

## THE SECOND TIER OF LOCAL GOVERNMENT IN THE CONTEXT OF EUROPEAN MULTI-LEVEL GOVERNMENT SYSTEMS: INSTITUTIONAL SETTING AND PROSPECTS FOR REFORM

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### Abstract

This article takes a comparative approach to the second tier of local government across 12 European countries. The first section of the article identifies the differences and commonalities in the institutional settings of the second level of local government. As we explain, the position of the second tier of local government in the context of multi-level government systems is highly influenced by the territorial organisation and the systems of political and administrative decentralisation of each country. Both factors define its *institutional strength* in relation to the central state, regions when they exist and municipalities. However, this conclusion becomes blurred when we analyse the reform processes affecting the second tier of local government over the last decade in the second section of the article. From an institutional perspective, the second tier of local government in Southern and Eastern European Countries is weaker than in most Central and Northern European Countries, but legal and political constraints on its reform are higher, thus showing that intergovernmental (central-local) relations still have a decisive influence in the on-going debates about the rescaling of statehood.

### EL SEGON NIVELL DEL GOVERN LOCAL EN EL CONTEXT DELS SISTEMES DE GOVERN MULTI-NIVELL D'EUROPA: EL MARC INSTITUCIONAL I PERSPECTIVES DE REFORMA

### Resum

*Aquest article estudia, des d'un enfocament comparat, el segon nivell de govern local en 12 països europeus. La primera part de l'article identifica les diferències i similituds en la configuració institucional del segon nivell de govern local. Tal com exposem, la posició del segon nivell de govern local en el context dels sistemes de govern multi-nivell està molt influenciada per l'organització territorial i els sistemes de descentralització política i administrativa de cada país. Ambdós factors en defineixen la força institucional en relació amb l'estat central, les regions (si existeixen) i els municipis. No obstant això, aquesta conclusió es desdibuixa en analitzar els processos de reforma que afecten el segon nivell de govern local durant la darrera dècada a la segona part de l'article. Des d'una perspectiva institucional, el segon nivell de govern local és més dèbil als països del sud i de l'est d'Europa que en la majoria dels països de l'Europa central i del nord, però les limitacions legals i polítiques, pel que fa a la reforma, són més altes, cosa que demostra que les relacions intergovernamentals (central-local) encara tenen una influència decisiva en els debats en curs sobre el redimensionament de l'estat.*

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## Summary

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## Introduction

The world has changed from the twentieth century's primary focus on national sovereignty and centralised government to the twenty-first century's concern with new systems of governance, which stress the importance of sub-national levels in public policy as well as in respect to representation and collective self-determination. In this context the effectiveness and the democratic quality of policy making in multi-level systems have occupied a prominent position on the political agenda and led in most European countries to a profound restructuring of regional and local government (Loughlin et al. 2011). The second level of local government, which is the *territorial level of government based in a multi-purpose jurisdiction* above the municipalities and below the regional level referred to by Sharpe (1993) as the level of 'meso government', is under review in most European countries in the context of deep changes of their multi-level government systems. While finding the right scale of government at an intermediate level has been a reason for continued sub-national reforms in Nordic countries traditionally concerned about the provision of welfare services, or in countries like Germany where the *Landkreise* are important territorial outposts of public administration organised by the individual federal states (*Länder*), the reform prospects now affecting the *départements* in France or the provinces in Italy or Spain are unprecedented, like the changes to the prefectures in Greece in 2010. For that reason this article has two main goals. Firstly, to identify the differences and commonalities in the institutional settings of the second level of local government in European countries following the typology developed by Heinelt and Bertrana (2011); secondly, to reflect on changes of these institutional settings as well as debated reform options.

We have included the Belgian, Dutch, Italian and Spanish provinces, the French *départements*, the German *Landkreise*, the Swedish *landsting*, the Polish *powiats*, the Romanian *judete* and the Hungarian *megyék*, together with the Danish counties and the Greek prefectures. Although the second tier of local government was abolished in 2007 in Denmark and in 2010 the prefectures in Greece were changed in such a way that it is debatable whether they have been abolished too or been up-scaled to the level of the former regions (as we will explain in Section 2), both cases offer interesting insights into the current rescaling of statehood.<sup>1</sup> The only EU member states with two levels of sub-national government *not* included in this article where the upper tier can be considered as local governments are the Czech Republic, the United Kingdom, Slovakia, Latvia and Portugal. However, in Portugal a second tier of sub-national government exists only for the islands of Madeira and Azores. By contrast, we have excluded countries with just one level of local government, namely the municipalities (Austria, Bulgaria, Cyprus, Estonia, Finland, the Republic of Ireland, Lithuania, Luxembourg, Malta and Slovenia). The twelve countries included in the article illustrate

