



VIVES Vlaams Instituut voor Economie en Samenleving
Research Centre for Regional Economics

BELGIAN FEDERALISM IN A COMPARATIVE PERSPECTIVE

Elodie Fabre

Vives discussion paper 5

July 2009

VIVES

Naamsestraat 61 bus 3510

3000 Leuven - Belgium

Tel: +32 16 32 42 22

www.econ.kuleuven.be/vives

BELGIAN FEDERALISM IN A COMPARATIVE PERSPECTIVE

Elodie Fabre, VIVES
elodie.fabre@econ.kuleuven.be

Abstract

- De Belgische institutionele staatsstructuur is sinds de jaren vijftig grondig gewijzigd. Van een unitaire staat, opgedeeld in provincies, is België uitgegroeid tot een volwaardige federatie.
- België is evenwel een zeer specifieke federatie, die zowel territoriale als niet-territoriale federale beginselen vermengt. De Gewesten worden namelijk gedefinieerd op basis van het territoriale principe (Vlaanderen, Brussel en Wallonië), de Gemeenschappen daarentegen op basis van de taalgroep (Frans, Nederlands of Duits).
- Dat leidt tot institutionele asymmetrie:
 - Vlaanderen en Wallonië zijn ééntalige gebieden, terwijl Brussel tweetalig is;
 - Wallonië omvat de meerderheid van de Franstalige bevolking maar ook de Duitstalige bevolking;
 - De Franstalige Gemeenschap is bevoegd voor het Franstalige deel van Wallonië en de Franstalige bevolking van Brussel;
 - Het Vlaamse Gewest is perfect homogeen. De Vlaamse Gemeenschap daarentegen omvat Vlaanderen en de Nederlandstalige inwoners van Brussel. Vermits die laatste groep slechts een zeer klein deel van de Nederlandstalige bevolking vormt, werden de Vlaamse Gemeenschap en het Vlaamse Gewest samengevoegd;
 - De Duitstalige minderheid, gesitueerd in Wallonië, beschikt over zijn eigen gemeenschap, maar niet over een volwaardige gewestelijke institutie. Het Waalse Gewest hevelde echter een beperkt aantal regionale bevoegdheden over naar de Duitstalige Gemeenschap.
- In contrast met het voorgaande dient gezegd dat de institutionele asymmetrie de symmetrie op het vlak van de bevoegdheden niet uitsluit: alle Gemeenschappen en Gewesten hebben dezelfde competenties.
- De Gewesten behalen voor autonomie een hogere index van regionale autoriteit ('Regional Authority Index' (RAI)) dan de Gemeenschappen, maar de Gemeenschappen scoren beter wat participatie betreft. Dat betekent dat de Gewesten een grotere beleidsautonomie hebben, maar dat de Gemeenschappen of hun vertegenwoordigers meer betrokken zijn in de federale besluitvorming.
- De Gewesten hebben een vergelijkbare score voor autonomie als de Australische staten, de autonome Spaanse gemeenschappen, de Italiaanse regio's (zowel de gewone regio's als die met een speciale status), Schotland en Washington DC. Dat plaatst België in het rijtje van klassieke federale landen zoals Australië, maar ook landen als Italië en Spanje, die regionale overheden meer macht hebben gegeven, hoewel Spanje zichzelf formeel niet beschouwt als een federatie.
- De Nederlandstalige en Franstalige Gemeenschap behalen, op Duitsland na, de hoogste score inzake participatie. Duitsland is een typische federatie van gezamenlijke

besluitvorming. Daar zij geen afvaardiging heeft in de Senaat, beschikt de Duitstalige minderheid niet over een vetorecht voor grondwetswijzigingen. Dat zorgt ervoor dat zij iets lager scoort wat betreft participatie, alhoewel zij toch een plaats in de top tien behaalt.

➤ Uit de gegevens blijkt dat de mate van autonomie en participatie van de Gewesten zeer gunstig is, zeker wanneer men ze vergelijkt met de traditionele federale staten zoals Australië, de Verenigde Staten van Amerika, Canada en Duitsland.

➤ Inzake budgettair federalisme toont de RAI dat de Gewesten en Gemeenschappen vrij kunnen beslissen over de verdeling van hun inkomsten, zonder inmenging van de federale overheid.

➤ Toch hebben de Gewesten en Gemeenschappen te maken met een sterk verticaal onevenwicht: hun uitgaven overstijgen in sterke mate hun inkomsten. De Gemeenschappen beschikken zelfs niet over eigen inkomsten en zijn afhankelijk van de transfers van de federale overheid. Slechts vijftientig procent van de middelen van de Gewesten en Gemeenschappen bestaat uit eigen inkomsten, het overige deel wordt getransfereerd vanuit het federale niveau.

Introduction

Since Belgium became a federation in 1995, there have been continuing debates about its future, calls for further regional competences and questions about the role of the federal state. These discussions have led to the reform of 2001, which have increased the powers and financial autonomy of the regions, but institutional reform remained on the agenda and was one of the main objectives of Premier Leterme in 2007. To replace the debate on Belgian federalism and the issue of the respective competences of the central and subnational governments, this paper compares the Belgian institutional system to that of other federations and west European countries.

After a brief presentation of the different aspects of federalism in general, the paper turns to the issue of measuring federal institutions for the purpose international comparisons. The Regional Authority Index (RAI) developed by Hooghe et al. (2008a) is the most elaborate and systematic coding scheme of multi-level institutional arrangements. Its data, which covers the period 1950-2006, is used to compare Belgium with the other countries of the EU15 (the 15 member states of the European Union before the Eastern enlargement), Australia, Canada, the United States and Switzerland. This data set allows a comparison of the two aspects of federalism emphasised by Elazar (1987): shared rule, that is, the capacity of subnational governments to make decisions without risking to be overruled by the central government, and shared rule, which is the ability of subnational governments to influence central decision making, most often via intergovernmental relations or a second chamber of parliament based on territorial representation. Finally, this study focuses on fiscal federalism, which is a major issue in the debate on the evolution of Belgian federalism.

Diversity of origins and forms of federalism

Regionalisation, devolution, federalism, confederalism: the various faces of multi-level governance

Federalism is a term that refers to the promotion of multi-tiered government, which combines a central government and regional governments. It is based on the principles of balance between diversity and unity within a complex society, freedom and shared power to achieve common ends (Elazar 1987).

