communauté française de Belgique, along with the P-1 commercial paper and (P)P-1 other short-term ratings, and maintained the negative outlook. We also lowered the Baseline Credit Assessment (BCA) to baa1 from a3.

We have revised our assessment of extraordinary support to strong from high, reflecting persistent vertical imbalances in the current financing framework. In our view, the federal government may weigh the risk of providing extraordinary support, as such action could set a damaging precedent for budgetary discipline.

Profile

The Communaute Francaise de Belgique spans multiple regions and encompasses approximately 4.8 million French-speaking residents, primarily in the Walloon Region (A3 negative), excluding the municipalities of the German-speaking Community, and in the Brussels-Capital Region. This area collectively account for about 38% of Belgium's national GDP. The Community has its own institutions (Parliament, Government, and public administration) and holds responsibilities in education, culture, sports, scientific research, and social protection. Unlike Belgium's regions, the Community has no tax autonomy and relies almost entirely on federal transfers based on value-added tax, which provide predictable but limited revenue flexibility.

Detailed credit considerations

The credit profile of CFB, as expressed in its A2 rating, combines a Baseline Credit Assessment (BCA) of baa1 and the strong likelihood of extraordinary support from the Government of Belgium in the event that the community were to face acute liquidity stress.

Baseline credit assessment

A mature and robust legislative background with well-defined responsibilities amid a complex Belgian institutional system

The country's federal structure of government has gradually, but significantly, evolved over the past decades towards a greater devolution of decision-making power to the six federated entities, one of which is CFB also known as Wallonia-Brussels Federation. The determining characteristic of a community is its culture and language, while that of a region is its geographical area.

While the country's regional disparities and divisions are associated with governance complexities at the federal level, the legislative background is mature and robust. Exclusive responsibilities assigned to the federated entities are stable, and communities are responsible for "person-related matters" (including education, culture, sport and social protection). The remaining responsibilities are assigned to the federal government (including foreign affairs, national defence and justice). The distribution of responsibilities is subject to judicial control, exercised by the Constitutional Court of Belgium (which can undo legislation that contravenes the division of powers), and by the Council of State. For CFB, it also means that revenues and spending responsibilities are well-defined and that changes cannot occur suddenly. Any change to the legislation that governs Belgian sub-sovereigns must be approved by a majority in both linguistic groups (French and Dutch/German) in the national Parliament, in addition to a two-thirds overall majority.

Prudent and sophisticated debt management underpin unquestioned market access

CFB is a flagship Belgian issuer and as such benefits, in our view, from an unquestioned market access. In 2023 and 2024, it raised record high amounts in debt, respectively €1.3 billion and €1.8 billion, of which €1.3 billion and €1.6 billion in long-term bond issuances. CFB's debt continues to benefit from strong investor demand. Having become a regular issuer of social bonds since 2020, CFB carried out its third social benchmark operation in March 2023, with a €700 million social bond that attracted €1.3 billion orders. In spite of tightening financing conditions over 2022-2025, the CFB benefits from a near-stable credit spread against Belgium government bonds (OLO[1]) with an average of 36.3 bps for all 2024 long-term operations, versus 37 bps in 2023.

CFB's prudent and sophisticated debt management lies in the practices put in place over the years by its Debt agency. The community benefits from diversified external funding sources, including: (i) a €12 billion EMTN (Euro Medium Term Note) programme, which can be used for both short- and long-term issuances; (ii) Schuldschein issuances; (iii) loans from two public development banks – €600 million from the European Investment Bank (EIB, Aaa stable) and €300 million from the Council of Europe Development Bank (CEB, Aaa stable); (iv) €2 billion short-term facilities with Belfius Bank SA/NV (A1 stable). Moreover, CFB's internal liquidity position is sound and secure, supported by predictable and regular cash flows, in particular transfers from the federal government.

The community also operates within prudent rules: (i) debt due within one and five year(s) must remain below 10% and 33.3% of total outstanding debt, respectively; and (ii) the share of variable debt is capped at 15%. This prudent approach is combined with a sophisticated use of various products based on CFB's revenue structure (such as inflation-linked loans) and aimed at protecting its access to liquidity (such as a 100-year issuance of €10 million).

Wide recurring financing deficits are pushing debt up to a high level

According to our forecast, CFB will post recurring financing deficits averaging €1.5 billion over 2025-27 or 11% of total revenues, against a near-stable 4% deficit over 2009-2019. As a result, we expect CFB's net direct and indirect debt (NDID) to reach 126% of operating revenue by 2026 (from a moderate 82% at the end of 2019). The newly elected government of CFB has presented a fiscal consolidation plan, which if implemented successfully should gradually reduce the deficit from 2027 onwards and stabilise the financing deficit around €1.2 billion in 2029.

Our expectation that the community will post wide recurring financing deficits mainly reflects the combination of three key drivers:

» CFB's revenue growth is structurally constrained, including by detrimental demographic trends - particularly among young people - and weak economic growth. Because of the indexation clause of transfers from the Federal government[2] on Belgian gross domestic product (GDP), CFB would also need multiple years of GDP growth well above the 1-1.5% potential growth to fill the gap between revenues and expenditures triggered by the COVID-19 shock.