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<sup>1</sup> We have excluded the German *Kreisfreie Städte* (or free-county cities), the Hungarian and Polish 'cities with county status' which provide both municipal and county functions or the special provisions for city-capitals or metropolitan areas with a two-tier system of government involving in some cases the second tier of local government (as happens, for example, in the Hanover region of Germany or in the metropolitan areas of Attika and Thessaloniki). In the Spanish case, we have also excluded the 'special provincial regimes' found in the Basque Country or in the Balearic and Canary Islands, the 'autonomous cities' of Ceuta and Melilla and the 'comarques' of Catalonia, Aragon and Castile-Leon, focussing our reflections on the 'common regime' provincial councils. Furthermore, in Italy the law gives '*Regioni a statuto speciale*' (Valle d'Aosta, Trentino-Alto Adige, Friuli-Venezia Giulia, Sardegna and Sicilia) the power to establish the so-called 'Province Regionali'. In parallel, some of the provinces in these regions enjoy a special status (for example, the Province of Bolzano and Trento in the Trentino-Alto Adige Regione are 'autonomous provinces', having even legislative powers) (see, for example, Baccetti 2011). All these Italian provincial special regimes have also been excluded, together with the particularities found in the local government institutions of French and Dutch overseas territories.

the diversity of political systems of second levels of local government in Europe, which is characterised by different state traditions and varied intergovernmental relations and local government systems.

## 1 Towards a comparative approach to the second tier of local government

The main characteristics of and differences between the second levels of local government in European countries cannot adequately be understood by reference to the different types of local government systems commonly discussed in the literature of local government.<sup>2</sup> These typologies address either local government in general or are focused (at least implicitly) on the municipal level. Furthermore, it can be argued that these typologies are ‘increasingly irrelevant’ as they focus ‘only on national and municipal government’ and do not consider ‘the increasing role of elected regional authorities’ (Goldsmith and Page 2010: 250) when it comes to the vertical relations of power. Therefore, we have comparatively analysed the main characteristics of and at the same time key differences between the second level of local government in European countries by taking into account their relationship to (a) upper levels of government and (b) municipalities with the approach based on ‘local capacity and supervision’ developed by Sellers and Lidström (2007) for municipalities. This approach takes a range of indicators into account ‘encompassing fiscal as well as political and administrative dimensions of empowerment and supervision’ (Sellers and Lidström 2007: 615).

### 1.1 The relationship between the second tier of local government and the upper-levels of government

In our comparative approach to the second tier of local government we have in the first place evaluated the ‘capacities’ by taking its *constitutional protection* into account, which is ‘the clearest measure of formal institutional guarantees for local authority’ (Sellers and Lidström 2007: 615). In addition, we considered the expenditure incurred by the second tier as a percentage of total public expenditure and locally raised taxes as a percentage of the total revenue of the second tier of local government as proxies for the capacities of this level with respect to its expenditure and financial autonomy within the multi-level government system of each country.<sup>3</sup> Although some of these indicators vary considerably, we have found a clear pattern pointing to the territorial organisation of each country as the most relevant variable to explain the relative strength of the second tier of local government in relation to the regional and the central state level.<sup>4</sup>

In all the federal or regionalised countries included in the study – Belgium, Germany, Italy and Spain – the local government system tends to have lower levels of public spending than in unitary countries, and this

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<sup>2</sup> See, for example, Page and Goldsmith 1987, Page 1991, Hesse and Sharpe 1991, Kersting and Vetter 2003, Denters and Rose 2005, Sellers and Lidström 2007 and Goldsmith and Page 2010.

<sup>3</sup> As Sellers and Lidström explain, ‘the capacities of local government within the array of specific policy sectors also need to be taken into account [...] but the shared powers among different levels of government in many areas would complicate any such an assessment’ (2006: 618). The assignment of expenditure across levels of government is difficult to delineate and assignments often overlap in regulation, management and service delivery (see De Mello 2011: 171). Thus we measure the capacities of the second level of local government by their expenditure as a percentage of total public expenditure and financial autonomy.

<sup>4</sup> More details about the cases included in this article can be found in the extended comparative analysis of the second tier of local government in different European countries of Heinelt and Bertrana (2011).

pattern also applies to the second tier of local government.<sup>5</sup> Furthermore, in unitary countries with a relevant regional tier in terms of political and/or administrative decentralisation, the position of the second tier of local government clearly tends to be relatively weak. This is the case for Poland or France, where the regions are the upper level of local government, the Netherlands or even Greece, a country divided before the recent reform in administrative regions. In Poland the *powiat* has become largely dependent on the regional tier, which is responsible for making the final decisions on the allocation of EU structural funds. In the Netherlands *functional* public bodies focussed on regional co-operation – especially the ‘plus-regions’ in urban areas – became increasingly relevant as an ‘additional layer of territorial governance’. Thus in both cases, regional authorities are clearly eroding the position of the second tier of local government in the multi-level government system. Something similar can be argued in the case of France, where the regions have strengthened greatly within the territorial organisation despite the fact that they are formally a comparatively weak sub-national level. In the case of Greece, one of the most centralised states in Europe, the transformation of the prefectures into a second tier of local government in 1994 could not ignore the growing importance of the regions in respect of the Operational Programmes funded by the EU structural funds and their growing ‘wide-ranging competences in several sectors’ (Hlepas and Getimis 2011: 136) already happening before the *Kallikratis reform* in 2010, which we will comment in the next section about reform processes.

