

Table of Contents

| | |
|---|----|
| 1. Introduction..... | 4 |
| 2. Socioeconomic Environment..... | 4 |
| 2.1 Basic Figures..... | 5 |
| 2.2 Municipal Administrative Organization..... | 10 |
| 3. Municipality of Athens: Political Leadership and Fiscal Problem..... | 11 |
| 3.1 The political leadership of the municipality..... | 11 |
| 3.2 The fiscal problem..... | 12 |
| 4. Problem Perceptions and Causes..... | 18 |
| 4.1 Endogenous Causes..... | 18 |
| 4.2 Exogenous causes..... | 21 |
| 4.3 Remarks/explanations..... | 23 |
| 5. Scope and means of Actions: Evaluation, Performance, Impact..... | 24 |
| 5.1 Municipality means..... | 25 |
| 5.2 Upper level means..... | 26 |
| 5.3 Remarks/explanations..... | 27 |
| 6. Public Discussion/ Debate..... | 29 |
| 7. Political system: input, throughput and output Legitimacy, Political Culture, Knowledge, Leadership..... | 31 |
| 7.1 Input Legitimacy..... | 31 |
| 7.2 Political culture..... | 34 |
| 7.3 Policy style..... | 35 |
| 7.4 Knowledge..... | 36 |
| 7.5 Leadership..... | 36 |
| 8. Conclusions..... | 36 |
| 9. Micro-Level Policy Recommendations..... | 37 |
| 9.1 Recommendations to elected politicians..... | 37 |
| 9.2 Recommendations to municipal administration..... | 38 |
| 9.3 Recommendations to other actors..... | 38 |
| 10. Macro-Level Policy Recommendations..... | 39 |
| ANNEX I..... | 40 |
| ANNEX II..... | 41 |
| ANNEX III..... | 44 |
| ANNEX IV..... | 46 |
| ANNEX V..... | 47 |



regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund,
in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

ANNEX VI..... 48

ANNEX VII..... 49

ANNEX VIII..... 51



HELLENIC REPUBLIC
Ministry of Culture, Education and Religious Affairs
 General Secretariat for Research and Technology

HELLENIC REPUBLIC
MINISTRY OF ECONOMY
 INFRASTRUCTURE, MARITIME AFFAIRS & TOURISM



regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund,
 in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

Abstract

The report of Athens assesses the features of the municipality's fiscal problem, making a reference to the socio-economic context of the city and its political leadership. Based on a qualitative evaluation of data, stemming from interviews of the main stakeholders (politicians, CEOs, CSOs representatives) and from the analysis of documents in the press, political parties programs, municipality press releases and others, the report examines the differentiated causes of the debt problem and the respective consolidation measures implemented. The analysis proceeds with the impact of local political leadership on input, throughput and output legitimacy and the leadership styles exercised in Athens.

1. Introduction

The Athens case study report presents a summary of the main findings on fiscal consolidation measures implemented in the municipality of Athens in the period 2011-2013. It is based on three types of sources: statistical data and information from secondary sources on the socioeconomic and political context of the city, 226 texts from the press and the municipality (newspapers, press releases, Municipal documents) in the period 1997-2014, and 9 interviews with actors (June- October 2014 and March 2015), who have an important role and say in the municipal fiscal problem. The interviewed actors are: the Mayor, the General Secretary, the Mayor's Financial Counselor, 2 Councilors of the opposition (one of them being the Ex-Vice Mayor for Fiscal Matters), 1 Director of the financial dpt. of municipal administration, 2 journalists of the national press reporting about municipal affairs in Athens, 1 journalist of the municipal radio station.

The second and third parts of the report refer to the socio-economic and political context of the city and the emergence of the municipal "debt". Parts four and five present the actors' perception and assessment of the problem, the causes and outcomes (evaluation, performance, impact) of the measures implemented in the period 2011-2013. These parts are purely descriptive and based on data and selected quotations derived from the MAXQDA analysis. Part six highlights the local public discussion /debate on the municipal debt.

The seventh part of the report, illustrates our interpretation of how local actors take decisions and implement actions. It focuses on the dimensions of the local political system, namely of legitimacy and transparency, of the political culture, policy style, types of knowledge and leadership prevailing in the urban context of Athens. Finally in the conclusions (part eight), we sum up our main arguments on the specificity of Athens case in combating municipal debt and we draw some useful lessons for policy recommendations (part nine and ten).

2. Socioeconomic Environment



2.1 Basic Figures

The city of Athens is the capital of Greece and the center of a vast metropolitan area that has a permanent population of 3.828.434 people spread over 58 municipalities.

The municipal territory includes the historic center of Athens and its surrounding districts and it consists of seven municipal communities, which are sub-divisions of the municipality. Athens is also the cultural, financial and political heart of Greece, being the seat of the national government. Most of the national public services and many regional headquarters of transnational corporations are located here and every year the city accommodates thousands of students as it is the seat of many academic and research institutions.

Demographic development (2001-2011)

The City of Athens is the most populated municipality in Greece and despite the fact that compared to the 2001 census the city experienced a population decline of 15.85%, according to the latest 2011 census, Athens has a permanent population of 664.046 inhabitants, which keeps the city on the top of Greek municipality. However, the officially registered population decline, from the top figure of 885.737 inhabitants in 1981, to 772.072 in 1991, then to 745.614 in 2001 and, finally to 664.046 in 2011 reflects the fact that the city lost no less than apr. 25% of it's population in 30 years. Out of this decrease, nearly 1/3 happened between 2001 and 2011 which means that there is a dramatic acceleration of this dynamic. The biggest part of the Athenians that left their city, simply moved to the suburbs, just as it happened with many other centers of big agglomerations all over the world. However, what is striking in the case of Athens is the fact, these losses of permanent population have not been, in a way, "counterbalanced" through increased working and leisure activities in the city center. In fact, a big part of working places, businesses, shopping and leisure activities have also moved away from the center of the agglomeration (nearly identical with the city of Athens). A big part of the city has been transformed into low-price and low-rent territory that was gradually becoming a king of "ghetto" with high criminality and a neglected urban infrastructure. Central governments and even municipal governments did not properly react and even the big event of the Olympic Games did not manage to reverse this development, since a relatively small part of the city benefited from urban regeneration initiatives and new infrastructures while the big rest was abandoned to decline. Today, more than 20% of the surface of available buildings in Athens is empty and an important part of old buildings has been simply "abandoned" by private owners and is literally collapsing. In view of this situation, the Municipality of Athens could be described as the first "shrinking" big city of Greece and probably the only emblematic historical city in the "old" European Union which has been abandoned in this way.

In addition to this development that is ongoing since 35 years, from 2008 onwards, the City of Athens, due to the economic crisis, is facing acute problems of poverty because of weak networks of social solidarity, contrary to the Greek province where close social ties act as a



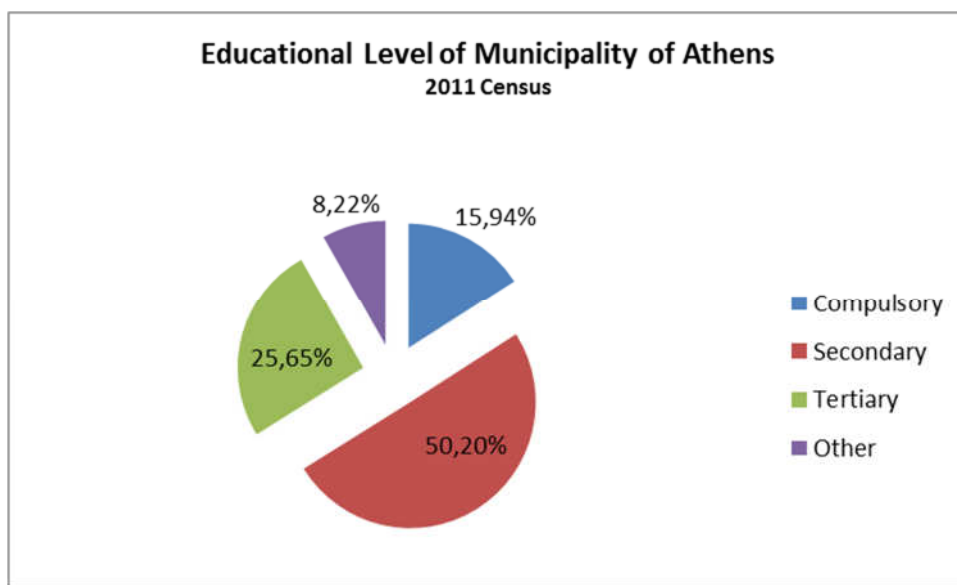
protective safety net. Furthermore, the City of Athens has become the home of many thousands of “immigrants without legal documents”, not only due to the anonymity that a big city is offering, but also because of the practice of Greek border authorities that send nearly every immigrant or asylum seeker that is arrested for illegal entry to the “Greek melting pot” of the Athens.

As a result of “new poverty” and uncontrolled immigration flows, the number of homeless people (a figure nearly unknown up to the early nineties in Athens) is constantly growing. Specifically, based on social status data is estimated that about 1,700 people identified as homeless live in the city center, while NGO reports estimate that the number of homeless people exceeds 3,000 people (and some report much higher numbers), while quite a few homeless persons find sheltered in abandoned, often dangerous, buildings.

The poverty and delinquency has repercussions on the enterprises’ economic activity. According to data from the ACCI the year 2010 was the year with the highest rate of deletions businesses in the municipality of Athens in relation to the next three years. While throughout the years 2010-2012, the number of newly established enterprises generally followed a downward trend.

Educational level of Municipality of Athens

Graph 1 Educational Level



Source: Hellenic Statistical Authority

The majority of Athens (50%) Citizens has attained the Secondary education (i.e. after primary school the students attend the lower secondary school (Gymnasium) which has three grades and then the upper secondary school (Lykeium) with three more grades). Also 16% of the citizens have attained just the Compulsory education (i.e. the primary school followed by the Gymnasium). Furthermore 20% of the citizens complete higher level education (i.e.

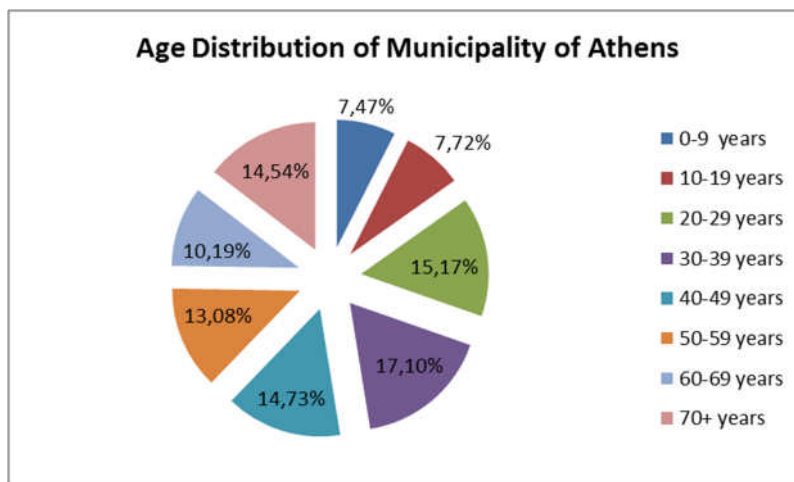
regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund, in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

University, Technological Education Institutes). It is noted that these results follow the overall educational model of Greece.

Age Distribution of Municipality of Athens

Graph 2 Age Distribution of Municipality of Athens



Source: Hellenic Statistical Authority

As regards the age structure of the Municipality of Athens we can see that there is a good proportion of working age population. On the contrary this situation is subverted as regards the proportion of percentage between adults (60 years and over) and children (up to 19 years). It is obvious that the population of the Municipality of Athens is getting older.

Nationality of resident population

Table 1 Nationality of resident population (2011 census)

| Nationality | Athens | Attiki | Greece |
|--------------------|---------|-----------|-----------|
| Greek | 512.386 | 3.422.603 | 9.904.286 |
| EU | 151.660 | 72.516 | 199.121 |
| Other Countries | | 331.045 | 708.054 |
| Without/ undefined | | 2.270 | 4.825 |

Source: Hellenic Statistical Authority

According to the above table we note that both on the country and regional level the number of residents whom nationality is of other countries (outside EU) or undefined is three times more than the number of EU residents.

Specifically for the Municipality of Athens, according to the Ministry of Interior database, the number of “other country” citizens residing legally in the Municipality of Athens in February 2014 was at 64.190.

