

## *Flanders Heading Towards Its Own State Reform*

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The Belgian constitution states that 'Belgium is a federal state, composed of communities and regions'. This is the result of five state reforms (1970, 1980, 1988/1989, 1993 and 2001). The political power of the country is divided among different partners: communities, regions and the federal state. The position of the nation-state has weakened as authority has been transferred downwards, to the regional level, and upwards, to the European Union. The five successive state reforms of the past have not yet resulted in a final satisfactory state architecture – the debates about the future form of the country are at the core of the political agenda in Belgium. The Flemish and the French-speaking communities have different opinions about how to organize the country. The history of state reform process has been analyzed briefly in the first part of this paper. The process of state reform also had consequences for the

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local authorities. Since 2001, the regions (Flanders and the Walloon Region) have been responsible for the organisation of local and provincial government. This resulted in a new framework for both of the local governments, in Flanders and in the Walloon Region. In Flanders, the discussion about the (re)organisation of the local level has continued until today. The Flemish government that came into power in 2009 is considering a shift of competences between the different government levels, a reform of municipal finances and the promotion of voluntary mergers between municipalities. Those initiatives are analysed and placed into a broader perspective. The analysis takes into account the questions of what the Flemish government is aiming at and why.

*Key words:* Flemish state reform, local, provincial and regional self-government – Belgium, Belgian federalism, the Brussels-Capital Region, Flanders, the Walloon Region, amalgamations and mergers, linguistic divide

## 1. Introduction

Belgium was established in 1830, as a unitary country. It was a parliamentary monarchy where real political power was located in the hands of the central government. This situation remained unchanged until the beginning of the 1970s. Since then, five successive institutional state reforms have transformed the country into a federal state consisting of communities, regions and the central government. The first ideas about this transformation actually date back to the foundation of the country. The choice of the French language as the official language of Belgium was an obvious choice for the political elites. However, the majority of the population was Dutch-speaking (Deschouwer, 2009: 26–30). This linguistic divide had always formed a latent tension in Belgian politics, but it became a real issue since the 1960s.

Provinces and municipalities have always been administrative tiers of the country. Since the beginning, they have both had their own responsibilities and tasks, but have also been under tight grip of financial and legal restrictions. Next to that, many forms of intergovernmental and intermunicipal cooperation have come to light, especially in the last two decades.

Finally, the rise of the European Union in the recent decades has implied an additional shift of power towards this supra state level.

Since 2001, the regions (Flanders and the Walloon Region) have been responsible for the organisation of local and provincial government. This resulted in a new framework for both the local governments in Flanders (*Gemeentedecreet*) and in the Walloon Region (*Code de la démocratie locale et de la décentralisation*). Both the operating modes of the municipal and provincial bodies and their day-to-day administration have been reformed by these new legal frameworks.

In Flanders, the discussion about the (re-)organisation of local government has continued until today. The relation between the local and the regional level is a point of particular interest. The new Flemish government, which came into power in 2009, announced that it would carry out an ‘internal Flemish state reform’. Thereby the government considered – among other things – a shift of competences between the different government levels, a reform of the municipal finances and the promotion of voluntary mergers between municipalities with a financial bonus (Bourgeois, 2010).

We intend to take a closer look at those initiatives and place them into a broader perspective. What is the Flemish government aiming at and why? The proposed reforms seem to stress the importance of the local level which the Flemish government wants to strengthen. The meso-level (the provincial level) and the many structures between the local and the provincial level will possibly pay a price for that. The provinces will receive a closed list of territory-related competences regarding economy, environment, agriculture etc. Person-related competences such as education, welfare, culture, youth and sport will be transferred to the municipal or regional level (Valcke, Reynaert & Steyvers, 2011). Moreover, the emphasis clearly lies on a more efficient government. Democratic reforms seem to trigger far less attention.

In the first part of this article we will briefly focus on the Belgian federalism. Before answering the above formulated questions, it is necessary to give a short overview of the successive state reforms and to explain how the Belgian state structure functions. Afterwards we will focus our attention towards the Flemish part of the country by an outline of the debate about the internal Flemish state reform.

## 2. State Reform in Belgium. A Continuing Story?

### 2.1. Belgian Federalism in a Nutshell

Belgium was created in 1830 by the former European powers of that time. The building blocks of the country (Flanders and Wallonia) were new entities that came into being as a result of this creation (Deschouwer, 2009: 42–46; Swenden & Jans, 2009). Flanders has a long history, but that is the history of the County of Flanders, whose territory was limited to the current provinces of East and West Flanders. Today, parts of this historic County belong to the Netherlands and parts to France. The provinces of Limburg, Antwerp and Brabant were added to Flanders. The same is true of Wallonia. Before 1830, there had never been a well-defined entity with that name or boundaries. As a result, Belgium was not built on historic communities. The country was built on new entities, both defined by the use of language. The northern part (Flanders) is Dutch-speaking and the southern part (Wallonia) is French-speaking. The capital Brussels is bilingual, but the French language dominates.