By way of contrast, the regional level in other unitary countries considered in this section has a purely administrative or statistical status, or is politically and financially controlled by the central government. These countries are Denmark (before the 2007 reform), Hungary, Romania and Sweden.<sup>6</sup> Although the distribution of public spending across levels of government shows important differences depending on the degree of decentralisation, the second tier of local government in these countries is clearly responsible for higher proportions of public expenditure than in the other countries included in the article. There is thus a consistent pattern pointing to the inverse relationship between the existence of a relevant regional level of government and the ‘capacity’ of the second tier of local government measured by its political and financial strength. Furthermore, this factor has far more influence on the position of the second tier of local government in the territorial distribution of power than its formally guaranteed status, i.e. the degree of constitutional protection, which is a common feature for all countries except Denmark, Greece and Poland, although based on different legal and political developments.<sup>7</sup>

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<sup>5</sup> In Germany, the *Länder* are ‘unitary political entities’, whereas in Belgium, Italy and Spain the federal or central government has the power to define the basic institutional arrangements for the provinces. However, all of them share the common pattern mentioned above.

<sup>6</sup> The regions in Romania are governed by a regional development council formed by representatives of the *judete*, but have been increasingly controlled by central government since 2007.

<sup>7</sup> Local self-government is underpinned by the constitution of all countries considered with the exception of England. However, in Denmark, Greece and Poland the existence of constitutional guarantees of local self-government does not include any kind of guarantee for the existence of a second tier of local government. As has happened recently in Denmark with the second tier of local government or with the ‘up-scaling’ of Greek prefectures, the Polish *powiats* could be abolished by the Parliament. For example, the Greek Constitution establishes that ‘the administration of local affairs shall be exercised by local government agencies, the first level of which comprises municipalities and communities. Other levels shall be specified by law’. By contrast, in Belgium provinces are even listed by the Constitution (see article 5 of the Belgian Constitution). More frequently, the second tier of local government is recognised in the national Constitutions as a territorial level of government although their units are not specified. In this sense, its level of ‘constitutional endurance’ shows a great diversity not only defined by the Constitution, but also by the National Courts (as, for example, the Spanish case shows; see Bertrana et al. 2011).

Another relevant variable to bear in mind in order to understand the position of the second tier in the multi-level government systems of European countries included in our analysis is the varied process of political and administrative decentralisation shaping intergovernmental relations and having an important effect on the levels of ‘supervision and control’.<sup>8</sup>

In this respect, the Southern European countries – and also Hungary and Poland – have in common the weakest systems of control over local governments, mainly focused on *a posteriori* legal and financial (or accounting) control similar to that in the rest of the politically decentralised European countries. In the two Scandinavian countries supervision has traditionally relied on a centrally-driven management by objectives system, pointing to the relevance of performance or output-oriented evaluation. By way of contrast, in Belgium, Germany and the Netherlands, where the second tier of local government assumes a complementary role as a territorial outpost of central and/or federal state government, the *forms of supervision* include comprehensive systems of ex-ante legal and/or financial control over delegated tasks, which can also lead to expediency control.<sup>9</sup> Finally, Romania presents particular features because the Romanian *judete* are the main ‘intermediate level’ of government between the municipalities and the national government in a highly centralised country where the second tier of local government is subject to relatively rigid expediency controls in a local democracy greatly influenced by more than a century of centralist tradition.

In summary, the position of the second tier of local government within the multi-level government systems of a country is strongly determined by (a) the institutional strength of the regional tier of government and (b) the systems of administrative and/or political decentralisation. Although Lijphart (1999) characterised federal countries by high levels of decentralisation (but without any reference to local governments), Sellers and Lidström argue that federal sub-national governments maintain ‘more centralized relations with their localities than unitary states do with theirs’ (2007: 613). Nevertheless, among the countries covered by this article there are examples of (highly centralised) unitary states where the second tier of local government is very weak. However, if the degree of decentralisation is relevant for the institutional strength of sub-national governments, then the institutional strength of the regional tier of government