A federation is the application to the state of the principles of federalism. There is no single model of federal political systems, but they all share a number of common characteristics (Riker 1975: 103). Elazar (1987: 12) defines a federal political system as a form of government that combines 'elements of shared-rule and regional self-rule'. Two levels of government can act directly on their citizens on the basis of formal, democratically elected legislative and executive powers listed in a constitution that can only be amended by mutual agreement of the federal and regional governments. The autonomy of the two levels of government is ensured by this constitutional guarantee and the sharing of revenue resources. The constitution also provides for the representation of the constituent units and regional interests in the federal policy-making process, generally through a federal second chamber and intergovernmental collaboration (Elazar 1987; Watts 1999: 7). Swenden (2006: 10-11) adds some elements to this definition: the entities of government should be mainly territorial in character, as it facilitates the distinction between federal and consociational systems; both federal and regional governments should have democratic structures; and unilateral secession of one of the constituent units is generally impossible.

Federalism is not the only form of distribution of power between a central government and regional units. A regionalised system is a political system that displays some elements of federalism while at the same time retaining some characteristics of unitary or centralised systems. A regionalised political system is relatively close to the model of decentralised unitary states but it also has some federal arrangements that provide for stronger regions than in simply decentralised systems: the ultimate authority rests with the central government but sub-national units can also act upon their citizens with some degree of authority (Watts 1999: 8; Elazar 1987: 47-9; Swenden 2006: 14-5). There is therefore a sort of continuum between unitary, regionalised and federal states. The distinction between federal, regional and unitary decentralised states is not clear cut, as there is no unambiguous cut-off point. The difference between decentralised unitary and regionalised systems rests on the evaluation of the strength of the regional institutions in the overall institutional design (Swenden 2006: 14).

A confederation goes one step further in the direction of empowering compounded units and limiting the competences of the central government. This form of government is generally the result of 'several preexisting polities join[ing] together to form a common government for strictly limited purposes, usually foreign affairs and defence', like in Switzerland (Elazar 1987: 7). The confederated entities retain the status of sovereign states and are in a dominant position *vis-à-vis* the confederal government. Any decision of the central government requires the approval of the confederated entities. In addition, unlike in federal states, it is possible for one entity to secede unilaterally from the confederation (Swenden 2006: 13).

The historical development of federalism

Varying degrees of centralisation in federal or regionalised states can in part be explained by the process of federalisation or regionalisation. A country may become federal or regionalised in two ways: either a number of independent units come together to form a federal state or a centralised state decides to give some powers to its constituent regions. The first case,

‘federalisation by aggregation’, involves distinct entities getting together and surrendering some of their sovereignty to share some responsibilities such as international relations, defence, security and taxes. At the same time, the constituent units keep some policy-making powers in areas of local relevance. Under such circumstances, the regions often want to retain as much power as possible and keep the powers of the federal government limited and under control (Watts 1999: 36; Baldi 1999: 18-9). The distribution of powers tends to benefit the regions. The powers of the federal and regional government are detailed in a constitution and the residual powers, i.e., the powers that are not otherwise listed, are generally assigned to the regions.

The other case is called ‘federalism by decentralisation’. A unitary state, often under the pressure of regionalist movements or parties, decentralises power to its constituent regions. The central government is more likely to hold on to its prerogatives and the regions are likely to be less powerful than the regions of an ‘aggregated’ federation (Baldi 1999: 19). The constitution tends to assign the residual powers to the central government and circumscribe the competences of the regions (Watts 1999: 38).

Rokkan and Urwin (1982: 11) propose a finer classification of the link between territorial organisation of the state and strategies of state building. They place four processes of state building along a continuum that ranges between unitary and federal states (see Figure 1 below). At one end, they place unitary states, which are organised and built around a centralising centre that enjoys economic, cultural and political dominance. Pre-1982 France is a classic example of a unitary state. ‘Union states’ are one step away from the centralised unitary states: they are built by gradual integration of various territories into the state through alliances and ‘personal dynastic unions’, but they do not fully integrate the various parts into one whole and maintain some pre-union rights and institutions. The United Kingdom enters this category of union states. In a second step away from unitary states, Rokkan and Urwin place the category of ‘mechanical federalism’. It refers to federalism imposed from the centre and is characterised by both territorial diversity and dominance of a centre that enjoys some political and institutional dominance. Finally, the other extreme of this continuum is occupied by ‘organic federalism’, which is the result of a voluntary association of units into a federation. It results from this process of state building that the control exercised by the centre is limited and the constituent units enjoy a large degree of autonomy.

Figure 1. State-building strategies and central government-regions relationship

<i>Unitary state</i>	<i>Union state</i>	<i>Mechanical federalism</i>	<i>Organic federalism</i>
Built through territorial conquest. One centre enjoys political, cultural and economic dominance.	Built through dynastic union. One centre is dominant, some regional autonomy and preservation of some pre-union rights.	Federalism constitutionally imposed from above. Regional autonomy, but centre still politically dominant.	Results from voluntary association of various territories, which keep large autonomy. Central control is limited

Source: Rokkan and Urwin (1982: 11).

Distribution of competences: the dual-integrative continuum and the scope of decentralised powers

The notion of federalism or regional devolution is not sufficient in itself, as there are two dimensions to the issue: the nature of the distribution of powers and the scope of regional autonomy. The first dimension relates to the way competences are distributed and shared between the central and regional levels: whether each level has exclusive competence over policy areas or central and regional governments share responsibility over policy making and implementation. The second dimension refers to the amount of power given to the sub-national level of government.

Federal systems can be ranked along a scale ranging from very dual to very cooperative (Swenden 2006: 49-50). In a dual federal system, the federal and regional levels are quite independent from one another. Dual (or jurisdictional) federalism means that each level has a clearly identifiable set of legislative, executive and fiscal responsibilities (Chandler and Chandler 1987: 95; Scharpf 1995: 31). Each level tends to be exclusively responsible for the areas over which it has competence (even though some level of overlap, however small, is always bound to occur) and the machinery of government tends to be replicated at each level. Because of the low level of policy sharing, intergovernmental relations at the executive level are generally limited. A complete separation of fields of competence is impossible, and areas of shared (or concurrent) competence always exist, so that both federal and regional governments have the possibility to legislate over a particular matter or over different aspects of the same policy area (Swenden 2006: 50-1). The more competences are shared between the levels, the more cooperative the federal system becomes.

