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**Article**

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## SUBNATIONAL GOVERNMENT SYSTEM IN THE EU AND ITS RECENT REFORMS

The relationship between central and local (and regional) governments has been changing all the time. The idea of decentralisation of political decision-making has become increasingly popular worldwide, which is also accompanied by fiscal decentralisation in most cases. In the last twenty years the acknowledgement of subsidiarity as the basic principle for the European Union, the introduction of the West German federal system in the eastern part of the country, and the revival of regionalism in Western European countries like Portugal were distinct examples of the decentralisation process in Europe. In addition, this kind of political decentralisation has also been pronounced in most transition countries in the EU (John 2000).

According to Dexia (2012), the total number of subnational governments in the EU27 (i.e. except Croatia) amounted to 90,380 in 2011, including 89,149 municipalities, 981 'intermediary entities' (departments, provinces, etc.) and 250 'regions'<sup>1</sup>, which can be classified into the 2nd or 3rd level (Table 1). In the same year 11 EU countries had just one-level of subnational authorities, which included Bulgaria, Cyprus, Estonia, Finland, Ireland, Latvia, Lithuania, Malta, Portugal and Slovenia. In comparison, nine other countries such as Austria, Czech Republic, Denmark, Greece, Hungary, the Netherlands, Romania, Slovakia and Sweden were endowed with the two-subnational government system.<sup>2</sup> The rest – seven relatively large countries like Belgium, France, Germany, Italy, Portugal, Spain and the UK – had three subnational levels.

The following significant reforms and changes were carried out between 2006 and 2011.

Until 2008 Latvia used to belong to those EU countries with two levels of subnational government. However, this country (with ca. 2.1 million inhabitants in the area of 64,589 km<sup>2</sup> in 2012) is presently endowed with one

level of subnational government (Table 2). In the context of administrative territorial reform of 2009<sup>3</sup> Latvia reduced the number of municipalities from 527 to 119 and, at the same time, abolished the 26 districts on the second level of subnational government.

In the EU major territorial reorganisations were targeted on the municipal level in the investigated years. There has been a recent trend towards mergers between municipalities in some German *Länder*: in 2011 the number of municipalities was reduced from 840 to 219 in Saxony-Anhalt.<sup>4</sup> In addition, the total number of German municipalities declined from 12,312 to 11,533 within five years between 2006 and 2011. In Finland, the implementation of the PARAS programme for restructuring municipal services<sup>5</sup> led to the decline of the country's number of municipalities from 416 to 336 between 2006 and 2011 (Table 2).

The on-going European economic crises have further triggered the recent territorial reorganisation in some EU nations. In Greece, for example, in the context of so-called *Kallikratis* reform of local administrations (implemented in 2010), the number of municipalities decreased from 1,034 to 325 in January 2011 (Akrivopoulou, Dimitropoulos and Koutnatzis 2012). To be sure, efforts to rationalise and pool financial resources have been necessary to reduce the government's debts, but such a political action has been accompanied by a major reduction in local autonomy and in the fiscal capacities of municipalities (see also below for Spain).

In the context of the administrative-territorial reforms, municipalities have been gradually becoming larger in the EU countries (Table 2). This action can generally be justified due to the following specific reasons:

- Large municipalities can better realise economies of scale as well as economies of scope in providing public goods and local services (Bailey 1999; Nam and Parsche 2001; Dollery and Crase 2004; Dollery and Fleming 2006).
- Large municipalities tend to have greater opportunities to promote economic development *via*, for example, large-scale investment projects and more

<sup>1</sup> Those federated and quasi-federated entities in some EU countries also belong to such regions which include the sixteen German *Länder*, the nine Austrian provinces, the six regions and communities in Belgium and the seventeen Autonomous Communities in Spain.

<sup>2</sup> Croatia's accession to the EU took place on 1 July 2013. With 556 municipalities (first level subnational government) and 21 counties including the capital city of Zagreb this country currently belongs to the group of EU countries with two-subnational government levels.

<sup>3</sup> See <http://likumi.lv/doc.php?id=185993>.

<sup>4</sup> See <http://www.sachsen-anhalt.de/index.php?id=45896>.

<sup>5</sup> The PARAS project launched in 2005 mainly focused on the possibilities of municipalities to provide better social and health services. According to this project, such enhancements could be achieved via (a) intact and functioning municipal structures, (b) the arrangement of services for a broader population base, and (c) collaboration between municipalities on service arrangement and provision (see [http://www.stm.fi/en/strategies\\_and\\_programmes/paras](http://www.stm.fi/en/strategies_and_programmes/paras)).

generous subsidy schemes (Aalbu, Böhme and Uhlin 2008; Reiljan and Ülper 2010).

- In large municipalities the political process can also be more democratic, better enabling the participation of a larger number of voters and interest groups as well as better involving diverse local political and social structures (Newton 1982; Aalbu et al. 2008; Bosch and Sole 2012).

