



## REformability of POLitical Systems in times of crisis: The example of the financial consolidation in German and Greek municipalities (REPOS)



# CASE STUDY REPORT AMAROUSION

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## 1. Introduction

The purpose of the Maroussi case study report is to provide a description of the fiscal problem of the municipality of Maroussi and consolidation measures implemented in the city in the period 2011-2013. Such a report is based on four types of sources: i. Statistical data from secondary sources on the socioeconomic and political context of the city, ii. Primary sources which consist of Review in annual reports, Annual Budgets, Balance Sheets (2008-2013), Certified Public Accountants' reports (2009-2012) and Economic Support Plan 2012 (according to the Law 4038/2012), iii. 110 texts from local media publications and Press Releases (2010-2014), iv. 12 interviews with local actors. More specifically, the interviews have been conducted, during the period July 2014-October 2014, with the local actors mentioned below: General Secretary of the Maroussi municipality (1), Vice-Mayor of Finance and Economics and Chairman of Economic Advisory Council (1), Director of Financial Management (1), Former Mayor (1), Councilors of the opposition (3), Employees Representatives (2), local media Journalists (2), Commercial Associations' President (1).

The report is divided into 9 main chapters. More specifically, chapter 2 illustrates some key features regarding the socioeconomic and demographic profile of the municipality of Amaroussion. Chapter 3 contains a fiscal problem's analysis of the city, focusing on the total volume and evolution of public debt. Chapters 4 to 7 present actor's perceptions about the municipality's debt problem.; To be more specific, Chapter 4 describes endogenous and exogenous causes which led the municipality to a fiscal crisis, chapter 5 presents the means of implemented actions, chapter 6 focuses on the scope of the public debate and in chapter 7 there is a political system's analysis. Chapter 8 presents the conclusions of the report and chapter 9 provides policy recommendations.



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## 2. Socioeconomic context of the city of Amaroussion

### 2.1 Basic Figures

Maroussi or Amaroussion (the second being the official historical name of the municipality) is one of the biggest cities in the North of the Athenian basin. It used to be a rather quiet northern suburb for the upper middle class until the end of the sixties. Then, the city center was gradually transformed into a vivid shopping and business center and many of the country's biggest enterprises (e.g the national Greek Telecommunications Enterprise –OTE), have moved their headquarters close the renamed Kifissias boulevard, crossing the city's borders.

#### *Demographic development*

The population increase of the city has been impressive during the previous decades; in 2011 Maroussi had 72.480 inhabitants (permanent population according to the Hellenic Statistical Authority). The table below shows the population of Maroussi municipality, Attiki and Greece.

**Table 1: Demographics**

Spatial Unit	1961	1971	1981	1991	2001	2011
Greece	8.388.553	8.768.641	9.740.417	10.206.539	10.934.097	10.816.286
Region of Attika	1.852.709	2.540.241	3.027.331	3.072.922	3.002.980	3.828.434
Amaroussion	20.135	27.000	48.151	64.092	71.551	72,480
(Density)	1538/km <sup>2</sup>	2062/km <sup>2</sup>	3678/km <sup>2</sup>	4895/km <sup>2</sup>	5464/km <sup>2</sup>	5535/km <sup>2</sup>

Source: Hellenic Statistical Authority / Elaboration by Y. Psycharis

This population growth meant difficult challenges for the municipality, since the urban and the social infrastructure had to keep up with rapidly growing needs of a demanding middle-class population that was willing to pay high real estate prices in order to enjoy better life conditions in a wealthy suburb. Most of the newcomers were young families with well-educated members. This influenced, of course, both the age structure and the level of education of the city. The following tables present the population structure per age and education level.



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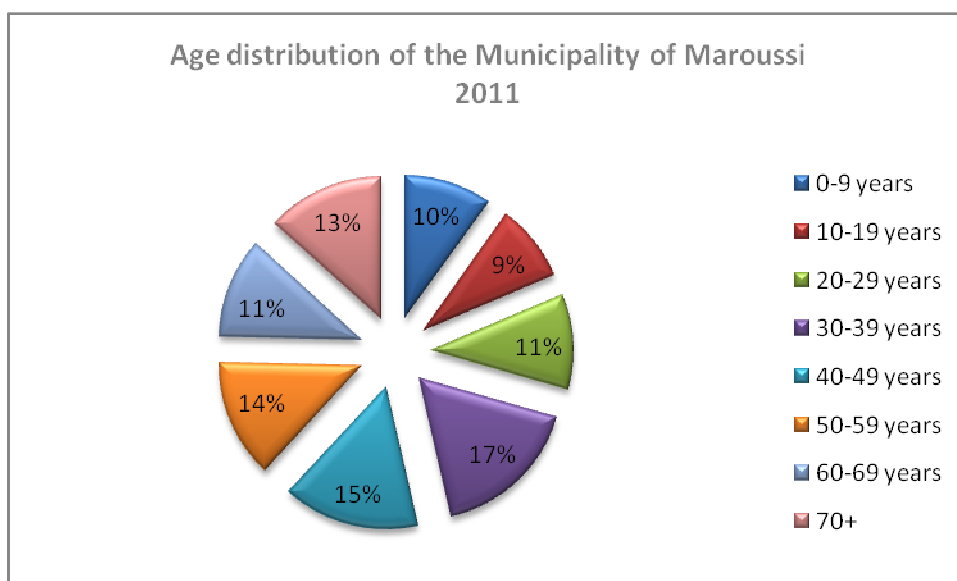