Through the years different opinions about the future of Belgium grew on both sides of this language border. The Dutch-speaking part of the country – in spite of the fact that they form a majority in Belgium – felt that the Flemish community was badly treated by the Belgian state. It claimed full recognition of Dutch as an official language in Belgium. For this recognition (and protection) the Flemish community wanted to receive autonomy (for instance in matters such as culture) within well-defined boundaries. The French-speaking part of the country was not in favour of fixing this language border. They defended the individual right to speak the language of one's choice. In reality, the French language did not need to be protected, since, especially in the Brussels Region, the language was used with increased frequency, a process also known as 'frenchification'. Historically, Brussels was Dutch-speaking, but the city and its surroundings now have a population a very large majority of which (80%) speaks French.

After the Second World War, the notion of federalism was put onto the political agenda by the regionalist parties in Flanders. Soon, that example was followed in Brussels and Wallonia. It referred to the decentralization of the unitary Belgian state into entities defined by the use of language. As a result, the country was transformed into the current federal country. As Deschouwer has pointed out, the Belgian state reform was not the rea-

lization of a blueprint. It was a step-by-step process by which each reform built further on the previous one.

The first important step was taken in 1963 when the language border was frozen (Deschouwer, 2009: 46–54). This agreement fulfilled a number of important Flemish requests. Both the geographical limitation of Brussels and the freezing of the language border were clear victories for Flanders. The first constitutional reform took place in 1970. It was the most important step towards a federal country. This reform set up the regions and the communities. It was unclear what their competences would be, but the fact that they existed was important. Since then on, Belgium has consisted of three regions (Flanders, Wallonia and Brussels) that followed a territorial logic. Next to them, there came three communities, the Dutch-speaking, the French-speaking and the German-speaking community (which is territorially rooted in the Walloon area). The regions were requested by the French-speaking part of the country, since Wallonia wanted to conduct its own economic policy to tackle the difficult economic situation in the south of the country. The communities offered an answer to an old Flemish request to conduct their own cultural policy. Both the French- and the Dutch-speaking communities overlap in the Brussels Region (Appendix 1).

A second important step was taken in 1980 with a second amendment to the constitution. Both the regions and the communities were granted a parliamentary assembly, not directly elected at that time. Both the regions and the communities also got a government, called 'executive'.<sup>1</sup> The third step, a solution for Brussels, was reached by the end of the 1980s. The Brussels Region got a directly elected parliament and its own government. The parliament was divided into two language groups and the Brussels government was composed of an equal number of Dutch- and French-speaking ministers. In 1989, the first direct election of the Brussels parliament took place.

A fourth important phase of the Belgian state reform was reached in 1993. Direct election of all the regional parliaments was implemented. Both the regions and the communities were granted additional competences and financial means, which further strengthened their position in the Belgian state structure. The latest round of state reform was reached in 2001. Compared to the previous phases, it was of minor importance.

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<sup>1</sup> In Flanders, the parliament and the executive hold the powers of both the region and the community.

Both the regions and the communities were granted wider financial and fiscal autonomy. However, it is worth mentioning that since that agreement, the three regions in Belgium have been fully competent for organizing and supervising the provinces and the municipalities. Both Flanders and Wallonia have since then made use of this competence by stipulating new rules for the local and provincial levels. Until now, the Brussels-Capital Region has not yet used this new competence, which means that the municipalities in the Brussels Region still function according to the Belgian legislation (Wayenberg & De Rynck, 2008).

## 2.2. The Present State Structure of Belgium

As a result of these five rounds of state reform, the regions and the communities are responsible for a considerable list of competences (Deschoewer, 2009: 54–57; Hoorens, 2008: 179–180). In short, the regions are in charge of matters related to *territory*, while the communities are in charge of matters related to *people*.<sup>2</sup> This distinction is sometimes problematic and it is not always very clear, since many competences somehow refer to both the territory and the people. Nevertheless, it was used as a guideline during the process of state reform in Belgium. The regions are today responsible for matters such as agriculture, housing, water policy, economy, transport, local and provincial authorities. The communities, on the other hand, deal with matters such as culture, education, language, and health. Finally, the federal government does not have a closed list of competences, which makes it responsible for all the residual matters. The most important of them are justice, social security, defence and foreign affairs.

At the sub-national level, Belgium has ten provinces, equally divided between both regions (five in Flanders and five in Wallonia). The provinces are (today) responsible for a relatively extensive range of fields (Hoorens, 2008: 180–181). Some examples are education, social and cultural infrastructure, social policy, environment, waterways, economy, housing, etc. Finally, there are 589 municipalities in Belgium; 308 of them are situated in Flanders, 262 in Wallonia (including 9 German-speaking municipalities) and the Brussels-Capital Region has 19 municipalities. The municipalities are responsible for matters delegated to them by the higher state levels and for all matters with a *municipal interest*. In this way,

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<sup>2</sup> The central state holds person-related competences, such as the social security system.

the local authorities have an extensive (open) list of competences such as town planning, education, culture and sports (museums, infrastructure), environmental issues, infrastructure (roads), tourism, health, social welfare, etc.

