GOVERNANCE IN LOCAL GOVERNMENT ORGANIZATIONS AND THEIR STATE-OWNED ENTERPRISES: IMPACT OF MERGER LAWS IN GREECE

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Abstract

Corporate governance plays a key role for the companies of the private sector, and recently corporate governance started to be involved within the structures and activities of public entities and state-owned enterprises (SOEs). Many countries, including Greece, have put regional and municipal merger plans into place in order to reduce costs and enforced the ideals of economy, efficiency, and effectiveness in public administration. This study, focusing on these issues, illustrates the current state of Greek governance and recent legal developments after the merging of local government organizations (LGOs) and their associated municipal and regional-owned companies (SOEs) and provides new insights and conclusions regarding the implantation of governance in the LGOs and their SOEs after mergers.

Keywords: Governance, Law, Merger, Local Government Organizations, State-Owned Enterprises, Greece

1. INTRODUCTION

The expansion of corporate governance over time has allowed deep research on the subject, which has shown that corporate governance can be understood as a subject that studies not only the issues of companies but is also an object of study of legal entities of the public sector and their municipal or state-owned enterprises — SOEs (Kostyuk & Kostyuk, 2005; Mbebecke, 2014; Khale & Worku, 2015; Ferry & Ahrens, 2017; Lohrey, Horner, Williams, & Wilmshurst, 2019; Almaqtari, Al-Hattami, Al-Nuzaili, & Al-Bukhari, 2020; Sheehy & Madrid, 2022; Khumalo & Mazenda, 2021; Kaunda & Pelser, 2022; Mukwarami, Fakoya, & Tayob, 2022). The implementation of corporate governance now means that to the benefit of all kinds of parties involved will be all kinds of legal changes in the structures of a public entity, which can improve the effectiveness of corporate governance in the organizations in question. Also, the change in the legislative framework should ensure the existence of many elements of corporate governance, such as risk management, auditing, e-governance, and information security, which must be in place for an organization such as local government organizations, LGOs or state-owned enterprises, SOEs (Davies, 2009; Arifin, Trinugroho, Prabowo, Sataryo, & Muhtar, 2015; Ackermann, 2016; Aadnesgaard & Willows, 2016; Masegare & Ngoepe, 2016; Ackermann & Marx, 2016; Masegare & Ngoepe, 2018; Dzomira, 2020).

The principles of economy, efficiency, and effectiveness in public administration were
significantly imposed by the theoretical school of public administration known as "New Public Management", and already existed in the private sector (Kammlott, Krüger, & Schiereck, 2017; Pantelidis, Pazarskis, Karakitsiou, & Dolka, 2018). The European Union also embraced multi-level governance at the same time, which gives local self-government units a significant say in how policies are developed. In order to save expenses and improve efficiency, several nations, including Greece, have implemented municipal and regional merger schemes (McKay, 2004; Damon, 2013; Allers, 2016; Voda & Sváčinová, 2020; Erlingsson, Odalen, & Wängmar, 2021). "Kallikrates" was the name of the significant domestic legislative framework (Law 3852/2010), and further reforms came after it.

In Greece, the Governance system of LGOs is defined by the Greek Constitution (Art. 102, par. 2), based on which its administration is exercised by bodies elected by universal and secret ballot. The Collective body of the LGOs is the City (or Regional) Council which, together with the Mayor (or Region governor), is directly elected by the citizens and is the one that essentially takes the most important decisions. The Greek state also ensures them the necessary resources to carry out the responsibilities it transfers to them. The expansion of the responsibilities of the LGOs, to the extent that it was carried out, was done through a flurry of legislation during the last twelve years that required their immediate implementation by their organizational units.

The financial autonomy of Greek LGOs, who manage their own revenues and expenses, is constitutionally guaranteed, based on the Greek Constitution (Art. 102, para. 5). The main legislation concerning the financial management of the municipalities and which was in force for many decades earlier, was the Royal Decrees (R.D.) 175/59 on the accounting of the municipalities as well as the R.D.542/61 regarding the books which they are obliged to observe. In recent years, however, they have been largely amended by Law 4270/2014 and Law 3871/2010 and by Presidential Decree 113/2010 and the replacement of a significant part of it by Presidential Decree 80/2016 ‘Assuming obligations by the Administrators’. Finally, as amended, Law 3463/2006 ‘Municipalities and Communities Code’, certain parts of it apply, which concern the financial management, property, projects, and supplies of the LGOs and their SOEs.

In order to evaluate the situation of corporate governance of Greek LGOs and their SOEs, and whether there is any potential impact to rationalize the action of the public sector entities or enterprises based on the criteria of corporate governance, especially after radical changes as are merger events, the present paper aims to depict the current situation regarding governance in Greece and the recent changes in the law framework, after the mergers of LGOs and their municipal-owned enterprises (SOEs), by providing new insights and conclusions regarding the implantation of governance after the merger events in the LGOs and their SOEs at Greece.

The rest of this paper is the follows. Section 2 examines the relevant literature worldwide. Section 3 after presents the legal framework status in Greece. Section 4 presents a new system of governance in Greek LGOs and their SOEs, then Section 5, the discussion, reveals several features on this subject, and Section 6 concludes the paper.

