

**Presentation script
for the Final Conference
Equilibrium Europe
Bucharest 2010
June, 24**

***Panta Rhei,
on the threshold of changes in
watermanagement***

**Drs Hans Lutgens RA
Projectmanager**

→ *The Netherlands without dikes*

Dear Excellencies,
Dear Ladies and Gentlemen,

As you all know,
the Netherlands,
one of the largest deltas in the world,
have a long tradition on flood protection management.

Almost 70% of our country is situated below sea level.
We are threatened by floods,
from rivers and from the sea.

Good water management is a matter of survival,
a question of “to be or not to be”.

Let me explain.

→ *The North Sea Flood of 1953*

The last major flood in the Netherlands happened in 1953.

Almost 2,000 citizens lost their lives.

Pictures like these are carved in our national memory.

→ ***Itteren Flooded 1995***

In 1993 and 1995 the Province of Limburg, more particular a small village called Itteren within our domain, suffered from flooding caused by the river Meuse .

This time we were lucky,, there were no casualties!

→ ***But also breaking dikes in 2005***

The challenges, we are now facing, are greater than ever.

Now we have to deal with :

- rapid climate change,
- subsidence (due to water supply, 4 cm/year)
- and the rising of sea level (1 cm/year)

→ ***Secure sufficient funds for FLOOD PROTECTION***

The question was and still is, how do we manage to secure necessary funds to do the necessary investments and maintenance ?

I like to explain to you, in a few lines, the Dutch governance system and the Dutch way of financing water management

But before doing this
I like to ask your attention
for a presentation of Mr. Gurria, form OECD
about **managing water for all**
in Istanbul at the World Water Forum in 2009.

→ *managing water for all (1)*

Mr Gurria was addressing more than 20.000 politicians
and policy makers from all over the world.

He presented the *Managing water for all* report.
It deals with financing policies.

I recommend to take notice of this interesting research
report .

Especially when you consider to modify your financial
framework for water management.

→ *Managing water for all (2)*

Ladies and gentlemen,

Managing water for all concentrates on financial sources
The so called, abbreviated THREE T's.

It focuses on strategic financial planning,
planning that blends tariffs, taxes and transfers.

Strategic financial planning provides vital funds for investments and maintenance and it can help to **leverage** additional sources of finance.

Within our project we focused on the most important T. The T that stands for taxes.

→The position of water authorities

I like to tell you about the water governance model in the Netherlands.

But before doing that I give you an quick overview on our water administrative structure.

Watermanagement without EU is unthinkable. We have to manage according to Eu directives.

The state government stands for legislation, strategy policy and maintenance of the national water system.

Regonal water authorities manage flood control and regional water management.

Provinces perform monitoring activities.

It is good to keep this in mind when I explain the Dutch water governance.

→ Dutch water governance

In the Netherlands central government manages large-scale investments like dykes and barriers, for instance the storm surge barrier.

Local water authorities oversee **maintenance of infrastructure** in addition to :

- investments made for secondary dykes,
- embankments and
- the regulation of water levels, and

all local stakeholders pay a local tax according to their benefit, namely flood protection.

60% of all expenses are covered by these local taxes, which amount to €1 billion a year.

→ Dutch water taxes

How does this so-called regional water system tax work?

First of all, it must be emphasized that these regional water taxes are **purpose** taxes.

This means : all revenue is spent only on water-related tasks.

Everyone,
who **benefits** from the infrastructure,
pays a tax.

Beneficiaries include
households, companies and farmers.

Households pay a fixed rate,
while owners of real estate pay according to the value of
their respective properties.

An average household,
in the Netherlands,
pays € 55,= a year for flood protection in the case of a
rented home.

If one owns a home,
the corresponding figure is €115.

The costs and rates differ,
depending on the geographical area in which one lives.

Let us return to the alternative of local financing.

Local taxes
provide financial independence for the regional water
authorities.

And.....

There is no competition in terms of expenditure !

**→ Equilibrium , restore the balance between
expense and income**

Please see the first report of our Equilibrium project.
This was published in September 2007.