### 3. In the Meantime in Flanders ...

As mentioned earlier, during the latest round of state reform in Belgium (2001) the basic laws regulating the political and administrative functioning of local and provincial governments were transferred from the federal to the regional level. As a result, the Brussels Region, Wallonia and Flanders can decide on their own how to organize local government in their respective regions. In the following chapter, we will analyze the way in which the Flemish Region has dealt with this opportunity and how Flanders has redrawn the lines for local and provincial government.

#### 3.1. Search for New (Flemish) Legislation

In early 2001, when the Flemish government obtained the competence to regulate the political and administrative functioning of the provinces and the municipalities, it announced that it would start a debate about the future role of the three (regional, provincial and local) government levels in Flanders (Devos & Reynaert, 2002). Two questions were central in this debate: (1) what is (still) of public interest and (2) what are the core competences of each government level? It soon became clear that only the second question would be addressed. The debate, which took place between 2001 and 2003, resulted in an agreement between the three directly elected government levels and in the outline of a profile of each one of them. As the principle of subsidiarity was the central guideline during this debate, the municipalities were confirmed as the basic level of democracy and the first line of government. While the task of the Flemish government was seen as central steering and controlling, the provinces were seen as a compromise scale, democratically legitimizing policy in the grey zone between the other government levels. At the supra-local level, the provinces had a role of mediators for policy problems at the meso level. In practice, however, this role was in collision because of the cooperation structures that municipalities and the Flemish government had already set in place at the very same level (intermunicipal cooperation and

Flemish agencies). The general agreement of 2003 had never been carried out, but some arrangements found their way in practice afterwards (De Ceuninck & Valcke, 2007).

In 2005, the Flemish Parliament approved the decree that created a new juridical framework, introducing quite a few administrative and political reforms (Municipal Decree, July 2005; Suykens, 2006). In the first category, the decree introduced a list of instruments to conduct a more efficient and effective local policy. Some elements of the new public management were introduced to the local level in Flanders. There were certain provisions that strengthened the role of staff members, financially, for instance. They can decide autonomously on certain budgets that are in their competence. One of the main political reforms is related to the strengthening of local council. The mayor is no longer president of the council, since the latter can now elect a president among its members. On top of that, the council received new instruments to control the college of mayor and aldermen.

### 3.2. From Green Paper to White Paper

After the regional elections of 2009 it became clear that the Flemish government had (again) great plans for the local government level. The coalition agreement between the Christian-democratic (CD&V), Socialist (sp.a) and Flemish nationalist (N-VA) parties revealed several elements of an upcoming reform (Vlaamse Regering, 2009). Generally, a distinction is made between political and administrative reforms. Whereas the former seek to improve the quality of local democracy, the latter primarily focus on establishing a (more) efficient local government. At the moment, the emphasis in the plan of the Flemish government clearly lies on the second option, the administrative reforms.

This is highlighted by the central aim of the plan to simplify the internal state structure of Flanders (Bourgeois, 2010: 19–32). The Flemish government wants to downsize what is called ‘the crowded government house’. In the previous few decades, too many new structures and organizations were established. Each of them has its own competences, its financial resources and its decision-making procedures. Many of these institutions have been established as joint organisations of the municipalities and the provinces. They make the institutional landscape too complex and therefore the Flemish government wants that in the future, no more than two government levels are responsible for a specific competence. To



realize this, an internal state reform is necessary, by which the competences and financial resources linked to them will potentially move from one government level to another. Moreover, the regional government intends to modify the financing of municipalities, to diminish the numerous planning obligations and even to diminish the number of municipalities. They hope a financial encouragement will set off voluntary amalgamations (Bourgeois, 2011: 51–52).

The willingness to simplify the government structure implies that the Flemish government chooses to reinforce the municipalities. The coalition agreement states: »The emphasis lies with the municipalities on the one hand and Flanders on the other hand. Simplifying the intervening government levels is necessary to come to a more efficient and effective government as a whole«. The intermediate government level (provinces, intermunicipal cooperation via 'intercommunales' and devolutive government forms such as agencies) will be screened and – if and where possible – simplified or even abolished. It is not quite clear what this means for the provincial government level. At least there is an intention to make the provinces responsible for a limited (and closed) list of competences that are ground-tied (economy, agriculture, environment, spatial planning) and to exclude all competences that are person-tied (culture, youth, sports).

### 3.3. Less Is More ... towards Amalgamations of Municipalities?

It is clear that the Flemish government has opted for stronger local governments. The Flemish local governments are defined (in the policy declaration of the Minister) as the level of government 'closest to the citizens' and the 'first contact with the government' for citizens. »The municipality is the basic link in the Flemish government. For this reason, Flanders needs strong and powerful local governments«. In that context, the Flemish government wants to reach and implement a simplification of its administrative landscape in which the local government level must play a prominent role. Municipal amalgamations are one way of reaching this goal.