In contrast to dual federations, joint-decision (or functional, integrative) federations display a strong fusion of competences between the central and regional levels of government. Joint-decision federal systems are characterised by a division of labour – rather than areas of competence – between the federal and regional governments (Chandler and Chandler 1987: 94). The classic example of a joint-decision federation is Germany, where the federal level is responsible for legislation and the *Länder* have responsibility over policy implementation and tax collection. Federal legislation moreover requires co-operation between the federal and *Land* governments because of the nature of the second federal chamber, the Bundesrat, which is composed of representatives of the *Land* governments (Scharpf 1995: 33). As a result, the levels are highly interdependent and co-operation becomes a necessity of efficient government. Intergovernmental relations are strongly developed and the regions are involved in the central decision-making process in order to ensure that their interests are properly taken into account and that they do not become mere administrative appendages of the federal government.

This distinction between dual and cooperative can also apply to regionalised but not yet federal multi-level polities. The difference between regionalised and fully federal systems does not lie in the way powers are distributed between the levels but in the scope of devolved powers (or the fiscal or administrative capacity that goes with it), which is more limited in regionalised systems. We can therefore analytically distinguish between the *nature* (dual vs. integrative) of the institutional arrangement and the *scope* (limited vs. extensive) of regionalised powers.

Institutional asymmetry

An additional characteristic of federalism should be taken into account: institutional (or *de jure*) asymmetry. Institutional asymmetry refers to ‘constitutionally embedded differences between the legal status and prerogatives of different subunits within the same federation’ (Stepan 2001: 326). This means that some regions enjoy more self-government than others (Kymlica 2001: 104; Requejo 2001: 44). The literature on federalism also refers to *de facto* asymmetry. This relates to non-institutional geographical diversity, based on economic, social and cultural differences between the regions. *De facto* asymmetry is often the reason for institutional asymmetry (Swenden 2006: 63; Bauböck 2002: 1). Stepan (2001: 327-8) shows how all multinational federations (India, Belgium, Canada and Spain) are constitutionally asymmetrical.

This section has presented the different origins and forms of federalism. Federalism may be chosen as a form of state structure after separate states decide to join together or when a centralised state decides to devolve power to subnational units. We have seen that

there is not one form of federal government but many, depending on the type of distribution of competences between federal and regional governments, the scope of decision-making authority of each level, and the degree of asymmetry between the regions. This diversity means that trying to compare different federations. The next section compares existing coding schemes developed for the purpose of comparing multi-level polities.

Comparing federal and non-federal systems: indices of federalism and decentralisation¹

A number of indices are available to evaluate the degree of decentralisation or federalism of countries, but they vary in the number of factors they include and the levels they focus on. Indeed, some indices compare the competences of the central government and those of the highest tier of subnational government, while other take a broader view of decentralisation, down to the local level. For instance, Arghazi and Henderson (2005) also evaluates whether local governments have directly elected legislatures, can raise their own resources and receive a share of national revenues.

In *Patterns of Democracy* (1999), Lijphart presents a rather simple classification of countries based on their degree of federalism and centralisation. Countries can be 1) unitary and centralised, 2) unitary and decentralised, 3) semi-federal, 4) federal and centralised, or 5) federal and decentralised. Belgium (after the 1993 reform) receives a score of 5, up from 3.1 (Lijphart 1999: 188-89). This is a particularly crude estimate based on an overall evaluation of the each country's institutional setting.

An alternative index can be found in Lane and Ersson (1995: 223). They measure the institutional autonomy of regional governments by giving an ordinal measure to four indicators: extent of federalism (score between 0 and 2), special territorial autonomy (0 or 1), level of functional autonomy (0-2), and financial autonomy at the regional or local level (0-2). In 1999, they altered their index so that the scores for extent of federalism and local government discretion may vary between 0 and 3, therefore forming a 10-point scale (Schakel 2008: 146-7). This index remains a rather crude indicator of federalism that only evaluates autonomy and also includes the financial autonomy of the local level of government.

Arzaghi and Henderson (2005) proposed another measurement of federalism. Their index includes six indicators for regional autonomy, each ranging between 0 and 4: federal (4) or unitary government (0); directly elected regional government (0 for no, 4 for yes); directly elected local government (0 for no, 4 for yes); ability of the centre to suspend or override decisions of the lower levels (0 for yes, 4 for no); no (0), limited (2) or full (4) revenue-raising autonomy; and no (0), limited (2) or full (4) revenue sharing. The problem with this index is two-fold: it focuses as much on local government as it does on regional government, and it focuses too much on revenue autonomy at the expense of the distribution of policy competences between the levels.

Brancati's (2006) cumulative scale evaluates decentralisation and focuses exclusively on the competences of regional governments. She uses different indicators, but her most detailed scale contains five items. A country's score may therefore vary between 0 and 5. A country can gain one point if 1) regional legislatures are directly elected, 2) they can raise or levy their own taxes, 3) they have either joint or exclusive control over education, 4) they have either joint or exclusive control over public order or police, and 5) the regions must approve constitutional amendments (Brancati 2006: 667).

Overall, all these indexes tend to be too general and to focus on the local level as well as the regional level. In addition, they focus only on autonomy or decentralisation, which is only

¹ For a comprehensive comparison of decentralisation indices and how they compare to each other, see Schakel (2008).

one aspect of federalism. If we follow Elazar's definition (1987), federalism is defined both by self-rule and shared rule. These indices fail to tap into this second dimension of federalism.

Hooghe et al. (2008b) have recently published the results of their most recent coding scheme and classification of regionalised, federal and confederal states. This is an expansion of the coding scheme proposed by Hooghe and Marks in 2001. Theirs constitutes the most elaborate and comprehensive attempt to construct a quantitative tool for institutional comparison and analyse state structures. Unlike the previous indices, they take these dimensions of federalism into account. Table 1 below summarises their Regional Authority Index (RAI).

The Regional Authority Index is the most detailed coding scheme available. It taps into both dimensions of federalism, focuses on the respective functions of the federal and highest levels of subnational government and takes asymmetry into account.² The data produced by Hooghe, Marks and Schakel will be used throughout this paper to describe Belgian federalism and compare it with other federal arrangements.