2. LITERATURE REVIEW

Over time there have been various studies on municipal mergers in many countries of the world, from various perspectives and recording the respective merger activity as well as the reform of local government (Drew, Kortt, and Dolley, 2015; Dollery and Ting, 2017 in Australia; Hanes, Wikström, and Wängmar, 2011; Erlingsson and Odalen, 2013, in Sweden; Cobban, 2019, in Canada; Takagushi, Sakata, and Kitamura, 2012; Yamada, 2018, in Japan; Steiner, 2003; Steiner and Kaiser, 2017, in Switzerland; Goto, Sekgetle, and Kuramoto, 2021, in South Africa; Lapointe, Saarimaa, and Tukiainen, 2018 in Finland; Kjaer, Hjelm, and Olsen, 2010, in Denmark; Gustafsson, 1980, in Scandinavia (Denmark, Finland, Norway, Sweden); Lowatcharin, Crumpton, Menifield, and Promsorn, 2021, in Thailand and the United States). Next, some of the most important for cases of municipal mergers are analyzed.

The Special Municipality Mergers Law deadline in Japan expired already in 2011, and a merger plan in the Hokkaido prefecture was mostly unsuccessful in avoiding the increased danger of increased resident burden associated with municipality area growth. Takeguchi and Suzuki (2011) proposed a model for merging municipalities and applied it to the municipal merger of the Hokkaido prefecture (Japan), which has a large number of municipalities. The purpose of their study was to provide relevant advice for future merger negotiations. The deterioration of public services for residents was considered, as was the worsening of the access environment as the size of the municipality grows. Takeguchi and Suzuki (2011) specifically suggested an access-total service score (A-TSS) in their study, which consisted of an integration index of public service and access burden for residents. Using the aforementioned datasets, a data envelopment analysis (DEA) model was used to examine the quantitative effects of municipality mergers from the perspectives of public finance and service. Takeguchi and Suzuki (2011) presented the merger beneficial degree (MBD), which was a deviation score graph. The results of the MBD showed that there were few proposals for positive mergers in the Hokkaido prefecture due to substantial public service reductions that were deeply linked to an increase in resident access burden.

Pazarskis et al. (2022a) looked at the governance and operation of utility companies following mergers in local government bodies. A case study of a Greek municipal water supply company was used to demonstrate how the reform initiative known as ‘Kallikratias’ had affected Greek municipal water and sewerage enterprises. As a result of the Kallikratias Program, the municipalities were merged, and new data was added to the map of local government in Greece. The approach includes looking at the economic analysis of raw data using various financial metrics (financial statements of the municipal company). The study’s findings demonstrated that the municipal company was able to plan the actions that resulted in an improvement
of the majority of the examined ratios after merger events, despite the additional responsibilities and geographic areas that the Kallikratis Program added to the municipal companies and the reduction of the extraordinary subsidies as a result of the Greek debt crisis. Eleven of the fourteen ratios improve, while three actually perform worse than they did before the merger (2011–2018).

According to Takeguchi and Suzuki (2012), Japan’s Special Municipality Mergers Law deadline has passed and the incentives for mergers have significantly decreased from the perspective of fiscal impacts in recent years. In addition, Hokkaido prefecture’s merger plans have not been entirely implemented in order to reduce the likelihood of an increase in the load on residents caused by the expansion of municipalities’ service areas. Takeguchi and Suzuki (2012) argued, however, that blank spaces do exist in Hokkaido prefecture’s central cities, which are distinguished by wide gaps between municipalities. They suggested an analytical model in their study for the best combinations of municipal mergers to build new core cities in the open areas. Takeguchi and Suzuki (2012) provided a policy for sustainable settlement zones in Hokkaido prefecture based on the studies.

In the midst of Greece’s economic crisis, Pazarskis, Goumas, Koutoupis, and Konstantinidis (2019) examined the performance of Greek LGOs following the implementation of the Kallikratis Program (2011 and onwards). They looked at public accounting data for various accounting measures for Greek LGOs in order to assess the success of the Kallikratis Program during a challenging time. They also tried to determine whether any municipalities’ geographical area performed better than others during this time. The findings of Pazarskis et al. (2019) demonstrated that several municipalities managed to achieve better results with the Kallikrates Program by increasing their cash and cash equivalents, their securities, and reducing their short-term debt, aside from new increased responsibilities in the post-Kallikrates period and with reduced state financial support. Finally, according to Pazarskis et al. (2019), depending on the region, these mandatory municipal mergers were more advantageous for some LGOs than for others, with better financial performance, limiting their obligations, and improving their net position, thus giving us new insights into local development for Greece.

Nakagawa (2016) used the rank-size distribution of Japanese municipal jurisdictions to statistically assess changes in the size distribution of those jurisdictions. In order to create municipalities of a specific size, the central government of Japan occasionally implements extensive municipal mergers. The goal of Japan’s local governance policy, which is to ensure financial equality among municipalities so that the central government can sustain public services equally across the country (particularly in rural areas), is to distribute tax revenues to municipalities depending on each municipality’s financial needs. According to Nakagawa (2016), the central government can cut back on its support for local governments if it reduces demographic disparities between municipalities and establishes a large number of municipalities with similar sizes. In order to promote this kind of efficiency, the government implemented previous regulations on municipal mergers. To ascertain the true impact of municipal merger regulations, Nakagawa (2016) looked at changes in the distribution of municipal jurisdiction sizes. The findings of Nakagawa (2016), which show that the Municipality Merger Promotion Law of 1953 had an effect on the shift in the size distribution of municipalities, suggest that the large municipal mergers of the 1950s show an era that made the municipalities more equal in size.