This report was the starting point for the next project
Equilibrium Europe.

It was a comparative study on local and central tax
systems

→ The Lutgens Hypothesis

The key characteristic of the Dutch tax system is
expressed in the so called **Lutgens Policy Hypothesis**.

What does it mean?

It means that there is no competition
among policy fields
when allocating budgets
coming from collected tax money.

All tax money, collected by water authorities is spend solely on water management.

There is no financial drain to other policy area's, for instance: health care, social security or defence.

So local taxes supply always a stable source for sufficient funding of water management.

Local decision-making by local stakeholders, represented in the board of the waterauthority, takes both available resources and expenditure into account.

→Equilibrium, restore the balance between expenses and income

As you know within the first project, together with financial water experts, coming from Hungary and Romania we compared centralized and local tax systems.

Local and central tax systems were evaluated form different viewpoints.

These viewpoints were derived from general accepted valuation criteria for tax systems. Please notice the outcome.

Together,
with our Romanian and Hungarian partners
we concluded,
that there were very good reasons
to investigate whether elements of the Dutch system
may be applicable in Romania as well.

So together we started “Equilibrium Europe” .

**→ Two important components of the Dutch
financial system for water management**

Equilibrium Europe focuses on two important components
of the Dutch water management tax model.

The first component concerns:
the defining and structuring of activities,
processes,
products and tasks,
and in addition to this framework
the design of a **fitting accounting system**

The second component regards:
the development of three different tax scenarios
and
decision making among these scenarios
by the authorities.

→: Accounting system (1)
Activities, processes, products and tasks.

Let me explain the first component :
structuring water management activities .

You know,
processes are composed by activities.

Processes generate products.

And by generating products
water tasks are accomplished.

By allocating or allotment of expenses to activities
we are able to calculate
the costs of water management tasks,
compliant to EU directives

So we get a more structured understanding
of the costs of water management.

→ **The accounting system (2)**

Now I'm addressing the second component :
the accounting system.

It enables responsibility accounting and
supports benchmarking.

And finally: it is the ultimate basis to calculate the the levy.

Mr. Filp and his team will explain the designed accountig
system to you.

→**What comes after adaptation of the accounting system**

Now we enter a crucial phase of the project:
the introduction of an improved tax system ?

We are talking about:

- decision making
- selecting the best of three possible tax sytems
and about
- the implementation.

You will understand that this regards decisions form
politicians and government.

Due to continuous political changes in your country
None decision was taken, until now.

We are aware of differences between Romania and the
Netherlands also from the viewpoint of water management.

For example we know that:

- You don't have to deal with threats from sea
like we have.
- The population density in many parts of Romania is
considerably lower than in the Netherlands.
- Romania has more hydro electric plants and reservoirs .
- In the Netherlands we don't have to deal with flash
floods.

Taking all these characteristics into account,
one may wonder:

[Can the Dutch tax system be an asset to your country?](#)

→ What did we want to achieve ?

You allow me to evaluate this project from the viewpoint of a projectmanager.

We wanted to select a finance system
securing sufficient funds
to avoid shortages in finance
needed for flood protection.

This is achievable by implementing a local tax,
of course adjusted to Romanian circumstances.

For that purpose we created an EU compliant accounting
system.

This is a prerequisite for both the introduction of a local
tax and EU-compliance.

→What did we achieve ?

We proposed a local Dutch- lookalike- tax system and two
other tax scenario's.

We managed to design and to introduce an EU compliant
accounting system.

Politicians and water authorities have to decide on
continuation. It's their turn now !

Before giving the floor to my friend Aurel
I like to adress some people
at the end of this pleasant and productive project

First of all I like to congratulate the projectteam from Cluj
with all achievements.

Due to the inspiring and sympathetic leadership of mr. Aurel
Filip and his excellent team
were were able to come to these remarkable results.

Aurel,
I thank you and Doris, Madalina, Nicolae and Raluca
also on behalf of Philip Daelmans
for the constructive and sympathetic collaboration.

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Dear friend Aurel..... the floor is yours!