Table 1. Regional Authority Index, coding scheme

Self rule	The authority exercised by a regional government over those who live in its territory	
Institutional depth	The extent to which a regional government is autonomous rather than concentrated.	0-3
Policy scope	The range of policies for which a regional government is responsible.	0-4
Fiscal autonomy	The extent to which a regional government can independently tax its population.	0-4
Representation	The extent to which a regional government is endowed with an independent legislature and executive.	0-4
Shared rule	The authority exercised by a regional government or its representatives in the country as a whole	
Law making	The extent to which regional representatives co-determine national legislation.	0-2
Executive control	The extent to which a regional government co-determines national policy in intergovernmental meetings.	0-2
Fiscal control	The extent to which regional representatives co-determine the distribution of national tax revenues	0-2
Constitutional reform	The extent to which regional representatives co-determine constitutional change	0-3

Source: Marks et al. 2008: 115.

Belgian federalism: from centralised state to asymmetrical federation

An overview of the Belgian federal system

Table 2 below summarises the institutional evolution undergone by the Belgian state since 1950. It shows how the country went from a centralised state to a federation in successive stages of institutional reform. The table also shows the asymmetry of Belgian federalism and the overlapping institutions on the French- and German-speaking parts of the country. Whereas regional and community borders fit rather nicely in Flanders, things are more complicated for the French-speakers. Their Community institutions cover the French-speaking part of Wallonia and Brussels, while Wallonia is responsible for some of the non-community matters of the German-speakers, who have specific Community institutions,

² For a detailed description of the coding scheme, see Hooghe et al. 2008a: 123-42.

which are also responsible for some regional matters (such as social aid, rural planning and environmental protection, employment policy and local government).

The Belgian regions score highly for the indicators of institutional self-rule and the communities have a lower score. Regions and communities score 3 out of a maximum of 3 for institutional depth, which refers to the level of autonomy of the regional administration and means that the regions are autonomous (rather than deconcentrated) administrations with a general purpose and are not subject to central government veto. The regions' score of 3 out of 4 for policy scope reflects the high level of autonomous competence of the regions.³ The French-speaking community receives a score of 2 and the German-speaking community scores 3 because it has gained some competences from the Walloon region. The coding scheme measures fiscal autonomy as the discretion of subnational governments over revenue

Table 2. Regional Authority Index scores of the Belgian state, regions and communities, 1950-2006

	Institutional depth	Policy scope	Fiscal autonomy	Representation	Self-Rule	Law making	Executive control	Fiscal control	Constitutional reform	Shared rule	RAI total
Belgium (country aggregate)											
1950-69	2.0	2.0	2.0	3.0	9.0	1.0	0.0	1.0	3.0	5.0	14.0
1970-79	4.0	3.0	2.0	4.0	13.0	1.0	0.0	3.0	6.0	9.9	22.9
1980-88	4.0	3.8	2.0	6.0	15.8	1.0	0.0	3.0	6.0	10.0	25.8
1989-94	5.0	5.0	4.0	6.2	20.2	1.0	2.0	3.0	6.0	12.0	32.1
1995-2006	5.0	5.0	5.0	7.0	22.0	2.0	2.0	2.0	1.0	7.0	29.0
Provinces*											
1950-1994	2.0	2.0	2.0	3.0	9.0	1.0	0.0	1.0	3.0	5.0	14.0
1995-2006	2.0	2.0	2.0	3.0	9.0	0.0	0.0	0.0	0.0	0.0	9.0
Flemish Community (Flanders)											
1970-79	2.0	1.0	0.0	1.0	4.0	0.0	0.0	2.0	3.0	5.0	9.0
1980-88	2.0	2.0	0.0	3.0	7.0	0.0	0.0	2.0	3.0	5.0	12.0
1989-94	3.0	3.0	2.0	3.0	11.0	0.0	2.0	2.0	3.0	7.0	18.0
1995-2006	3.0	3.0	3.0	4.0	13.0	2.0	2.0	2.0	1.0	7.0	20.0
French Community											
1970-79	2.0	1.0	0.0	1.0	4.0	0.0	0.0	2.0	3.0	5.0	9.0
1980-88	2.0	1.0	0.0	3.0	6.0	0.0	0.0	2.0	3.0	5.0	11.0
1989-94	3.0	2.0	0.0	3.0	8.0	0.0	2.0	2.0	3.0	7.0	15.0
1995-2006	3.0	2.0	0.0	4.0	9.0	2.0	2.0	2.0	1.0	7.0	16.0
German Community											
1970-73	2.0	1.0	0.0	0.0	3.0	0.0	0.0	0.0	0.0	0.0	3.0
1974-83	2.0	1.0	0.0	2.0	5.0	0.0	0.0	0.0	0.0	0.0	5.0
1984-88	2.0	1.0	0.0	4.0	7.0	0.0	0.0	0.0	0.0	0.0	7.0
1989-94	3.0	2.0	0.0	4.0	9.0	0.0	2.0	1.0	0.0	3.0	12.0
1995-99	3.0	2.0	0.0	4.0	9.0	2.0	2.0	2.0	0.0	6.0	15.0
2000-2006	3.0	3.0	0.0	4.0	10.0	2.0	2.0	2.0	0.0	6.0	16.0
Walloon Region											
1980-88	2.0	1.0	0.0	3.0	6.0	0.0	0.0	2.0	3.0	5.0	11.0
1989-94	3.0	2.0	2.0	4.0	11.0	0.0	2.0	2.0	3.0	7.0	18.0
1995-2006	3.0	3.0	3.0	4.0	13.0	0.0	2.0	2.0	1.0	5.0	18.0
Brussels Capital Region											
1980-88	1.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	1.0

³ A score of 3 means that the regional government has authoritative competence in at least two of the following areas: economic policy, cultural-educational policy, and welfare state policy, and in at least two of these areas: residual powers, police, authority over own institutional set-up, and local government (Hooghe et al. 2008c: 260).

1989-94	3.0	2.0	2.0	4.0	11.0	0.0	2.0	2.0	3.0	7.0	18.0
1995-2006	3.0	3.0	3.0	4.0	13.0	0.0	2.0	2.0	1.0	5.0	18.0

* Between 1950 and 1994, Belgian provinces had a status of highest regional tier, sharing this status with regions and communities between 1970 and 1994. They became second-highest regional tier when Belgium became a federation in 1995.

Source: Hooghe et al. 2008c: 262, 267-68.

and taxation. The regions receive a score of 3 out of 4, which indicates that a subnational institution can set the rate of at least one major tax such as personal income tax or the VAT. To score 4, a region must be able to set the base as well as the rate of at least one major tax. The communities have no fiscal autonomy and score 0. Finally, as the subnational assemblies are directly elected and appoint the regional executive, they score 4 out of 4 for representation.