In order to take advantage of the merger through consolidation incentives offered by the Japanese government, municipalities with water utilities were analyzed by Fikru and Phillips (2016) for their unique qualities. They discovered that government service consolidation was mostly caused by economies of scale and transfers within the government. Given the Central Government’s efforts to equalize public service levels and the significant cost savings available to municipal-level water monopolies, according to Fikru and Phillips (2016), this was to be expected.

According to Ratti and Vitta (2017), the mismatch between the magnitude of the supply of high-order services and the number of LGOs, known as spillovers, creates a need for cooperation between municipalities. The guidelines for cooperation among local public entities are provided by canton statutes on the municipal organization in Switzerland. Inter-municipal cooperation can take many various forms, including organizations of municipalities, private law-based cooperation, inter-municipal treaties, and, in the most extreme scenario of total integration, a merger. All of these types of collaborations have benefits, but they can also have drawbacks and challenges when used, according to Ratti and Vitta (2017). Adopting the structure of a Holding Company for Public Shareholdings (HCP), which should support public-private partnerships, is one potential approach.

Vandelli (2017) provided a summary of the Italian changes that affected the local government. He showed that there was still work to be done in this nation to determine the best dimension for the exercise of the local authority. Vandelli (2017) analyzed the various solutions tried in the area of inter-municipal cooperation and municipalities’ merger by tracing the history of the reforms of the 1990s, the attempts at territorial reorganization during the economic crisis, the 2014 Law Delrio, and its failure.

According to tendencies uncovered during the last 50 years, Smith (2018) stated that new municipalities will continue to be founded in the USA, albeit at a declining rate. The existence of extra elements affecting incorporation activities must be acknowledged in municipal incorporation theory. Smith (2018) backed the idea that the outcomes of municipal incorporation were influenced by state legislation, individuals, and location. Additionally, the development of new towns brought into confrontation two opposing ideas: local control vs. regional effectiveness. New local government formations that have been promoted as the pinnacle of democracy, self-determination and localized control over politics and governance are known as municipalities. Opponents, however, will draw attention to
the many concerns brought about by the increasing splintering of already fractured urban and political landscapes, which results in duplication of services, competition for few resources, and deteriorating efficiency. Other boundary-changing methods, such as annexation, special districts, and mergers/consolidations, which all provide alternatives to municipal incorporation processes, will also be mentioned by opponents as alternatives to municipal incorporation. Smith (2018) concluded that state regulations would still have an impact on how municipalities are incorporated and the kinds of new cities that result from local government boundary change events.

Old-law associations of people in Germany include interested parties, actual communities, and forest cooperatives. The historical context and the contemporary legal environment in the new states of the Federal Republic of Germany were explored by Thiemann (2021). In Thuringia, Mecklenburg, Saxony, and Brandenburg, the dissolution legislation and the transfer of special-purpose properties to municipalities were addressed. The former years of state ownership during the GDR was described, and the transfer of assets to the newly formed municipalities that was required after reunification was discussed. The new dissolution statute in Saxony-Anhalt as of November 19, 2020, which was extensively described in his paper, served as the impetus for this investigation.

In order to interpret the findings, Kajita (2003) conducted a quantitative analysis of the shifting distribution of local allocation taxes in post-World War II Japan, focusing on three different interpretations: the introduction of the welfare state, changes in regional structure due to economic growth, and horizontal political competition. Municipal Merger Support Law (Shichouson Gappei Tokurei Hou) in Japan provided newly combined municipalities with substantial financial support. Kajita (2003) contended that through this economic crunch and merger-promoting strategy, the national government exerted significant pressure on towns with modest populations throughout Japan. Various merger ideas were also put up nationally. According to Kajita’s (2003) analysis, these differences between local allocation tax regimes in the early 1980s and those that were in place following the burst of the bubble economy substantially reflect the outcomes of horizontal political rivalry between urban and rural regions. Particularly, the historic loss suffered by the Liberal Democratic Party in the 1998 House of Councilors election in urban regions sped up the change in the state tax policy in Japan.

