

# EVALUATION OF THE FIRST OUTCOMES OF DECENTRALIZATION REFORM WITH “KALLIKRATIS PLAN” IN GREECE: THE CASE OF ILIDA’S MUNICIPALITY

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## Abstract

Many countries, not only in the European Union but also throughout the world, are adopting decentralization reforms in order to empower local communities. Decentralization is the process of transferring authority, responsibility and accountability from central to local governments. To accomplish this, Greek government applied the Law 3852/10 «Kallikratis plan», reforming the local self administration and its duties. The purpose of this paper is to present the results of the conceptual framework analysis of the relation between decentralization and democratic local governance in Greece, to explore opportunities and propose ways to establish or further strengthen democracy at the local level.

**Keywords:** Public Administration, Municipalities, Local Self-Government, Decentralization, “Kallikratis” Project

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## 1 Introduction

For over thirty years, decentralization has been a key component of the institutional design adopted in many OECD countries and the European Union. Today, throughout the world there is a broad-based movement towards greater decentralization. It is commonly accepted that our societies can be governed more effectively if decisions are taken at a level that is as close as possible to the needs of the communities they affect. In that case, decisions are based on better information, are more clearly understandable and more responsive to the local needs (OECD, 2003).

Decentralization is the transfer of authority, responsibility and accountability from central to local governments. Decentralization is typically viewed as having several dimensions that reflect, in general terms, increasing and often sequential stages of progress in achieving the governance objectives of decentralization (Barnett et al, 1997). These forms are:

- Political Decentralization (accountability)

- Financial decentralization (access to resources)

- Administrative decentralization (functional responsibility).

Many governments are now decentralizing responsibilities for service and infrastructure provision, financing and management. The questions concerning which services should be decentralized, how they should be financed, which organizational arrangements are most feasible and effective still remain open and in some countries hotly debated. (Rondinelli et al, 1989)

On this direction, Greece, in 2011 applied an ambitious structural change in public administration that incorporates some main political values of its governance: transparency, good laws, democratic decentralization, accountability and participation. This accomplished by reforming the local self administration and its duties by the Law 3852/10 «Kallikratis plan» .

After more than a year of its appliance we make an effort to track down the problems of its appliance, explore opportunities and make proposals to overleap

difficulties and improve decentralization and democratic local governance. We take into account all the former work that has been done to this direction from Central Union of Greek Municipalities and Communities (2011a, 2011b, 2011c), the Institute of local government (2010), and studies (Alexopoulou, 2010) etc

## **2 Kallikratis Plan**

«Kallikratis plan», applied in Greece, is substantially the continuity of Law 2539/97 «Kapodistrias plan» and its name originates from one of the two architects of Parthenon. It is a structural change that incorporates some main political values of our governance: transparency, good laws, democratic decentralization, accountability and participation.

From 1 January 2011, in accordance with Law 3852/2010 «New Architect of Self-administration and the Decentralized Administration – Kallikratis plan», the administrative system of Greece was drastically overhauled. The former system of 13 regions, 54 prefectures, and 1034 municipalities and communities was replaced by 7 decentralized administrations, 13 regions and 325 municipalities. The regions and municipalities are fully self-governed while the decentralized administrations are run by a general secretary appointed by the Greek government. The Monastic State of the Holy Mountain, as an autonomous self-governing entity, is still exempted from such reforms.

«Kallikratis plan» generates the greatest decentralization of jurisdictions, the largest shift of political power, establishing a new system of governance aiming at the achievement of local development and the best possible provision of services to citizens. The municipalities turn into powerful units of local development and, based on the human and financial resources transferred from the abolished prefectural self-government, takes charge of numerous new jurisdictions in various fields such as in the sector of Environment, the of Quality of Life and Proper Cities' Function, the Social Protection and Solidarity, the Agricultural Development, Livestock and Fishing e.t.c. (Mentoring SA, 2011)

The regional self-administration received all those jurisdictions of the abolished prefectural self-administration which are implemented more efficiently on a regional scale. In addition, some of the jurisdictions belonging to the central region, except for those that have a sheer state character, remain to the decentralized central administration.

## **3 The Research Methodology**

In order to obtain an overview about whether Law 3852/10 «Kallikratis plan» has achieved the further decentralization from the central government to local governments and the establishment of democratic

local governance after the first year of its implementation we used the case of Ilida's municipality. And that, because it is a medium-sized municipality as are the majority of municipalities in Greece.