» Spending pressures are sustained because CFB's government remains committed to significantly increase public investment. The spending review mechanism introduced at the start of 2023 aims to improve spending efficiency, but gains do not have material impact in our projections at this stage.

» CFB's budgetary flexibility is limited (see "Limited budgetary flexibility constrains the intrinsic ability to face shocks").

Meanwhile, current inflation has relatively limited effects on the financial deficit of the CFB as the slight boost of revenues induced is offset by the inflation-indexed expenses.

Limited budgetary flexibility constrains the intrinsic ability to face shocks
As a result of its mandate, CFB's expenditures are relatively rigid. Its capital expenditures represent a marginal share of total expenditures (1.6% in 2024), leaving little room to adjust. In addition, civil servants' salaries, mainly in education, account for around half of expenditures. On the revenue side, CFB has no flexibility on tax rates and its revenues depend from macroeconomic parameters calculated every year. Therefore CFB has a very limited capacity to generate additional resources. CFB is consequently and intrinsically highly vulnerable to shocks on revenues, such as the coronavirus recession. The community's track record of unbalanced budgets when economic growth was supportive also weighs on its credit profile; the government's aims, aligned with those of the Walloon Region (A3 negative), are to introduce saving measures from 2025, but these will not be sufficient to achieve a debt stabilising budget balance in the medium term.

Need to fill the investment gap in schools and education
CFB initiated two important reforms to improve both the results and the efficiency of the educational system of the French-speaking Belgium. The first one is the *Pacte d'Excellence*, a multi-year educational reform until 2035 involving significant upfront costs, which amounts to around €300 million per year over 2024-2028. The second one targets teachers' training and salaries. The community expects the reforms to strengthen potential economic growth by increasing human capital and enhance the attractiveness of the educational offering to students. However, as with large-scale educational and social reforms, the economic and fiscal impacts are expected to materialize in the long-term.

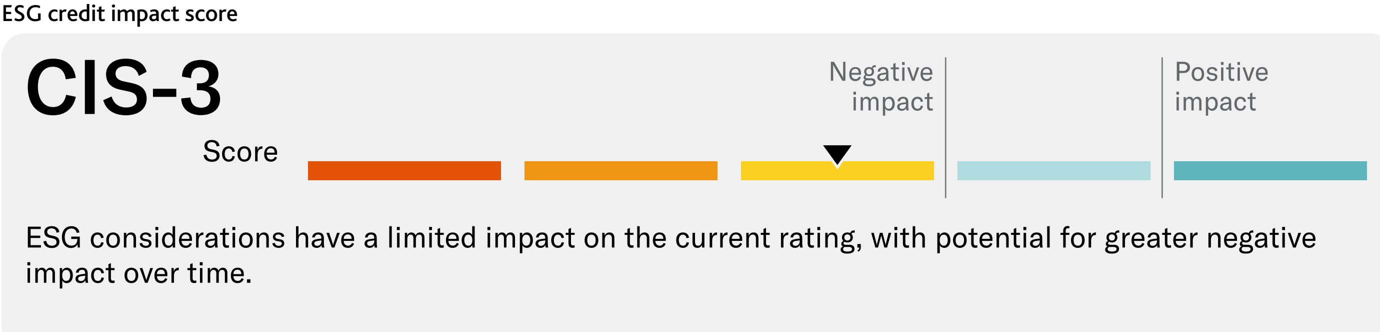
In 2019, CFB's government also estimated that, due to historically subdued investment levels in school buildings, it would need to invest €1 billion in renovation. CFB leveraged on the European Union's (EU) Recovery and Resilience Facility (RRF) and "Repower EU" programmes to fund this capital spending over 2021-26. These EU grants amounted to €401 million over the period. In addition, CFB created a special fund (SACA) in 2022 which will support the investment plan in school building renovation. CFB has started to review and approve processes, with funds expected to be disbursed over 2024-30.

Extraordinary support considerations
We assess the likelihood of extraordinary support from the national government as strong, reflecting: (i) reputational risk for the federal government should the Communaute Française de Belgique default; (ii) the region's strategic importance within Belgium's institutional framework; and (iii) recognition that extraordinary support decisions may be influenced by moral hazard considerations. Our assessment is also informed by ongoing support mechanisms, including Articles 49 and 54 of the 1989 Financial Law – the latter states that regions and communities are entitled to offset insufficient or delayed federal transfers through a guaranteed loan.