According to Lääne, Mäeltsemees, and Olle (2018), Estonian local self-government was first restored at two levels in 1989. Cities and rural municipalities make up the single-level system of local self-government that has existed since 1993. Two hundred fifty (250) or so were present. According to Lääne et al. (2018), there have been a number of voluntary mergers while the necessity for an administrative-territorial reform has been debated for years. Only the fall of 2017 saw the completion of a countrywide overhaul. Despite the European Charter of Local Self-Government having been approved two years after the Estonian Constitution was created in 1992, Articles 154–160, in particular, are very much in line with its ideas. The Charter played a significant role in both legislation and case law. According to Lääne et al. (2018), local government financing was the main source of issues. The low proportion of local taxes in local budgets was a fundamental failure from the perspective of local governments' economic autonomy. According to Lääne et al. (2018), Estonian local self-government was first restored at two levels in 1989. Cities and rural municipalities make up the single-level system of local self-government that has existed since 1993. According to Lääne et al. (2018), there have been a number of voluntary mergers while the necessity for an administrative-territorial reform has been debated for years. Only the fall of 2017 saw the completion of a countrywide overhaul. Despite the European Charter of Local Self-Government having been approved two years after the Estonian Constitution was created in 1992, Articles 154–160, in particular, are very much in line with its ideas. The Charter played a significant role in both legislation and case law. According to Lääne et al. (2018), local government financing was the main source of issues. The low proportion of local taxes in local budgets was a fundamental failure from the perspective of local governments' economic autonomy.

Pazarskis et al. (2022/b) investigated the movements of a few particular LGOs (municipalities), the effects of the strategic decisions made by the newly elected municipal authority or the previously elected authority based on financial outcomes, and which of the LGOs had better corporate governance performance. More precisely, the performance of the municipalities in terms of corporate governance for five Greek LGOs was reported, along with a study of the accounts of the municipalities based on mathematical methods. The income-expenditure accounts for the years 2019 and 2020 were utilized as a result. As a result, this study was founded on certain financial measures for the public sector, including the autonomy ratio, the instability ratio, the proportion of dependence, and others. In their final presentation, Pazarskis et al. (2022b) compared the governance in LGOs for 2019 and 2020 and reported that different status of financial performance was found.

3. MERGERS’ LEGAL FRAMEWORK IN GREEK LGOS AND THEIR SOES

With the Treaty of Lisbon of 2007 coming into effect on December 1, 2009, the European Union (EU) has explicitly adopted equality between its citizens, representative and participatory democracy, and transparency in Union entities to promote good governance. Specifically, Article 8 of the aforementioned treaty states: “In all its activities, the Union shall respect the principle of equality between its citizens, who shall enjoy equal treatment in its institutions, bodies, offices and agencies”. Additionally, the Treaty’s Article 8A (1) provides that “The functioning of the Union shall be based on representative democracy” and Article 8A (3) states that “Every citizen has the right to participate in the democratic life of the Union. Decisions shall be taken as openly as possible and as closely as possible to the citizen”. Moreover, Article 16A(1)
states "In order to promote good governance and ensure the participation of civil society, the Union institutions, bodies, offices and agencies shall conduct their work as openly as possible”.

Following the signing of the aforementioned Treaty, on June 7, 2010, the Greek Parliament issued Law 3852, titled “New Architecture of Local Government and Decentralization and Administration of Kallikrates Program” (Government Gazette A’ 87/7.6.2010). The basic principles of the aforementioned law are, on the one hand, the limitation of administrative structures to two levels of self-government, the municipalities, and the regions, and on the other hand, the delimitation of the competencies of the two levels of self-government on the principle of granted competence as this is expressly permeated by the EU Treaty. As a result, the two tiers only function within the parameters of the competencies that have been granted to them, and their relationships are ones of cooperation and solidarity rather than hierarchy and control. The Lisbon Treaty’s fundamental principles of transparency at all levels of governance (decision-making process, administrative and financial transparency, electoral procedures, participation and participation in the decision-making process), public ethics of elected officials and local government staff, civil society participation, and transparency at all levels of government can all be better incorporated into the new, fewer, and stronger structures' functioning.

3.1. Local government organizations (first-degree)

According to the explanatory memorandum to Law 3852/2010, first-degree self-government is being transformed nationwide under the New Architecture, with fewer and more powerful municipalities. Thus, the new municipalities are equipped to adapt to contemporary needs, using contemporary technology and new administrative techniques to handle enlarged tasks. In order to achieve two key goals — making municipalities strong and efficient to become strong units of local development and, at the same time, to become effective managers of services, particularly in terms of the daily lives of citizens and their quality — the constitution of the municipalities into larger geographical units in terms of population and space is helpful. For the goal of defining the administrative boundaries of the new local authorities, rational and impartial criteria are being employed for the first time. These standards are derived from Article 101, para. 2 of the Constitution, which reads that: “The administrative division of the country shall be formed on the basis of the geo-economic, social and economic and transport conditions”.

Seven distinct groups of criteria were specified, specifically: population, social, financial, geographical, growth-related, cultural-historical, and geographic standards (spatial and geographical integration, geographical mobility, and place's identity). In addition to satisfying these criteria, the new municipalities created by the new layout, along with their functional and economic traits, support the development of local democratic institutions and processes and are in line with the reality of the interaction between political and civil society, political staff, and citizens.

Article 1(2) Law 3852/2010’s Kallikrates Program resulted in a reduction of municipalities from 910 to 325 through either voluntary or compulsory mergers. Furthermore, Greece is divided into 332 municipalities under the “Cleisthenes I” Program, each of which is further subdivided into Communities with greater privileges. According to Law 4600/2019 Article 154(2), there are currently 333 municipalities in Greece.

3.2. Local government organizations (second-degree)

According to the explanatory memorandum to Law 3852/2010, the establishment and successful operation of a powerful self-governing organization with a wide variety of development responsibilities, especially for the region’s residents, brings the government closer to them and frees them from having to resort to the center for many of their significant matters. The residents of the region become “masters of their own house” as a result of a powerful elected institution taking on development duties.