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<sup>8</sup> Ebinger et al. (2011) define three ideal types of decentralisation: (1) *political decentralisation* is ‘the transfer of state functions that have either been located on the central level of government or its agencies into the sphere of local government’, thus making local government competent ‘to decide autonomously on the planning, financing and administration of newly acquired executive functions’ (2011: 182); (2) *administrative decentralisation* is defined ‘as the concession of executive functions from the state to local administrative authorities without the assignment of locally elected bodies to decide autonomously on the purpose’ (Ebinger et al. 2011: 182). When decentralisation processes have an administrative nature, local governments act as agents of upper level governments and remain ‘at least formally under the states’ full control not only of the legality but also of the functionality and the professional quality of the respective action’ (Wollmann 1997a: 106; see also Wollmann 1997b). Finally, (3) *administrative de-concentration* is ‘the delegation of central state functions to administrative bodies on the sub-central level of government which are still part of the states’ own administration’ (Ebinger et al. 2011: 182).

<sup>9</sup> According to the article 8.2 of the European Charter of Local Self-Government, ‘any administrative supervision of the activities of the local authorities shall normally aim only at ensuring compliance with the law and with constitutional principles. Administrative supervision may however be exercised with regard to expediency by higher-level authorities in respect of tasks the execution of which is delegated to local authorities’, as happens in Belgium, Germany and the Netherlands where the second tier of local government assumes delegated tasks and upper-levels of local government take into account ‘the functionality and the professional quality of the respective action’ (Wollmann 1997a: 106). By way of contrast, these vertically layered systems of control are either non-existent or irrelevant in the other countries. Although the second tier of local government in Southern and Eastern European countries can also take on specific delegated tasks, their minor relevance does not prefigure a system of administrative decentralisation similar to that of the North-Middle European countries referred to earlier.

seems to have a direct impact on the relative strength of the second tier of local government in relation to upper levels of government.

## 1.2 The relationship between the second tier of local government and municipalities

Analysis of the politico-administrative and financial position of the second tier of local government in relation to the municipalities offers a more comprehensive assessment of the position of the second tier of local government within the multi-level government system of the countries included in the article, because it shows the politically and financially weak position of the second tier of local government in relation to municipalities in most of the countries included in our analysis. However, national variations point to different groupings of countries if we take different patterns of 'local capacity and supervision' into account following the model outlined in the last section, which again follows the Heinelt and Bertrana (2011) approach to comparative analysis.

Again, in Belgium, Germany and the Netherlands the second tier of local government has a 'dual position' because it is a territorial level of local self-government and at the same time performs an important role as a multi-purpose administration of upper levels of government. The German *Landkreise* have some specific features because they are able to act also as an 'association of municipalities' thus raising financial resources (*Kreisumlage*) directly from municipalities as well as hierarchically coordinating them. However, the common role of the German *Landkreise* and the Belgian and Dutch provinces as territorial outposts of upper levels of government provides the second tier of local government of these North-Middle-European countries with a distinctive characteristic as supervisory authorities over the municipalities, that does not feature in other countries.

By contrast, the second tier of local government in France, Italy, Spain and Greece has been progressively separated from the de-concentrated administration of central and/or regional government. Although the processes of decentralisation vary, the second tier of local government operates exclusively as a territorial unit of local self-government. The most important differences between these countries lie in the territorial organisation of each country. Whereas the way the Spanish provincial councils fit into the 'State of the Autonomous Communities' (*Estado de las Autonomías*) has been highly controversial, in France and Italy the second tier of local government has become stronger as a consequence of different territorial and/or functional reforms in the context of decentralisation and regionalisation which have altered the vertical distribution of power. For this reason, Spain together with Hungary and Poland have the weakest second tier of local government of all the countries included in the analysis in respect to the politico-administrative as well as the fiscal dimensions of their relationship to municipalities. Although the Spanish provinces and Polish *powiaty* formally coordinate the provision of municipal services, in practice they can only coordinate a minor part of capital investments through the (re)distribution of financial transfers – earmarked grants in the case of Poland and general grants in the case of Spain – from upper levels of government. In addition, the second tiers in Spain and Hungary show some interesting peculiarities. Spain maintains an exceptional 'indirect' system of election because the provincial councillors are elected by the political parties (and their local elites) from amongst the municipal councillors based on the results of the municipal election. In Hungary municipalities can transfer responsibilities for services to the *megyék* which is required to carry out such transferred services. Under the current considerable financial pressure, this has

happened *en masse*, driving the Hungarian counties into a tight corner. All these national arrangements point to a weak second tier of local government in respect to their relations with municipalities.

The role of the counties in Denmark and Sweden demonstrates their strength as territorial units of local self-government with a high 'capacity' for financing tasks and performing an important role in policy-making as well as in the provision of welfare-state services. For this reason the second tier of local government has been contested in Scandinavia. This was shown up by the abolition of the Danish counties and the gradual replacement of Swedish counties by a smaller number of larger regions. However, there are still favourable conditions for a 'nationalized local governance infrastructure' (Sellers and Lidström 2006: 622) in the Nordic countries and this is likely to hold true in the future.