Primary/declared income in Euro per capita (2011)


European Union
European Regional
Development Fund


HELLENIC REPUBLIC
Ministry of Culture, Education and Religious Affairs
General Secretariat for Research and Technology


HELLENIC REPUBLIC
MINISTRY OF ECONOMY
INFRASTRUCTURE, MARITIME AFFAIRS & TOURISM


COMPETITIVENESS AND
ENTREPRENEURSHIP
OPERATIONAL PROGRAMME
OPC II


NSRF
2007-2013
programa for development

regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund, in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

The declared income at constant 2005 prices (in Euro) for the economic years 2011-2013 decreases significantly in the 3-year period, probably due to the horizontal cuts in salaries and the increase of unemployment across the country.

Table 2 Primary/Declared Income

| Athens | 2011 | 2012 | 2013 |
|--------|----------|----------|--------|
| | 17.691,5 | 16.155,9 | 14.133 |

Source: Ministry of Economics, elaboration by Psycharis Y.

Employment Status of Municipality of Athens and share of employees in economic sectors

The next table shows the Employment Status of Municipality of Athens, based on 2011 Census of Hellenic Statistical Authority 2011, compared with the region of Attiki and the whole country.

Table 3 Greece Demographics

| 2011 Census | Athens | Attiki | Greece |
|---------------------------|---------|-----------|-----------|
| Labour Force | 327.510 | 1.771.874 | 4.587.827 |
| Total Employed | 260.711 | 1.452.300 | 3.727.869 |
| Unemployed | 66.799 | 319.574 | 859.958 |
| Primary Sector | 1.273 | 17.530 | 372.281 |
| Secondary Sector | 42.725 | 246.617 | 654.454 |
| Tertiary Sector | 216.713 | 1.188.153 | 2.701.134 |
| Unemployment Rate | 20,40% | 18,04% | 18,74% |
| Employment Rate | 79,60% | 81,96% | 81,26% |
| Primary Sector % | 0,49% | 1,21% | 9,99% |
| Secondary Sector % | 16,39% | 16,98% | 17,56% |
| Tertiary Sector % | 83,12% | 81,81% | 72,46% |

Source: Hellenic Statistical Authority

Graph 3 Employment per Sector



European Union
European Regional
Development Fund



HELLENIC REPUBLIC
Ministry of Culture, Education and Religious Affairs
General Secretariat for Research and Technology



HELLENIC REPUBLIC
MINISTRY OF ECONOMY
INFRASTRUCTURE, MARITIME AFFAIRS & TOURISM



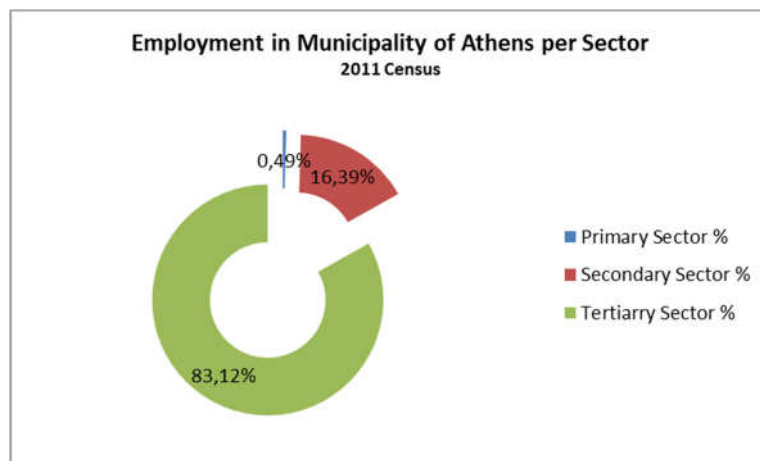
COMPETITIVENESS AND
ENTREPRENEURSHIP
OPERATIONAL PROGRAM
OPC II



NSRF
2007-2013
programa for development

regions at the centre of development

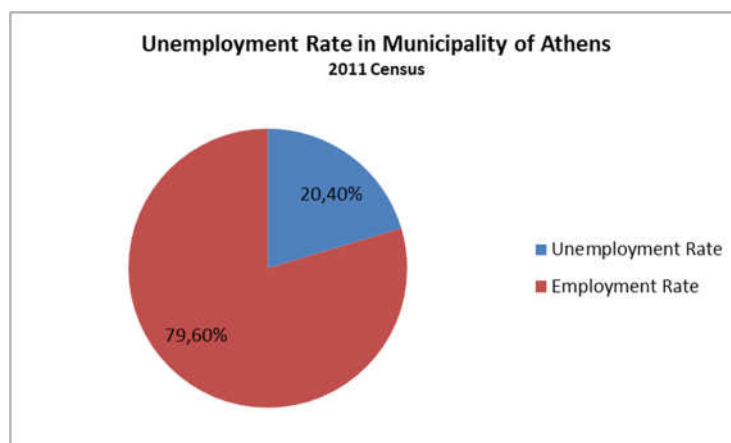
Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund,
in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace



Source: Hellenic Statistical Authority

The great majority (83%) of the Athens Employment Workforce is involved in the Tertiary Sector (i.e. in the provision of Services, e.g. Public Services, Tourism, Information Technology, Legal, Education, etc.). On the contrary only 1.273 citizens are involved in the Primary Sector (i.e. Agriculture, Forestry and Mining) due to the lack of entrepreneurship in the particular activities. The remaining Workforce (16%) is involved with the Secondary Sector (i.e. Industrial and Construction activities).

Graph 4 Unemployment Rate



Source: Hellenic Statistical Authority

The unemployment rate in Athens is high at 20.4% (in 2011, today it is even higher). Compared with unemployment rates of 2011 in the region of Attica (18.04%) and the rest of Greece (18.74%), the unemployment rate is higher in Athens. This is due to the absence of the primary sector and the economic crisis that led to the extinction of many businesses.



regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund, in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

2.2 Municipal Administrative Organization

On the 25th of January 2012 the municipality of Athens, after evaluation of its structures, implemented a new administrative organization by reducing the number of organizational units (Directorates and Departures) at about 30% in relation to the organization of 2011.

Today the administrative structure of the City consists of:

- 3 General Directorates (the General Directorate for Administration, the General Directorate of Finance¹ and the General Directorate for the Quality of Life),
- 23 Directorates instead of the former 34 in 2011
- 132 Departments instead of 182
- In the new administrative organization 10 distinctive offices repealed.

Municipal staff

Concerning the personnel in the Municipality of Athens, according to the data that have been given by the Municipality, we can see a substantial decrease in the number of personnel between the period 31/12/2010 to 30/9/2013.

Table 4 Municipal Personnel Data

| | 31/12/2010 | 30/9/2013 |
|--|--------------|-------------|
| Permanent Staff | 6562 | 4767 |
| Employment contract of indefinite term (IDAX) | 1503 | 1084 |
| Employment contract of definite term (IDOX) | 571 | 519 |
| Stage \Employees with temporary judicial decisions | 1828 | 1108 |
| Total | 10585 | 7479 |

Source: Municipality of Athens

The Legal Entities of the Municipality of Athens

On January 1st 2011 the Municipality had established a total of 18 legal entities of public and private law. On the contrary, today the Municipality has 11 legal entities of public and private law. Specifically:

Table 5 Municipal Legal Entities

¹ More details in the Annex I



| <i>January 1st 2011</i> | <i>Today</i> |
|---|---|
| 4 Legal entities of Public law | 1 Legal entity of Public law |
| 1 Foundation | 1 Foundation |
| 1 Legal entities of Private law | 1 Legal entities of Private law |
| 2 Utility Enterprises | None |
| 8 SA Corporations | 6 SA Corporations |
| 1 Civil non- profit organization | 1 Civil non- profit organization |
| 1 Municipal Radio Station | 1 Municipal Radio station |
| <i>Total number of Legal Entities : 18</i> | <i>Total number of Legal Entities : 11</i> |

Source: Municipality of Athens

3. Municipality of Athens: Political Leadership and Fiscal Problem

3.1 The political leadership of the municipality

The local elections for the municipality of Athens are highly political.

From 1975 onwards Mayors candidates are de facto nominated by the national political parties (although official party candidatures are not allowed by law), ND, PASOK, SYRIZA, KKE and the elections is considered to be a barometer for the national election results.

In the municipal elections of 2010, Kaklamanis (supported by ND party) was preceded the first round by rate with 34.97% and Kaminis (supported by PASOK and other left parties) followed with 28.38% rate. In the second round Kaminis was elected as mayor, reversing the results of the first round and managing to gather a rate of 51.95% vs 48.05% gathered by his political opponent Kaklamanis.

In recent local elections of 2014, the election was highly political, especially after the results of the national elections in 2012, with the predominance of SYRIZA as the second political party, the crash of PASOK and the ND - PASOK coalition.

The municipal election debate took place, that time not between center-left and center-right (ND and PASOK) parties but center-left and radical- left parties (PASOK/DHMAR-SYRIZA). The center-right party of ND was divided between two candidates (Kaklamanis and Spiliotopoulos), out of which only Spiliotopoulos had the official nomination of the political party.

In the first round Kaminis (who was supported by center – left parties) preceded Sakellaridis (SYRIZA candidate) by 1.06% but in the second round he took a percentage of 51.42 against 48.58 Sakellaridis. The narrow victory of Kaminis to a candidate of SYRIZA in the Municipality of Athens and the victory of the candidate of SYRIZA in Attica region was the main reason why the parliamentary opposition demanded national elections notice, which finally took place in the January of 2015. In this recent national election the SYRIZA political party was the winner.

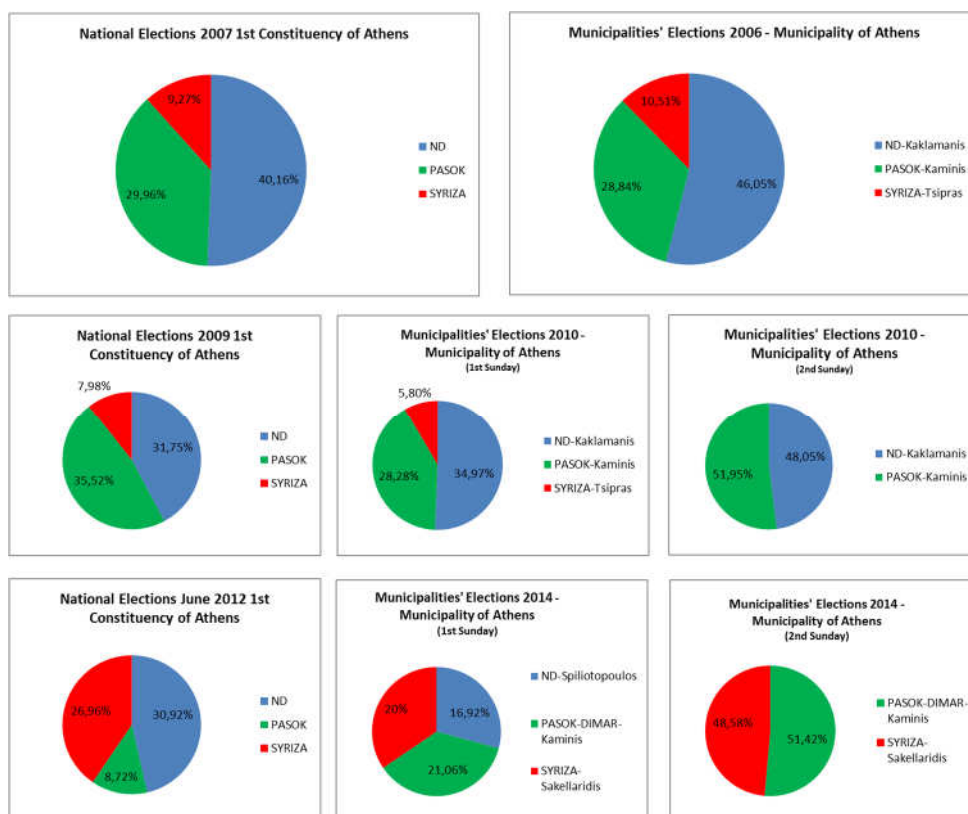


regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund, in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

In the graphs below, there is an obvious and direct relationship between the results of national and local elections.

Graph 5 National and Municipal Elections



Source: Ministry of Interior, elaboration by the authors

3.2 The fiscal problem

Looking at the absolute figures of debt we can distinguish some critical points during the period 2002-2014.

First of all, there was a huge increase in the debt exposure of the Municipality in 2003 which is, of course, associated with the preparation for the Olympic Games of 2004. After that, there seems to be an effort to reduce the debt levels but this effort stopped at 2007 when a substantial increase occurred again.

Leaving aside the slight decrease of 2008, until 2010 the total debt amount, remained relatively high, and never managed to decrease back to the 2002 level.

The year 2011, first year of present Mayor's governance, was the starting point of the Municipality's effort for the gradual decrease of total debt. This can be seen on the rightmost column of the next table with the percentage movements of total debt from year to year.