Municipal amalgamations are nothing new in European context. Both in the 1960s and 1970s different European countries implemented some form of amalgamation policies (Baldersheim & Rose, 2010: 2–7). Some European countries have also been confronted with amalgamations for the last 15 years. The motives for these reforms are very diverse. Skabur-

skis has made up an inventory of goals and motives for boundary reforms of which political, functionalist, and administrative goals are the most important (Skaburskis, 2004: 49–51). In the last category, we find elements such as financial independence of local units and power-to-govern objectives. A functionalist goal can be to capture the economies of scale. Finally, a good example of a political objective is the reinforcement of local power, particularly to make local politicians responsible for their own decisions. Swianiewicz has also listed up the motives behind territorial reforms (Swianiewicz, 2010: 1–23). The most important elements he has found are the economies of scale, the increased capacity to provide a wider range of functions, the increased participation in local politics (since local government has more to decide upon), the increased possibilities of strategic planning and economic development, etc. Of course, there are also elements that hinder such reforms. The accessibility of local administration can become a problem as the distance between citizens and the town hall increases. As a consequence, the local identity of communities may disappear. There is also the fear of not being represented any more especially in small villages. Local communities are sometimes afraid that their voice will be disregarded in the distant municipal centre. Last but not least, there is political resistance against territorial reforms. Merged municipalities always mean a reduction of political mandates. It can mean that local politicians not only lose their jobs, but also the prestige that comes with it.

Belgium faced several amalgamations in the 1960s and 1970s (De Ceuninck, 2009). In the 1960s the amalgamations remained limited. The operation of 1976, however, reduced the total number of Belgian municipalities from 2,359 to 589. The average number of inhabitants per municipality increased from about 4,000 to more than 16,000. According to the Belgian government this operation was necessary to make the municipalities financially healthy again. Next to that, they would allow the municipalities to attract sufficient and better-trained staff and they would end the high political fragmentation at the local level. Amalgamations could also make an end to the many forms of intermunicipal cooperation. In this way they could contribute to a more transparent local administrative landscape.

A lot of resistance was raised against this operation. However, this was not resistance against the principle of this operation; rather it was pointed against the way the reform was carried out. The decision-making at that time was very much top-down. The majority parties (the Christian democratic CVP and the liberal PVV) drew the new municipal borders. The opposition parties played no role at all. Furthermore, the municipa-

lities themselves hardly played any role, although they were the objects of the reform<sup>3</sup>. The municipalities could only give advice on the proposal of amalgamation that came from the Minister of Internal Affairs Michel, who was responsible for the implementation of this operation. Because such a huge reform was carried out in this manner, municipal amalgamations have been highly controversial in Belgium ever since. One can even speak of a taboo. It is clear from the table below that the total number of municipalities in Belgium remained unchanged since 1983.

Table 1 Total number of municipalities in Belgium at different stages of development

Year	Flanders	Wallonia	Brussels	Total number of municipalities	Average number of inhabitants
1830				2,498	
1928				2,675	
1960	1,124	1,520	19	2,663	
1972	906	1,434	19	2,359	4,136
1977	315	262	19	596	16,565
1983	308	262	19	589	16,731

1830: Belgian independence; 1928: highest total number of municipalities ever in Belgium; 1960: start of the first amalgamations; 1972: on the eve of the 'grand reform' operation; 1977: after the 'grand reform' of 1976; 1983: after the amalgamation in the city of Antwerp.

Thus, it is striking to see that the Flemish government has chosen new amalgamations to increase the strength of its municipalities. However, the Minister recognises that most of the Flemish municipalities have a

<sup>3</sup> Note that Belgium ratified the European Charter of Local Self-Government in 2004. Article 5 of this Charter states that 'Changes in local authority boundaries shall not be made without prior consultation of the local communities concerned, possibly by means of a referendum where this is permitted by statute'.

sufficient scale and therefore have no need for an amalgamation. »Nevertheless there are still a large number of municipalities that are too small. According to Minister Bourgeois, several forums, including scientific ones, plead for new mergers« (Bourgeois, 2010).

The Flemish municipal decree of 2005 already made possible voluntary mergers between municipalities. Until today, no municipality has used that possibility. A new element, however, is that the Flemish government wants to give financial stimuli (restricted in time) to municipalities that want to merge. The government wants to give the merged municipalities extra financial resources from the municipal fund, for the first six years (or one term of office) after the merger (Bourgeois, 2011: 51–52). The share that the new municipality receives after the amalgamation should be higher than the sum of what the former municipalities received individually. The Flemish government wishes to provide legal and administrative support to the municipalities that consider an amalgamation. The Department of Internal Affairs, under the supervision of Minister Bourgeois, is responsible for this. The Minister intends to set up an ‘amalgamation team’ whose task will be to support the municipalities as much as possible, both legally and organisationally. Such a team should assist the municipalities as much as possible in the process of amalgamation.