The previous prefectures were combined to form the new regions, which are being eliminated. The former prefecture’s territorial regions will make up the new institutions’ territorial units. The finalized Law 3852/2010 in Article 3(3) established 13 regions and 74 regional entities from 54 municipal governments, the 3 enlarged municipal governments, and the 19 provinces.

3.3. Decentralized state administration

According to the explanatory memorandum to Law 3852/2010, the integrated redesign of the two degrees of the two tiers of government implies their articulation with the decentralized state administration, the existence of which is provided for in the Constitution, which stipulates that the administration of the state is organized in accordance with the decentralized system (Article 101(1)) and that the decentralized state bodies have general decision-making powers in the affairs of their units (Article 101(3)).

Decentralized administration is organized across wider geographic limits as a result of the establishment of the second-degree administration in the bigger regional unity. This is the end result of new information and new connections produced by the infrastructure networks that are currently in place and those that are planned, as well as the nation’s system of poles and axis of development. Seven decentralized administrations will take the place of the current thirteen administrative areas. With the New Architecture, the state’s decentralized administration is set up at the level of larger territorial units, or decentralized administrations, which, based on functional and development standards, are designed to meet the needs of territorial, social, and economic cohesion and advance the nation’s overall competitiveness. Each decentralized administration's central office shall establish a General Secretariat, which shall be led by a temporary official. The decentralized administration will have services
and be composed of current region officials, with the exception of those who are transferred to the regions. The finalised Law 3852/2010 established seven decentralized administrations in accordance with Article 6. Moreover, with Article 28(1) Law 4325/2015 “in each Decentralized Administration is established a position of the head, entitled “Coordinator of Decentralized Administration”. Where in the legislation refers Secretary General of the Decentralized Administration or Secretary General of the Region means, from his appointment, the Coordinator of Decentralized Administration”.

3.4. Rationalization, transparency, merger, and limitation of municipal and regional legal entities under public law and public utility enterprises

According to the explanatory memorandum of 2010 to Law 3852/2010, Legal Entities under Public Law (LEPLs) of LGOs are decisively reduced resulting in significant savings in costs, resources, and procedures. The status of municipal LEPLs and enterprises is rationalized. Two legal entities, one for welfare-social services and one for education and one for sports-cultural activities, in order to facilitate their development initiatives, but also to prevent abusive and patronizing recruitment practices, opaque recruitment procedures, and waste of public resources. Of all the provisions of the above law legal entities of LGOs, in addition to reducing their number, rationalize the services provided and a better distribution of their staff, with the preservation of all jobs. In addition to reducing the number of legal entities of LGOs, all the provisions of the above law result in a rationalization of the services provided and a better distribution of their staff, with all jobs being maintained.

3.4.1. Municipal legal entities under public law

In regards to municipal legal entities under public law, it is given in Article 103(1 and 2) of the ultimately issued Law 3852/2010, as amended by Article 12(15) of Law 4071/2012, that:

1. Each municipality may have: (a) Up to two (2) legal entities under public law, one for the areas of competence of social protection and solidarity and education and one for the areas of culture, sport and environment, as provided for in Article 75 of Law 3463/2006, as amended. If the municipality has a public benefit enterprise, then it may have up to one (1) legal entity under public law. In municipalities with a population of more than three hundred thousand (300,000) inhabitants, there may be up to two (2) legal entities for each of the areas of competence referred to in the previous subparagraph. (b) One legal person under public law for the administration and management of the port area, in accordance with the legislation in force.

2. The legal persons under public law who are transferred to the new municipality in accordance with the above article shall be merged into one legal person for each of the areas of competence referred to in point (a) of the previous paragraph. Specifically, school committees shall be merged into two legal entities, one for primary and one for secondary school units. In municipalities with a population of more than three hundred thousand (300,000) inhabitants, respective school committees may be established for each municipal community. The Minister of Interior, Decentralization, and E-Government shall issue a decision, regulating issues related to the operation of school committees, the allocation of funds, the manner and procedure for the realization, justification, and control of all types of revenues and expenses, as well as any other necessary details”.

3.4.2. Municipal public utility enterprises

As for municipal public utility enterprises, it is established in Article 107(1) of the ultimately adopted Law 3852/2010, as amended by Article 39 of Law 4807/2021, that “each municipality may have:

(a) One Public Utility Enterprise;
(b) One Municipal Water Supply and Sewerage Enterprise (DEYA);
(c) One Enterprise with the specific purpose of operating a radio or television station provided that such undertakings were operating in the municipalities concerned; and
d) One Municipal Public Limited Company, provided that they were established in the municipalities concerned”.

Moreover, under Article 109(1) of the finally adopted Law 3852/2010 it is provided that “Public utility enterprises of LGOs of the first degree, which are merged into a new municipality, are merged into one public utility enterprise. A decision of the municipal council concerned, taken within a period of two (2) months from the establishment of the municipal authorities, shall determine the name, purpose, management, capital, resources, duration, the seat of the public benefit undertaking and any other element necessary at the discretion of the municipal council, which shall be published in the Government Gazette after the completion of the legality control procedure. Movable and immovable property of the merging undertakings shall automatically vest in the resulting undertaking, which shall be the universal successor to all the rights and obligations of the merging undertakings, including contracts of employment and fixed-term employment until their expiry”.