Table 6 Total Debt Movement



European Union
European Regional
Development Fund



HELLENIC REPUBLIC
Ministry of Culture, Education and Religious Affairs
General Secretariat for Research and Technology



HELLENIC REPUBLIC
MINISTRY OF ECONOMY
INFRASTRUCTURE, MARITIME AFFAIRS & TOURISM



COMPETITIVENESS AND
ENTREPRENEURSHIP
OPERATIONAL PROGRAM
OPC II



NSRF
2007-2013
Programme for Development

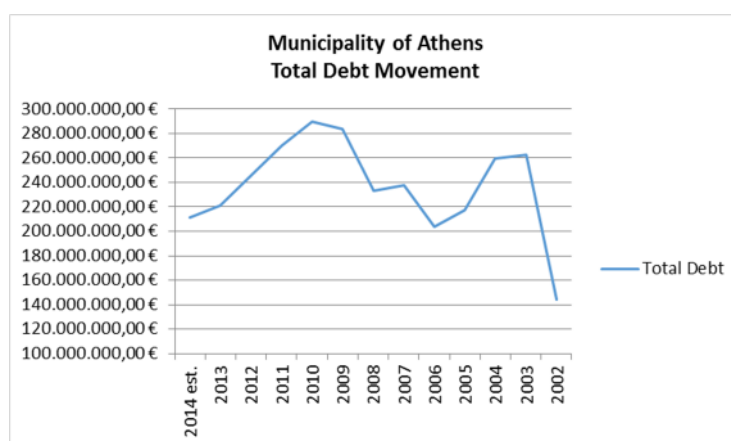
regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund,
in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

| Year | Total Debt | Movement based on previous year's figure |
|-----------|------------------|--|
| 2014 est. | 211.577.460,00 € | -4,39% |
| 2013 | 221.288.317,20 € | -10,01% |
| 2012 | 245.910.801,01 € | -8,86% |
| 2011 | 269.807.852,57 € | -6,78% |
| 2010 | 289.426.389,60 € | 1,93% |
| 2009 | 283.948.949,50 € | 21,62% |
| 2008 | 233.462.819,73 € | -1,85% |
| 2007 | 237.857.811,68 € | 16,84% |
| 2006 | 203.569.692,67 € | -6,50% |
| 2005 | 217.715.345,99 € | -16,06% |
| 2004 | 259.375.283,80 € | -1,09% |
| 2003 | 262.231.794,43 € | 82,25% |
| 2002 | 143.883.837,55 € | - |

Source: Published and audited Financial Statements of the Municipality of Athens

Graph 6 Total Debt Movement



The percentage of the “over-debt” of Athens in 2011 (the percentage of debt to annual municipal income) was 52.1%. Furthermore, this has decreased through the implementation of consolidation measures to a level of 47,3% in 2013.

According to Kallikratis criterion 2, the municipality’s total amount of debt should not exceed 60% of the annual revenues. Fiscal situation according to this criterion has been substantially improved during the years 2011 to 2013, since in 2011 debt was 52% of annual revenues and the figure dropped to 47,3% by 2013.

Table 7a Debt to annual municipal income 2011-2013

| 2011 | 2012 | 2013 |
|-------|-------|-------|
| 52,1% | 58,2% | 47,3% |

Source: Yiannis Psycharis

Table 7b Total Debt per capita (euro/per inhabitant)

| 2011 | 2012 | 2013 |
|------|------|------|
| | | |



regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund, in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

| | | |
|--------|--------|--------|
| 406,00 | 370,00 | 333,24 |
|--------|--------|--------|

Source: *Published and audited Financial Statements of the Municipality of Athens, Hellenic Statistic Authority, Elaboration by the authors*

Another important figure in the financial statements of Municipality of Athens is the debt due to Banks.

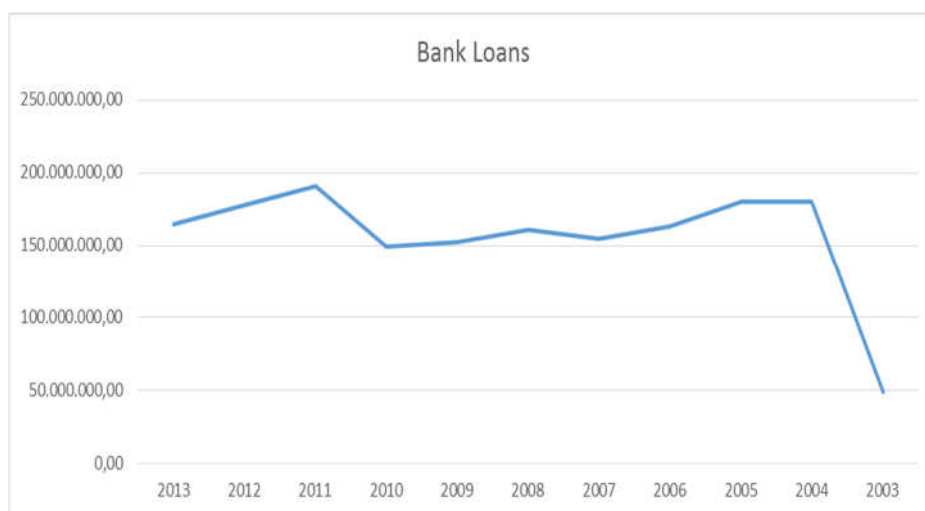
Bank loans constitute the greatest figure among the long term liabilities of Municipality of Athens and hence, the greatest figure of total debt. As we can see, the loan debt was minimal in 2002 but after the Olympic Games of 2004 is on average, about €165 million.

Table 8 Bank Loans(€ million)

| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|
| 150,74 | 164,93 | 177,72 | 190,51 | 149,57 | 152,53 | 161,04 | 154,54 | 163,05 | 180,03 | 180,03 | 48,77 |

Source: *Published and audited Financial Statements of the Municipality of Athens*

Graph 7 Bank Loans



The next table shows the amounts for short term liabilities of Municipality of Athens with “suppliers” being a key figure. Other short term liabilities refer to tax liabilities, short term part of long term liabilities, public insurance liabilities and other creditors (amounts in €).

Table 9 Short Term Liabilities



European Union
European Regional
Development Fund



HELLENIC REPUBLIC
Ministry of Culture, Education and Religious Affairs
General Secretariat for Research and Technology



HELLENIC REPUBLIC
MINISTRY OF ECONOMY
INFRASTRUCTURE, MARITIME AFFAIRS & TOURISM



NSRF
2007-2013
programa for development

regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund,
in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

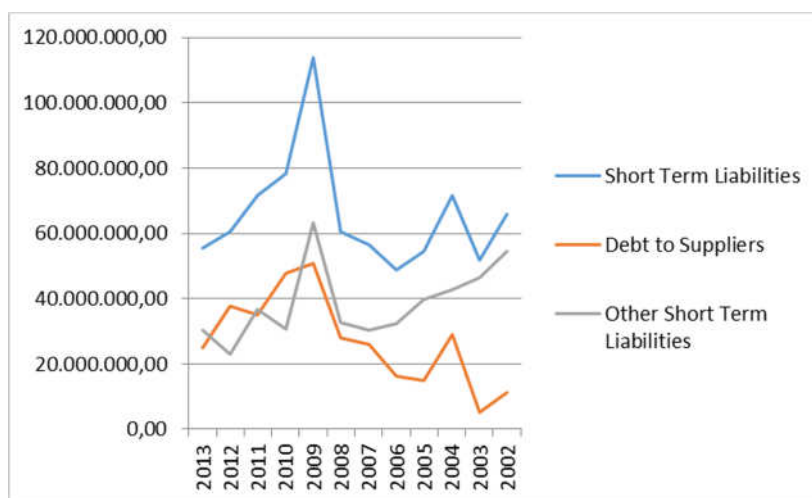
| Year | Short Term Liabilities | Debt to Suppliers | Other Short Term Liabilities |
|------|------------------------|-------------------|------------------------------|
| 2013 | 55.631.300,45 | 25.132.979,19 | 30.498.321,26 |
| 2012 | 60.521.457,76 | 37.604.618,99 | 22.916.838,77 |
| 2011 | 71.627.222,26 | 35.023.926,50 | 36.603.295,76 |
| 2010 | 78.456.199,13 | 47.801.576,68 | 30.654.622,45 |
| 2009 | 113.924.912,87 | 50.678.189,81 | 63.246.723,06 |
| 2008 | 60.471.127,22 | 27.905.967,26 | 32.565.159,96 |
| 2007 | 56.358.862,18 | 26.074.247,08 | 30.284.615,10 |
| 2006 | 48.866.897,01 | 16.417.283,99 | 32.449.613,02 |
| 2005 | 54.506.952,83 | 14.761.829,03 | 39.745.123,80 |
| 2004 | 71.745.037,46 | 28.835.034,17 | 42.910.003,29 |
| 2003 | 51.648.256,04 | 5.203.449,42 | 46.444.806,62 |
| 2002 | 65.763.430,48 | 11.253.112,95 | 54.510.317,53 |

Source: Published and audited Financial Statements of the Municipality of Athens

The worst figures for the total debt to suppliers were again in 2009 with a debt of €51 million and in 2010 with a debt of €48 million. There had been a decrease of 33% in suppliers' debt between 2012 -2013, reaching the closing figure for the fiscal year 2013, of €25 million.

All these figures are shown in the next graph. The highest amount of short term liabilities was about €114 million at 2009 while the lowest was about €49 million at 2006.

Graph 8 Short Term Liabilities



Concerning the administrative expenses (wages of staff and contributions to social security organizations), they were at their maximum level in 2009 following a notable increase from 2008, almost by 32%. Today's administrative expenses are around €109 million. That makes **164 Euros administrative expenses (personnel costs) per inhabitant/capita.**



regions at the centre of development

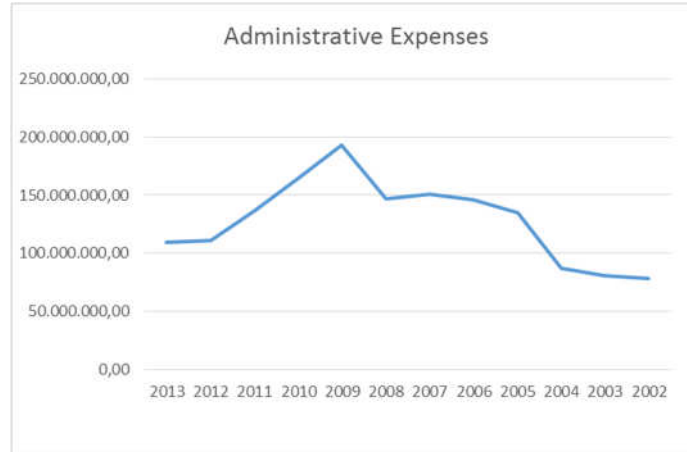
Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund, in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

Table 10 Administrative Expenses (€ million)

| 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|-------|
| 109,24 | 110,74 | 136,31 | 163,96 | 192,93 | 146,33 | 150,81 | 145,93 | 134,91 | 87,21 | 80,23 | 77,76 |

Source: Published and audited Financial Statements of the Municipality of Athens

Graph 9 Administrative Expenses



Regarding the main sources of revenues, municipal fees paid through Electricity Bill is the main source of revenues and constitutes on average, 42% of total municipal revenues, for the years 2005 to 2013. The second main source of revenue remains the Central Autonomous Grants which constitutes on average, 34% of total revenues. Finally, the rest of municipal own resources (not collected through the bills of the Public Power Corporation – PPC) are coming third, with a rate of 19% of total municipal revenues. It is worth mentioning own resources collected through PPC bills (which constitute the most important share of revenue in Athens) include: The municipal cleaning and street lighting fees (law 25/1975, ca. 60% of revenue from this category), the tax on electrified spaces (art. 10 law 1080/1980) and the “fee” (in reality it should be rather labeled as “tax”) on real estate (Art. 24 law 2130/1994).

After 2010, the Central Autonomous Grants have been decreased substantially and they are now at their lowest level. This is 55% less than the 2009 figures.

The next table shows the absolute figures of main sources of revenue, through the years 2005 to 2013 and the following graph shows all the aforementioned revenue-participation rates for each category.