The methodology of our survey contains the combination of both quantitative and qualitative research as it is the most effective methodology for a complete description and a reliable examination of a case analysis. Our aim was to collect the quantitative data by the structured questionnaires and in combination to the qualitative data collected by the interviews to be able to relate the results and provide the most valid possible analysis. The sampling research is made by questionnaires filled out by the employees of Ilida's municipality and by interviews to all the elected officials of Ilida's municipality.

The sample of the quantitative research was a quite representative proportion of the total, as we collected a sample of 70 questionnaires, while the total number of employees that work at Ilida's municipality was 190. The sample covers all the education categories, as 33 questionnaires were filled out by employees of university education, 10 were filled out by employees of technological education, 21 of secondary education and 6 by employees of compulsory education. Thus, the sample used covers the 37 % of the total population from which 47 % have university education, 14 % have technological education, 30 % have secondary and 9 % have compulsory education. On the other hand, the qualitative research applied by the interviews to the elected officials of Ilida's municipality shows an overall view as all the elected officials have been interviewed.

## **4 Results Analysis**

Both the evidence set out after the completion of the applied research on Ilida's municipality and the theoretical framework which it supports, identify effective democratic decentralization as the most urgent challenge to good municipal governance. According to the results of the quantitative research applied in Ilida's municipality, the majority of the questioned employees believe that «Kallikratis plan» gave a sufficient number of jurisdictions to LSGs (Local Self Governments). When it comes to the qualitative research, all the interviewed elected officials also claimed that it gave a considerable number of jurisdictions to local organizations. So, we come up with the conclusion that Law 3852/10 «Kallikratis plan» has given many jurisdictions to local governments.

A considerable administrative decentralization has been achieved as L.S.G.s have been transferred, fully or partially, of an array of functional responsibilities, such as health care services, the operation of schools, the management of service personnel, the building and maintenance of roads, the

garbage collection etc. We can also claim that political decentralization has been partially achieved as there is a significant transfer of political authority to the local level as they have a sufficient level of authority concerning urban infrastructure, local officials are democratically elected etc. But, when it comes to the financial decentralization things aren't very well. The overwhelming majority of the employees and all the elected officials agree that the expectations of Ilida's municipality from «Kallikratis plan» haven't been accomplished. Additionally, the questioned employees claim that the economic crisis and the lack of economic resources are very important reasons for that failure. The result of the qualitative research is exactly the same as all the elected officials consider that reasons as of high importance. In addition, both the questioned employees and the elected officials believe that the decentralized LSGs have an insufficient level of financial resources. So, one year after the implementation of «Kallikratis plan», the results of the research prove that the Greek L.S.G.s are unable to manage public resources and continue to be highly dependent of the central government subsidies. There is an extreme lack in the existence of local economic development strategies and incentives, while the economic crisis that Greece faces has deteriorated the situation further more.

Moreover, the majority of the questioned employees believe that the level of accountability hasn't been improved and there is an extreme lack of organization, programming and flexibility. L.S.G.s have been provided with the authority to generate their own revenues but both the quantitative and qualitative research proves that LSGs don't have the necessary major characteristics in order to achieve that, which are predictability, transparency and accountability.

According to the theoretical framework, decentralization gives the local governance system the opportunity to become increasingly democratic and helps position local officials to work for the benefit of the community at large. The Law 3852/10 «Kallikratis plan» has opened avenues for the development of democratic local governance carried out in a responsive, participatory, accountable and increasingly effective way. But, after the analysis of the quantitative elements and the qualitative interviews with the elected officials of Ilida's municipality, we don't believe that participatory governance is implemented and there is still much to be done. The majority of the employees expressed the belief that accountability, responsiveness, participation and cooperation in Ilida's municipality are of the same level one year after the implementation of Law 3852/10. Only transparency is believed that has been improved, as both the employees and the elected officials agree that it is better due to the program «Clarity» which has been introduced by «Kallikratis plan». Participatory and

democratic local governance extends municipal governance away from councilors and administrators to include the community. Efforts must concentrate on building a regime where the systemic incentives promote accountability and public responsiveness to local needs and citizen demands.

Moreover, both the qualitative and the quantitative research have shown that the quality of provided services to Ilida's citizens concerning cleanliness, health, education and culture is the same after the implementation of «Kallikratis plan». Also, both the employees and the elected officials agree that the provided services to socially vulnerable groups are of the same quality. So, there is the necessity to put effort for the upgrade of the quality of provided services to citizens and Ilida's municipality must encourage and create conditions for the local community to participate in the affairs of the municipality.

