



Analysis

Belgium 6.0

The Butterfly Agreement, a milestone rather than the end game of State Reform

Prepared by Interel Belgium

October 2011

www.interel.be

Avenue de Tervuren 402 B-1150 Brussels, Belgium
© Interel Group 2011



Introduction

Similar to the five previous State Reforms in Belgium, State Reform n° 6, called “the Butterfly Agreement”¹, also contains many pages and arrangements. In the words of *formateur* Elio Di Rupo, “Flanders asked for a fundamental change, Wallonia and Brussels wanted stability”. One year and a half ago, Di Rupo described his assignment as “reconciling the irreconcilable”. Today, Di Rupo accomplished his mission. 458 days after the June 2010 elections, the split of the electoral district Brussel-Halle-Vilvoorde became a fact. One month later, on October 11th, a full agreement on the other subjects of discussion related to State Reform was also found and about which Di Rupo proudly announced: “we have an agreement”. Some say a miracle has happened, others think that the agreement will not mark a new era. It is clear that the 6th Reform will change the institutional relations. But the precise weight of the Butterfly Agreement will only appear in a few years of time.

Having finalised the negotiations on State Reform with eight parties, Di Rupo discarded in the meantime the Greens (Groen! and Ecolo) and decided on a future coalition with six parties. Drawing up the budget for 2012 will be a very difficult task and becomes also very urgent but *formateur* Di Rupo does not want to be put under too much pressure. The work on the budget needs to be “thorough” and “credible”. In any case, the next Belgian government is now clearly on its way.

¹ The so called “Vlinderakkoord” or “Butterfly Agreement” refers to *formateur* Di Rupo who always ties a butterfly knot.



State Reform: from one to six

When?	Direct cause?	Results?
1 1970	<ul style="list-style-type: none"> - Flemish demand for cultural autonomy - The demand of the Walloons and the French-speaking inhabitants of Brussels for economic autonomy 	<ul style="list-style-type: none"> - The establishment of three cultural communities assuming responsibility for all cultural matters: <ul style="list-style-type: none"> o the Dutch Cultural Community o the French Cultural Community o the German Cultural Community - The constitutional revision of 1970 also lays the foundations for the establishment of three regions
2 1980	<ul style="list-style-type: none"> - Flemish Christian Democrats find the first State Reform of 1970 insufficient (with Wilfried Martens as party president) - Negotiations could take place on the condition that the Brussels region was put "in the refrigerator" 	<ul style="list-style-type: none"> - Besides cultural matters, the cultural communities will also deal with "matters relating to the person" such as health and youth policy - Cultural communities become "communities" and were known as <ul style="list-style-type: none"> o The Flemish community o French community o German-speaking community - 2 regions are established: <ul style="list-style-type: none"> o The Flemish region o The Walloon region
3 1988-1989	<ul style="list-style-type: none"> - There is a need to make the guidelines of 1980 more concrete - Transfer of money between Flanders and Wallonia should be limited 	<ul style="list-style-type: none"> - Communities become competent for education which implying a substantial increase of the financial means of the communities - Brussels becomes an own region with own competences - Elaboration of the financing law regulating the financial flow between the federal state and the regions
4 1993 ("Sint Michiels-akkoord/ac cord de Saint-Michel")	<ul style="list-style-type: none"> - The completion of State Reform n°3 or the so called "roof on the federal house" (dixit J-L Dehaene) 	<ul style="list-style-type: none"> - Expansion of regional competencies and the introduction of a direct election system for regional parliaments - Belgium evolves to a federal system <i>sui generis</i> with no hierarchy of norms between federal and regional levels

- 5 2001 (“Lambermont agreement”)**
- Concrete demands of Flemish and Walloon parties need to be fulfilled
 - Regions receive additional autonomy in the area of fiscal policy and become in charge of cities and communities.
 - Competencies as fisheries, agriculture and foreign trade are transferred to the regions

- 6 2011 (“Vlinderakkoord/accord papillon or Butterfly Agreement”)**
- Several Flemish parties wanted a 6th State Reform following the elections of 2007 and insisted on transferring more powers to the regions



- The electoral and judicial district of Brussels-Halle-Vilvoorde is to be split.
- Competences worth € 17 billion are to be transferred from the federal level to the communities and regions
- Regions are to receive for 10,7 bio € fiscal autonomy (= own tax income + responsibility)
- Brussels region is to receive 461 mio by 2015
- Regions and communities are to be responsible for labour market, family allowance, care for elders, part of health care
- The Senate is no longer to be directly elected, but is instead to become an assembly of regional parliaments, with fewer members.

Fltr: Wouter Van Besien (Groen!), Jean-Michel Javaux (Ecolo), Charles Michel (MR), Caroline Gennez (sp.a), Elio Di Rupo (PS), Wouter Beke (CD&V), Laurette Onkelinx (PS), Alexander De Croo (Open VLD), Joëlle Milquet (CdH)



The Butterfly Agreement scrutinized

Pretty name, poor agreement?