ESG considerations

Communaute Francaise De Belgique's ESG credit impact score is CIS-3

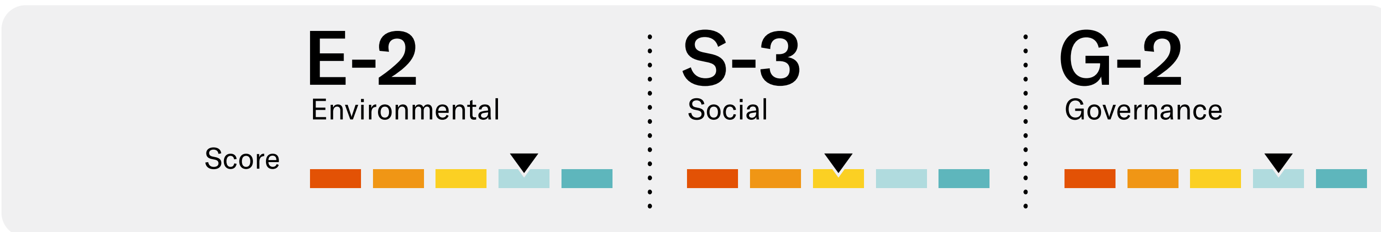
Exhibit 3
ESG credit impact score



Source: Moody's Ratings

Communaute Francaise de Belgique's CIS indicates that ESG considerations have a limited impact on the current rating, with potential for greater negative impact over time. This reflects exposure to social risks given the community's main responsibility in education, with constrained financial flexibility to fully mitigate these risks. However, the community's reforms in education, and strong and prudent financial management practices, as illustrated by prudent and sophisticated debt management, mitigate the impact of social risks on its ratings.

Exhibit 4
ESG issuer profile scores



Source: Moody's Ratings

Environmental

The Communaute Française de Belgique has limited exposure to environmental risks (**E-2**), reflecting generally low vulnerability across most categories. The community has an aging school building stock, particularly in Brussels, but the community has made significant investment in energy efficiency improvements, such as retrofitting and using renewable energy.

Social

The Communaute française de Belgique's exposure to social risks (**S-3**) reflects the long-term economic and fiscal pressures stemming from demographic change and a rising dependency ratio. Due to the community's main responsibility in education, the downward trend in student numbers weighs on its social profile. However, educational reforms, such as the "Pacte pour un Enseignement d'Excellence", mitigate socio-economic inequality risks.

Governance

The Communaute Française de Belgique's **G-2** score reflects its strong institutional structure and adherence to EU standards of transparency and accountability. The community benefits from clearly defined responsibilities within Belgium's decentralized federal system and the independent oversight by the Court of Audit ensures accountability. The financial management practices are strong, as illustrated by prudent but sophisticated debt management. Strategic policy initiative aim to enhance governance effectiveness and budget management, which partly mitigate the weight of the community's track record of unbalanced realized accounts on its governance profile.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The assigned BCA of baa1 is in line with the BCA scorecard-indicated outcome.

For details on our rating approach, please refer to our Regional and Local Governments rating methodology, published on 28 May 2024.

Exhibit 5

Communaute Francaise De Belgique

Regional & Local Governments

Baseline Credit Assessment – Scorecard	Score	Value	Sub-factor Weighting	Sub-factor Score	Factor Weighting	Total
Factor 1: Economy					**25%**	**0.79**
Regional Income [1]	1.24	71566.11	15%	0.19		
Economic Growth	9.00	baa	5%	0.45		
Economic Diversification	3.00	aa	5%	0.15		
Factor 2: Institutional Framework and Governance					**30%**	**2.70**
Institutional Framework	9.00	baa	15%	1.35		
Governance	9.00	baa	15%	1.35		
Factor 3: Financial Performance					**20%**	**2.75**
Operating Margin [2]	15.76	-8.28%	10%	1.58		
Liquidity Ratio [3]	20.50	0.00%	5%	1.02		
Ease of Access to Funding	3.00	aa	5%	0.15		
Factor 4: Leverage					**25%**	**1.66**
Debt Burden [4]	7.37	107.85%	15%	1.11		
Interest Burden [5]	5.52	2.01%	10%	0.55		
Preliminary BCA Scorecard-Indicated Outcome (SIO)						**(7.89) baa1**
Idiosyncratic Notching						**-0.5**
Preliminary BCA SIO After Idiosyncratic Notching						**(8.39) baa1**
Sovereign Rating Threshold						**Aa3**
Operating Environment Notching						**0.5**
BCA Scorecard-Indicated Outcome						**(7.89) baa1**
Assigned BCA						**baa1**

[1] Regional GDP per capita in terms of purchasing power parity (PPP) terms, in international dollars
[2] Primary Operating Balance / Operating Revenue
[3] Cash and Cash Equivalents / Operating Revenue
[4] Net Direct and Indirect Debt / Operating Revenue
[5] Interest Payments / Operating Revenue
Source: Moody's Ratings; Fiscal 2024.

Ratings

Exhibit 6

Category	Moody's Rating
COMMUNAUTE FRANCAISE DE BELGIQUE	
Outlook	Negative
Baseline Credit Assessment	baa1
Issuer Rating	A2
Senior Unsecured -Dom Curr	A2
ST Issuer Rating	P-1
Other Short Term -Dom Curr	(P)P-1

Source: Moody's Ratings

Endnotes

1 Obligations Linéaires Ordinaires (Linear Ordinary Bonds), medium or long term bonds denominated in EUR

2 CFB's revenues are almost exclusively derived from shares taxes - personal income tax and value-added tax - transferred from the federal government

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