Finally, it must be pointed out that the changes to the traditional centralism found in Romania have been ambivalent for the second tier of local government. In Romania, decentralisation processes and democratic reforms (for example, the introduction of directly elected presidents of the *judete* in 2008) seem to empower the second level of local self-government but, at the same time, the growth of earmarked grants, the 'burden of administrative responsibilities' (Stanus and Pop 2011: 217) still fulfilled by the *judete* and the aforementioned expediency controls result in major constraints and challenges for local autonomy in general and for the relationship between the municipalities and the *judete* in particular.

### 1.3 A typology of the second tier of local government in European countries according to vertical power relations

Despite marked differences in the 'capacity' and 'supervision' of the second tier of local government in the countries covered by this article, it is possible to distinguish four broadly defined distinctions in their position within the vertical power relations of different countries.

Strong local fiscal and politico-administrative 'capacities' together with moderate levels of supervision and control are the distinctive features of the Swedish *landsting* operating exclusively as 'pure' territorial units of local self-government in highly decentralised unitary countries. The same applied to the Danish counties before they were abolished.

The second variant is associated with Belgium, Germany and the Netherlands, where the second tier of local government develops a 'dual role' as a territorial unit of local self-government and, at the same time, as a (multi-purpose) territorial state administration, thus playing a distinctive role as an institutional interface between levels of government. The Belgian and Dutch provinces and the German *Landkreise* show different levels of 'capacity' but they are at the same time subject to stronger supervision and control from upper-levels of government than in the Nordic countries. Furthermore, although their 'capacity' in relation to municipalities differ, the 'dual role' of the second tier in these countries leads towards higher levels of supervision over the municipalities than in other countries. An exception in this respect is the Belgian provinces, which follow similar patterns to the second level of local government in Southern European countries.

The third variant follows what may be called a 'municipalised second tier' (adopting a Greek expression). The second tier of local government in France, Greece, Italy and Spain shares a common past and a common future, with moderate to weak 'capacity' in relation to upper levels of government and

municipalities, but high levels of (formal and informal) discretion due to moderate supervision and control in practice by upper levels of government.

The prediction by Hesse and Sharpe (1991: 608) in suggesting that the 'North and Middle European' variant of local government was 'emerging as the model of the future' for some countries of the 'Franco' group clearly turned out to be incorrect. Neither in terms of 'capacity' nor in terms of supervision has the second tier of local government in France, Greece, Italy and Spain followed the path of North-Middle or Northern European systems of local government in respect of intergovernmental relations.<sup>10</sup>

The same applies to Hungary and Poland, which show a similar pattern to that of the Southern European countries in terms of 'capacities' with higher levels of supervision from upper levels of government. The most noteworthy difference between of the Southern European countries and Hungary and Poland is the lower level of financial autonomy and discretion found in these Eastern European countries.

Finally there are the Romanian *judete*, which cannot be placed in any of these groups. Although the second level of local government shows a relatively strong position in the vertical allocation of resources, it is more dependent on and strongly supervised and controlled by central government than in any of the other countries covered by this article, thus also developing stronger supervisory powers over municipalities.

## **2 An overview of reforms of the second tier of local government during the last decade**

As pointed out in the introduction, over the last few years the effectiveness and the democratic quality of policy making in multi-level systems have occupied a prominent position on the political agenda, thus leading most European countries to a profound restructuring of regional and local government (Loughlin et al. 2011). However, the basic institutional setting of the second tier of local government in the Netherlands, Spain or most Eastern European countries included in this article has shown a higher degree of institutional stability than the rest, as happened in Belgium until the Lambermont agreement which came into effect in 2002, transferring the competence over 'local authorities' to the regions. In these countries the second tier of local government until now has showed a high capacity to resist any attempt to impose far-reaching structural reforms, if we exclude 'constituent periods' and, in this sense, wider processes of democratisation and decentralisation affecting the whole political system.

Debates about up-scaling Dutch provinces at the regional level have frequently been held in the Netherlands since the 60s, leading to the emergence of functional urban regions like the Randstad Region (Arendsen 2011), but the most relevant institutional change implemented until now has been the Dualisation Act in 2002, which redesigned the *internal* political organisation of local governments.

A similar point could be made concerning Spain or Eastern European Countries. In the Spanish case, the political transition to democracy paved the way for the institutional consolidation of the '*Estado de las Autonomías*', thus transforming the role of provincial councils from that played under Franco's dictatorship

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<sup>10</sup> It remains an open question whether the different forms of local government found in the Belgian regions of Flanders and Wallonia will develop in different directions and thus alter the position of the second tier of local government in the intergovernmental relations in the two parts of Belgium.

and eroding their role in the multi-level government system (see Bertrana et al. 2011), but provincial councils have remained practically untouched since the 80s.