3.4.3. Regional legal entities

As for regional legal entities, it is established in Article 134(1 and 3) of the ultimately implemented Law 3852/2010, as amended by Law 4964/2022, that “1. The regions may form an enterprise in the form of a development public limited company, provided that they do not participate in another development public limited company in which they hold a majority of the share capital. The development company shall operate in accordance with the provisions of commercial and tax law and the more specific provisions set out in the following paragraphs. The exclusive object of the above entity shall be: (a) scientific and technical support for the regions, the Association of Regions and the bodies referred to in paragraph 2. (b) The promotion of the business, economic and generally sustainable development of the region, as well as the development of environmental protection activities.
(c) their participation in relevant programs or the implementation of relevant policies at an interregional or wider geographical level”.

3. The regions may not participate in public limited companies other than those in which the prefectural governments and the prefectoral departments that are being abolished participated…”.

4. A NEW SYSTEM OF GOVERNANCE FOR GREEK LGOS AND THEIR SOEs

In order to accommodate the development of municipal power and municipal borders, a reform of the local government system is required, according to the explanatory memorandum of the Kallikrates Program. The incorporation of the new democratic governance principles results in increased citizen involvement, consultation, and participation in the consultation before decisions are taken, the transparent exercise of power, and the mandatory accountability of those who exercise public authority. This calls for a reassessment of the institutions of municipal governance, the upgrading, and their enrichment, as well as the decentralization and of and decentralized structure, to allow for increased citizen involvement, consultation, and participation in the consultation before decisions are taken. The design of the governance system for the new self-governing regions should be similar for the regions, but it must take into account the differences in size and functions between the two levels of local government.

With the exception of the municipal council and regional council, the approved program established a new body, the Executive Committee, which in the municipalities consists of the mayor and the deputy mayors, and in the region by the regional governor and the deputy regional governors and constitutes the collective body for the exercise, coordination, and accountability of the executive function in local government (see Article 62(1)). So that there is less authority concentrated in one person, an executive committee made up of the mayor and the deputy mayors must be constituted in any municipality with more than one deputy mayor. The executive committee oversees the execution of municipal policy across all spheres, as well as the execution of the municipality’s operational plan, the medium-term, yearly, and five-year action plan. The executive committee serves as the collective coordinating and executive body of the municipality. Furthermore, the regional governor, who serves as chairman, and the deputy regional governors make up the Executive Committee in each area. The region’s collective coordinating and executive body, the Executive Committee, oversees the execution of regional policy across all of its purviews as well as the execution of the regional development program (see Article 62(1) and 173(1), respectively).

According to the recent changes, the role of governance is further increased as the Municipal Committee is renamed as Economic Committee, and its financial functions management and ongoing oversight of budget execution are improved. In particular, the Economic Committee is a group entity in charge of managing and overseeing the local government’s financial and administrative operations (see Article 72(1)). Additionally, the Quality-of-Life Committee is constituted as a new entity. In particular, the Quality-of-Life (QoL) Committee is a decision-making and advisory body for the exercise of the municipality’s duties regarding quality of life, spatial planning, urban planning, and environmental protection. It is established in municipalities with more than ten thousand (10,000) inhabitants. In exercising its powers in this area, it takes special care to plan actions aimed at improving the quality of life and generally serving people with disabilities (see Article 73(1)). In addition, the mayor or his or her designee will serve as chair of the Economic Committee and QoL Committee. The mayor will also appoint two additional deputy mayors to the committee as members, as well as four members for councils with up to twenty-seven members, six members for councils with up to forty-five members, and eight members for councils with more than forty-five members. The municipal council will elect the committee members who are not assigned to them. A minimum of one member on committees with seven members, two members on committees with nine members, and three members on committees with eleven members must inevitably be from the party with which the mayor was elected (see Article 74(1)).

A comparable committee also works in the regions. The region’s financial and administrative operations are under the collective authority and supervision of this Economic Committee (see Article 176(1)). Additionally, in accordance with Article 175(1), the Economic Committee is made up of the regional governor or the deputy regional governor that he has appointed as chairman, two additional deputy regional governors that he has appointed as members, six members in regions with a population of up to 300,000 people, eight members in regions with a population of up to 800,000 people, and ten members in regions with a population of more than 800,000 people. The regional council will elect the Economic Committee’s non-appointed members. The party of the party that selected the district governor must always have at least two members on nine-member committees, three members on eleven-member committees, and four members on ten-member committees.

The Consultation Committee is also established as a new institution for consultation, both in the regions and in municipalities with a population of more than 10,000 people, according to the explanatory memorandum of this law. The Consultation Committee offers the chance for planned, official, public participation and discussion with members of the local community.