With a total of 7 out of a maximum score of 9 for shared rule, the French and Flemish Communities perform well. The German Community, the Walloon region and the Brussels Capital region score 6, 5 and 5, respectively. Power sharing is therefore more in the hands of the Communities than in those of the Regions. The Communities have a role in federal law making through their representation in the Senate, where they constitute the units of representation, designate representatives and have a majority of the seats. The Senate lost some of its prerogatives but still retains legislative powers over a wide range of issues. The Communities therefore receive a score of 2 out of 2 for law making (because this representation occurs at the community level, the Walloon and Brussels regions score 0 for law making, and the German Community is represented in the French-speaking delegation). All the Belgian regions score 2 for executive control, that is, for the participation of subnational governments in executive decision-making. Intergovernmental relations in Belgium occur through regular meeting between the community or regional governments and the federal government that can reach legally binding decisions. The Belgian regions also receive a maximum score of 2 for fiscal control, because the entities must find an agreement on the basic fiscal rules (to limit fiscal competition).

Lastly, the communities score 1 out of 3 for constitutional reform. A 1 can mean two things: that a legislature based on regional representation must approve constitutional change or that it must be approved by a referendum based on the principle of equal regional representation. Belgium has not organised a referendum since 1950 and the constitution does not provide for referendums. Constitutional change must be approved by a two-thirds majority of each chamber and a majority within the Dutch- and French-speaking communities in each chamber, which amounts to a veto right for the two largest language communities.⁴

Overall, Belgium scores particularly highly in all the coding categories. It only fails to get top scores for policy scope (for this, the regions or communities should have control over immigration or citizenship), fiscal autonomy (because regional governments cannot set the base of any tax) and constitutional reform (because regional or community governments do not have enough representatives in the national legislature to have a veto and cannot veto constitutional changes). The historical dimension of this research and the use of this coding scheme since 1950 highlight the dramatic changes that have altered the structure of the state and the progressive empowerment of the regions and communities since 1970.

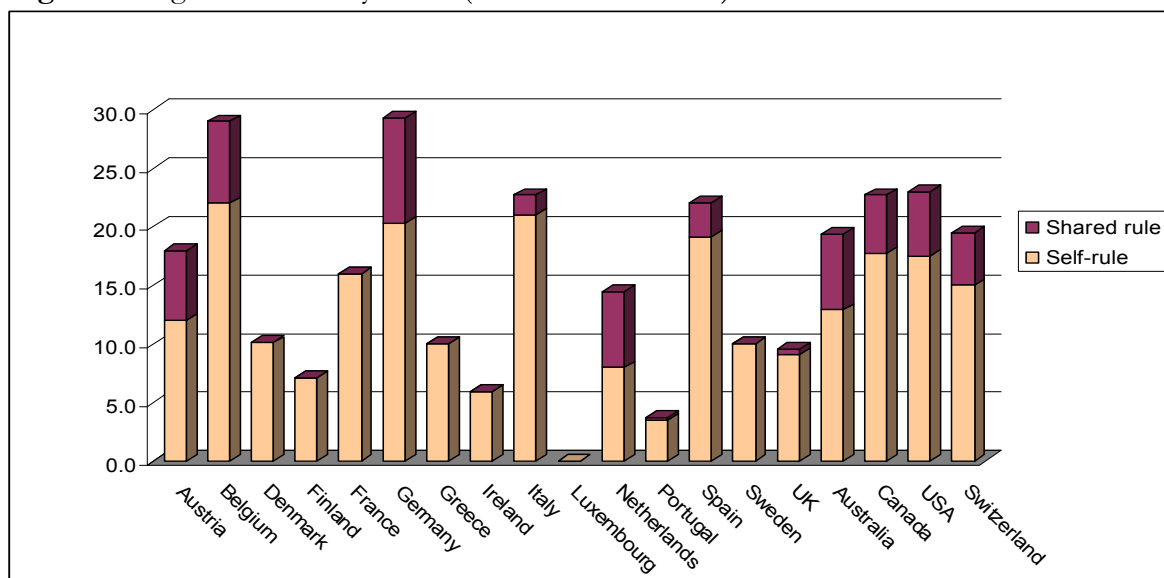
⁴ The Senate is composed of 71 members. Forty are directly elected in three constituencies (Flanders, Wallonia and Brussels) from two electoral colleges (French- and Dutch-speaking), so that 25 Senators are elected from the Dutch-speaking group and 15 from the French-speaking group. Twenty-one Senators are appointed by the Community assemblies: 10 by the Flemish Community, 10 by the French-speaking Community and one by the German Community. Ten members are finally co-opted by the Senate, 6 for the Dutch language group and 4 for the French language group.

Belgian federalism in a comparative perspective

It is often argued that Belgium, with its mix of consociationalism and federalism, is a one-of-a-kind country that is impervious to comparison. Whereas Belgium is indeed a rather special case, international comparison, which can show how things are done and problems solved in other countries, is always interesting and can put things into perspective. The figures below compare Flanders, the French-speaking and German communities and the Walloon and Brussels Capital regions to the 14 west European members of the European Union (the EU member states before the enlargement of 2002), three well-established non-European federations (Australia, Canada and the US) and a confederation, Switzerland. The data, like previously, comes from the study by Hooghe et al. (2008c).

Figure 2 below compares the aggregated regional authority index of Belgium to that of the 14 western members of the European Union, three non-EU federations and Switzerland.