The same can be applied to Hungary, Poland and Romania, because in these Eastern European *new democracies* the second tier of local government was completely reformed during the processes of democratisation as happened in Spain, or was established later as happened in Poland, where the creation of elected governments at *powiat* and regional levels was delayed until the end of 1998 (starting to operate at the beginning of 1999), but since then have only experienced minor institutional changes. In Hungary (where government offices were created at county level in 2011, see Sóos 2011: 160-161), Poland (see above) or Spain (where the evolution of the *Estado de las Autonomías* led to a quasi-federal state), the evolution of the multi-level government system has *only* indirectly affected the second tier of local government. By contrast, in Romania the *judete* have experienced concrete reforms. For example, in 2006 when legal provisions stimulating inter-municipal cooperation allowed counties to be part of them ‘with negative consequences for the policy-making discretion of the first tier of local government’ (Stanus and Pop 2011: 221) or in 2008 with the establishment of directly elected county presidents (*ibidem*). Finally, the same has happened in Belgium since the Lambermont agreement, which led to reforms in the system of government of provinces and relatively minor functional changes both in Flanders and Wallonia over the last ten years (for a detailed explanation of these reforms, see Valcke et al. 2011). All these countries have faced endless debates about the abolition of the second tier or its up-scaling at the regional level over the last few decades (see the different country chapters of Heinelt and Bertrana 2011), but the basic institutional setting of the second tier of local government shows a high degree of stability.

By contrast, Nordic countries like Denmark or Sweden (or the United Kingdom, not included in our study) share a long tradition of continuous structural reforms of local government, which continued over the last decade (for a historical overview consult the different country chapters of Baldersheim and Rose 2010 or Heinelt and Bertrana 2011). In 2007, Denmark abolished its counties, shifting most of their tasks to municipalities (which were amalgamated) and creating new government structures at the regional level responsible for health services (see Mouritzen 2011). In Sweden, there is an on-going review of the second tier of local government aimed at amalgamation, which should be complemented by the allocation of more functions of the de-concentrated central state administration at this level of government (see Bäck 2011).

Finally, these kinds of reforms – based on a coercive approach – have also been frequent in Germany. As the German *Länder* are the ‘masters’ of their local government reforms, they show up differences within the German federal state. There have been

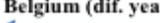
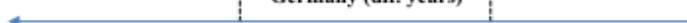
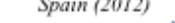
- territorial reforms to reduce the number of counties since 2007 in Mecklenburg-West Pomerania, Saxony-Anhalt and Saxony as well as discussion or actual implementation of territorial reforms at both municipal and county levels in Schleswig-Holstein, Lower Saxony and Rhineland-Palatinate,
- different kind of functional reforms during the last decade shifting tasks from de-concentrated government offices (*Bezirksregierungen*) to the counties (as in Baden-Württemberg and Lower Saxony) and creating new metropolitan-governance arrangements (like the case of the Hanover ‘region’) (see Heinelt and Egner 2011: 120), and finally

- democratic reforms, already leading since the 90s to free-list systems or directly elected county presidents/*Landräte* (van der Kolk 2007: 160).

Due to its coercive top-down approach, this kind of reform in Nordic and North-middle European countries has been termed ‘North European Strategy’ to distinguish it from a ‘South European Strategy’ (see, for example, Norton 1994 or, more recently, Wollmann 2010) retaining not only the historically grown small-size format of the municipalities by creating different kinds of inter-municipal bodies, but also a second tier of local government specially designed to support municipal government activities and services. The ‘South European Strategy’ has been most clearly pursued in France, but also in Greece up to the 1990s and in Italy until the current economic and financial crisis.

In this sense, one of the most striking features of the reform processes on the second tier of local government driven during the last decade in most of the countries analysed in the article and, in particular, in Southern European countries, is their impact in the multi-level government systems of each country, as shown in the next table (Table 1). In Table 1 we have classified reforms according to their impact on the territorial organisation (boundaries and territorial levels) and their functional (competences, tasks and finances), democratic (electoral system and system of government) or multidimensional nature.

**Table 1. An overview of reforms of the second tier of local government in the context of the recent rescaling of statehood (2003-2013)**

	Territorial reforms	Functional reforms	Democratic reforms	Multidimensional reforms
<b>Limited to the Second Tier of Local Government</b>			<b>Belgium (dif. years)</b>  <b>Romania (2008)</b> 	
<b>Impacting on the multi-level government system</b>	 	<b>Romania (2006)</b>  <i>Sweden (2009)</i>  <i>Spain (2012)</i>  <b>Belgium (dif. years)</b>  <b>Germany (dif. years)</b> 		<b>Denmark (2007)</b>  <i>France (2010 - )</i>  <b>Greece (2011)</b>  <i>Italy (2011)</i>  <i>The Netherlands (2012)</i> 

Note: countries where reforms have been totally implemented are in bold (however it may have taken place across different years, as in the case of Belgium); countries where these reforms are planned or announced are in italics. In the rest of countries, reform processes are being progressively implemented. In those cases, the year marks the starting point of the implementation process.