Also, Ilida's municipality has to install a system where politicians are held fully responsibility for their actions and fight corruption. The quantitative research has shown us that the level of accountability is the same one year after Law 3852/10. We can't talk about efficient decentralization without the fostering of accountability and the reduction of corruption. The establishment of an open and fair political system, both locally and nationally, will help it gain its lost reliability. Local governments are quite close to citizens, so they must hear their voices, develop constructive communication and implement all the necessary policies to establish social cohesion. A quite useful tool for the local governance should be the future research of whether L.S.G.s must be given more autonomy in order to provide citizens of higher quality services.

## **5 Propositions**

### **5.1 Propositions on administrative issues**

Decentralization is frequently recommended as a means not only to enact but also deepen democratic governance. Nowadays, municipalities are obliged to develop a culture of municipal governance that complements formal representative government with a system of participatory governance in order to improve administrative and service delivery effectiveness. Greater effectiveness occur when innovative approaches are adapted, where success is rewarded and where implementation plans can respond to changes in the continuously adjusted environment.

First of all, the lack of a transition period from «Kapodistrias program» to «Kallikratis plan» has created a very serious frustration to both municipal employees and mayors who are in many instances unable to respond to their new expanded jurisdictions. Both the quantitative and the qualitative research applied in Ilida's municipality revealed that the lack

of a transition period from «Kapodistrias program» to «Kallikratis plan» was a quite important reason for the failure of Ilida's expectations. So, it is necessary to provide training to the municipal staff so as to be able to accomplish their new duties. Organizational and development effectiveness requires both good training design and an appropriate organizational and institutional context in which to apply new knowledge and skills. A merit-based promotion system and human resources management policy are also necessary as it is commonly accepted that the absence of a strategic approach to staff capacity development contributes to the ineffectiveness of capacity development activities.

In our opinion, Ilida's municipality should also support the training of its local officials in order to not only establish and monitor performance standards but also to can better engage in strategic planning, management and policy making. A program funded by the national government on the municipal law 3852/10 «Kallikratis plan» and basic administration policies is of great importance. It should train both employees and officials in five areas: municipal strengthening and leadership, municipal law, strategic planning, budget administration and municipal management.

Besides, Ilida's municipality and municipalities in general have the need of leadership. A mayor that can establish a clear vision, inspires others to follow willingly by coordinating them and provide the knowledge and methods to realize it, is a precious weapon for a local government. Undoubtedly, a leader that has a creative and charismatic personality and comes to the forefront in case of crisis can help a local community to overcome its difficulties and achieve the establishment of vulnerable democratic local governance.

Another greatly significant thing that has to be done from the central government is the clarification of the legal framework. Both the questioned employees and the elected officials claim that the lack of a clear legal framework was a reason of significant importance for the efficient implementation of «Kallikratis plan». It has some shady points related to the new jurisdictions transferred from the abolished prefectures to the municipalities. In some cases, there is even jurisdictions' covering and incomprehensive procedure for their implementation. The lack of clear division of responsibilities for specific competencies definitely leads to concurrent authority, with duplication or under-provision of essential services.

## **5.2 Propositions on financial issues**

Developing democratic local governance requires improving the financial standing of local governments so that they can carry out their responsibilities and accountability requirements. Ilida's municipality has to develop its general

management, operational and policymaking capacity and eventually become self-sustaining.

It is commonly accepted that Greek municipalities in their overwhelming majority, have very high dependence percentages from the governmental grant. The research applied in Ilida's municipality revealed that the economic crisis and the lack of economic resources are the major obstacles for LSGs in order to respond to the new jurisdictions that have been transferred by «Kallikratis plan». Under the current negative financial perspectives, local political designers ought to utilize the total range of the available national and European financial resources. Besides property revenues, established taxes, fees, inheritances, rents and fines Ilida's municipality should develop its own entrepreneurial activities in order to ensure alternative funding sources. That could be done by exploiting for example the seasonal touristic businesses of Kourouta's beach, gain more revenues by the increase of the municipal fees and generally attempt to improve regional development at the local level.

Also, another radical policy could be the dues motivation to local financial institutions in order to fund programs for the reinforcement of local entrepreneurship, especially to young people and women, such as the establishment of producers' cooperatives of local traditional products. It is absolutely necessary to provide a considerable degree of independence to local governments in the use of central government subsidies. If priorities continue to be given by centralized governance then it is not an effective decentralization because the local organization is being treated as an appendage of central government.

Moreover, funds should vary positively with need factors and inversely with their own capacity to tax. Central government must take a careful investigation at revenue allocations in relation to the unique needs of each municipality. It can be applied by means of an allocation formula which will differentiate among municipalities according to criteria like basic unmet needs, poverty index, remote and population density.

In addition, good management and efficient service delivery should be rewarded by the central government, using the appropriate financial incentives. There are a variety of ways to structure incentives so that they don't get disguised as another form of grant.