Table 11 Main Sources of Income



regions at the centre of development

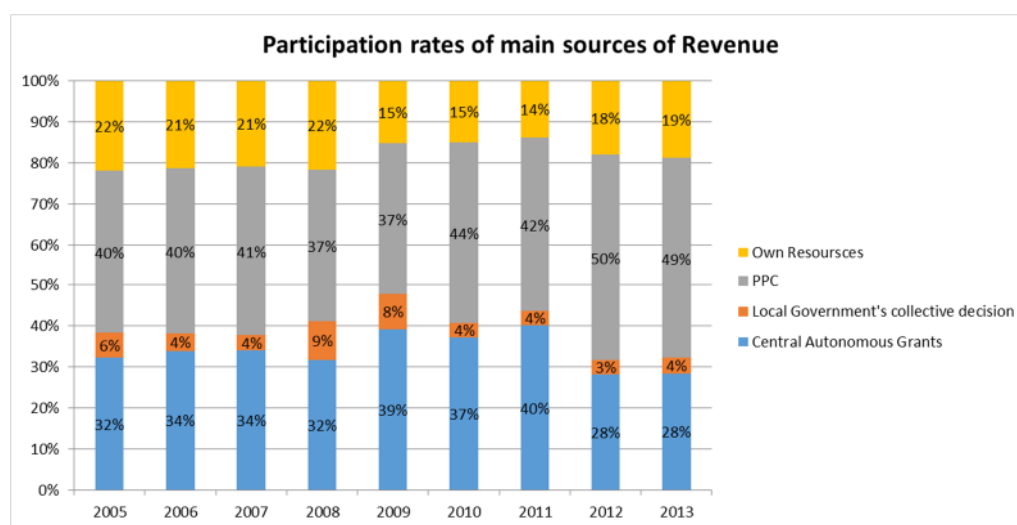
Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund, in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

| Year | Central Autonomous Grants | Local Government's collective decision | PPC | Own Resources | Total Revenues |
|------|---------------------------|--|--------|---------------|----------------|
| 2005 | 120,59 | 23,09 | 149,17 | 81,98 | 374,83 |
| 2006 | 130,48 | 16,83 | 155,89 | 82,23 | 385,43 |
| 2007 | 134,82 | 14,49 | 164,28 | 82,37 | 395,96 |
| 2008 | 146,86 | 43,64 | 172,60 | 100,23 | 463,33 |
| 2009 | 181,44 | 39,39 | 172,25 | 70,44 | 463,52 |
| 2010 | 143,30 | 13,50 | 169,95 | 58,06 | 384,81 |
| 2011 | 152,79 | 13,71 | 161,99 | 52,83 | 381,32 |
| 2012 | 87,87 | 10,77 | 157,01 | 56,14 | 311,79 |
| 2013 | 87,60 | 11,73 | 151,40 | 58,09 | 308,82 |

amounts in million €

Source: Data from the Municipality of Athens

Graph 10 Main Sources of Income



Per **Capita figures in Euros** (Data provided by the Municipality of Athens) would give for 2013 466 Euros (total revenue per capita), out of which 132 Euros come from *General Grants (KAP)*, 18 Euros from *Earmarked Investment Grants (SATA)*, 228 Euros from PPC-collected own revenues and 87 Euros from own resources (fines, fees, taxes etc.) collected by the municipal services. **This picture reveals the fact that Athens receives a comparatively low share of state grants and most relies on own resources – a situation that is not typical for Greek municipalities**



regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund, in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

4. Problem Perceptions and Causes

Table 12 Endogenous & Exogenous Causes

| code | sub-code 1 | sub-code 2 | sub-code 3 | |
|-------------------|--|--|-------------|----|
| Endogenous causes | | | | 56 |
| | Irrational spending | | | 3 |
| | Local Government's dependence on state | | | 7 |
| | Lack of programming and strategy | | | 2 |
| | Lack of control and rules | | | 3 |
| | Operation of municipal enterprises | | | 3 |
| | Loans | | | 5 |
| | Mismanagement of finances | | | 5 |
| | Failure of collecting revenues | | | 3 |
| | Municipal operational costs | | | 1 |
| | Personnel costs | | | 4 |
| | | | | |
| | | | | |
| Exogenous causes | | | | 6 |
| | Upper level government | | | 1 |
| | | European level | | 0 |
| | | National/federal level | | 13 |
| | | | Bureaucracy | 5 |
| | | | | |
| | | Federal state level | | |
| | Socio economic conditions | | | |
| | | Corruption | | 2 |
| | | Extraordinary and non-operating expenses | | 2 |
| | | Financial crisis | | 8 |
| | | Failure to collect municipal taxes | | 9 |

4.1 Endogenous Causes

Selected statements of different groups of actors on the problem and the causes² of municipal debt (local politicians of the majority, institutional actors, opposition, administration, journalists, press and media releases).

Citations from the Majority

- *“There was an excessive fat as regard to the municipal personnel”.* (Mayor)
- *“The bureaucracy stems from the lack of confidence in local institutions, the lack of confidence imposes more administration and judicial controls to the local authorities, creates more corruption, more wasted money”.* (Mayor)
- *“In the municipality of Athens the practice of favoritism recruitment had triumphed. Now days the political “hostage” of hundreds of workers with fixed-term contracts*

² More details in the Annex II



and the operation of the municipality as a political springboard have elapsed with no return”. (Mayor)

- *“If there was a rudimentary administrative and political accountability, the Municipality of Athens would be in a much better condition. There would be available resources and not debts to suppliers of 47 million euros, the loans would be directed to infrastructure and substantial projects and would not have spent on useless activities”. (Mayor)*
- *“It is infuriating the... (former Mayors’) to comment on the financial management of the municipality of Athens, who as mayor, increased the lending by 70 million euros in just four years. Few weeks before the end of the municipal period, he had to take a loan to pay the salaries of employees. He is the same man who was funding the municipal radio station of Athens 9.84 to 15.300.000 euros in 2010, amid the crisis, and now the radio station is funded with 4.3 million euros”. (Mayor)*
- *“The municipal legal entities didn’t have double entry systems, you cannot control their overtime payments, their rents”. (Mayor)*
- *“In 2011, the Municipality of Athens will draw its first real budget because since then the municipal budgets were not usually realistic”. (Mayor)*

Citations from the General Secretary

- *“During the years 2004-2009, Municipality hired 4.000 employees without following the procedures of the Supreme Council for Civil Personnel Selection (ASEP). It was a mean to political patronage”.*
- *“Municipality’s loans were a really headache, there was also an amount of €230 million of uncollectible receivables which in fact, were never received and a substantial debt to suppliers of almost €50 million”.*
- *“There was no formal procedure for spending money on purchasing materials until 2011. Everyone could buy whatever he liked!”*

Citations from the Financial Consultant

- *“There was an excessive spending of million euros, due to fake employ overtime, an overspending of cleaning materials and vehicles parts. Some employees were thefts, as well”.*
- *“Every «responsible» authority has no intention to change the status quo and always acts minimally. There is a physical tendency towards «nothing»!”*
- *“Most problems come from miss-budgeting; which and how much the resources are predicted to be, where the money will be spent. The loan debt is manageable and is getting better from year to year”.*
- *“There was no a distinctive budget’s line for the loans, in order their level to be monitored. Being inside a general budget account, they eventually disappeared”.*

Citations from the Opposition



European Union
European Regional
Development Fund



HELLENIC REPUBLIC
Ministry of Culture, Education and Religious Affairs
General Secretariat for Research and Technology



HELLENIC REPUBLIC
MINISTRY OF ECONOMY
INFRASTRUCTURE, MARITIME AFFAIRS & TOURISM



COMPETITIVENESS AND
ENTREPRENEURSHIP
OPERATIONAL PROGRAM
NSRF II OPC II



NSRF
2007-2013
program for development

regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund,
in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

- *“Studies estimate the municipality property at about 360 million Euros. With a proper use, this property could make the conditions for the inflow of extra resources”.*
- *“In 2003, under (former... Mayoralty, in full agreement with the major Opposition, the municipality took out two loans for the Olympics Games: one 150.000.000 € from DEXIA Luxembourg and the other 28.450.000 € from the Agricultural Bank, guaranteed by the Greek government. The money lavished on the great scandal of the Olympic Games, which increased the country's debt, without any benefit for the city and its residents”.*

Citations from the Administration

- *“The lack of expertise and the lack of staff lead to expenditure that should not be made. The municipality’s services that make suggestions for budgeting are used to inflate the numbers of each budget code”. (Chief Financial Officer)*

Citations from the Journalists

- *“Throughout the last 25 years, seven out of ten traffic fines remain uncollected! An amount of about 90 million euros transferred each year to the municipality budget as municipal claims of “previous years” inflating’ them, but keeping alive patronage and a “mechanism of favors” towards debtor citizens”.*
- *“The municipality operated 18 municipal enterprises, many of which served some officials’ rich salaries and ‘favors’.”*

Citations from the Independent Auditors’ Report 2009

- *“There is an absence of an internal control department and a lack of a unitary financial division, which resulted in untimely and improperly informed accounts of the municipality”.*
- *“There is an accumulation of stocks and spare parts of cars, which largely remain in storage, as a result a substantial loss of funds that could be used more productively”.*
- *“There is a significant amount of unregistered parking fines”.*
- *“The former years receivables are very slowly collected”.*

Citations from the media and press releases

- *“The municipality lent from the National Bank 25 billion drachmas which will begin to be repaid by 1998 in 20 quarterly installments with an interest rate of around 15 % and with an agreement to postpone the first two installments of 4.5 billion drachmas for 2003, increasing the installments to the new municipal period”. (press, year 1997)*
- *“According to a report of the municipal cash service, the municipal economic course by the end of 1997 shows a deficit of about 16 billion drachmas”.*
- *“The 2004 municipal budget, although considered more realistic compared to other years, still retains nonrealistic because it records significant revenues from previous financial years”.*



regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund, in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

- *“At the end of the municipal period (2006-2010) the municipality decided to take a loan from Piraeus Bank with an interest rate of around 7.8% and a repayment period of five years on the basis that the revenues of the municipality from the Central Autonomous Grants and Local Government’s Collective Decision, have fallen by 40% and attributed with a delay. The municipality in the last 3.5 years has repaid 53 million euros in repayments and must “resort” to lending to repay the suppliers who have completed their work in the municipality”.*
- *“The last 25 years in the Municipality of Athens seven to ten fines last uncollectible! An amount of about 90 million euros transferred from year to year as debts of past years, 'inflating' budgets, but keeping alive a mechanism of favors”.*
- *“From the first day the new municipal authority attempts to find where 50 million euros lent by the European Central Investment Bank have been spent. It is a question that the new administration has failed to respond”.*

4.2 Exogenous causes

Citations from the Majority

- *“And we would do a lot more if our hands, the hands of the municipalities, were not tied, if we didn’t have, as country, the most complex supervision system. If the hundreds of laws, presidential decrees, the thousands of pages of jurisprudence and hundreds of circulars, the outdated legal framework and all this incredible bureaucracy, did not, ultimately, favor the development of corruption, instead to ensure transparency and remove unjustified and long delays”. (Mayor)*
- *“The population of Athens, on the base of which the Central Autonomous Grants are determined, falls, but Athens has needs, the whole country uses its infrastructure”.*
- *“Instead of we shield and strengthen the local government, the municipalities, which paid the biggest cost of the economic crisis, due to the extreme reduction of the state grants, are to the target of an incomprehensible war, economic and institutional. They are threatened by the contraction, are faced extreme and autocratic actions, which do not entail streamlining and reforms”. (Mayor)*
- *“The reduction of 30% of the revenues from municipal fees, due to unpaid electricity bills, is associated with the citizens’ economic hardship”. (Mayor)*
- *The bankruptcy was the responsibility of particular local elected representatives, complicity of state’s political leadership, audit mechanisms and a considerable tolerance of the citizens. The method is simple: We waste money today and wait for the help from the "deus ex machina". The help either from the “generous” hand of the Minister of Interior, who "after action" of local member of Parliament would give an extraordinary funding, either increasing municipal taxes, or waiting for the redemption of the elections and the delivery of highly indebted municipality to the new Mayor. (Mayor)*

Citations from the General Secretary



- *The state does not help the municipalities to collect their own revenues. Saying “under the table”, that if someone owes the municipality he/she probably owes to the state also, so I want the state to collect first and if anything is left over, it can be collected by the municipality”.*

Citations from the Financial Consultant

- *“We do not know how much money will come from the State charity... such as the revenues from Electricity Bills receivables”.*
- *“The reduction of state grants is very large...about 60% if comparing it to 2009, 40% if comparing it to 2010-2011”.*

Citations from the Administration

- *“I prefer the State cut 70% of the grants, rather than the municipality be a constantly beggar. I prefer to have the ability to receive whatever belongs to me”. (Chief Financial Officer)*

Citations from the Opposition

- *“The State wants to control municipalities. The State gets the revenues and distributes them in order to manipulate the Mayors”.*
- *“In September 2010 “Kallikratis reform” cuts 54 million euros from our estimated revenues “within a day”. The adjustment could be milder”.*
- *“The municipalities’ debts were created due to the reduction of government grants as regard as the transferred responsibilities to them. The State transfers the responsibility, in the beginning the government gives money for a short time period, and then say “cut your head”. The State forced us to take loans”.*

Citations from the Journalists

- *“The poverty of the state, the hundreds of padlocks in stores and thousands of Athenians unable to pay fees, rents, fines and electric bills, led to a sharp decline in revenues, a 4-fold higher in 2011 than in 201”.*
- *“Economic distress 'dry' the funds of the largest municipality in the country”.*
- *“74 million euros out of 78 million euros lost in 2010, due to cuts of government grants, as a result of the "stability Program" and the requirements of the EU / IMF. Only 4 million euros lost due to the empty pockets of citizens”.*
- *“The municipality took the loan for the Olympics Games. It was charged to the budget of the Municipality of Athens and not to the general budget of the state. To repay it should get another loan, so there was a vicious cycle of refinancing”.*

Citations from the media and press releases

- *“With or without a crisis, there are always in Athens drivers who trust the monster of bureaucracy, hoping that the fines will not ever find the “way” to their house. From*



regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund, in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

1984 to 2007 there were 90 million euros gambling debts from parking fines. We would say that at that time in each citizen of Athens represented an unpaid fine!”

