

Abstract

Funding in the European context of the Flemish municipal water treatment network

The Court of Audit has examined how the Flemish Region has fulfilled its European obligations in terms of the building water treatment network. It has found that the Region will not be ready to meet the requirements in due time as it is still awaiting major investments in building the sewer system from the municipalities. These efforts have also been hampered by the absence of a clear allocation of tasks between the Region and the municipalities, a planning liable for improvement, municipal autonomy as well as unperforming and impractical subsidizing systems. The main channel of subsidies, known as RIO-subsidies, is insufficient in itself to finance the municipal works within acceptable delays. The measures taken by the Region since 2003 to fight the serious funding deficits have led to diverging financing regulations. Moreover, when the Region did not temporarily issue new funding programmes, the incentive to reach the European objective got lost. The Court of Audit has therefore urged the Region to intensify its current efforts in terms of planning and better allocation of tasks.

Europe

Under the European Directive on urban waste water, the Flemish Region is due to set up sewerage systems and water treatment plants by scheduled dates. The municipalities, which are responsible for building part of the sewerage systems, can be partly subsidized by the Region ("RIO-regulation"). As far as large agglomerations are concerned, it has already become clear that the Flemish Region will not comply in due time with its obligation in the field of collecting and treatment systems. The deadline for agglomerations of 2.000 up to 10.000 inhabitants is 31 December 2005 and Belgium was already condemned by the European Court of Justice in respect of the largest agglomerations on 7 July 2004. Furthermore, problems such as the optimization of the existing sewer network and water treatment plants will not get solved with the already planned investments. The EC Water Framework Directive also sets environmental objectives that will possibly entail additional investments. According to Aquafin plc and the Flemish Environment Agency's estimates, the investments necessary for new sewers, including road works amount to over 7 billion EUR. The Court of Audit has examined what financing channels the municipalities can use and how subsidies are granted through the Region.

Allocation of tasks

Aquafin plc is responsible for the Region's cross-municipal sewers. Municipalities are responsible for municipal sewers and decide in full autonomy on the projects they carry out. Labelling sewers as municipal or cross-municipal also automatically implies who will pay for the works. However, at the moment there is no clear definition of these notions and there is a lack of precision when it comes to allocating tasks.

Planning

So far there has not been any agreed decision applicable to the whole of Flanders as to what works are still necessary and where, nor on those that come first. The zoning and master plans defining these priorities are not expected to be ready before 2008.

Autonomy

Apart from its specific, cross-municipal works, the Region also plans the municipal works which receive RIO-subsidies. However, it cannot compel municipalities to carry out a project, not even in the instances of subsidies allocated or when cross-municipal investments are dependent upon municipal investments. Moreover, the control on sewage system development financed by municipalities out of their own resources is limited to administrative provincial supervision.

Funding problems

RIO-subsidies provided to the municipalities are channelled through the "Minafonds"(Environment and Nature Fund) funds. However, the funds available (around 66 million EUR per year) were insufficient to subsidize all approved projects of sewer system building. For various reasons the gap had grown to 100 million EUR by end 2002 (210 projects). The Region took measures such as a reallocation of budget appropriations towards municipal sewage projects and a temporary halt to issuing new programmes.

Programme planning

For the funding programmes running from 2000 to 2002 certain projects under consideration were connected to planned infrastructure, despite the 1995 Flemish decree's specific requirement for a connection to existing infrastructure. Besides the selection criteria for the quarterly programmes 2003 could be criticised: for instance the cost efficiency of the project was not examined systematically. Under a 2002 executory decision of the Flemish government the minister was allowed to establish the programme, but this power was conferred by law to the Flemish Government.

Execution of the subsidy programmes

According to the VMM (Flemish Environment Agency) municipalities did not submit a preliminary design of the selected projects in one case out of four. From the inclusion of a municipal project in a programme to the approval of the preliminary design by the Region, the costs were multiplied by 1,8 : at the preliminary phase the maximum amount of the subsidy is determined but according to the VMM it is then that municipalities overrate their estimates. After realization of 20% of the works the municipality gets an 80% advance payment. The remaining balance is paid after approval of a final breakdown. Since the RIO-programme was started the municipalities have not claimed an advance or a remaining balance payment for around 170 projects earmarked for subsidies. For about 40 projects, they received an advance payment more than three years ago, but did not ask for the remaining balance payment afterwards. They therefore provided only a partial justification, so that this could lead to recoveries in a longer term.

Conclusion

Additional measures are necessary to accelerate the adaptation of the water treatment network to the EU standards. A clearer breakdown of tasks between the Region and the municipalities is necessary. Municipal autonomy constitutes an important drawback as it is an impediment to regional coercive measures. In view of the limited appropriations available, the Minafonds is inadequate as a financial channel. Other financial channels do not enhance budget transparency and make controls more difficult, such as control of the compliance with technical specifications.

The minister's response

The previous Flemish minister for Environment endorsed most of the Court's findings. He admitted that the Flemish Region had not met the European deadlines but believed that penalties could be avoided if all parties concerned cooperated fully and that several now idle projects could rapidly be reactivated. He also stressed that the planning efforts already made were being pursued.

He also acknowledged that municipal autonomy was currently hindering coercive measures. However, the Region was trying to convince municipalities. According to the minister, the current pace of investment is clearly too slow to ensure a full development of the sewer network in the short term, but he did not suggest any solutions. He did agree that the municipalities had to justify why they submitted their requests for payment of advances or balances with a delay. If they did not justify why, the Region would suspend payments of their other projects.