

Abstract

The Belgian Court of Audit examined the monitoring of the water treatment funding

The Court examined the way the Flemish environmental society (Vlaamse Milieumaatschappij – VMM) fulfils its function of economic monitoring (EnT) of the water treatment funding. The Court concluded that the VMM performs its task fairly adequately in spite of the deficient policy and regulatory framework within which it operates and in spite of the hasty setting-up of a new unit within the society. Nonetheless, it does not sufficiently satisfy the conditions for an effective monitoring: it lacks “fire-power” for want of a clear policy and regulatory framework standardizing its various monitoring tasks, it does not have a mandatory right on information or the concomitant power to impose sanctions. The EnT also lacks sufficient insight into the financial set-up of the stakeholders involved.

Streamlining water treatment

Early 2005, in order to comply with the European directives, Flanders streamlined its water treatment sector by making the drinking water companies accountable for water sanitation. As regards water sanitation in municipalities (sewerage installation and maintenance), drinking water companies are allowed to make agreements with the municipal sewerage administrators ; as regards water sanitation at a supramunicipal level (construction of water collectors and waste water treatment plants), they concluded a contract with the public limited company Aquafin. Sanitation is paid by the water consumers, who pay water charges, contributions and fees, and by the Flemish Region, which provides an additional operating allowance. The regional lawmaker appointed the Flemish Environment Agency, the VMM, as the economic agency (EnT) monitoring the waste water treatment funding in Flanders. The Court checked whether the EnT carries out its tasks adequately.

Regulatory and mandatory framework

The Court found first that the law only partly regulates the EnT's tasks and that basic concepts of the enforceable regulation are hardly defined with the result that EnT lacks “firepower”. It does not either have any mandatory right on information or the concomitant power to impose sanctions.

Monitoring of the water charge setting

In actual terms, there are no clear standards or sufficient information to ensure an adequate monitoring of the charge setting process. Besides, the scant existing charge setting standards are not sufficiently operational. Such is the case for the so-called *fair contribution* applied in the instance of cost recovery and for the “*polluter pays*” principle. To ensure the monitoring of this task, the EnT can hardly resort to a charge setting strategic vision. Under the present situation it is unable to make sure that the charges are set in accordance with the components of the drinking water decree. It is unaware of the underlying calculation behind this charge or of many charge components.

Monitoring of the use of the contributions

The EnT has developed a promising reporting instrument to monitor the use of the municipal contributions and fees. It is still though in its introductory stage. As it is not yet embedded by way of a decree, the EnT is not empowered to take action against the failing municipal authorities. Moreover, there is no clear definition of what *municipal sanitation* or the related costs amount to and the municipal authorities' bookkeeping does not provide enough information to calculate this kind of costs.

Monitoring of the financial transparency

The monitoring of the financial transparency of the water treatment stakeholders is deficient. Since the drinking water companies provide insufficient supporting documents for their recovery charges, the EnT's input into the current discussion about these companies' recovery rates is limited. The minister has not yet taken any decision in this respect.

Monitoring of the way in which contributions are charged

The information and the resources EnT has at its disposal are sufficient to ensure the correct charging of contributions, fees and exemptions by drinking water companies, but its action scope is limited. The actual monitoring performed mainly focused on the supramunicipal contributions and fees.

Monitoring of cross-subsidies

EnT's task is also to track possible cross-subsidies with respect to municipality sanitation, this means checking that the cost related to waste water treatment is not passed on to other users or target groups. An insight into the financial flows of the main stakeholders and a clear regulatory framework to ensure an effective monitoring is missing. As a matter of fact, the principle of cross-*subsidies* is defined nowhere. Besides, certain forms of cross-subsidies are authorized or allowed by law. At the supramunicipal level, EnT is confronted with a deficient flow of information concerning Aquafin's commercial activities.

The minister's answer

In her reply dated 31 August 2010, the Flemish minister for the environment hinted at the need for transparency in the waste water treatment cost breakdown as well as in the use of financial resources collected by way of correct base data. She also pointed out that several initiatives had already been taken to implement some of the Court's recommendations. A case in point is within the VMM the clarification of the task breakdown between the various entities and the identification of lines of action for a future monitoring strategy.

She added that her department would tackle the issue of the cost breakdown between the various users' sectors in accordance with the principles of the water frame directive. In this respect the Court wants to remind that the year 2010 was set as deadline for the various economic sectors to contribute fairly to the recovery of the cost of water services. The minister did not fully subscribe to the Court's conclusion that EnT needs an adequate regulatory and policy framework defining monitoring standards as well as mandatory instruments for the transfer of data

needed by the various stakeholders. She said she was more in favour of consultation than mandatory instruments.

The audit report on “Monitoring of the water treatment funding by the Flemish environmental society” has been sent to the Flemish Parliament. The full version and this press release can be found on the Court’s website (www.ccrek.be).

Contact:

Division Flemish publications:

Marc Galle, galle@ccrek.be, 02/551.86.65 or

Terry Weytens, weytenst@ccrek.be, 02/551.84.66.