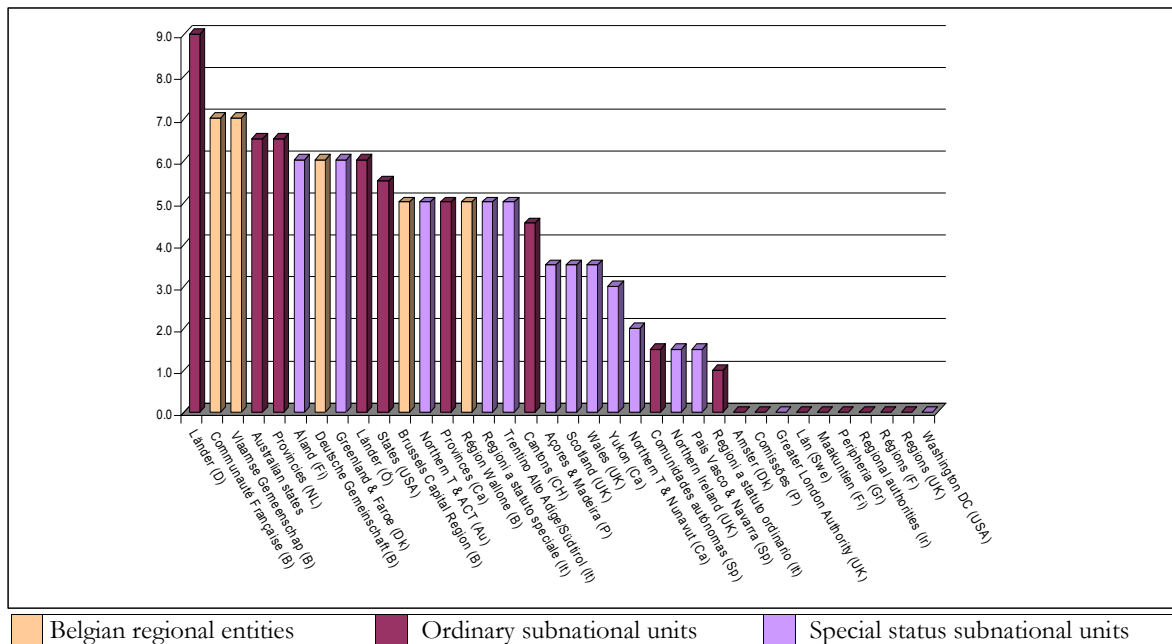
Figure 2. Regional Authority Index (self- and shared rule)



It shows that Belgium and Germany are the countries with the highest total RAI and that Belgium is the country with the highest self-rule score. Germany has a high score for regional self-rule and the highest score for shared rule. This last observation is not surprising for a joint decision-making federation. This data can be misleading, though, as the total aggregate country score includes both regions/communities and provinces. It is therefore more interesting to look at the data at the regional level.

Figure 3 compares the Belgian regions with the other regions in terms of self-rule and shared rule (Luxembourg is excluded from the data set, as it is not regionalised). The scatter-plot shows how Flanders scores highly on both axes: only one region or set of regions from the same country has a higher score for shared rule, and those regions with a higher score for self-rule have a lower score for shared rule. Because Flanders has merged its community and regional institutions, it achieves higher scores than the other Belgian subnational institutions, which are divided between communities (French- and German-speaking communities) and regions (Wallonia and Brussels).

Figure 3. Shared rule and self-rule in 17 countries, 2006 scores



The Belgian regions have the same score for self-rule as the Australian states, the Spanish autonomous communities, the Italian regions (both ordinary and special status regions), Scotland and Washington DC. This places Belgian regions in a group of subnational entities that includes a long-standing federation such as Australia and Spain and Italy, two European states that have undergone a process of empowerment of their regional entities that eventually led to a federalisation that may not say its name (in particular in Spain).

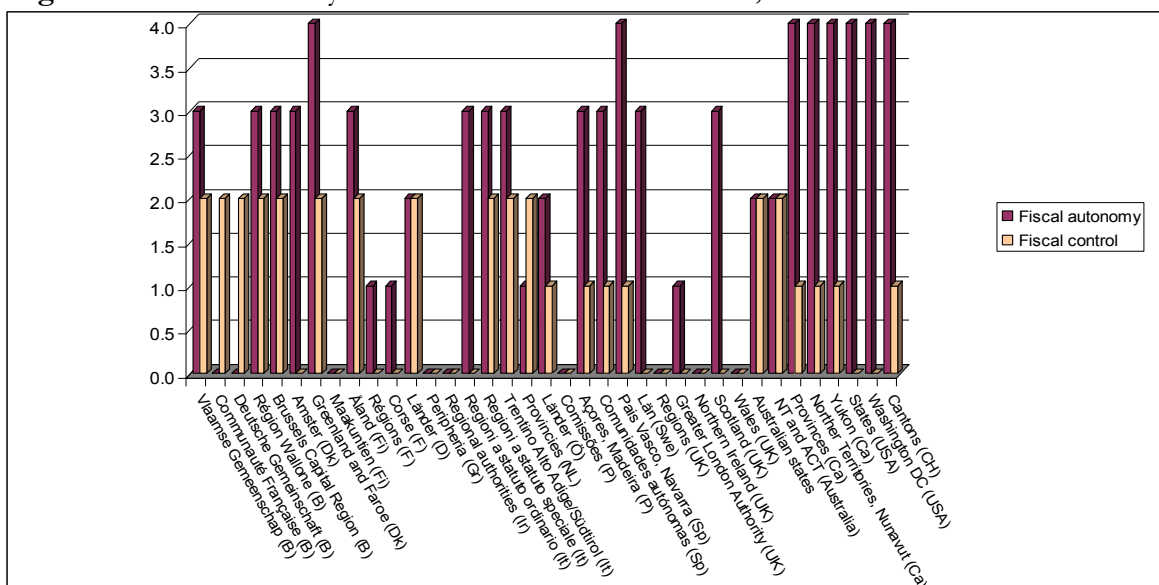
Figure 5 above compares the level of shared rule of the same regions. The German *Länder* have the highest score for shared rule, reflecting the integrative, joint-decision nature of German federalism. The French- and Dutch-speaking communities have the second highest score for shared rule. These communities receive the maximum score for integration in law making, executive control and fiscal control. They only fail to achieve a top score of 3 for constitutional reform. The German community and Wallonia and Brussels Capital also receive rather high aggregate scores. Their total score for shared rule is similar to that of American states, Canadian provinces, Austrian *Länder*, special status Italian regions and the Scandinavian special territories of Åland Island, the Faroe Islands and Greenland. They score higher than the Swiss cantons, the Spanish autonomous communities, Scotland and Wales.

Overall, the Regional Authority Index data presented here shows that Belgian federalism compares quite favourably in terms of self-rule and shared rule with other European countries and even established federations such as the US, Canada and Australia. Belgian regions score 13 out of a maximum 15 for self-rule, scoring 3 out of 4 for the categories policy scope and fiscal autonomy. Belgium's scores for shared rule show that the communities and, to a lesser extent, the regions, play an important role at the federal level, via the Senate and intergovernmental relations, but also because the regional level has a veto right over the redistribution of tax revenues.