A new committee comprised of local community stakeholders is also established. A Municipal Consultation Committee must be constituted in municipalities with a population of more than five thousand inhabitants, by decision of the municipal council, which shall be taken within two months of the establishment of the municipal authorities, as a body with advisory powers (see Article 76(1)). The Municipal Consultation Committee will have the same term limits as the municipal authorities in the local government. In smaller communities, the municipal council may also decide to create a committee for municipal
consultation. The Municipal Consultation Committee shall be composed of representatives of local community stakeholders, such as:

a) local trade and professional associations and organizations;
b) scientific associations and bodies;
c) local workers’ and employers’ organizations;
d) employees of the municipality and its legal entities;
e) parents’ associations and clubs;
f) sports and cultural associations and bodies;
g) voluntary organizations and citizens’ movements;
h) other civil society organizations and bodies;
i) local youth councils;
j) citizens.

Moreover, the Municipal Consultation Committee:
a) advises the municipal council on the development programs and action programs of the municipality, the operational program, and the technical program of the municipality;
b) shall give its opinion on matters of general local interest referred to it by the city council or the mayor;
c) shall examine the local problems and the development potential of the municipality and give its opinion on the solution of the problems and the realization of these potentials;
d) may comment on the content of regulatory decisions adopted. The expression of an opinion by the Municipal Consultation Committee shall not preclude parallel electronic consultation of citizens via the Internet. The proposals from the electronic consultation shall be collected and systematized by the competent regional departments and presented by the chairman of the Municipal Consultation Committee at its respective meeting;
e) may recommend to the city council to hold a municipal referendum;
f) shall give a simple opinion on the draft budget;
g) consult the deliberations of the regional authority with respect to the budget and the administrative program of the municipality, the operational program, and the technical program of the municipality.

Additionally, within two months of the creation of the regional authority, the regional council shall decide to form a Regional Consultation Committee in each region as an advising body. The Regional Consultation Committee is made up of the most regionally representative members of the local community, including:
a) employers’ and employees’ groups;
b) chambers and scientific organizations, associations, and bodies;
c) cooperative organizations;
d) employees in the region and its legal entities;
e) sports and cultural associations and bodies;
f) civil society organizations and bodies in the region;
g) citizens (see also Article 178(1 and 2) Law 3852/2010).

The Regional Consultation Committee:
a) recommends to the regional council on the main development priorities of the region;
b) gives its opinion on matters of general regional interest;
c) examines the problems and development potential of the region and gives an opinion on the solution to problems and the realization of these potentials. The expression of an opinion by the Regional Consultation Committee does not preclude a parallel electronic consultation with citizens via the Internet. The proposals of the electronic consultation shall be collected and systematized by the competent regional departments and presented by the chairman of the Regional Consultation Committee at its respective meeting;
d) may recommend to the regional council the holding of a regional referendum;
e) may give a simple opinion on the draft budget.

Thus, Law 3852/2010 (Kallikrates Program) and later, Law 4555/2018 (Cleisthenes I Program), which include not only the first level of self-government, constituted by the municipalities but also the second level, constituted by the regions, as well as state decentralization, constituted by the decentralized administrations, laid the groundwork for a systematic and comprehensive restructuring of the administrative organization of Greece. By establishing a new, operationally effective, and democratically accountable two-tier local government, the Kallikrates Program and the Cleisthenes I Program with the above laws sought to more closely align the Greek administrative system with contemporary multi-level governance standards in Europe.

The aforementioned reforms were deemed necessary because they:
a) strengthen efforts to promote regional and local development. In the Greek periphery, local governments and decentralized administration are crucial for fostering entrepreneurship and boosting both public and private investment;
b) contribute to addressing the corruption and poor management issues that are particularly pervasive in some local government organizations;
c) abandon traditional centralization, decentralize government, and endow it with traits common to all advanced nations, such as flexibility, efficiency, and the use of local and regional advantages;
d) structure the use of authority in a way that increases public engagement and strengthens democracy, while also emphasizing the importance of civil society, social groups, and volunteerism;
e) utilize innovative self-service and e-government technologies and techniques, along with interactive services;
f) incorporate the principles of transparency, open government, evaluation and accountability in administrative functioning, and meritocracy in the recruitment of staff, relieving the local government of a constant barrage of criticism;
g) significantly cut the number of LGOs’ legal organizations and businesses, resulting in significant expense, resource, and procedural savings;
h) rationalize the position of regional and local businesses and legal;
i) become the institutional “key” for changing the country’s development model.

However, from the first reform of the Kallikrates Program to the second reform of the Cleisthenes I program and up to the present day, several amendments to the provisions of the above reform laws have been necessary, as several failures have been identified. The reduction of the number of municipalities after mergers, the creation of only thirteen regions out of fifty-four prefectures, and the creation of seven decentralized administrations may have achieved economies of scale and decreased costs, but at the same time, the resources
of all kinds which directed to local communities were drastically reduced. The rationalization of economic figures on the one hand and the policy of austerity on the other.

The new governance regime from 2010 (Kallikrates Program) during the past years after its introduction, showed irregularities as it was implemented each time by the different regional authorities. The second-ever reform of local government (Cleisthenes I Program) in 2018 tried to correct any problems arising from the first reform. However, the system of simple proportional representation in local government elections in 2019 caused many problems in governance, as the municipal authorities elected in many municipalities in Greece did not have a majority in the municipal council and the other bodies (Economic Committee, QoL Committee). Elected municipal authorities could not take decisions and policies concerning the issues of the municipality and citizens could not be advanced. The lack of governability brought changes with successive amendments to the provisions of the above laws, transferring responsibilities from the municipal council to the Economic Committee and the QoL Committee, while the majority of the elected municipal authority in the above-mentioned bodies was ensured by Article 2 para. 1 of Law 4623/2019. Finally, due to the economic crisis but mainly due to the pandemic there was not much willingness of citizens and community groups to participate in the municipal and regional consultation committee.

