

PRESS RELEASE

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Report to the Flemish Parliament

Mergers in the Flemish Government

The Belgian Court of Audit has examined the mergers between public entities that were carried out by the Flemish Government in order to improve management and efficiency gains from 2014 onwards. The Court has determined that all mergers have completed well-developed change programmes without much difficulty, although there were some delays. However, the Flemish Government limited the series of mergers to the departments, strategic advisory boards and a number of legal entities. In doing so, the government missed out on a more exhaustive and logical clustering and was left with limited efficiency gains and budget cuts. Finally, the mergers were unsuccessful in curing the framework act on administrative management of its implementation problems.

Framework act

The framework act on administrative management was passed in 2003 to optimise the organisation and functioning of the Flemish Government. In 2013 the Flemish Government attempted to remedy a number of weak spots in the implementation of this framework act with a concept note. One of its strategies involved merging several public entities to maximise management and efficiency gains. The coalition agreement also put forward mergers. The concept note listed 88 public entities, 26 of which would disappear through mergers. The majority of mergers were carried out in 2015. The Court of Audit has examined the planning and approach for those mergers, as well as the extent to which they have dealt with the weak spots in the framework act on administrative management and have led to efficiency gains.

Planning

The Flemish Government set rather general goals for its mergers programme and opted for a limited selection of possible mergers. It failed to examine all public entities' readiness to undergo a merger based on concrete criteria. In fact, the Flemish Government consisted of 175 public entities in 2016, but it chose to limit the programme to ministries, unincorporated internally independent agencies and strategic advisory boards. It did not take into account the separate management services and numerous legal entities within the ESA consolidation scope of the Flemish Government. The mergers were not based on an exhaustive framework of criteria or specific merger goals.

Delays

The Agency for Government Officials provided the involved entities with checklists, which were properly followed up on, albeit with some delays. In fact, only two out of the three regulatory amendments were enacted in time and the drafting of the new staffing plans and the staff transfers were usually delayed as well. 59 out of the 65 delayed decrees and resolutions contained provisions that entailed retroactive effect. The Court has assessed that those are indications that the work was carried out under time pressure. As of yet, a general overview of the consequences of the mergers on the top and middle framework is lacking. The Court of Audit has assessed that the number of seats within the top framework has decreased, but notes that the effective staff outflow has thus far been limited to retiring

members of the top framework. Furthermore, the majority of merged public entities only managed to provide the Court of Audit with correct budget figures after the modified budget of 2015.

Better administrative management

The mergers were to cure the framework on administrative management of its implementation problems. One of those problems pertained to a lack of policy coherence. The mergers indeed created a more logical and homogenous clustering, but the Flemish Government missed out on numerous merger opportunities. The chosen mergers and their timing were among others based the situation of the officials-general. Moreover, the goal of achieving one-to-one correspondence between ministers and their policy areas was not met after the mergers. Only 5 out of the 12 policy areas succeeded in the latter and they allowed administrative structures outside of the framework act to remain, such as the 24 separate management services or the equity capitals. Some of these public entities have since lost their reason for existence.

Efficiency gains

The Flemish Government did not set specific budget cut goals, nor did it establish a follow-up system, leaving it unable to measure possible efficiency gains. One of the few budget cut goals that can be measured, the decrease in the number of leading officials and their staff, will not yield any tangible results until they retire. The mergers did lead to limited budget cuts concerning the boards of directors, supervisory entities and members of the strategic advisory boards.

Response of the minister

The Flemish minister responsible for personnel agrees with the Court's remarks and findings in the name of the government. His response did, however, clarify a difference in view between the Court of Audit on the one hand (whose scope encompasses the entire Flemish Government, the situation on January 1 and the examination of the framework act for administrative management) and the minister on the other hand (who limits his view of the matter to the core of government, the situation after all planned mergers have been completed and budget cuts).

Information for the press

The Court of Audit exerts an external control on the financial operations of the Federal State, the Communities, the Regions and the provinces. It contributes to improving public governance by transmitting to the parliamentary assemblies, to the managers and to the audited services any useful and reliable information resulting from a contradictory examination. As a collateral body of the Parliament, the Court performs its missions independently of the authorities it controls.

The audit report on *Mergers in the Flemish Government* has been sent to the Flemish Parliament. The full version and this press release can be found on the Court's website: www.courtfaudit.be.