- *“It is characteristic that 74 million euros out of 78 million euros "lost" in 2010 due to the cuts of government grants and only 4 million euros lost due to the empty pockets of citizens of Athens. The first eight months of 2011 the financial situation in Athens suddenly got worse and from the “black hole” of 28 million euros, 11 million euros “lost” due to the government cuts while 17 million euros lost due to the economic poverty of citizens”.*
- *“I do not pay’ Mayor said yesterday, in his own way, referring to the damage of 800,000 euros caused by the violent events of June 2011. The state must take the responsibility of the damages’ cost. Otherwise, the municipality will claim to be recognized the civil liability of the State”.*

4.3 Remarks/explanations

After analyzing all related data, we can conclude that the several actors agree to some common reasons of fiscal debt, with some emphasizing to the endogenous factors while others to the exogenous.

Everyone that knows well the financial affairs of the Municipality such the Mayor, the General Secretary, the Chief Financial Officer, the Mayor’s financial consultant, focus mostly on the endogenous causes of fiscal crisis, like redundant personnel, high wages costs, nonrealistic budgets (which include uncollected and uncollectible receivables), excessive spending on operational costs and secondly on the debt from loans which they believe that is manageable and is the outcome of a wasteful resource management. They also support the aspect that there is still a considerable scope for rationalization and reduction of operational costs and administrative wastage.

On the contrary, the press emphasizes on the loan debt, as the main endogenous factor of the fiscal crisis. The most texts from the press referred to the effort of the municipal authorities, after the Olympic Games, to pay two loans taken in 2003 of EUR 180 million for the construction of Olympic projects. Indeed, the delay of payment of one of the two loans, expired in August 2014, was the main cause of degradation of the City of Athens from the Moody’s. The press criticizes also the improper use and the waste of money of EUR 50 million the municipality lent in 2007 by the European Investment Bank for the construction works and the Municipality’s lending of EUR 20 million in 2010 – at the end of the Municipal period- with a high interest rate to cover running costs and debts.

Regarding the exogenous factors of the debt, the majority and the experts emphasize on the uncollectability of receivables which comes as a result of the bad collaboration with the State’s tax authorities, the bureaucracy and the strict legislation which does not allow them to make on their own debt restructurings and arrangements with their debtors and define their own framework for the fees rates and secondly they mentioned the substantial reduction on Central State’s Grants.



The Mayor gives a new dimension about the State's policy reduction of the Central Autonomous Grants, saying that the State, taking advantage of the bad reputation of the municipalities (corruption, maladministration) imposed harsh cutbacks firstly and mainly on the Local government's grants rather than on the Central Administration's income, in order to limit the political costs. Furthermore the reduction of Central Autonomous Grants for the Municipality of Athens didn't take account the extra needs are related to the metropolitan character of the municipality. That means the extra needs of hundreds of thousands of commuters working in Athens or coming for shopping and leisure activities. Furthermore, the Mayor stressed the fact that the City of Athens is the seat of the National Government and the seat of many public institutions, courts, universities etc. which are, by law, exempted from obligations to pay compensation fees and several other fees, taxes and contributions to the municipality of Athens, although they are using an important share of municipal services and infrastructure. Not to mention that in the center of the Municipality of Athens take place large demonstrations often accompanied by violence incidents that damage the municipal's infrastructure.

The Opposition, on the other hand, focuses only on the exogenous reasons of the fiscal crisis, related to the reduction of Central State's Grants, due to the austerity policy through the Memorandum, and the transfer of additional responsibilities on Municipalities without providing the appropriate resources.

The press releases focus on the uncollectability of receivables as well, but the main cause for that would be the inability of the public to pay, due to the socio- economic crisis, rather than the bad collaboration of Municipalities and State Tax Authorities. Secondly they refer the reduction of Central Autonomous Grunts as an exogenous cause of fiscal crisis.

5. Scope and means of Actions: Evaluation, Performance, Impact

Table 13 Implemented and Proposed Means-Codes and Number of Codes

| Parent code | Code | All coded segments | All coded segments % | Documents |
|-------------|------------------------------------|--------------------|----------------------|-----------|
| means | New loans | 3 | 0.66 | 3 |
| | Rationalization of cost categories | 7 | 1.55 | 6 |
| | Utilization of municipal estate | 3 | 0.66 | 3 |
| | Merging municipal enterprises | 4 | 0.88 | 4 |



regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund, in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

| | | | | |
|--|----------------------------|----|------|----|
| | Management of personnel | 3 | 0.66 | 3 |
| | Maintaining social service | 1 | 0.22 | 1 |
| | Utilization of EU funds | 16 | 3.54 | 16 |
| | Management reforms | 9 | 1.99 | 8 |
| | Revenues increase | 5 | 1.11 | 4 |
| | Cutbacks | 23 | 5.09 | 17 |

Selected statements of different groups of actors assessing the implemented measures³, their performance and impact (local politicians of the majority, institutional actors, opposition, administration, journalists, press releases, media)

5.1 Municipality means

Citations from the majority

- *“The Municipal Authority, under an unprecedented economic crisis, succeeded, during these three years, the rationalization of costs and the termination of waste. We managed a decisive hit to the mismanagement. On 1/1/2011, and in just 30 months, the new municipality has managed from a deficit of 46.7 million euros, inherited in 2010, to achieve a surplus of 12.5 million euros in 2012. At the same time, we reduced the lending liabilities of the municipality of Athens by 28 million euros, total liabilities by 80 million euros and operating expenses by 53 million euros, without the need of any new loan.” (Mayor)*
- *“When all seem to crumble due to the underfunding, the municipality of Athens, in the worst economic situation, not only has had the slightest reduction in social services but also has enhanced the developing of a powerful social safety net, supporting almost daily over 3,000 families, more than 10,000 people”. (Mayor)*
- *“The dismissal from the municipal radio station 83 employees (20 permanent and 63 fixed-terms) of the total 384 employees decided by criteria such as the efficiency, the possession of the same employees numerous jobs and the marital status, always in relation to the financial position of the radio station”. (Mayor)*
- *“We introduced to the operation of the municipality a new perception of management, based on efficiency and meritocracy”. (Mayor)*

Citations from the General Secretary

³ More details in the Annex III



- *“We prioritized the spending. We entered a control system in procurement, which was a very important change which caused great turbulences”.*
- *“We streamlined the staff. We aimed to teach the municipality to operate without contract staff. We aimed to motivate the municipal staff”.*
- *“The tidying up of the contributory services led to a slight reduction of municipal taxes”.*

Citations from the media and press releases

- *“In the Municipality of Athens reduced the rents for the housing of municipal services, the cost of overtime, the subsidies to the municipal enterprises, the number of employees -especially to the municipal radio station- the office supplies and other consumables”.*

5.2 Upper level means

Citations from the Mayor

- *“The problem has three dimensions: a) the distrust of the state to the municipalities, b) the time which is pressing because everything was done under the Damocles sword of “Troika” over our head, c) the lack of preparation and assessment of the measures, which were horizontally imposed by the central state. They abolished the municipal police which collect the revenues. The above three factors provoked disruption to the municipalities and proved how useless is the central State”.*

Citations from the Financial Consultant

- *“I believe that the measures imposed by the central government were necessary. But the City will never do more things than the State imposes”.*
- *“There is not rationality, what step has been undertaken derived from the lack of money”.*

Citations from the Administration

- *“The law relating to the financial management of expenditure brought us, as regards procedures, 40 years back. The procedures are time-consuming. The implementation of the law requires personnel with specialized knowledge, which the municipality despairs”.* (Chief Financial Officer)

Citations from the Opposition

- *“The Observatory is clearly an institution where unelected people control elected persons with a political mandate. It is undemocratic”.*
- *“The refinancing of the debt is a deadlock. It shifts the debt and the cost to the future”.*

Citations from the Journalists



- *“The solutions for the municipal financial situation are mainly on the hand of the Central government. What the municipality could not do, was the result of economic crisis. The state is not able now to help the local government, even the municipality of Athens, which is the largest municipality in the country”.*
- *“None of those involved in politics wants to be unpopular. So I think that the Mayor was forced to proceed with cuts. It is also his personality, he feels good to try for economic consolidation”.*
- *“The fiscal measures implemented were effective but there is a lack of quality, there is a problem in quality of social infrastructure, Kindergartens, protection of elderly people”.*

Citations from the media and press releases

- *“The central government not only did not help the Local Government and the Municipality of Athens, but it was hostile and indifferent towards it. I remind the abolition of municipal police, the dismissal of school guards and the dramatic reduction of funds for municipalities”.*

5.3 Remarks/explanations

The municipality has managed to reach an operational surplus and service its debts to banks and suppliers, despite the reduction of 60% on the state’s funding since 2009.

According to the interviews with the Mayor, the General Secretary, the Financial Consultant and the Chief Financial Officer the main consolidation measures taken by the municipality were on its own initiative and not as a result of the State’s enforcement. The Municipal authority emphasized on the reduction of operating expenses, the excessive spending on materials’ supplies and the collectability of receivables. Additionally, there was a reduction of the number of legal entities without being forced by related regulations (unlike other similar cases).

As regards the reduction of the redundant personnel we can see that despite it was a basic municipal target, that came as a result of related regulations, retirements, fixed term contracts ended and not renewed and, of course, the elimination of the Municipality’s police department. Only in the case of the municipal radio station 9.84, the personnel reduction was a Mayor’s initiative. In the rest of the municipal legal entities their rationalization (“structure simplification”), was not accompanied by personnel reduction and the wages’ cost remained unchanged. According to the Mayor the reduction of the municipal personnel was imposed by the State without assessment. This situation deprived the municipality of capable and experienced staff that harmed the municipality.

There was also a significant reduction of the municipal grants for its legal entities. However, according to the Mayor’s financial consultant, that reduction was plasmatic since it was not a result of the rationalization of those expenditures, but it came along with the general reduction of Municipality’s resources, cut backs in salaries, restriction of overtime payments etc.



The majority and the municipality's institutional actors say that the reduction of State grants and the repayment of loans did not lead to the reduction of Social Services. Counterweight was the Mayor's success use of European grants (ESPA), while all infrastructure projects were financed by European grants as well.

The reduction of excessive spending in contributory services led to a small reduction of related fees but the strict legislation framework prohibits the use of those fees in other fields where they would be more necessary and effective. The same problem regards the European Union Resources which can only be strictly spent in certain fields.

Furthermore the Municipality is unable to regularly collect its receivables. There is no place for economic programming and autonomy, since the reduction of Central Autonomous Grants leads the Municipality to be concentrated on the covering of its inelastic expenditures, such as wages and debt which become its main and only care. Therefore, while the municipal authority considers positively the State's interventions to the rationalization of municipal finances, such as the monitoring of the budget through the Observatory, it notes that the implementation of many of these consolidation measures leads to more bureaucracy because they are not associated with a flexible monitoring system that gives incentives for municipalities to continue the streamlining.

The Mayor exercises severe criticism to the consolidation measures were imposed by the state, considering that there no proper preparation and assessment of their implementation had been made and that there was no prevention about the repercussions and that effected to the viability and quality of municipal services, increasing eventually the cost.

Therefore, the Municipality's austerity measures seem to have been forced due to the reduction of Central Autonomous Grants, in order to cover the fiscal gap, but we can also see that the Municipality used this situation as an opportunity and took its own initiatives, without only relying on Central Autonomous Grants. The Municipal authority emphasized to the collectability of its receivables and implemented a rational and sustainable management of municipal finances and a significant restructuring of the administration.