- ✓ The negotiators tried to reconcile the (Flemish) demand for fiscal autonomy and responsibility on the one hand and the (Francophone) demand for solidarity and stability on the other.
- ✓ The agreement is based on two pillars: the transfer of competences to the regional level on the one hand and the maintenance of a federal level which is able to manage public debt and finance the social security.
- ✓ The N-VA factor is interpreted in different ways; some say an agreement was possible because N-VA was not implied in the negotiations on State Reform (N-VA refused to participate). Others are convinced that without the (direct and indirect) pressure of the N-VA, the 6th stage of Belgian State Reform would not have been realized.
- ✓ The Butterfly Agreement will definitely be part of the history books although it will probably not be the last State Reform that Belgium will know.
- ✓ Within years it will become clear whether this agreement is an improvement or not.

Will Belgium function differently tomorrow?

- ✓ With the agreement, the institutional relations will change. However, it does not represent a revolution.
- ✓ The budget of the regions increases significantly and numerous competences are transferred to the regions but not entirely such as the labour market. Critics talk about a real “patchwork” of competences. More concretely:
 - The transfer of the family allowance, care for elderly people and employment to the regions are the most striking. Labour law remains federal meaning that for instance regions cannot limit the unemployment benefit in time. Wage agreements also have to be concluded on the federal level.



- The social security remains federal. Consequently, the federal state still is in charge of replacement incomes (pensions, unemployment benefits, minimum wages). Health insurance also remains federal.
- Fiscal policy also remains a federal competence. However, regions receive some fiscal autonomy and can deal with tax deductible measures (in the framework of their competences). They are also allowed to reduce or increase personal taxation in order to influence the economic climate but within the existing federal taxation scheme.



From a Butterfly Agreement to a TINA government

- The next new government will consist of 6 political parties: socialists (PS and sp.a), Christian democrats (cdH & CD&V) and liberals (MR and Open VLD). For the first time since 1974 (the socialist Leburton government) Belgium will again be governed by a Francophone and moreover a socialist Prime Minister (after 6 Christian democrats and 1 liberal). Under pressure of the Flemish Christian democrats and liberals, Di Rupo decided that the Greens, who participated in the negotiations on the Butterfly Agreement and promised to continue to support the Reform, will not be part of the next government. Especially the Flemish parties fear that the foreseen economic reforms would be impossible to realize with the Greens.
- In fact, *There Is No Alternative*. The future "TINA-government" lead by Di Rupo faces a challenging budgetary task which will be easier to solve with less parties involved. By the end of this month, Europe expects the budget for 2012, for which 10 BIO EUR must be found in order to limit the budget deficit to 2,8 % of the GDP. Di Rupo wants to work in parallel on different themes such as labour market, pensions, unemployment. At the same time thematic working groups study matters as security, justice and foreign policy. It is absolutely certain that the savings that need to be found will be painful for everyone.
- The Flemish nationalists of N-VA, under the leadership of Bart De Wever (who will most probably be mayor-candidate for Antwerp in 2012), still remain very popular in Flanders. According to the latest polls (September 2011), N-VA is with 35% head and shoulders above the other Flemish political parties. The main suppliers of potential N-VA-voters are still the liberals (Open VLD), Christian democrats (CD&V) and Flemish extremists of "Vlaams belang". CD&V, who decided to detach itself from the N-VA and to participate to the negotiations on State Reform, becomes today a smaller party and will have difficulties to fulfil its former role as a buffer between left and right. It clearly has decided to present itself as a party defending Flemish interests.
- When the new government will exactly take office is still an open question. But it is evident that the new Belgian government is on its way. The future will also clarify the impact of the Butterfly Agreement on the functioning of the Belgian State with its regions and communities. Since the 6th State Reform increases the budget for the regions significantly, it will be very interesting to see which political choices the regions will make.



About Interel

Interel is a full-service communications consultancy, focusing on the delivery of expert strategic communications and public affairs services to a variety of clients in the private as well as public sectors. Interel assists companies and organisations in defining, anticipating and managing all aspects of their strategic communication through professional counsel aimed at developing or safeguarding their business interests.

Belgian public affairs and government relations have been a core element of Interel's business for more than 25 years. During this period, Interel has been involved in many of the large, high profile public affairs campaigns within Belgium, serving international and Belgian blue-chip clients.

Our Belgian public affairs service offering is unique in that it relies on a dedicated team of experienced professionals, including senior consultants. All our consultants are completely familiar with the complexities of the Belgian political system and its policy making processes.

We provide our clients with a wide range of services including monitoring, intelligence gathering, political analysis, strategic advice, representation and active lobbying. Thanks to our in-depth knowledge of the political structure of Belgium, we are equipped to offer these services at a federal as well as regional level.

Where necessary, the Belgian public affairs practice is used to working closely with other practices within the company (European public affairs, crisis management, mergers and acquisitions, media relations, reputation management, ...), wherever they have a Belgian Public Affairs component.

Interel Belgium is part of Interel Group, an international consulting group with offices in Brussels, Paris, London, Berlin, Prague and Washington DC, specializing in public affairs, strategic communications and association management.

For more information:

Interel Belgium

Avenue de Tervueren 402 Tervurenlaan

1150 Brussels, Belgium

Tel +32 2 761 66 11

Fax +32 2 761 66 01

www.interel.be