

# Incomplete municipal government reforms and a lack of funding in Greece mean that Athens is still central to regional decision-making

Jun 14 2012

*In the past two years, Greece has fundamentally transformed the roles and responsibilities of its local government authorities. More responsibilities were granted, while the number of municipalities was reduced by 95 per cent. [Vasilis Leontitsis](#) argues that these reforms are promising. However, Greece needs to provide additional financial support for its local authorities.*



*Capodistrias* is the name given to a radical reform introduced in Greece in 1997. *Callicrates* is the name given to a second far-reaching Greek reform, initiated in 2010. These two reforms fundamentally changed the way the Greek local government functions and they attempt to challenge the extreme centralism of the Greek polity.

*Capodistrias* reduced the number of municipalities from more than 5,800 down to 1,034, while it increased their responsibilities. However, a number of important institutional and financial issues remained unresolved. *Callicrates* was meant to complete the unfinished reform process started by its predecessor. Its main element was a further reduction in the number of municipalities from 1,034 to 325. It also increased the municipal responsibilities in a number of areas, such as environmental policy, agriculture policy, planning and social policy.

The law held special provisions for the islands. In particular, it followed the principle that all Greek islands, apart from the extremely small ones or the two biggest ones (Crete, Euboea), would constitute one municipality each (one island – one municipality principle). Additionally, more competences were reserved for the island municipalities than their mainland counterparts to account for their geographical peculiarities. Those additional competences were to be transferred progressively. The process is not complete yet and a big chunk of them will be handed over the island local authorities in January 2013. Finally, a financial support scheme, called ELLADA, was to be initiated to help local authorities.

However, the 2010 local government reforms have only been partially successful. The transition from the previous regime to the new one has not been smooth and it is still incomplete. Unsurprisingly, the financial crisis has influenced the reform outcome. The cost-cutting aspects of the reform have been promoted to save money, whereas others that relied on an increase in expenditure have been negatively affected. Consequently, it is obvious that such radical reforms are difficult to fully implement in times of financial and political instability, such as the current period in Greece.

*Capodistrias* and *Callicrates* have managed to tackle the extreme fragmentation of Greek local government. Hence, within 15 years the number of municipalities has been reduced by more than 95 per cent. Nevertheless, the new municipalities are still weak and dependent on the central state, since their finances remain precarious. Within two years, as a result of the acute financial crisis the country is facing, municipal revenues have been reduced by approximately 52 per cent. Additionally, the Greek central government still owes local authorities large sums of money from past transfers of competences, while the financial support scheme that was to help the smooth introduction of *Callicrates* was never initiated due to lack of money.

The result is that Greek municipalities remain financially starved and dependent on the central government. Their responsibilities have been increased, but they find it difficult to exercise them properly. The unconstitutional act of handing over competences without providing the necessary funds to exercise them sufficiently is still practiced by the central government. Obviously, this inhibits the provision of local services and the creation of strong and competitive local government authorities.

My current research is based on a number of interviews from Ministry of the Interior officials and from local government officials and politicians from the islands of Corfu and Rhodes. After the changes that have been recently introduced, the size and status of island local authorities have increased significantly. Rhodes is now the 9<sup>th</sup> most populous municipality in Greece, while Corfu is the 13<sup>th</sup> most populous. Evidence from the two islands shows that there are mixed perceptions regarding the policy of one island-one municipality introduced with *Callicrates*. However, interviewees from both islands unanimously agreed that the law has been “sketchily written”, it bears “many institutional problems”, it “happened too fast” and that the changes in the initial law came rapidly “the one after the other”. Thus, they all recognised that more preparation was needed for the law to be properly debated, drafted and implemented.

Moreover, they acknowledged that it is difficult for the new local government authorities to function in times of deep financial crisis. The lack of the necessary funding does not allow local authorities to provide their citizens with an adequate level of local government services, while it makes planning and investment difficult to materialise.

It is intriguing to note that officials from both Corfu and Rhodes believe that they will be able to exercise the additional competences reserved for the islands. Nevertheless, the big issue is whether the smaller island municipalities will be able to exercise them. The island of Gavdos is an interesting example: It is situated south of Crete and has only 94 inhabitants, according to the 2001 census. It is thus the smallest municipality in the country. It has currently only one permanent employee and in the summertime the mayor has to drive the local bus around the island. It is obvious that it is practically impossible for a significant number of small Greek islands, such as Gavdos, to exercise the extensive competences the new law has reserved for them.

To recap, despite the fact that the acute fragmentation of Greek local government has been tackled, the financial dependency of local authorities remains. There has been a rather shaky start for *Callicrates* in Greece, especially regarding its financial provisions. The law was hastily drafted and implemented, while it has taken more than a year to clarify. However, the Greek local government is changing and the local authorities are adapting to the new external circumstances. It is important to stress that some authorities are doing better than others. In that sense, the importance of human agency in taking advantage of the reforms should not be underestimated.

*Callicrates* 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 were potentially far-reaching, the centralism of the Greek state is still prominent. The institutional break from centralism that some people have envisioned remains incomplete. The Greek polity has decentralised to a certain degree, but it cannot yet compare with most other countries of the European Union. Most of the decisions affecting Corfu or Rhodes are still, directly or indirectly, taken in Athens.

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*Note: This article gives the views of the author, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.*

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Vasilis Leontitsis joined the LSE Hellenic Observatory as ‘National Bank of Greece Research Fellow’. Vasilis holds a PhD from the Department of Politics, University of Sheffield. He has held research and teaching posts at the Universities of Sheffield and Wales and he has also worked for an Expert Consultancy Report for the Technical University of Crete. His research project was entitled ‘From “Capodistrias” to “Callicrates”’: Reforming Greek Local Government’.



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