The first reaction of the Association of Flemish Municipalities (VVSG) has been rather reserved. Without disapproving the principle, the organisation has pointed out that there is hardly any support for this idea among the local councils. The director of the VVSG, Mark Suykens, has put it as follows, »Amalgamations, too, are a possible way to strengthen local authorities. But merging extended, rural municipalities with low tax incomes doesn’t automatically lead to strong municipalities« (Van Moerkerke, 2010). With this point of view, the VVSG has recognised that amalgamations are a part of the solution, but are certainly not *deus ex machina* that will solve all the problems.

For the moment, it is unclear whether many municipalities will use the possibilities offered by the Flemish government. The enthusiasm for amalgamations is traditionally rather limited in Flanders, due to the factors mentioned above. Amalgamations can be a sound instrument for raising the strength of municipalities. In Belgium, the reform attempts in the 1970s showed this clearly. However, it is not a solution to all the problems municipalities have. When several rural municipalities (with a lack of power to govern) are merged, the result is not automatically a very strong municipality. The problems the municipalities have faced with are only

moved to a larger scale. Thus, it is maybe even more important to work on a sound financing plan for the local level government.

### 3.4. The Financing of Municipalities

The financing of the Flemish municipalities remains a difficult discussion. At the beginning of this legislative period (in 2007), the economic situation did not seem too bad. From a study of Dexia Bank, the house banker of the Belgian local governments, it became clear that the macroeconomic expectations for the coming years were very good (Dexia, 2007). To quote study, »The Federal Planning Bureau expects a return of the economic activity, which can lean very close to the potential growth in the Eurozone. In the course of 2006–2012, the GDP of the Eurozone can grow on average at 1.8% per year«. Nevertheless, the same study already warned about certain potential dangers. These prophetic words were, »The most important risk is the unbalanced macroeconomic situation in the US and the geopolitical uncertainty. Much depends on the cooling down of the US-economy«. In the meantime, we have known better. The financial crisis at the end of 2008, followed by an economic crisis, resulted in a worldwide decrease of the economic growth, rising unemployment, decreasing government income and rising expenditures for governments (social security). In Flanders, both the provinces and the municipalities felt the impact of this economic decline.

The Flemish municipalities have financial autonomy, anchored in the Belgian constitution (Articles 170 and 173). In that sense, they can tax anything they want, as long as the local councils agree with the tax. The revenues of the Flemish local governments can be split up into three categories. The first category includes the taxes and makes up about 50.8 per cent of the total revenues (2009) (Dexia, 2010). The second category includes the income from subsidies and funds, 35.8 per cent of the total revenues. The majority of this income originates from the higher government levels (the Flemish government and the federal government). The third and last category includes the income from municipal resources (turnovers from municipal activities or municipal capital) and in 2009, these had the share of 13.4 per cent of all revenues.

The expenditures can also be divided into three categories. The first category includes all expenditures for staff and functioning costs. In 2010, this category amounted to 57.4 per cent of the total expenditures in the Flemish municipalities. A second category is formed by the transfers, and

amounted to 30.6 per cent. This category consists of transfers from local governments to different other institutions, such as the local police force, public welfare centres, hospitals, etc. The third and last category consists of the debt expenditures, particularly the payment of loans. This category has a share of 12 per cent of all local expenditures.

However, the financial weight of the local governments in Belgium must be nuanced. The local level (municipalities and provinces together) had a share of only 7.1 per cent of the Belgian GNP in 2010, whereas the average in the European Union was 12.1 per cent in the same year (Eurostat).<sup>4</sup> In the Netherlands, for example, this figure is almost 17.3 per cent. Such small weight of the local governments in Belgium can partly be explained by the federal structure of the country, in which the regions take a large part of the total expenditures at local governments' expense.

In 2008, the local level faced with rising inflation (Dexia, 2009). The total cost for personnel, which generally amounts to 40 to 50 per cent of the local budgets, increased rapidly because of this.<sup>5</sup> Furthermore, the transfers from the municipalities to the public welfare centres and the local police force increased seriously because of the higher remunerations that had to be paid. A sharp rise of energy prices had a heavy impact on the local finances. On the revenue side, local governments felt the impact of the economic crisis with some delay. Here, too, the municipalities were confronted with smaller revenues due to the crisis. Such a difficult financial situation is particularly inconvenient for the local level. The current local legislative period (2006-2012) started with some important financial challenges for the municipalities. Some of these challenges, which will require important financial efforts from the local level in the near future, are addressed in the following paragraphs.

Firstly, there are the pensions of the civil servants (Dexia, 2007). The fact that there is a strong increase in the number of contractual staff members and the fact that the 'RSZPPO' (the organisation that regulates the pensions of the local and provincial civil servants in Belgium) is running out of its reserves, make the pension problem relevant. Moreover, in 2008, the government decided to set up a second pension pillar for the contractual staff of the local governments. The local level must urgently search for additional financial resources for these pending expenses.