On the other hand the Opposition states that the austerity measures were imposed by the "Troika" and supports that the loans' refinancing by the Consignment Deposits and Loans Fund (CDLF), which is under Central Government's control, leads to a vicious cycle because it charges a very high lending interest rate, as happened for the refinancing of the loan which has been used to finance Olympic Games' related projects (which were Central State's responsibility). The reduction of Central Autonomous Grants, which originate from public's tax payments, leads also the citizens to a double taxation through the increase of municipal fees. Opposition also criticized Municipality for blocking "tax clearance" of citizens with a debt to Municipality over €1.000. Finally the opposition considers that measures, such as the surveillance and close monitoring of municipal budget by the State, lead to the elimination of local government autonomy.



Finally, the Press emphasizes on Mayor’s success to rationalize Municipality’s expenditures, without repercussions to the social policy, but states, as well, that the debt refinancing leads to a vicious cycle of debt.

6. Public Discussion/ Debate

Table 14 Public Discussion/ Debate – Codes and Number of Codes

| Code | Docum ents | All coded segments | All coded segments % | Actor group | position | oppositio n/ majority | party |
|-------------------------------|---------------|-----------------------|----------------------------|----------------------|------------------|-----------------------------|------------------|
| Journalist | 76 | 76 | 16.81 | | | | |
| Anoixti Poli | 4 | 4 | 0.88 | Local Party | | Minority | Left |
| Kontostatha kou Eva | 1 | 1 | 0.22 | Local Politicians | Vice Mayor | Majority | Centre / Left |
| Kaminis Giorgos | 14 | 14 | 3.10 | Local Politicians | Mayor | Majority | Centre / Left |
| Kaklamanis Nikitas | 8 | 8 | 1.77 | Local Politicians | Ex Mayor | Majority | Right |
| Vafeiadis Nikos | 7 | 8 | 1.77 | Local Politicians | Ex Vice Mayor | Majority | Right |
| Bakogianni Dora | 3 | 4 | 0.88 | Local Politicians | Ex Mayor | Majority | Right |
| Skilakakis Theodoros | 2 | 2 | 0.44 | Local Politicians | Ex Vice Mayor | Majority | Right |
| Avramopou los Dimitrios | 1 | 1 | 0.22 | Local Politicians | Ex Mayor | Majority | Right |

Citations from the Mayor

- “Our budget is on line in real time”.
- “We failed to have a real participation. There was a pressure of time and we did not chase it as we should.”

Citations from the General Secretary



- *“The budget operation of the municipality is on line in real time. Right now everyone can see about the Varvakeio market: e.g. I have registered 906. 000 Euros revenues (municipal claims for receivable revenues), and I have received only 222.000 euros.”*

Citations from the Administration

- *“The municipality of Athens -as the municipality of the capital or the largest municipality in the country - often has a great publicity. It is a “politicized” municipality”.*
- *“The economic figures, as reflected in the balance sheet and income statement, are discussed by law at a special meeting of municipal council”. (Chief Financial Officer)*

Citations from the Opposition

- *“There is a great publicity about municipal issues, especially due to the economic crisis”.*
- *“Some facts have a great publicity such as the closure of the town Hall, due to the abolition of the municipal police and the dismissal of school guards”.*

Citations from the Journalists

- *“In the beginning of ... (present Mayor) governance there was a primary dialogue on all budget issues, through the media. In this period 2011 the Mayor had to face the “hot potato”. In the election period each candidate disclosed his aspirations and analyzed the financial issues. During the municipal election period the public discovered that the debts were not only a problem of the state but also of municipalities”.*

Remarks/explanations

Since Athens is the biggest Municipality of the country and all Mayors or candidates have always been important political figures, not only in local government but in central political life of the country as well, there had been a great publicity on all issues including its financial issues as well. You could find an article about Municipality’s financial issues on every nationwide range newspaper especially after the start of crisis in 2010. Another reason of publicity was that several former Mayors as Nikitas Kaklamanis, Dimitris Avramopoulos, Miltiadis Evert was also president of the National Association of Municipalities in Greece “KEDE” (up to the nineties, the Mayor of Athens was at the same time the ex officio Chairman of KEDE).

This great publicity was partly due to the disbursement of big loans which were used for political reasons to overstate Municipality’s long term investments, while the Olympic Games loan was directly connected to the national effort for the success of the Games.

After the crisis, the debt debate was intense as a matter of criticizing the previous municipal authorities, as it was necessary to refinance or obtain new coverage for payroll and payables



to suppliers. The financial situation of the municipality has been the subject of intense debate both in the municipal elections in 2010 and the recent elections of 2014.

Especially in the recent elections, Mayor's campaign had focused more on the Municipal fiscal recovery and less on the reduction of State grants due to the economic crisis.

The Mayor's campaign about the economic consolidation measures and the policy of cuts and reductions of wastage have been accepted by the citizens, despite the fact that the political opponents of the Mayor tried to emphasize that his policy was a simple one-dimensional financial management of the municipality and a harsh implementation of memorandum policy measures.

The public debate to the press and media has convinced the citizens that the Mayor's policy stopped the economic disaster of the municipality without the loss of its social character.

7. Political system: input, throughput and output Legitimacy, Political Culture, Knowledge, Leadership

The following part focuses on the local political system and our interpretation of how local actors take decisions and implement actions concerning fiscal consolidation measures in Athens. Based on various sources (qualitative evaluation of different actor's perceptions, behaviors and logics) we analyze the main features of legitimacy and transparency⁴, the political culture and policy style⁵ as well as the knowledge⁶ and leadership⁷ style prevailing in the urban context of Athens.

7.1 Input Legitimacy

The degree of input legitimacy in Athens corresponds to the main variables: a) the involvement of the council and the influence of the opposition and the councilors in the decision making process and b) the activation of deliberative bodies (e.g. Economic and Consultation Committees) and the influence of societal groups.

The decisions of the city council regarding the financial issues of the municipality, due to the rigorous economic surveillance by the central government, are prescribed by law and the instructions of the Ministries. For this reason, the Finance Department of the municipality is responsible, because of its' expert and managerial knowledge, to make relevant suggestions and then the political leadership and the city council, decides. In any case, the financial departments implement the policy of the Mayor and raise objections against the non-implementation of the institutional framework and for legality issues.

In particular, in the municipality of Athens the input legitimacy is high. All councilors are informed about the financial situation of the municipality and the measures have to be

⁴ More details in the Annex IV

⁵ More details in the Annex V

⁶ More details in the Annex VI

⁷ More details in the Annex VII



implemented, which are predetermined by the state. The councilors have confidence in the financial department of the municipality and the disagreements expressed are not intended to dispute the correctness of municipal decisions but to express their political disagreements due to the different policies they represent.

Regarding the consolidation measures have been taken by the Municipal Authority, on its own initiative, they have been predefined, in principle, by a narrow core member (Mayor, Secretary General, Financial Counselor and administration) and then the majority vote them, after a public discussion in the Municipal council or on the press or media. Although the majority municipal fraction is inclusive and despite disagreements which may be expressed, councilors eventually follow the Mayor's line.

“As regards the financial themes, the Mayor was hearing the proposals of the financial services and did what it was possible to implement them. In making decisions the Financial services suggest and then the political leadership decides. In any case there is always the Mayor’s vision.

Decision-making system is mixed, a combination of Mayor’s vision and the participation of municipal counselors. In this municipal period the personal influence of each municipal counselor is no exists”. (Chief Financial Officer)

In the Municipal council a conflicting political culture prevails, but in some cases the opposition tolerates, after intense pressure, and facilitates decision making in the Council in crucial decisions, indirectly recognizing the correctness of majority’s choices.

“As regards the financial issues in the municipal council there is a controversy only for political reasons. Municipal counselors have full confidence in the recommendations of the Finance Department”. (Chief Financial Officer)

The municipal authority involves in decision making system all the municipal statutory bodies. It made a particular effort to set up the institution of “Consultative Committee”, which is a deliberative body introduced by the “Kallikratis” law and consists of representatives from social and economic local bodies. Despite the efforts of the Municipality to build up the institution, its function was problematic not due to the municipal actions but the reluctance of citizens and the lack of political culture to express their views collectively through a statutory body.

Throughput legitimacy

The degree of throughput legitimacy of the consolidation policy in Athens has been assessed by two variables. The first variable is referring to the transparency, the fairness and accountability of local decisions concerning the means of fiscal consolidations, including the justification of the local choices in the representative and deliberative bodies. The second variable concerns the open access and uncensored flow of the information to the public (communication strategy of the municipality) and the role of press (publicity).

In the case of Athens, transparency and accountability are high. The knowledge of the municipal financial situation and the causes that led to this, since the outbreak of the financial



crisis in 2009, both from the citizens and the councilors, due to the wide publicity that follows the largest municipality in the country, does not permit the municipality opacity and secrecy. The new municipal authority, due to the large deficits that had to face, faithfully followed the consolidation measures imposed by the state. In this effort it had the support of both of the majority party and the citizens that required the financial reorganization of the municipality. The municipal majority, despite the fact that was a catch- all union of different ideological parts, always supported the Mayor and for that reason he did not seek wider collaborations with other municipal fractions.

Unfortunately, the municipal opposition parties remained loyal to their strict party political principles which undermine the consensus.

“All (the opposition) understood the difficulties, but they did not vote the budget. However, they voted specific fiscal consolidation measures because they know that we do well run”.
(Mayor)

The municipal authority has used broad coalitions with civil society in order to support its social actions, while streamlining the municipal expenditure managed not to increase council fees that satisfied the citizens. In parallel, it rationalized the municipal organization structure in consultation with the employee representatives. Moreover, it invested in the transparency of municipal finances. The Municipality of Athens has created an application on its website "www.cityofathens" where everyone can monitor the implementation of the budget, on a budget code basis, along with related statistics. In order to combat bureaucracy it created civil service points, with electronic transactions, in order to fight phenomena of corruption and delays.

Regarding the open access of the consolidation measures to the public, the municipality, publicizing the bad practices that the previous municipal authority have followed, especially in the fields of hiring surplus employees with fixed-term contracts and wasteful grants to the municipal enterprises, managed to communicate effectively the new financial changes to the citizens. The Mayor in his public relations with the media and the press presented his profile of legality, impartiality and consensus, relying on his previous successful post as Ombudsman. The media, based on the above Mayor’s characteristics, found a new style of politician who has no political dependencies.

Despite the great municipal efforts in the field of social policy, the municipality failed to communicate effectively its social work as did the implementation of economic consolidation measures. In this outcome contributed the great needs of an unprecedented humanitarian crisis experienced by the citizens of Athens, due to the economic crisis, a humanitarian crisis that its weight could not lift itself the Municipality of Athens.

Output legitimacy



Output legitimacy reflects the degree of effectiveness of the imposed consolidation goals, the measures of local economic development, the social policy measures and the broader framework of the “Kallikratis” reform.

The municipal authority following the consolidation measures imposed by the State managed to reduce its debt loan, debt to suppliers and total debt, avoiding not only the creation of new deficits but also achieved accounting surplus. The municipal has also undertaken its own initiatives to streamline the municipal administrative organization, reducing the number of organizational units, merge municipal legal entities, although it was not mandatory by the law, as there was no amalgamation with another municipality, and limit the grants to the municipal legal entities. Moreover, it reduced significantly the municipal staff deciding not to proceed to the renewal of fixed-term contracts that being expired.

At the same time, the Municipal authority has motivated effectively the European funds for the implementation of its developmental policy (succeeded the finance of 120 million euros from the ERDF and the ESF to implement the operational program “Project Athena” for the period 2012-2020) and secured resources, donations and sponsorships to strengthen the social work and activities (such as social market, social pharmacy, the programs “solidarity to family”, “social housing”, “help at home”, etc.). The Municipal authority succeeded better functioning of the “Welcoming and Solidarity Centre” in order to help more people are in need and set up the “hub of mutual help of citizens” for an immediate collect of food and basic needs from the citizens. In order to motivate the civil society’s volunteering set up the portal www.synathina.gr which helps the citizens to organize their common beneficial actions for the city. The Mayor aims to attract new donations and sponsorships, in an integrated level and believes that has convinced the people that the municipality has a “clear” management.

7.2 Political culture

In the municipality of Athens, despite the fact that Mayors fraction was all-inclusive, the Mayor’s choices prevailed. The decision-making in the City Council is confrontational and in exceptional cases there is a consensus, which is achieved with difficulty, for example, about the question to refinance the loan from the Agricultural Bank the opposition gave its consensus after intense pressure, although it had suggested the same thing in the previous period while being the majority. Especially, consolidation measures have been discussed in the Municipal Council but decided by the majority.

Of course, there is the perception on the part of the administration that the conflictual relationship between the parts of the majority and the minority are fake for political reasons. The municipality of Athens is a nation-wide visible arena of party competition and rhetoric polarization. The “plague of being the capital city” highlights party symbolisms and impedes consensus on local policies.