5. DISCUSSION

Several researchers have highlighted diverse aspects and impacts of merger laws in LGOs and their SOEs. Firstly, in the field of enterprises, Pazarskis et al. (2022a) found that despite the additional responsibilities and geographic areas that the Kallikrates Program added to the municipal companies and the reduction of the extraordinary subsidies as a result of the Greek debt crisis, the municipal water company of the city of Serres was able to plan the actions that led to an improvement of the majority of the examined ratios after merger events. When compared to their pre-merger performance, eleven of the fourteen ratios perform better, while three actually perform worse (2011–2018). Although several of these ratios indicate a partial recovery (during the economic crisis period), they gradually deteriorate by the end of the crisis, resulting in a variety of contradicting outcomes regarding the evolution of these ratios over the crisis era.

Pazarskis et al. (2019) found that Greek municipalities managed to produce better results despite having more duties in the post-Kallikrates era and less financial help from the state. Between 2011 and 2016, Greek LGOs increased their cash, cash equivalents, and securities while reducing their short-term debt. According to Pougkakioti and Tsamadou (2020), efficiency and productivity values gradually increased from 2013 to 2016 as a result of the 2010 Local Government Reform and the stringent fiscal policies.

Nonetheless, Fois, Sdrali, and Apostolopoulos (2013) found that threats to the reforms have been generated in Greece, and they relate to the general financial crisis, political power struggles and their specifics, the boundaries of new municipalities, and staff requirements. Also, Nikitas and Vasilopoulou (2022) found that regional and local administration reforms were not given top priority. The number of municipalities and regional administrations reduced as a result of the considerable public administration reform carried out during the first reform program “Kallikrates”, but the central administration was the only area of concentration.

In Japan, the Special Municipality Mergers Law was completed in 2011, and a merger plan in the Hokkaido prefecture was mostly unsuccessful as Takeguchi and Suzuki (2011) have claimed. Thus, they have proposed a model for merging municipalities and applied it to the municipal merger of the Hokkaido prefecture (Japan), which has a large number of municipalities. The purpose of their study was to provide relevant advice for future merger negotiations and the introduction of a successful legal framework. Also for Japan and the same prefecture, Takeguchi and Suzuki (2012) argued that blankies from Hokkaido Prefecture’s central cities, which are distinguished by wide gaps between municipalities. They provided evidence for a new future improved law for mergers in Japanese LGOs and provide a policy for sustainable settlement zones in Hokkaido prefecture based on their studies.

Last, Vandelli (2017) showed that there was still work to be done in Italy, by providing a summary of the law changes that affected local government. From the reforms of the 1990s till the attempts at territorial reorganization during the economic crisis with the 2014 Law Delrio, Vandelli (2017) claimed that there are still various solutions to be enforced in the area of inter-municipal cooperation and municipalities’ merger. According to these last changes, the role of local governance should be further increased, in order to gain better financial functions management in budget execution.

6. CONCLUSION

The initial aim of this research was to shed light on features of mergers in the public sector, particularly in local government organizations (LGOs) and their municipal or state-owned enterprises (SOEs) as well as how governance in the aforementioned entities has changed as a result of self-government reforms. In addition, the goal of this study is to give a comprehensive presentation of the legislative framework governing the mergers of Greek municipalities, regions, and decentralized administrations, as well as their municipal and regional-owned businesses. It is undeniable that the LGOs’ reforms in Greece, which led to the consolidation of municipalities to new regions, the merging of their legal organizations under public law, and the consolidation of their public utility firms (SOEs), have resulted in a distinct system of governance.

The study has been criticized and discussed the merging activities of LGOs in Greece, which have taken on several state obligations and duties and reduced their short-term indebtedness during the economic crisis, but they still face a number of challenges under the new governability system.
financial, political, and others). Despite the fact that they did not receive the cash promised by the reforms because of the economic crisis, they also improved in terms of efficiency and production. Regarding the legal entities of the LGOs, mergers and the new governance system contributed to economic improvement throughout the economic crisis, but, by the conclusion of the crisis, they had steadily deteriorated. In conclusion, regional and local administration reforms should be given top priority by the Government and a stable electoral system can be the foundation for the best possible functioning of the new governance regime.

However, this study has several limitations. The scope of this study includes only changes for the Greek legal framework and, therefore, did not contain any other issue regarding the European, and other European member-states’ laws or these from the international law arena. In addition, the merging transactions could be evaluated with some specific empirical data that may use a particular methodology and employ some quantitative variables and specific qualitative variables. Different methodologies may lead to different results on this topic. Finally, as future research in this field, there is ample scope for researchers to investigate the new governance system in LGOs and their legal entities in Greece from 2010 to the present, a period that was particularly marked by the COVID-19 pandemic.

REFERENCES