Source: own composition by the authors

Although in most of the countries included in our article the institutional setting of the second tier of local government has been discussed for years (for an overview see again the different country chapters of Heinelt and Bertrana 2011), it is quite clear that the current economic and fiscal crisis has opened a

‘window of opportunity’ to realise reforms which would have been difficult to implement under *normal* circumstances. The real impact of these reforms if they are finally implemented remains to be seen. In some countries like Spain the debates (or even the plans or proposals for reform of the central government) have still not affected the provinces, but in Greece or Italy we are witnessing far-reaching structural reforms, which President Sarkozy also started to develop in France before President Hollande decided to reconsider them.

In 1997, Greece was the first South European country dramatically deviating from the *South European* principle. Instead, Greece embarked upon the *North European* track of territorial reforms by way of binding (coercive) legislation. The number of municipalities was reduced from 5,825 to 1,034 (that is, by over 80 percent) averaging 10.750 inhabitants. Even more conspicuously, in 2010, under the impact of the unprecedented financial crisis and growing external pressure (through the International Monetary Fund and the EU) and in an ensuing attempt to reduce personnel costs and to achieve more cost-efficient sub-national administration, the then ruling Socialist government again pushed through an institutional reform. Through the so-called *Kallikratis* programme, not only was the number of municipalities reduced from 1,034 to 325 within a year, but the 50 prefectures ‘moved up’ to the regional level which had previously consisted only of territorial units of de-concentrated state administration (which is now organised in seven units).

This reform was surprising insofar as a great number of prestigious and powerful political posts were lost. Before the crisis, they would have been regarded as necessary to keep party clientelism alive. However, as the recent financial crisis in Greece demonstrates, it depends on actors using a ‘window of opportunity’ to overcome resistance against a far-reaching territorial reform which had been perceived for years as desirable. From this point of view, similar developments could be observed in Italy, where against the background of the current economic and fiscal crises the Monti government started a reduction of the provincial administrations (under the pressure of a public statement of the Governing Council of the European Central Bank on the Italian reform agenda). The territorial reform delineated by the Monti government plans to reduce the number of provinces from 86 to 51 in ‘ordinary-statute regions’ according to territorial and demographic requirements. Furthermore, ten metropolitan cities should be created in the major urban agglomerations, assuming both the powers and responsibilities of municipalities and provinces. The provinces in the ‘special-statute regions’ (Aosta Valley, Friuli Venezia Giulia, Sicily, Sardinia, Trentino-Alto Adige/Südtirol) must accomplish the same criteria, but their regional councils will be free to decide how to carry on the reform, as has already been done by Sardinia and Sicily, where provinces were completely abolished at the beginning of 2013. As happened in Greece, the government aimed to develop a systemic reform of the territorial organisation embracing the different sub-national levels of government and the de-concentrated administration of the central government. However, since the national election held at the beginning of 2013 failed to produce a clear majority in both chambers of the national parliament, what will happen remains an open question.

In the same way, probably the ‘*Loi 2010-1563 du 16 décembre*’ of the ‘*réforme des collectivités territoriales*’ could have signalled the start of a deep institutional reform process affecting the second tier of local government in France since the so-called ‘Deferre laws’, which were crucial for the political decentralisation in France before the Law 2004-809 (or Act II) set out to strengthen regional government, although it finally empowered the *départements* (for an overview, see for example Négrier 2011). In fact,

the institutional reform that began in 2010 is concerned primarily with the departments and the regions, both their elected bodies and their powers and responsibilities. This law approved under the Sarkozy government skipped the '*clause de compétence générale*' for the *départements* and the regions in the framework of clarifying their tasks, competences and finances. For that reason, Négrier considered that recentralisation was 'the core idea behind this reform', oriented to 'exerting power over sub-national government from a distance' (Négrier 2011: 88). Furthermore, the law aimed to introduce changes in the system of representation. And finally it established new mechanisms to ease the merging of *départements* and regions (for an overview of these planned reforms see Council of Europe 2012). Insofar as the implementation of these substantial reforms was pushed back and required additional legal developments, Hollande's government has been able to refocus them. Although Hollande's planned reform will maintain a multidimensional approach to the reform of the '*collectivités territoriales*' and thus impact on the tasks and functions of intermediate local governments and their electoral and political systems, it is quite clear that it will not transform their basic institutional setting. Furthermore, Hollande's planned reform will maintain the 'Southern European' pattern.