Moreover, the articles 99 and 100 of «Kallikratis plan» are essentially interesting for the reason that can be used as means for exercising the expanded jurisdictions concerning social welfare. According to these two articles, municipalities and prefectures can sign contracts about inter-municipal cooperation and programming contracts with charitable institutions or inheritances which aim at charitable purposes. These are flexible forms of collaboration aiming at the achievement of scale economies necessary to deliver

the services they have been assigned, allowing to municipalities with even low operational capabilities to reciprocate to their new assigned responsibilities. Ilida's municipality could establish a Burden Advisory Centre, like the ones in Germany and Holland, in collaboration with the Local Consumer Unions in order to prevent the local households of being overburden. That could be achieved by the organization of free seminars which can inform citizens about the psychological side-effects of overburden and advice them so as to prevent that over-stressing and destroying situation.

Another thing of vital importance in order to establish a new framework for Ilida's local government is the providing of advisors on local government finance law. These advisors should work with both the Ministry of Finance (M.O.F.) and national municipal associations by providing not only advice but also policy analysis on financial issues. In that way the municipal associations will have the opportunity to increase their membership and dues revenue. Under this framework, local government can develop local tax collection authority and take on new responsibilities for delivering services and managing resources.

Moreover, another thing in order to improve the financial situation of Ilida's municipality is the utilization of its real estate. The real estate of the Greek municipalities has been repeatedly characterized as a «sleeping giant». In the context of the Entrepreneurial Program «Administrative Reform 2007-2013» that took place in 2010, the Greek Agency of Local Development and Local Government (G.A.L.D.L.G) undertook the implementation of the recording and utilization of the building infrastructure and the rest real estate of the 1<sup>st</sup> and 2<sup>nd</sup> degree L.S.G.s and regions. That program recorded the number of buildings, the ownership, the situation, the annual rents, the buildings with historical or architectural interest and the ones that give access to persons with special needs for every Greek municipality or region. Using the results of that program we can see that Ilida's municipality possesses 92 buildings and 3 building plots. Among these, the municipality uses 24 buildings for the housing of its services, 55 of these are schools, pays for renting 4 buildings and collects rents for 2 of them. But, 20 schools and 3 buildings aren't being used. So, one thing that could be done is the innovation and renting of these buildings in order to increase its revenues. When it comes to the plots, one is being used as a camp for the housing of city's minority groups. In the other one could be constructed apartments which will offer to poor families and immigrants a hygiene environment to live. Finally, the third plot should be used for the construction of a square which will make the city more beautiful and offer citizens an ideal place for walking and leisure activities.

Local Self-Governments, from the last decades until now, have the opportunity to receive European funds in order to implement numerous public works in the fields of infrastructure public works, health, education, environment, civilization, athleticism, tourism etc. The quantitative and qualitative research applied in Ilida's municipality revealed that the utilization of European financing is very important for the reinforcement of Greek LSGs. One such funding program is called National Strategic Reference Framework (N.S.R.F.) and is the document report for the programming of European Union's Fund at national level for the period 2007-2013. Basically, it is the continuity of the 3<sup>rd</sup> Community Support Framework (C.S.F.) which concerned the programming of period 2000-2006. The total N.S.R.F.'s budget is 39,4 billion € from which 20,4 billion € is community assistance, 11,5 billion € are National Public Expenditure (N.P.E.) and 7,5 billion € are private participation. The strategic planning of the country for the period 2007-2013 is being implemented through Sectoral Operational Programs, Regional Programs and European Territorial Cooperation Programs. Ilida's municipality has already five public works integrated in the field of infrastructure public works, one more of the same field is for inclusion and it is going to be proposed for integration five more in the fields of infrastructure public works, athleticism and environment. But, Ilida's municipality could be benefited even more from N.S.R.F. by exploiting more open programs for L.S.G.s in other fields. One such is the program for the creation, completion and upgrade of infrastructure for the promotion of touristic development through the utilization of important touristic, cultural and natural resources of the region. Another such program of N.S.R.F. is for the upgrade of touristic services in the Region of West Greece. Finally, Ilida's municipality could also use the N.S.R.F.'s program for the improvement of the cultural services in the Region of West Greece.

Another important tool for L.S.G.s is the Partnerships of Public and Private Sector (P.P.P.S.). In simple words, it is the cooperation of public institutions with private sector in order to implement a public work. That cooperation aims at the planning of the funding, the construction, the management, the operation, the renovation or the maintenance of public works and infrastructures. Ilida's municipality has already proposed the implementation of a public work concerning the disposal of solid waste using P.P.P.S. tool. Of course, that tool can and should be used more in the future in order to provide citizens with better services and a healthier environment to live.