Money matters: fiscal autonomy

The current institutional debate on state reform focuses particularly on the issue of finance reform. The next section compares the levels of fiscal autonomy of the Belgian regions to those of the other regions presented above. It also compares the data produced by Hooghe et al. (2008c) to OECD data, which is a widely used indicator of revenue and tax distribution in federal states.

Figure 6. Fiscal autonomy and fiscal control in 17 countries, 2006 RAI scores



Note: the maximum score for fiscal autonomy is 4 and that for fiscal control is 2.

Figure 6 shows that all the Canadian provinces, the American states, the Swiss cantons and the special autonomy regions of Greenland and the Faroe Islands in Denmark and Navarra and the Basque Country in Spain receive a maximum score of 4 for fiscal autonomy. Except for the Danish regions, this large fiscal autonomy is accompanied by a score of 1 (out of 2) for fiscal control, which evaluates the role of subnational governments or their representatives in the determination of the country's distribution of national tax revenues. Greenland and the Faroe Islands are the only regions with top scores for both fiscal autonomy and fiscal control. The Belgian regions, like the Italian regions and Åland, have scores of 3 for fiscal autonomy and 2 for fiscal control. The other regions that also score 3 for fiscal autonomy (Scotland, the Spanish, Dutch and Swedish regions, and the Açores and Madeira) receive a lower score for fiscal autonomy. Finally, the Belgian communities have no fiscal autonomy but score 2 for fiscal control.

The indicator of fiscal autonomy focuses on decisional autonomy rather than on subnational public expenditures or subnational tax revenues as a share of all expenditures or tax revenues. The authors argue that their measure identifies where power lies, whereas data on revenues and spending do not indicate whether a regional government is free to spend the money as it wishes or whether part or all of its resources come from conditional grants (Hooghe et al. 2008a: 127-29). This vision of fiscal autonomy should however be complemented by a look at the distribution of expenditure and revenues between the federal and regional levels of government. This will provide an indication of the importance of this decisional autonomy.

Table 3 below shows that while the expenditures of the Belgian regional governments represent close a quarter of all public expenditures, the share of revenues raised at the regional level is particularly low. There is therefore a very high level of vertical fiscal imbalance in Belgium: regional budgets are particularly dependent on federal resources (Swenden 2006: 113). Vertical imbalance is much lower in the other federal states presented in Table 3. It should be noted, however, that regions in federations that developed by decentralisation (as opposed to aggregation) have often obtained the ability to raise their own resources progressively. For instance, the Spanish autonomous communities have seen their fiscal autonomy increase progressively, with a significant increase in their financial autonomy in the mid-1990s (Aja 2003: 235-37; Gunther et al. 2004: 298-300 and 305-307). Belgium is a

recent case of federalism by decentralisation, and this fiscal imbalance may be interpreted as a sign that Belgian federalism may still be in its infancy.

Table 3. Spending and revenues by level of government, 2006 (%)

	Share in general government spending			Share in general government revenues		
	Federal	Intermediate	Local	Federal	Intermediate	Local level
Austria	45.7	15.1	12.2	44.2	15.3	12.8
Belgium	23.2	23.6	14.1	55.9	9.1	7.3
Canada	29.6	45.1	19.3	39.2	42.9	10.4
Germany	19.1	21.9	15.2	28.2	23.7	12.2
Spain	22.4	35.8	13.4	37.7	23.5	10.9
Switzerland	14.8	33.7	20.9	33.0	28.3	20.0
United States	56.3		44.9	63.6		37.7

Note: The data at the regional level is only available for these countries. For the other countries, the data is only available for the central government and the local level; social security expenses and revenues are counted separately. When the sum of federal, intermediate and local spending or revenues is inferior to 100, the remainder corresponds to social security spending or revenues.

Source: OECD 2009: 64.

Table 4 below presents the rough breakdown of the resources of the Belgian regions. As mentioned previously, the communities do not have any fiscal autonomy. Two thirds of their resources come from VAT transfers from the federal government and a quarter from personal income tax transfers (Swenden, 2006: 131). The regions are mainly financed on the basis of transferred taxes, even though their share of the regions' resources has decreased in the early 2000s while the share of self-raised taxes has significantly increased since 1995.

Table 4. Revenue sources of the Belgian regions and communities (% of total revenues)

	1990	1995	2000	2007
Own taxes	6.7	7.6	8.8	16.6
Transferred taxes	74.7	71.6	69.2	59.3
Revenues from other government transfers	9.1	8.5	8.7	9.5
Other revenues	9.5	12.3	13.3	14.7

Source: OECD 2009: 66.

The regions raise about one third of their own resources. They control a number of taxes: inheritance, estate and gift taxes, taxes on gambling and betting, taxes on the opening of drinking establishments and automatic amusement devices, radio and television licence fees, mortgage registration fees, road fund tax on automobiles and car registration fees (OECD 2009: 65). Personal income tax and corporate income tax are shared taxes, that is, that the federal government decides the base and levies the tax, but the regional governments can vary the rate of the PIT by 6.75 points. The regions have never used this possibility to add to the federal personal income tax, but the Flemish region has introduced a tax rebate and has scrapped the radio and television licence fee. The VAT is a shared tax between the federal and regional levels (Swenden 2006: 111, 132). Because the sums allocated to the regions do not depend on actual tax receipts, the OECD considers these resources derived from the VAT and the PIT as 'transfers' (OECD 2009: 67).

The recent evolution of the resources available to the regions may prove the point made earlier that Belgian regions, like in other countries, started with limited resources raised regionally but that the share of self-raised resources has increased over time.