Some additional territorial reorganisations and reforms of subnational government systems are expected in the EU. For example, since 2012 the Spanish government has been designing a municipal reform that aims to merge or encourage those municipalities with less than 5,000 inhabitants (i.e. 84 percent of total number of municipalities at present) to cooperate within inter-municipal groups. The basic law on local government (par-

**Table 1**

**Subnational government system and organisation of territories in the EU (2011)**

	First level	Second level	Third level
<b>Countries with one subnational government level</b>			
Bulgaria	264 municipalities		
Cyprus	379 municipalities		
Estonia	226 municipalities		
Finland	336 municipalities	2 regions (Kainuu & Åland)	
Ireland	114 local councils		
Latvia	119 municipalities		
Lithuania	60 municipalities		
Luxemburg	106 municipalities		
Malta	68 local councils		
Portugal	308 municipalities	2 autonomous regions (Madeira & Azores)	
Slovenia	210 municipalities		
<b>Countries with two subnational government levels</b>			
Austria	2,357 municipalities	9 federate states	
Czech Republic	6,249 municipalities	14 regions	
Denmark	98 municipalities	5 regions	
Greece	325 municipalities	13 regions	
Hungary	3,177 municipalities	19 counties	
Netherlands	418 municipalities	12 provinces	
Romania	3,181 local authorities	41 departments	
Slovakia	2,930 municipalities	8 regions	
Sweden	290 municipalities	20 counties of which 4 regions	
<b>Countries with three subnational government levels</b>			
Belgium	589 municipalities	10 provinces	6 communities and regions
France	36,697 municipalities	102 departments	27 regions
Germany	11,553 municipalities and district free cities	301 rural districts	16 federated states
Italy	8,094 municipalities	110 provinces	20 regions of which 5 with special status
Poland	2,479 municipalities	379 counties	16 regions
Spain	8,116 municipalities	52 provinces	17 autonomous communities of which 2 with focal regime
UK	406 local authorities	28 counties	3 devolved nations (Scotland, Wales & Northern Ireland)
Total EU28	89,149 municipalities and local authorities	1,126 regional or intermediary authorities	105 regions

Source: Dexia (2012).

ticularly related to the competencies of municipalities) is also subject to revision: some competencies of municipalities with less than 20,000 inhabitants would be transferred to provinces (Bosch and Sole 2012; Dexia 2012).

In France the on-going reform of local administration system was initiated by the Territorial Authorities Reform Act of 16 December 2010 and tackles a wide range of amendments such as the redistribution of competencies, the creation of territorial councillors, the intensification of inter-municipal cooperation, the reform of local taxation and intergovernmental transfer system and the improvement of co-financing framework, etc. The reform process has been slower than expected: a visible result of this reform is that regions and departments in France are losing their tax autonomy to a certain extent.<sup>6</sup>

In Portugal the 2011 green paper on local administration reform sets a number of challenges that need to be met in the near future.<sup>7</sup> Apart from the improvement of the governance of two metropolitan areas, Lisbon and Porto, the competencies and financial resources for the so-called 'inter-municipal communities'<sup>8</sup> would be particularly expanded and strengthened in the context of this reform (Oliveira and Breda-Vázquez 2012).

The subnational territorial landscape in Europe has recently changed significantly. In particular, there has been an upturn in municipal mergers in many EU countries in the context of crisis management and the implementation of austerity plans. Furthermore, inter-municipal cooperation (between a large city and its surrounding municipalities) aimed at better realising economies of scale, has been encouraged in the last years, of which form ranges from simple delegation agreements to shared local services and/or establishments of common governance system. In Europe more of such territorial reforms are expected in near future.

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<sup>6</sup> See also <https://wcd.coe.int/ViewDoc.jsp?id=1976725&Site=COE>.

<sup>7</sup> See <http://www.theguardian.com/local-government-network/2012/aug/30/local-government-reform-in-portugal>.

<sup>8</sup> An inter-municipal community can be defined as a voluntary association of communities not attached to geographic size, but grouped to take advantage of economies of scale (Oliveira and Breda-Vázquez 2012). The well-known Portuguese inter-municipal communities include, for example, Pinhal comprising seven municipalities (Oliveira do Hospital, Sertã, Arganil, Figueiró dos Vinhos, Pampilhosa da Serra, Pedrógão Grande and Castanheira de Pêra), and Vale do Minho with five municipalities (Monção, Valença, Melgaço, Paredes de Coura and Vila Nova de Cerveira).

Table 2

## Major recent territorial reforms on the municipal level in the EU (2006–2011)

	2006			2011			Changes between 2006 and 2011	
	Number of municipalities	Average area per municipality (sq. km)	Average population per municipality (1000 inhabitants)	Number of municipalities	Average area per municipality (sq. km)	Average population per municipality (1000 inhabitants)	Average area per municipality (%)	Average population per municipality (%)
Finland	416	812,849	12,668	336	1006,384	15,952	23,81	25,92
Latvia	527	122,560	4,345	119	542,765	18,824	342,86	333,19
Luxemburg	116	22,293	4,052	106	24,396	4,811	9,43	18,75
Greece	1034	127,618	10,754	325	406,022	34,800	218,15	223,59
Netherlands	443	93,743	36,885	418	99,349	39,737	5,98	7,73
Germany	12312	28,998	6,690	11553	30,903	7,077	6,57	5,78
UK	434	561,797	139,470	406	600,542	152,685	6,90	9,47

Source: Dexia (2007 and 2012).