Finally, another very important European program that Ilida's municipality hasn't used yet but should do in the near future is the Joint European Support for Sustainable Investment in City Areas (J.E.S.S.I.C.A.). The initiative of that program's

development belongs to the European Investment Bank (E.I.B.) and the Development Bank of the European Council (C.E.B.). The main idea of that program concerns sustainable development works in city areas with the attraction of private capital. In other words, it is a basic funding tool that is applied in city development plans in the fields of waste disposal, energy, tourism, city transportation, parking etc.

### **5.3 Propositions for the establishment of local democracy**

Where local governance is democratizing, local governments are increasingly responsive and interactive with the community. They become more participatory, transparent and accountable to local residents. The key success factor for effective decentralization and local governance is participation. Both the quantitative and the qualitative research have shown that the level of participation in Ilida's municipality is the same one year after the implementation of «Kallikratis plan». So, Ilida's municipality should take actions in order to improve the delivery of public services and generate democratic legitimacy.

The most meaningful thing that Ilida's municipality can do in order to achieve democratic local governance is to support practices that increase citizen input into decision making and be supportive to their needs and concerns. It should establish mechanisms through which citizens can gain access to information, public meetings, voice their preferences and participate directly in community advisory committees, town meetings, public hearings, joint commissions or opinion polls. It could also establish a city hall public information and press office, monthly news conference, publicize the council's agenda, make citizen surveys about their needs or even make an electronic live forum in its official web page. That is very important because the promotion of local government by the active participation of an informed citizenry in local affairs empower citizens and make local governments more participatory, more accountable and consequently more effective. Citizens are characterized by a limited awareness about their role in a decentralized context and their limited capacity to organize so as to make their voices heard. A constructive dialogue with citizens, NGOs and the private sector can lead to the proper functioning of local democracy. Also, by incorporating citizens into local decision-making, Ilida's municipality can build trust in local government, reduce opportunities for corruption and as a result strengthen the desirable local democracy. Without increased local input and accountability, decentralization of administrative and fiscal functions is ultimately a meaningless exercise.

In addition, both the questioned employees and half of the interviewed elected officials agree that the

level responsiveness hasn't been considerably improved. So, Ilida's municipality should take actions in order to measure the actual performance reported to the public. The existence of a transparent financial system and the full reporting to citizens is a necessity. Especially, revenue sharing should be characterized by simplicity and transparency so that central government and citizens understand how much is being shared and for what purposes. It has to establish a citizen complaint mechanism, improve the response time for citizen complaints and measure the citizen's satisfaction. Information about local government performance should be readily available and also it has to promote civic education to improve citizen understanding of the functions of local government and the obligations of responsive citizenry. After that procedure, the documented performance standards and systems of measurement should be used as an input with the aim to take corrective actions and improve the level of services provided to local community.

Furthermore, Ilida's municipality should take measures for the upgrade of cooperation's level as both the quantitative and the qualitative research revealed that cooperation is the same one year after the implementation of «Kallikratis plan». So, one thing that could be done is the formation of a Scientific Committee for the confrontation of psychological effects of unemployment, with the participation of social scientists working for the municipality and representatives of the municipal authorities. Whenever necessary, that could be implemented as a collaboration of contiguous municipalities. The goal of this committee should be the recording of the unemployed, the projection of support programs in order to obviate their psychological consequences and the personal advisory of the unemployed and his family, especially the teenagers. Also, another program could be the creation of teams for the utilization of leisure time or the planning of a network for the confrontation of psychiatric disorders and addictive behaviors in collaboration with governing bodies of Psychic Health.

## **6 Conclusions**

From our case study, it is an intense necessity that each municipality should obtain its revenue adequacy as soon as possible. It must make enough revenues to meet its obligations and achieve the necessary predictability concerning its revenues available by its own sources. It is commonly accepted that budget accuracy is essential to good governance and Greek municipalities definitely lack of fiscal resources.

The applied research in Ilida's municipality identified the need for improvement of provided services to socially vulnerable groups, such as poor, immigrants, disabled and minorities. Thus, an additional measure that each municipality should

adopt in order to show its social role is the increase of the number and amount of monthly subsidies given to low income families as many citizens live under the border of poverty. Also, municipalities should organize health care programs with the voluntary citizen participation by the guidance of municipality's employees and other local departments of humanitarian and non-profit NGOs. Nowadays, many families, unemployed or old people, haven't the potential to make their necessary medical tests or even buy their medicine.

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