<sup>4</sup> This figure is the average of 27 EU member states (Eurostat, 2011).

<sup>5</sup> In 2008, the index (of remunerations) of the public sector was exceeded no less than three times.

Unlike the first example, which concerns all Belgian municipalities, the second example is especially important for the larger municipalities with substantial area. As a result of the EU Water Framework Directive of 22 December 2000, all municipalities in the European Union are obliged to obtain a good quality of inland surface water, transitional water, coastal water and groundwater before 2015. This EU's decision has a far-reaching impact on the transport and purification of water. The first aspect (transport) is a municipal competence whereas the second (purification) is a competence of the intermediate level. To meet the European standards, all polluted water must be purified in purification installations by the end of 2012. It is clear that all municipalities, and certainly those with larger land area, will have serious financial costs. New sewerage systems will have to be covered with heavy investment. Although to reach that goal municipalities can count on substantial subsidies of the Flemish Environment Agency (VMM), a large share still remains to be paid by the local units.<sup>6</sup>

Further financial challenges are – among others – formed by the reform of fire departments (larger zones) and the reform of financing of the local police zones. In both important cases, there is fear that the (rising) costs will be pushed towards the municipalities. It is clear that local governments in Flanders are faced with several important (financial) challenges with far-reaching consequences for their budgets.

Thus, the local finances in Flanders are under pressure from two sides. On the one hand, the municipalities are faced with decreasing income as a result of the economic crisis. On the other hand, they are faced with several important additional costs. The Minister of Internal Affairs is aware of this difficult financial situation. In his policy declaration, he has written, »I am aware of the high pressure on the local finances today, because of many new challenges in difficult economic circumstances. In that context ... I will search for possibilities to use the available (Flemish) budget for the municipalities as efficiently as possible« (Bourgeois, 2009: 33–36). One of the possibilities put forward by the Minister is the reform of the municipal fund. The municipal fund (which counts for about 20 per cent of all local revenues) has an annual growth rate of 3.5 per cent. This, however, remains insufficient. Two important elements in the debate on that

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<sup>6</sup> The municipalities generally only receive funds to rebuild the sewerage system, but the rebuilding of the roads afterwards is a cost for the local level.

reform are the total amount of this fund and the distribution of money among the different municipalities.

In his policy declaration, the Minister has given an overview of the concrete interpretation of his proposals. Firstly, he wants to abolish all 'coupled' subsidies. The phenomenon of coupled subsidies occurs when municipalities or provinces are obliged to spend money as a result of a decision of the Flemish government. This principle does not fit with the idea that each government level should take financial responsibility for its own decisions. Secondly, the Minister wants the municipal fund to grow continually during his term of office (until 2014). Furthermore, the Minister wants to reform the allocation formula that is considered to be far too complex at the moment. According to the Minister, the new formula must contain only a limited number of parameters. In the first place he thinks of a basic financing for all municipalities. A second element must be a fair redistribution between strong and weaker municipalities<sup>7</sup>. Finally, a third element wants to support municipalities that meet certain standards of quality. It is the intention of the Minister to reward the municipalities that achieve a certain degree of efficiency and good governance.

The manner in which the Minister intends to work out all his proposals is unclear. When exactly is one municipality stronger than the other? When does it need additional financial support? It is difficult to give a definition of a strong municipality (HRBB, 2002). 'Power to govern' is a contingent term for which there is no uniform definition. 'The power to govern' is usually defined as »the capacity of a municipality to be responsive, to be able to do what it has to do«. However, such a definition does not explain why one municipality is stronger than the other. Moreover, the power to govern seems to vary strongly depending on the policy domain and the competences we speak of. The proposal to give extra financial support to those municipalities that meet certain 'standards of quality' remains vague. It is an open issue what these standards will be and in what way they will be applied.

In the meantime, the Minister has decided that the announced reform of the municipal fund will no longer be implemented during this Flemish legislative period. The Minister knows that this reform is impossible without additional financial resources, on top of the annual growth rate of 3.5 per cent. Without these additional resources, there is a risk that some

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<sup>7</sup> A strong municipality is defined as a municipality with many local tax possibilities (high number of inhabitants, presence of local industry, etc.).



municipalities will lose resources from the fund, which is politically unrealistic. For the moment, those extra financial resources are not available, due to the consequences of the economic crisis. The Minister wants to realise this reform during his term of office. The implementation, however, will have to wait till the next legislative period, sometime in 2015.

### 3.5. And the Provincial Level?

Five Flemish provinces are generally classified as local government, together with 308 municipalities (De Ceuninck, Reynaert & Valcke, 2011). This implies that the principle elements from the coalition agreement (of July 2009) regarding the intermediate government level are closely linked to the policy priorities regarding the municipalities. It is our intention to comment on some of these objectives with regard to the provincial level.