Relations between the municipal administration and Mayor’s consultants are not confrontational, but there is a waste of energy as officials can receive orders from different



people participating in the widened political leadership of the municipality. The Municipal Finance Services supported and implemented the consolidation measures, but in the field of the budget drawing have failed to make rational proposals to the local politicians in order the Municipality draws up a realistic budget. Moreover the Municipal services are not motivated, on their own, to make proposals that help the municipality to overcome their problems (wastage, collection of receivables etc).

According to the journalists, during the period of the former Mayor the majority party was solid in taking decisions, instead of the period of present Mayor (2011 onwards) where there were disagreements, due to the fact that his list/fraction was catch-all union of different ideological parts.

7.3 Policy style

The decision-making system is, in general, top- down based on a combination of Mayor's initiatives and the participation of administration and municipal councilors. Many actors are involved in the decision making system (General Secretary, Mayor's Financial Consultant, Municipal Councilors, Chief of Financial services) but there is a lack of consensus with the opposition. There is no culture of citizen participation in decision making system and the citizens intervene individually, only when they have their individual interests affected.

“In the (...) present Mayor's period the political system was less person-oriented and had more to do with the ideology of municipal counselors. The (...) former Mayor had more confidence in his external consultants, instead of (...) present Mayor who was more administrative. (Journalist)

However according to the Mayor's perspective the policy style is bottom – up and the administration has the responsibility to make the proposals, but this aspect has not always been confirmed by other respondents. There is also another aspect that the “openness” of the decision making system and the all – inclusive character of majority fraction leads to the impression that there is not a central decision making system.

“There is not a central decision making system, nobody sits on the steering wheel, all sitting in the back seat. It dominates the voice of the strongest and who will spend more time in the office of the Mayor. I do not know the criteria of decisions are made. For each decision I hear, I fall off my chair. The decision- making system is Byzantine”. (Mayor's Financial Counselor)

In spite of the aforementioned situation, in the Municipality of Athens there is an active, vivid and extremely pluralistic civil society, despite the fact that most Athenian citizens live in the suburbs and commute for work. Many innovative citizens' initiatives emerged in recent years (e.g. the “Atenistas” movement, resolving local problems through zero-cost local actions etc.), but the Municipal leadership has failed to integrate these movements into municipal policy- and decision making because the municipal politics in Athens are extremely party politicized and not attractive for active citizens. There is a long-lasting mutual mistrust between civil society and municipality. This is particularly obvious in the field of culture.



The municipality used to spend a lot of money for the municipal radio, several feasts etc., while at the same time the city took advantage of more than 200 permanent theatre scenes (worldwide one of the richest theater landscapes) that managed to survive without any municipal support.

During the new municipal period the mayor is trying to implement new ways of consultation, activating the participation of the neighborhood.

“The top-down leadership style is over. It was applied when the municipality had money, staff, when it was able to spend 1000 to do a project, while it should spend 100. Nowadays we cannot do these, we do not have staff and money. We need the people stand by us. The people are close to us when we listen to them and let them speak to us”. (Mayor)

7.4 Knowledge

In exceptional cases, external consultants are used for economic governance issues, such as in the case of an audit firm that has undertaken reporting for Moody's or on issues relating to the implementation of programs of European grants (ESPA). On the other hand, taking advantage of sophisticated financial advice should be no surprise for a big, internationalized city like Athens.

The municipality counselors seem to have confidence in the financial department suggestions, as they have no knowledge of economics, but they vote following the line of their list and the majority of the city council is following the options of the Mayor, since the whole institutional design of the system of municipal government is Mayor-centric.

7.5 Leadership

The political style that characterizes the Municipality of Athens is not hierarchical and Mayor-centric but cooperative. In the Majority fraction there are disagreements due to the fact that it was a catch- all union of different ideological parts. These disagreements are usually dealt with through compromise. The cooperative political style is visible in the field of economics where the political leadership and the administrative follow the procedures prescribed by the law and the Mayor has confidence in the municipal financial services. Regarding the implementation of economic stabilization the Municipal Authority is reproductive, and follows the faithful observance of financial rules imposed by the central government. Strategic goals regarding fiscal consolidation are not clearly formulated by the Municipality, but the Mayor, with his own strategic initiatives, managed to streamline the municipal operational costs and proceed to structural changes in the field of personnel management and of the municipal legal entities. Moreover he undertook initiatives not only to utilize resources from the European Union, in order to cover the increased social needs, but also motivated the civil society in order to strengthen social actions and attracted donations and sponsorships.

8. Conclusions



The central government imposed on municipalities strict financial rules in order to control the execution of the budget of the municipalities. These measures are welcomed, but need to be complemented by extending the capabilities of municipalities to collect their receivables and establish their own income.

There are separate views between majority and minority parties on the causes of the financial crisis, as the party of the majority focuses on endogenous causes while the minority (and partly identify in with former leadership of the municipality during the period of debt growth) focuses on external causes.

The reduction of operating costs and excessive spending, as well as the reduction of personnel, through retirements and ending up of temporary employment contracts, were certainly a result of cuts in state funding and were imposed by central government policies. Another unwelcome incentive was the inability to collect receivables (overdue claims of the municipality), but it should also be the result of conscious rationality.

The radical cutting of expenses was the main tool used by the municipal authority to deal with the problem. This policy must be strengthened by making better use of human resources, more aggressive claims on the State's grants and an intensive use of the municipal property.

In particular, from 2002 onwards it is obvious that operational expenditure of the municipality cannot be covered by its own revenues. Therefore, it is necessary a reduction of other operating expenditure which do not have a developmental character (reduction in consumables, supplies). The municipality is obliged to seek grants from the state to address the costs associated with the metropolitan character of the municipality and the fact that it is the country's capital. Moreover the Municipality has to harness innovative ideas for more efficient use of private assets (real estate, equities).

9. Micro-Level Policy Recommendations

Recommendations address all types of practitioners who have been involved in the processes of municipal fiscal consolidation of Athens. There are 4 main categories of practitioners:

- Elected politicians (e.g. Mayor, Vice-Mayors, municipal councilors etc.)
- Municipal administration
- Actors of the upper level (e.g. Deconcentrated Administration, Central State, Ministries, et.al.)
- Others (local chambers, NGOs, Banks, journalists etc.)

9.1 Recommendations to elected politicians

- The fraction of the majority must find consensus with the minority fractions, publicizing to the citizens the problems and the proposed solutions. The participation



of the citizens to the decision making system will increase the accountability and responsibility of all municipal elected people.

- All the municipal actors should make considerable attempts to enhance the local democracy, through public debate and more open and more transparent decision-making procedures.
- The municipal staff should be used more efficiently. Alongside municipal leaders must train the staff to understand the municipality's goals in order to achieve them.
- The municipal financial consolidation requires efficient prioritization of operating costs and cut of wastage.
- It is necessary a strategic planning of the municipal budget, which will be realistic, utilizing the problems and the weaknesses of the budgets of previous years.
- There is a need for a better documentation of the duties of Deputy Mayors and better cooperation with the municipal managers.
- The municipality needs to become more outward-looking organization. The Mayor should communicate the work to the citizens and mobilize them in a volunteer basis with social bonuses.

9.2 Recommendations to municipal administration

- Municipal administration should think of itself as an integral part of the municipality for the attainment of fiscal consolidation and not as an independent part that acts on its own.
- Municipal administration should keep transparency, objectivity, serving public good independently of the political leadership
- The municipal administration should understand its responsibilities in managing the fiscal problem of the municipality, reducing operational costs and prioritizing its operational needs.
- The municipal financial services should be mobilized as regard to the collection of the municipal revenue and should make rational proposals to local politicians in order the Municipality draws up a realistic budget.
- The municipal administration should act as a “communicating mediator” between the municipal authority and the citizens, based on transparency and detailed information to the public.

9.3 Recommendations to other actors

- It is necessary a wider participation of citizens in public debate on the financial problem of the municipality, in order to strengthen the accountability of elected representatives and officials.
- Mobilize different groups that would promote cooperative leadership and contribute to formulation of vision for Athens.



regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund, in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

- The provision of local knowledge is particularly important for heavy and bureaucratic administrative machinery of Athens as well as for party politicized politicians who are not really aware of local Athenian problems and not responsive towards Athenian citizenry.
- Exercise systematic and organized pressure of citizens in policies implemented by the municipality to deal with everyday problems and participation in statutory consultation bodies.
- Greater involvement of civil society in the social actions of the municipality

10. Macro-Level Policy Recommendations

- The central government has to⁸ deliver the resources allocated to local governments, timely, so that municipalities can make reliable estimates about their income and make themselves their own plans.
- The central government needs to diversify the means of stabilization depending on the size of the municipality, the needs and the degree of fiscal adjustment.
- The central government should provide to the Municipalities incentives, such as the reducing of austerity measures, when the Municipality achieves its short and medium term objectives.
- The transfer of responsibilities to the local governments must be accompanied by sustainable resources in perpetuity.
- It is necessary the abolition, by the law, all the privileges and immunities of the State against the Municipalities (“the polluters pay”).
- The municipalities must claim the resources allocated to them by the State and formulate their collection policy along with the contribution of their citizens.
- Municipalities must improve the degree of capture of the tax base.
- The central ministries (particularly the Ministry of Finance) should explicitly recognize municipalities as tax authorities and provide them all the information that government agencies have in their files (eg surfaces of buildings, elements of VAT, taxable items etc.). That can be exploited by the financial services of the municipalities.

⁸ Local actors’ Macro- level policy recommendations in the Annex VIII.



ANNEX I

After the reorganization of the Municipality of Athens, the General Directorate of Finance is composed of four Directorates:

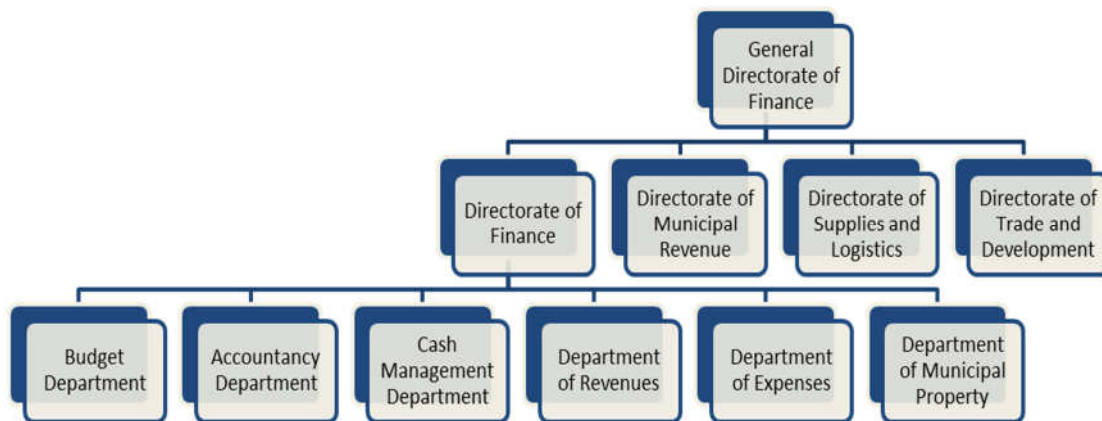
The Directorate of Finance,

The Directorate of Municipal Revenue,

The Directorate of Supplies and Logistics,

The Directorate for Trade and Development

The Department of Finance, which is the heart of the financial management of the municipality, is composed of six departments:



regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund,
in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

ANNEX II

Endogenous and exogenous causes of fiscal crisis

According to the interviews, the main endogenous causes lead the Municipality of Athens to the present fiscal crisis, are the follow:

Interview with the Mayor

- Redundant personnel
- Maladministration and bureaucracy
- Inability to control the operation of the municipal legal entities
- “Balloon payment” on the loan contracts
- Reluctance to the collection of the municipal revenues
- Non realistic Budgets

Interview with the General Secretary

- High Costs for Wages and other benefits
- Massive recruitments of personnel
- Loan Debt
- Debt to Suppliers
- Non realistic Budgets
- Excessive Level of Operating Expenses
- Corruption

Interview with the Financial Consultant

- Excessive Level of Operating Expenses
- Inability in the Collection of Receivables due to services’ inaction
- Non realistic Budgets
- Loan Debt

Interview with the Chief Financial Officer

- Under qualified Staff (Lack of expertise in certain areas)
- Non realistic Budgets
- Lack of cooperation and information exchange with state tax authorities