The same is likely to happen in Spain, where the government presented a Draft Bill on the 'Rationality and Sustainability of Local Administration' (Anteproyecto de Ley de Racionalización y Sostenibilidad de la Administración Local) in 2012, focused on the rescaling of municipal services to the provincial level to overcome the weaknesses of the fragmentation of the municipal level. This is surprising – and makes the actual implementation of this plan questionable – if we take the weak democratic legitimacy of provincial councils and the contested role of the Spanish provinces in the context of the *Estado de las Autonomías* into account (see Bertrana et al. 2011).

Even more uncertain is the planned reform of the second tier of local government in the Netherlands, announced by the Dutch cabinet (led by Mark Rutte) following the 2012 national election. This reform would include an up-scaling of provinces into five regions. Although decisions about amalgamation of most provinces are still open, the provinces North Holland, Utrecht and Flevoland should be merged. Furthermore, an amalgamation of municipalities to a minimum of 100,000 inhabitants is planned as well as a reduction of political officeholders and a constitutional change about the way the Queens Commissioners (the mayors) are elected. Finally, a reallocation of powers and competences across levels of government should take place (for more information about this planned reform, see Government of the Netherlands 2013).

In this sense, we can conclude that the degree of regionalisation and the systems of political and administrative decentralisation of a country may define in general the institutional setting of the second tier of local government (as we pointed out in the first section of the article). Nevertheless, they do not always have a clear impact on intergovernmental relations. Most of the reforms of the second tier of local government implemented or planned over the last few years must be understood in the context of previous changes of multi-level government systems resulting from historically grown interdependence across levels of government and a particular distribution of political power embedded in this interdependence.

## Conclusions

The second tier of local government seems to be the weakest link in the chain of the multi-level government systems in European countries, frequently squeezed between the powers of central or regional governments and municipalities, which can be clearly considered the 'first tier' of local government. One key point shown by our analysis is that there is a 'trade-off' between the empowerment of regional and local government as the institutional strength of the regional tier of government is limiting that of the second tier of local government. This is demonstrated by the Nordic countries, which have the strongest local government systems and the highest degree of decentralisation. By contrast, the weakest systems of local governments in terms of capacity can be found in Southern and Eastern Europe, where historical centralism is being re-framed by new processes of regionalisation as the main motor for decentralisation and the upper tier of local government is basically oriented towards cooperation with municipalities to overcome the weaknesses of their high fragmentation. Only Germany has succeeded in balancing strong regional (or, in this case, federated) government and a *relatively* high level of autonomy and local self-government on the second tier. The German case shows that the second tier of local government may have an important role, not only in the calling for local autonomy, but also in redefining the administrative systems of the *Landkreise*. The same applies in Belgium, where arguments for the relevance of political and administrative decentralisation have up until now been to safeguard the position of the second tier within the multi-level government system. In fact, one can say that the second level of local government never walks alone, because its institutional setting is highly dependent on the vertical territorial organisation of statehood.

However, at the same time, it is quite clear that the second tier of local government in some Southern and Eastern European countries following what we like to call a 'municipalised second tier' may have a relevant role in intergovernmental (centre-periphery) relations, thus showing a higher degree of institutional stability and, in this sense, of political strength. This is only a hypothesis, already previously formulated by Page (1991), referring however to municipalities. He predicted a tendency to 'political localism' in these countries, in contrast to the 'political centralism' of Northern countries. Of course, an analysis of the political power of local governments across levels of government would require in-depth research, for instance on questions like the personal accumulation of political mandates by local leaders, or their influence through party lines, but the institutional setting of the second tier of local government in these countries, together with the legal and political constraints on its reform, could be pointing in this direction.

Again, if we include systems of supervision and control in this typology we can see that higher levels of 'local capacity' in terms of powers, competences and financial strength frequently come along with higher levels of supervision and control from upper-levels of government and vice versa. In Northern European countries, local powers and responsibilities developed in the context of powerful welfare states and connected elaborated systems of policy evaluation and financial control by central government. This relationship between 'capacity' and 'supervision' is also particularly evident in Belgium, the Netherlands or Germany, where the role of the second tier of local government as a multi-purpose state administration can be seen again as a way of empowering this level of local government, although it comes along with expediency controls not applicable when it is acting only as a territorial unit of local self-government.

From this perspective, it may not be surprising that countries with the weakest degree of local capacity – like many Southern European countries such as Greece, Italy or Spain, and to a lesser degree France, or Eastern European countries – show comparatively underdeveloped systems of control based on legal supervision, which enable municipal and provincial elites to develop welfare state services complementary to those already established by upper-levels of government. This is probably the *dark side* of the re-scaling of statehood: substantive gains of local government in power and responsibilities come together with more, or even more elaborate control by upper-level government. Intergovernmental (central-local) relations still have a relevant political influence in the on-going debates about the rescaling of statehood.

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