Strong municipalities are at the heart of the internal state reform, as described in the Flemish coalition agreement. »The intention is to bring government closer to citizens. (...) The emphasis lies on the municipalities on the one hand, and Flanders on the other hand«. How did the intermediate government level react to this intention? The chairman of the Association of Flemish Provinces (VVP) welcomed the internal state reform but stipulated that »the Flemish coalition agreement was all too eager to plan the state reform at the expense of the provincial government level« (Geuens, 2009). The VVP stresses the principle of partnership that seems to be one of the guidelines of the Flemish coalition agreement and points out that all three democratically elected government levels must have the courage to engage themselves on an equal basis. Moreover, they continue, »we are not afraid to evaluate the functioning of the intermediate government level, if the Flemish regional and local government levels are prepared to assess and possibly refocus their functioning«. It is obvious that the proponents of the provincial level are quite aware of the possible negative impact of the state reform.

The provincial government level has mixed feelings in the run-up to the internal state reform (Geuens, 2009). The critics concerning the policy priorities of the regional government curiously match those of the municipal government level. The Flemish government level is perceived as strongly centralistic. Despite all good intentions, such as partnership, in reality the autonomy of the local government has not been expanded. Moreover, instead of regulations adapted according to the variety of local government, uniformity is still at hand. This leaves little room for municipi-

palities and provinces to take their own responsibilities. A complaint that is often heard is that Flanders ‘thinks in sectors’, while there is need for policy integration. The result is inefficiency.

As mentioned above, the Flemish government has labelled the municipalities as the basic level of democracy and the level closest to its citizens. The internal state reform is thereby focused on rescaling the competences to the municipalities, and, at the same time, confining the competences of the provincial government to a limited list of ground-tied competences, such as water management, infrastructure, etc. The latter implies that the democratically elected provincial level would no longer include person-tied competences, such as culture, youth and sports. Furthermore, it is a wish of the Flemish government that, in the future, maximally two government levels intervene in any given policy field.

When the White Paper was finally released, in April 2011, it became clear that the objective of limiting the provincial competences to ground-tied elements was respected (Vlaamse Regering, 2011: 117–118). However, there remained some possibilities to take up certain person-tied competences for the provinces, but only very limited. The provinces themselves oppose the objective of the Flemish government to make the provincial government level responsible for a restricted and ‘closed’ list of ground-tied competences. In this pursuit, they feel supported by several organizations of the civil society. At some recent conferences business representatives and representatives of the broad social and cultural sector ‘testified’ on the usefulness of the provinces (VVP, 2010).

## 4. Conclusion

The paper has outlined the process of state reform in Belgium. The history of the country confirms that its transformation was based upon an agreement between the two main language groups in Belgium, the Dutch-speaking and the French-speaking citizens. Looking at the current discussion, however, proves that previous agreements were only temporary, and that a final solution (or evolution towards a confederate model) is not for tomorrow. Different opinions about the future of Belgium and different views about the future role of the capital Brussels impede a final (or merely another) agreement.

Our attention in the paper has been focused on the Flemish part of the country. We examined the (ambitious) plans of the new Flemish Minister

of Internal Affairs. In his policy declaration and his Green Paper, the Minister speaks of an internal Flemish state reform intended to shorten and accelerate the policy process. Moreover, he wants to deal with the 'overloaded' government by reducing the number of intermediate structures that have cropped up over the years. The administrative landscape should be made more transparent and, wherever possible, structures that are no longer functional should be abolished. The Flemish government intends to make overlapping between different government levels to strive towards as rare as possible. In the ideal situation advocated by the Minister, only two tiers of government should remain per policy field.

Furthermore, the Minister has put forward a complete range of measures that must help him in the realisation of this plan. In this respect, he wants to strengthen the functioning of the local level by giving it both more power and more financial means. Consequently, the reform of the municipal fund is a priority. The plan to stimulate voluntary amalgamations can be welcomed, although it is unclear which municipalities will make use of this opportunity. The resistance among local politicians against this policy option is significant. Next to that, the Flemish provinces seem to be paying a price for this plan. The objective of the Flemish government is not to abolish them, but they will certainly look differently after this reform has been implemented.

It must be said, the plans of Minister Bourgeois are rather ambitious. The success of these plans, however, will depend on the way he can realise them. To this end, an extended consultation among all the actors concerned will be necessary. Not only local and provincial politicians but also the actors at the Flemish level must play a substantial role in this debate. The latter are to a large extent responsible for the complex administrative landscape we live in today.