Conclusion

- The institutional structure of the Belgian state has changed considerably since 1950. From a unitary state with provinces, it has become a fully-fledged federation.
- Belgium is however a very peculiar federation that mixes territorial and non-territorial federalism. The regions have a territorial basis (Flanders, Brussels and Wallonia), but the communities are based on linguistic affiliation (French, Flemish or German).
- This leads to institutional asymmetry:
 - Flanders and Wallonia are monolingual whereas Brussels is bilingual;
 - The Walloon regions includes the majority of the French-speaking population and the German-speaking population;
 - The French-speaking Community rules over the French-speaking part of Wallonia and the French-speaking population of Brussels;
 - The Flemish region is perfectly homogeneous, but the Flemish community covers Flanders and the Dutch-speaking population of Brussels. Because the latter represents a very small proportion of the Flemish-speaking population, the Flemish regional and community institutions were merged;
 - The German-speaking minority, located in Wallonia, has its own community institution but not regional institution, even though it has gained some regional competences from the Walloon region.
- However, this institutional asymmetry goes together with symmetry of competences: all the communities have the same competences, as do the regions.
- The regions have a higher Regional Authority Index score for self-rule than the communities, but the communities have a higher score than the regions for shared rule. This means that the regions have more decisional autonomy and that the communities or their representatives are more involved in central decision making.
- The Belgian regions have the same score for self-rule as the Australian states, the Spanish autonomous communities, the Italian regions (both ordinary and special status regions), Scotland and Washington DC. This places Belgian regions in a group of subnational entities that includes a long-standing federation such as Australia and also Spain and Italy, two European states that have undergone a process of empowerment of their regional entities that eventually led to federalisation (in particular in Spain).
- Flanders and the French-speaking community have the second highest score for shared rule after Germany, which is a classic joint-decision making federation. Because it has no group representation in the Senate, the German-speaking minority has no veto right over constitutional amendments and scores slightly lower for shared rule. It is still among the top ten regions in terms of shared rule.
- The data shows that the degree of self-rule and shared rule of the Belgian regions compares quite favourably with that of the regional governments of more well established federations such as Australia, the US, Canada and Germany.
- Turning to the issue of fiscal federalism, the RAI index shows that the Belgian regions have a high level of decisional autonomy over their resources. This means that they can spend their resources as they wish without interference from the federal government.
- However, the regions suffer from a strong level of vertical imbalance: their share of spending far exceeds their share of revenues. The communities have no autonomous

source of revenues and depend on transfers from the federal government. The regions raise about 25 per cent of their resources and the rest comes from taxes transferred by the federal government.

➤ Belgium is still a young federation, and a look at older holding-together federations such as Spain shows that regions have only acquired some level of financial autonomy through time rather than at the start of the process of federalisation. It is however generally considered important to redress vertical imbalances, as the fact that regional governments are not responsible for raising part or all of their own resources is said to lead to financial irresponsibility.

References

- Aja, Eliseo (2001) *El Estado Autonómico: Federalismo y Hechos Diferenciales*. Madrid: Alianza Editorial.
- Arghazi, Mohammad and J. Vernon Henderson (2005) 'Why Countries are Fiscally Decentralizing', *Journal of Public Economics* 89: 1157-189.
- Baldi, Brunetta (1999) 'Beyond the Federal-Unitary Dichotomy', Working Paper 99-7. Institute of Governmental Studies, University of California, Berkeley.
- Baubök, Rainer (2002) 'United in Misunderstanding? Asymmetry in Multinational Federations', *IWE-ICE Working Papers* 26. Vienna: Austrian Academy of Sciences.
- Brancati, Dawn (2006) 'Decentralization: Fuelling or Dampening the Flames of Ethnic Conflict and Secessionism', *International Organizations* 60(3): 651-85.
- Chandler, William M. and Marsha A. Chandler (1987) 'Federalism and Political Parties', *European Journal of Political Economy* 3(1&2): 87-108.
- Elazar, Daniel J. (1987) *Exploring Federalism*. Tuscaloosa, Ala.: The University of Alabama Press.
- Gunther, Richard, José Ramón Montero (2004) *Democracy in Modern Spain*. New Haven and London: Yale University Press.
- Hooghe, Liesbet and Gary Marks (2001) 'Types of Multi-Level Governance', *European Integration Online Papers* (EIoP) Vol. 5(11); <http://eiop.or.at/eiop/texte/2001-011a.htm> and <http://eiop.or.at/eiop/texte/2001-011t.htm>.
- Hooghe, Liesbeth, Gary Marks and Arjan H. Schakel (2008a) 'Operationalizing Regional Authority: A Coding Scheme for 42 Countries, 1950-2006', *Regional and Federal Studies* 18(2-3): 123-42.
- Hooghe, Liesbeth, Gary Marks and Arjan H. Schakel (2008b) 'Special Issue. Regional Authority in 42 Countries, 1950-2006. A Measure and Five Hypotheses', *Regional and Federal Studies* 18(2-3): 111-302.
- Hooghe, Liesbeth, Arjan H. Schakel and Gary Marks (2008c) 'Appendix B: Country and Regional Scores', *Regional and Federal Studies* 18(2-3): 259-74.
- Kymlica, Will (2001) *Politics of the Vernacular: Nationalism, Multiculturalism, and Citizenship*. Oxford: Oxford University Press.
- Lane, Jan-Erik and Svante O. Ersson (1995) *Politics and Society in Western Europe*. London: Sage (third edition).
- Lijphart, Arend (1999) *Patterns of Democracy. Government Forms and Performance in Thirty-Six Countries*. New Haven, Conn.: Yale University Press.
- Marks, Gary, Liesbeth Hooghe and Arjan H. Schakel (2008) 'Measuring Regional Authority', *Regional and Federal Studies* 18(2-3): 111-21.
- OECD (2009) *OECD Economic Report, Belgium*. Vo. 2009/12. Paris: OECD Publishing.
- Requejo, Ferran (2001) 'Federalism and National Groups', *International Social Science Journal* 53(167): 41-49.
- Riker, William H. (1975) 'Federalism', in Fred I. Greenstein and Nelson W. Polsby (eds) *Handbook of Political Science, Volume 5. Governmental Institutions and Processes*. Reading, Mass.: Addison-Wesley.
- Rokkan, Stein, and Derek W. Urwin (1982) 'Introduction: Centres and Peripheries in Western Europe', in Stein Rokkan and Derek W. Urwin (eds) *The Politics of Territorial Identity. Studies in European Regionalism*. London: Sage.
- Schakel, Arjan H. (2008) 'Validation of the Regional Authority Index', *Regional and Federal Studies* 18 (2-3): 143-66.
- Scharpf, Fritz W. (1995) 'Federal Arrangements and Multi-Party Systems', *Australian Journal of Political Science* 30: 27-39.

- Stepan, Alfred C. (2001) *Arguing Comparative Politics*. Oxford: Oxford University Press.
- Swenden, Wilfried (2006) *Federalism and Regionalism in Western Europe: A Comparative and Thematic Analysis*. Basingstoke: Palgrave.
- Watts, Ronald (1999) *Comparing Federal Systems*. Montreal and Kingston: McGill-Queen's University Press (second edition).