Interview with Opposition

- Debt crisis is due only to exogenous causes

Interview with the Journalists

- Non realistic Budgets
- Excessive level of operating expenses
- No utilization of the municipal property
- Massive recruitments of personnel (especially in municipal enterprises)
- Splurge on travel, public relation costs
- Excessive spending on fictitious overtime, especially in street cleaning and carbidge collection service
- Corruption with contractors
- Partiality favoring voters and supporters of the municipal majority list and the corresponding national party



regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund, in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

According to the press releases, the main endogenous causes lead the Municipality of Athens to the present fiscal crisis, are the follow:

- High loan debt
- High wages costs
- Irrational spending
- Lack of control and rules
- Bad operation of municipal enterprises
- Mismanagement of municipal finances, municipal estate and operational costs
- Failure of collecting revenues
- Lack of programming and strategy

According to the interviews, the main exogenous causes lead the Municipality of Athens to the present fiscal crisis, are the follow:

Interview with the Mayor

- Failure to collect revenues due to the lack of cooperation with the tax authorities of the State
- Failure to be covered by the State the financial needs derives from the metropolitan character of the municipality of Athens.
- Reduction of Central Autonomous Grants
- Inability to regulate, on its own, the fee rates

Interview with the General Secretary

- Failure to collect revenues due to the lack of cooperation with the tax authorities of the State
- Inability to regulate, on its own, the receivables from its debtors
- Strict state rules and constraints for using compensatory fees

Interview with the Chief Financial Officer

- Failure to collect revenues due to the lack of cooperation with the tax authorities of the State and the bureaucracy
- Strict state rules and constraints for using compensatory fees
- Reduction of Central Autonomous Grants

Interview with the Financial Consultant

- Inability to plan due to non-timely State's grants
- Reduction of Central Autonomous Grants
- The economic crisis affects the collection of fees
- Failure to collect revenues due to the lack of cooperation with the tax authorities of the State and the bureaucracy
- Failure to collect municipal fees due to the economic and socio-economic crises

Interview with Opposition

- The State enforced the Athens municipality to take out loans for the Olympic Games



regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund, in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

- Failure to collect revenues due to the lack of cooperation with the tax authorities of the State
- Reduction of Central Autonomous Grants

Interview with the Journalists

- Reduction of Central Autonomous Grants due to the Memorandum
- Inability to plan due to non-timely State's grant
- Excessive lending for the Olympic Games
- Failure to collect revenues due to the financial crisis and economic downturn of citizens because of the Memorandum.

According to the press releases, the main exogenous causes lead the Municipality of Athens to the present fiscal crisis, are the follow:

- Failure to collect municipal fees due to the lack of a long-term receivable policy and bureaucracy
- Failure to collect municipal fees due to the economic and socio-economic crises
- Reduction of Central Autonomous Grants due to the Memorandum
- Financial burdens related to the metropolitan character of the municipality, e.g. disasters from demonstrations, failure to collect fees from public services housed in the territory of the municipality



regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund, in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

ANNEX III

Scope and means of actions

The basic austerity measures, which **the Municipality has taken** in the period from January 2011 to August 2014, according to the interviews, are the follow:

Interview with the Mayor

- Reduction of staff due to retirements
- Establishment of a central Department for the implementation of procurement and tendering projects
- Merging of several municipal legal entities
- New agreements with lenders to extend loan repayments

Interview with the General Secretary

- Collection of revenue through foreclosures
- 40% reduction of staff due to retirements and termination of fixed term contracts
- Reduction of operating costs by controlling and prioritizing spending on supplies
- Establishment of a central Department for the implementation of procurement and tendering projects.
- Open contest for supply of material
- Zero costs for public relations, newspapers, magazines
- Reduction of the municipal radio station operating costs to 4.300.000 euros from 16.000.000 in 2009
- Reduce outsourcing services and mobilization the municipality's personnel
- Reduction of rents paid by the municipality and co-location of services
- Reduction of legal entities to 12 from 18
- Reduction of grants to municipal enterprises to 5-6 million euros from 25 million in 2009
- Utilization of 120 million euros from ESPA funds, without charging the municipal budget

Interview with the Chief Financial Officer

- Establishment of an Audit committee for monitoring expenditures
- Reduction of staff due to retirements
- Cuts in subsidies to the municipal legal entities and municipalities

Interview with the Financial Consultant

- Merging of municipal legal entities and enterprises
- Cuts in subsidies to the municipal radio station
- Establishment of an audit committee for monitoring expenditures

Interview with Opposition

- Increase of municipal fees for the period 2004-2010

Interview with the Journalists

- Reduction of staff and municipal legal entities and enterprises



regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund, in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

- Restriction of expenditure
- 30% reduction in rents for buildings that housed municipal services
- Utilization of municipal private property for housing services
- Reduction by 52% the overtime cost
- Reduction of subsidies and subventions to the municipal legal entities
- Reduction of promotional public relations' projects for the municipality e.g. Christmas events

The basic austerity measures, which the Municipality has taken in the period from January 2011 to August 2014, according to the press releases, are the follow:

- Rationalization and restriction of cost categories
- Utilization of municipal estate
- Reduction of staff and merging of municipal enterprises
- Utilization of EU funds

The basic austerity measures, which had been imposed by the **upper levels** in the period from January 2011 to August 2014, are the follow:

Interview with the General Secretary

- Monitoring the budget in real time through the Observatory
- Integrated payroll of staff, reducing overtime payments by law

Interview with the Chief Financial Officer

- New way of drawing budgets
- Strict measures for expenditure implementation by the law

Interview with the Financial Consultant

- Monitoring the budget in real time through the Observatory
- Accurate balanced budgets

Interview with Opposition

- Monitoring the budget in real time via the Observatory

Interview with the Journalists

- Refinancing of loans
- Monitoring the budget in real time through the Observatory
- Abolition of municipal Police



regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund, in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

ANNEX IV

Legitimacy and transparency

Citations from the General Secretary

- *“The central political line derives from the Mayor. The Department of Finance has a sense of financial responsibility. We try to utilize the ideas and the initiatives of the Municipal services as much as it is possible”.*

Citations from the Mayor’s Financial Counselor

- *“The Councilors are more concerned with policy issues. When the municipal council discussing technical issues the counselors are easy to be manipulated or have a sterile reaction. The requests of services do not have a basis”.*

Citations from the Opposition

- *“The Economic Commission draws up the municipal budget. The decisions are taken by the majority. The mayor controls 3/5 of the municipal council. The economic issues are not easy to understand and the most of the municipal counselors have no financial knowledge, so they can’t creatively involve in the formation and implementation of the economic policy. The Mayor’s suggestions are accepted by the majority, with few exceptions”.*

Citations from the Journalists

- *“Sometimes society has raised issues which are discussed in the municipal council. The parties usually vote based on the party line.”*



regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund, in the context of the O.P. Competitiveness and Entrepreneurship (OP II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

ANNEX V

Political culture, Policy style

Citations from the General Secretary

- *“The municipal policy is derived from the Mayor. The Mayor decided to reduce the operating cost of municipal radio station 9.84 almost 75%”.*
- *“In the municipal council there was consensus on almost anything. As regards the issues of debt and the cuts, (..) the former Mayor was opposed. The refinancing of the loan from the Agricultural Bank was required an agreement with the opposition which achieved difficulty”.*

Citations from the Opposition

- *“The municipal administration implements the Mayor’s policy. It is able to raise objections only about the implementation of institutional framework as regards the legality of an action”.*
- *“Municipal Directors appointed them whom the municipal authority believes that they can better promote its policy”.*

Citations from the Journalists

- *“The decisions are taken top- down. I believe that is the right way but the decisions must be enriched from the bottom and then the final decision be taken from the upper level. The relations in the Municipal council are confrontational. Most times, the local interest is sacrificed in the general. The (..) present Mayor is certainly a consensual character and people voted him more for that reason than for his work in the Municipality, which, despite his efforts, was not appreciated by the people. People voted him because they wanted to premium his mild policy represent”s.*
- *“The cut of staff and costs in municipal radio station was a brave decision of Mayor, whereas the radio station displays the work of the Municipality and eventually the work of the Mayor”.*



regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund,
in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

ANNEX VI

Knowledge

Citations from the General Secretary

- *“The knowledge for taking financial decisions derives from the municipality’s financial services. Only once time we used the services of an audit firm that had undertaken reporting for Moody’s”.*

Citations from the Chief Financial Officer

- *“The financial decisions are based on the knowhow and the experience of the financial services.”.*

Citations from the Mayor’s Financial Counselor

- *“My role is advisory. I sought cooperation with the financial services in order to achieve my goals. I know that I need the Staff, my role is cooperative, I am facilitator.”.*

Citations from the journalists

- *“The municipal administrative has an executive role in the decision making system. The majority of the decisions are taken by the Municipal council. The (..) former Mayor had more confidence in his counselors than (..) present Mayor”.*
- *“The external counselors are not necessary for the Mayor because they do not know the municipal problems and the real needs of people. Nowadays the Municipality does not have money to pay them so it is necessary to be utilized the municipal staff”*



regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund, in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

ANNEX VII

Leadership

Citations from the General Secretary

- *“We focus on the mapping of procedures in the areas that are problematic, as in the process of procurement. We want to eliminate the bureaucracy imposed by the central government. Today 200 signatures needed to become a procurement competition”.*
- *“There is no culture of citizen participation in decision making of the city council. Although Kallikrates establishes a Consultation Committee, which participates as an advisory body for the formulation of the draft budget, the committee has been established but not really activated due to lack of participation. Especially in the drafting of the budget the requirement for participation was 58 persons and there were only five present. Therefore, citizens intervene individually, only when they have their individual interests affected”.*

Citations from the Chief Financial Officer

- *“The administrative is required to faithfully follow the law regardless the will of the elected. The procedures are predetermined and we are obliged to apply them. I have made proposals in order to the Municipality achieves strategic goals. Many innovations actions can be applied to the municipality”.*

Citations from the Mayor’s Financial Counselor

- *“The municipal authority has achieved to survive despite the reduction of money. But the Municipal survival is not the real purpose of the municipality. Nowadays the mayor is not able to manage the finances of the Municipality, because everything is arranged by the central government. The municipality does not have its own revenues and for that reason is unable to determine them”.*
- *“My perception for the administration is that since effectively there is no planning, the stronger voice is listened and the one that spends more time in the office of the Mayor”.*

Citation from the Opposition

- *“The Municipal authority is able to set new strategic goals but the changes of the Municipal priorities are necessary. The money of the municipality even if are reduced should be used in other fields. For example the money for the redevelopment of Omonia square is a typical example. We have spent millions of euro and the bad condition of the square remains the same. That money could be given to social infrastructure”.*

Citations from the journalist

- *“The economic problem is an obstacle to the implementation of large visions. Two years before, I would say that the municipality is not able to realize anything strategic but only small projects”.*



regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund, in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

- *“The crisis brought many NGO’s closer to the municipality. The city invited such entities because the municipality was not able to cover the emerging big needs on its own means and resources.”*



regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund,
in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace

ANNEX VIII

Actors' Macro- level Recommendations

Citations from the General Secretary

- *“Required improvement is needed in three areas:*
 - *Termination of undue bureaucratic procedures, which have been externally imposed, such as the procurement system*
 - *Redefinition of local government responsibilities in order to avoid confusion with the state’s responsibilities.*
 - *Flexibility in financial management. It is necessary to promote the establishment of local municipal taxation which means: I want to impose you 50 euro tax, but the municipality can offer to your kid a kindergarten, a kindergarten bus and lobster for lunch every day, or I impose you one euro tax but your kid’s lunch in the kindergarten can be only beans”.*
- *“We must continue to prioritize spending.*

Citations from the Chief Financial Officer

- *“There is a need to address the complexity of procedures regarding the review of fiscal legality.”*
- *“Strengthening the municipal personnel and the audit personnel with specific tasks.”*
- *“The municipalities must have the ability to collect their own resources”.*

Citations from the Opposition

- *“People need to think which the real benefits of the municipal projects are.”*

Citations from the Financial Consultant

- *“The mayors are now puppets, as the central government regulates everything about how they work and what they do. The Mayor cannot play any role, because he is not the money manager. The Municipality cannot determine its own revenues, so the Mayor is forced (and accommodated) to ask money from the State. It is necessary to promote the independence of local authorities from central government”.*

Citations from the Journalists

- *“It is required the utilization of the municipality's human resources, the citizens and officials. Everyday problems do not need to be solved only with money”..*
- *“If the Central State Grants remain reduced, if the municipality does not utilize the European Union funds, the municipality cannot go ahead”.*
- *“There is a need for the municipal social services to be strengthened, there is lack of information. Furthermore, we must stamp out bureaucracy and unblock procedures.”*



regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund, in the context of the O.P. Competitiveness and Entrepreneurship (OPC II) and the R.O.P. Attica, R.O.P. Macedonia - Thrace