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Mr. President,

With great interest, I have read the draft report concerning the results of the fourth monitoring of the Netherlands of the Congress on the European Charter of Local Self-Government. I would like to thank you for your valuable work and the possibility to respond to the draft report.

I recognise the overall conclusion, which is that local democracy and local self-government in the Netherlands should be strengthened. We are working on improvements. However, as I am currently serving as demissionary Minister of the Interior and Kingdom Relations, new policy choices will have to be made by the new government. I hope your meaningful work will inspire them.

Please find in attachment our factual corrections on the draft report. Please find below my response to your recommendations.

1. Recognition of the principle of local self-government in the Constitution and/or legislation.

The Dutch Constitution already recognises the principle of local self-government (article 124.1), which is repeated in the Municipalities Act (article 108.1) and in the Provinces Act (article 105.1). The very existence of municipalities and provinces as public entities predating the State, is being recognised by the Constitution as well. However, since the Netherlands is a decentralised unitary state and not a federal state, the legislative branch of the central government represents the highest authority and is therefore fully competent to make changes in the tasks of the local governments, within the boundaries set by the Constitution.

For the Dutch government, the principle of local self-government is a fundamental principle. To ensure its meaning, proposals for legislation that either centralise certain tasks or decentralise them to the local governments under the joint regulation-procedure (*medebewind*) must be well motivated. The Minister of the Interior and Kingdom Relations is charged with the supervision of these proposals,

in case other ministers put them forward. After being approved by the government, these proposals are sent to the Council of State. The Council advises on them and has a keen eye for the motivation of such proposals. After the advice of the Council of State, on which the government has to respond, the proposals will be debated in parliament.

2. Improvement of the decentralisation reform through re-calculation of the necessary funding for municipalities and by providing targeted support to municipalities in need.

Specific financial support for individual municipalities for decentralised tasks, as you recommend us to establish, does not match with the way in which administrative and financial relationships are set up in the Netherlands. However, in 2021, the current government has raised the budget for decentralised tasks for all municipalities: an extra €1.314 billion for the year 2022 to compensate for the shortages in youth care. That is in addition to the previously committed €300 million for that year. Central government and municipalities are working together to develop new measures which can be taken to improve the manageability of the cost increases. Currently, substantive support to municipalities is provided by a visitation committee (about 30 municipalities were visited and lessons learned are widely applicable). This committee provides substantive advice on which policy approach could help the individual municipality to get a better grip on the finances of the social domain at municipalities. Complementary to the extra funding provided since the decentralisations, a monitoring mechanism is still to be developed (in collaboration between the central government and the Association of the Netherlands Municipalities or 'VNG') that will help individual municipalities to develop new policies and assist with the manageability of costs.

The experiences with recent decentralisations, and the results of scientific research¹ that we have commissioned on this subject, show that it is important that tasks are assigned to the right level and form of government, that the administrative and financial arrangements are properly aligned, that there are sufficient implementing powers and resources and that there is time and attention for proper implementation. Therefore, it is necessary to set up an impact analysis in advance that provides better insight into the effects of new measures for local authorities (and residents). Not only financially, but also in terms of capacity, expertise and organisation, in order to be able to check whether the intended goals are achieved during implementation. However, choices concerning new policy have to be made by the new government.

3. An assessment of the financial divide between rural and urban municipalities (and between Eastern and Western provinces) could become the basis for addressing differences between municipalities with targeted measures as well as real inequalities in citizens' access to services.

¹ Report 'Beginselen versus praktijken' (Principles versus practices) by Stichting decentraalbestuur.nl, 2021.

Concerning the financial divide between rural and urban municipalities (and between eastern and western provinces) and the consequent inequalities in citizens' access to services, I would like to emphasise that the new distribution of the municipalities fund is still work in progress. We are trying to find solutions for the remaining differences between municipalities in order to reach political agreement and we will take your valuable analysis of the situation in consideration. The aim of the distribution model will not change: to enable all municipalities to provide services of a similar level, when their expenses are the same.

4. The legal regulation of intergovernmental relations and intermunicipal cooperation needs to be adapted to the massive shifts in governance (e.g. current process of "regionalisation") in order to provide an adequate, updated and certain legal frame for political negotiation.

The current government has addressed this issue in a number of ways. An amendment to the Joint Arrangements Act to improve the legitimacy of joint arrangements and strengthen the position of the municipal council, has been proposed to parliament and has passed the Second Chamber. However, the Joint Arrangements Acts only regulates joint arrangements and the process of 'regionalisation' contains more; there are other forms of interadministrative and intermunicipal cooperation. Therefore, a wider perspective is needed and is worked on. Also, during the debate on the amendment of the Joint Arrangements Act, the Second Chamber has asked for a fundamental debate on the development of local and regional government in The Netherlands. There is a wide consensus on the necessity of change. However, choices concerning new policy have to be made by the new government.

5. A change in the system of financial resources which takes the nature of tasks into account, respects the principle of commensurate finances and increases the share of local resources (or creates a similar secure base, such as a share in a national tax).

In order to be prepared for a change in the system of financial resources, we have developed policy options, in collaboration with the VNG and the Association of Netherlands Provinces (IPO), on various topics that we shared with you during the monitoring. Beside the new distribution model of the municipalities fund, we developed alternative options for the way in which the size of the municipalities and provinces funds is indexed to total central government expenditures. We also published reports on reforming the municipal tax area and the provincial tax area, in joint effort with VNG and IPO. Together these preparations should supply the new government with all information needed to make their decisions.

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We are looking forward to receiving your final report. Please do not hesitate to be in contact in case of any further questions.

Yours faithfully,

Minister of the Interior and Kingdom Relations,

drs. K.H. Ollongren