The ‘Callicrates’ reform: Transforming Greek local government in the years of austerity

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Research questions

- Have municipalities been strengthened after the 2010 reforms?
- How smooth was the transition from the previous regime to the new one?
- Has the current financial crisis in Greece affected the 2010 local government reforms and if yes how?
- Are there any wider lessons to be learned?
The ‘Callicrates’ reform (Law 3852/2010) has affected all tiers of subnational government. However, the project focuses on the FIRST tier of local government (municipalities) and especially on the ISLAND municipalities. Why?

The fieldwork took place between 16 January – 01 February 2012.

20 elite interviews in three locations (bureaucrats and local government politicians).

Parliament minutes, ministry documents, the law recommendatory report and newspaper articles.

Preliminary findings.
Main Argument

- The 2010 local government reform has been only partially successful.
- The transition has not been easy and it is still incomplete.
- The financial crisis has influenced, non-surprisingly, the reform outcome.
- Certain aspects of the reform have been decisively promoted (cost-reduction measures).
- Others have been negatively affected (spending-increasing measures).
- Such radical reforms are difficult to implement in full in times of financial and political instability.
Theoretical Framework

- Historical Institutionalism
  Exploring themes of continuity and change
  - Path Dependence ➔ Continuity
  - Windows of Opportunity
    ⇐ ⇑
    Lack of Change ➔ Change (Turning Points)
A short history of Greek local government

- **Two main characteristics**
  a. Fragmentation of local government
  b. Perennial lack of adequate human and financial resources

- **Two main strategies to combat fragmentation**
  a. Compulsory or voluntary local government syndicates
  b. Compulsory or voluntary mergers

**1997:** Capodistrias Reform: Compulsory mergers
(Radical reduction in the number of municipalities) 6,000 ➔ 1,034

**HOWEVER**
Local government authorities continued being underfunded
The Callicrates Reform

- It follows the 1997 reform logic
- Additional mergers
  (1,034 ➔ 325)
- Increased competences
  (environment, agriculture, planning, social policy)
- Special provisions for the islands
  i. One island – One municipality
  ii. Even more competences for the island municipalities
- **ELLADA:** Financial support programme
Have local authorities been strengthened?

- The powers of local government authorities have been increased.
- However, to what extent can they exercise them?

Personnel: Adequate – Local authorities had hired personnel heavily in the past. Some quality issues and shortages in certain jobs (such as garbage collection and disposal)

Finances: Big problems
Local Government Finances

- Within two years revenues have fallen by 52%
- “ELLADA” financial support programme. It never materialised (the presidential decree was never issued).
  There is discussion about a new programme (AKSIA)
- Central government still owes local authorities large sums of money from past transfers of competences.
How smooth was the transition?

- Corfu local councilor: “utter mess” (bahalo).
- The initial law has been amended 6 times + 1
  (Most local councilors mentioned the continuous changes and the lack of clarification)
- Only six months of preparation
- A whole year was wasted, in order to clarify the law itself.
- The financial scheme was never activated.
Reforming Local Government in Periods of Fiscal Crisis

- Overarching Discourse: EFFICIENCY
- As crisis intensified more attention was given towards reducing the economic costs.

Examples:

i. Debt reduction programme for highly-indebted municipalities (the programme has still not been activated, but it will be soon)

II. The Minister of the Interior, Mr. Ragoussis, stressed the €1.2 billion cost reduction achieved, SILENCING other aspects of the reform

III. Further reduction of the amount of money available for local government. Latest news: €440 million funding cuts.

IV. “ELLADA” support programme: The main victim of the financial crisis.
The new law, decentralisation and local democracy

- Are we experiencing another episode of decentralisation or recentralisation?

  Widespread mergers, but also decentralisation of administrative powers.

  Strengthening the role of the head of the municipal unit, in theory, but not in practice. Not enough responsibilities.

  Competition between local councilors (especially the vice-mayors responsible for a certain territory) and them (strong evidence from Rhodes).
Island municipalities

- One island – One municipality
  (apart from Crete, Evvoia, the very small islands)

- Huge population and size differences
  **Gavdos**: 98 inhabitants – The smallest municipality in Greece
  **Rhodes**: 115,334 – the largest island municipality in Greece and 9th in total.

- More competences to the island municipalities than to the mainland ones.
  Some of them have already been transferred. More will be transferred 01.01.2013.
Evidence from Corfu and Rhodes (1)

- **Corfu:** Difficulty in securing interviews. The quality and the number of the interviews better in Rhodes.

- Despite the different population distribution in the two islands, there were mixed responses in both places regarding the policy of one island – one municipality.

- The law has been “sketchily written”; it has “many institutional problems”; “it happened too fast”; “The [amending] laws came the one after the other”.

- They all agreed that it is difficult to function in times of acute financial crisis. Lack of the necessary funding. Difficulty in planning.
Problems with the provisions regarding local government procurement.

They welcome the programme for highly-indebted municipalities (Both municipalities are highly indebted). Both finances vice-mayors stressed the possibility of a new loan from the State Loans Fund.

Local government officials believe they can take up the new responsibilities. The small island-municipalities will face major challenges.

Crash test the new responsibilities transferred in 2013.
Window of Opportunity (?)

Favourable external conditions in 1997 (reformist government, economic growth, preparing for the EMU).
Unfavourable external conditions in 2010 (recession, dramatic reduction of the local government revenues).
In both cases, there was strong political leadership.

Continuity or Change?

The 1997 + 2010 reforms have tackled fragmentation (Change).
They have not tackled adequately the financial shortcomings of local government (Continuity).
Accommodating incremental change (1)

- The Callicrates reform can only be seen as part of the decentralisation laws that have been implemented in the last 30 years.

- Despite the fact that the changes have been potentially far-changing, the centralism of the Greek state is still prominent.

- Centralism with decentralisation elements.
Accommodating Incremental Change (2)

- Gradual and continuous change (Decentralisation as process)

- The Continuity and change theoretical model needs refinement, in the case of Greek local government reforms
  - Thelen (2000, 2003); Streeck and Thelen (2005); Pierson (2005)

- Long-term processes of institutional change.

- Timing is crucial. The 1997 reforms timing was much better.
Conclusions

- A rather ‘shaky’ start for the “Callicrates” reform and especially its financial provisions.

- The law was hastily drafted and implemented, while it has taken more than a year to clarify its provisions.

- However, the Greek local government is changing and the local authorities are adapting to the new external circumstances.

- Some authorities are doing better than others. The importance of human agency in taking advantage of the reforms.

- Wider reform lessons: The crisis has affected all public administration reforms. Reforms or reform provisions that need money to materialise have suffered. However, beyond finance issues, the problem is that in Greece most “reforms are back-loaded rather than front-loaded”.

THANK YOU!
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