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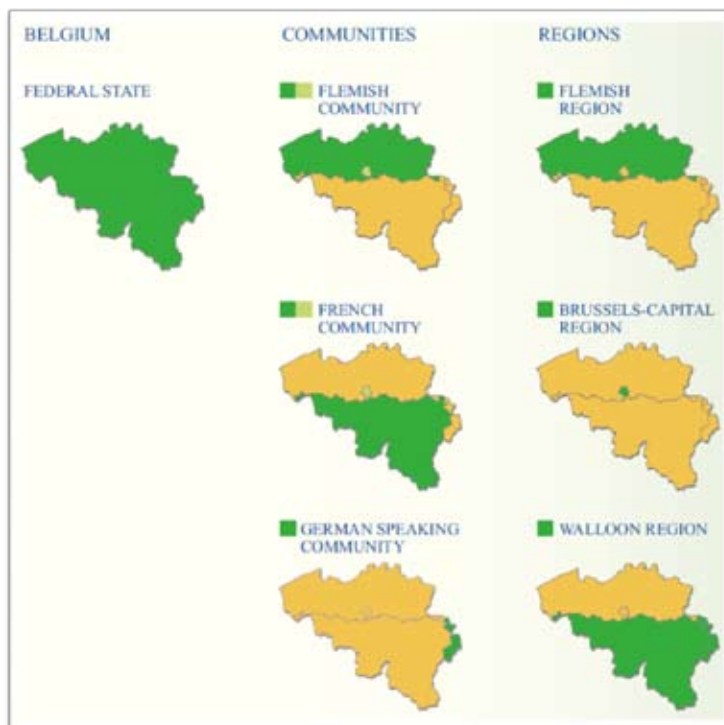
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## Appendix 1

### Map of Belgium – Communities and Regions



Source: <http://www.eea.europa.eu>

## FLANDERS HEADING TOWARDS ITS OWN STATE REFORM

### *Summary*

*Belgian constitution states that 'Belgium is a federal state, composed of communities and regions'. This is the result of five state reforms (1970, 1980, 1988–1989, 1993 and 2001). The political power of the country is divided among different partners: communities, regions and the federal state. The position of the nation-state has weakened as authority has been transferred downwards, to the regional level, and upwards, to the European Union. The five successive state reforms of the past have not yet resulted in a final satisfactory state architecture – the debates about the future form of the country are at the core of the political agenda in Belgium. The Flemish and the French-speaking communities have different opinions about how to organize the country. The history of state reform process has been analyzed briefly in the first part of this paper. The process of state reform also had consequences for the local authorities. Since 2001, the regions (Flanders and the Walloon Region) have been responsible for the organisation of local and provincial government. This resulted in a new framework for both of the local governments, in Flanders and in the Walloon Region. In Flanders, the discussion about the (re)organisation of the local level has continued until today. The relation between the local and the regional level is a point particular of interest. The new Flemish government that came into power in 2009 announced that it would carry out an 'internal Flemish state reform'. Thereby the government considered a shift of competences between the different government levels, a reform of the municipal finances and the promotion of voluntary mergers between municipalities. Those initiatives are analysed and placed into a broader perspective. The analysis takes into account the questions of what the Flemish government is aiming at and why.*

*Key words: Flemish state reform, local, provincial and regional self-government – Belgium, Belgian federalism, the Brussels-Capital Region, Flanders, the Walloon Region, amalgamations and mergers of local units, linguistic divide*

## FLANDRIJA NA PUTU PREMA DRŽAVNOJ REFORMI

### Sažetak

Belgijski ustav definira da je »Belgija federalna država koja se sastoji od zajednica i regija«. To je rezultat pet reformi državnog ustroja (1970., 1980., 1988.–1989., 1993. i 2001.). Politička moć u državi podijeljena je između različitih partnera: između zajednica te između regija i federalne države. Položaj federacije je slabio usporedno s procesom prijenosa ovlasti naniže, prema regionalnoj razini, te prema naviše, prema Europskoj uniji. Reforme državnog ustroja još nisu rezultirale konačnom i zadovoljavajućom državnom strukturom – rasprave o budućem obliku zemlje su u središtu političkog zanimanja u Belgiji. Flamanska i francuska zajednica imaju različita mišljenja o tome kako bi država trebala biti ustrojena. U prvom dijelu rada ukratko se analizira povijest reforme državnog ustroja, koji je utjecao i na lokalne vlasti. Regije (Flandrija i Valonija) su od 2001. nadležne za organizaciju lokalne i provincijske razine vlasti, što je imalo za posljedicu stvaranje nove pravne regulacije lokalnih vlasti i u Flandriji i u Valoniji. U Flandriji se rasprava o re(organizaciji) lokalne razine vlasti nastavlja sve do danas. Odnos između lokalne i regionalne razine od posebnog je interesa. Nova flamanska vlada, koja je na vlasti od 2009., najavila je da će provesti »unutarnju flamansku državnu reformu«. To se odnosilo na prebacivanje nadležnosti između različitih razina vlasti, reformu lokalnih financija te promicanje dobrovoljnog spajanja lokalnih jedinica. Te se inicijative u radu analiziraju i stavljaju u širu perspektivu. Analiza se bavi pitanjima što flamanska vlada želi postići i zašto.

Ključne riječi: flamanska državna reforma, lokalna, provincijska i regionalna samouprava – Belgija, belgijski federalizam, Regija Bruxelles-Glavni grad, Flandrija, Valonija, okrupnjavanje i spajanje lokalnih jedinica, jezična podjela