**Table 2: Population structure per age**

Spatial Unit	Population structure per age (% population)							
	2011							
	0-9	10-19	20-29	30-39	40-49	50-59	60-69	70+
Greece	9.7%	9.9%	12.5%	15.1%	14.6%	12.9%	10.5%	14.8%
Region of Attika*	8.9%	9.2%	13.0%	16.6%	15.5%	13.4%	10.3%	13.1%
Municipality of Amarousion	9.9%	8.8%	10.8%	17.0%	15.5%	13.5%	11.4%	13.3%

Sources: Hellenic National Statistical Authority / Elaboration by Y. Psycharis

**Figure 1: Age distribution of the municipality of Maroussi (2011)**



Source: Hellenic Statistical Authority/ Authors' elaboration

**Table 3: Population structure per education level**

Spatial Unit	Population structure per education level (% of population)			
	2011			
	Higher education	Secondary education	Primary education	Non-educated
Greece	24.9%	44.0%	17.8%	13.2%
Region of Attika	25.0%	48.1%	17.3%	9.6%
Municipality of Amaroussion	38.0%	42.6%	12.0%	7.4%

Sources: Hellenic Statistical Authority / Elaboration by Y. Psycharis



### ***Income, Sectoral allocation of employment and Unemployment***

Economic growth and building boom culminated between 1997 and 2005, when Maroussi became the city hosting most of the Olympic stadiums and premises for the 2004 Olympics, and the new “Attiki highway” crossed the city’s borders and the Kifissias boulevard. Some of the most famous shopping malls were built in Maroussi and the city attracted many thousands of shopping, leisure and business visitors that were offering a lot of revenue income to the city.

According to the declared income (income according to annual tax returns of residents), Amarousion has been one of the richest municipalities in Greece. Starting from 2008, the mean amount of declared income has been 24.876,9 euros and experienced a further slight increase in 2009. As a result, the average income in 2009 reached 24.932,6 euros per capita and this is the highest in the period 2008-2012. Comparing this income level with the one of the region of Attiki and the national average, we observe that the income in Amarousion city is 20% higher than in the Region of Attiki region and 50% higher than the national average.

Amarousion recorded a significant income reduction during the period 2009-2012, following the corresponding regional and national trends. After the outset of economic crisis in 2009 the income level reduced to 24.690,2 euros. In the following two years, income reduction has become even stronger. From 2010 to 2012, income reduction rate reached 20%. However, income level in Amarousion remains throughout the study period no less than 50% higher than the national average. The table below shows the declared income of Greece, Attiki and the municipality of Maroussi.

***Table 4 Declared income (euro): Maroussi municipality, Attiki region, Greece***

Source: Ministry of Economics, Authors’ elaboration

	Maroussi	Attiki	Greece
2008	24.876,90	20.797,50	15.696,90
2009	24.932,60	21.172,50	15.591,30
2010	24.690,20	21.368,00	15.919,10
2011	22.543,30	19.703,50	14.489,50
2012	19.813,00	17.252,70	12.705,20



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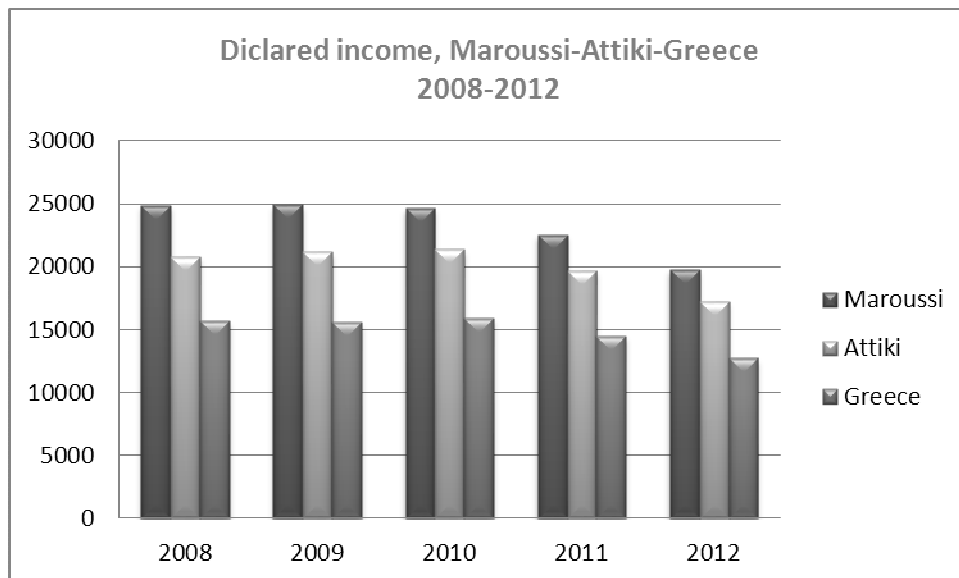


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**Ghart 1: Declared income: Maroussi, Attiki, Greece (2008-2012)**



Source: Ministry of Economics, Authors' elaboration

According to the Hellenic Statistical Authority, in the municipality of Maroussi in 2011, the percentage of employment in secondary sector (i.e. manufacturing and construction) was at 13,1%, while the respective percentage for the tertiary sector (namely services) accounted for 86,5%. The distribution of population in the three economic sectors indicates the large dependence of the population and local economy on the tertiary sector.



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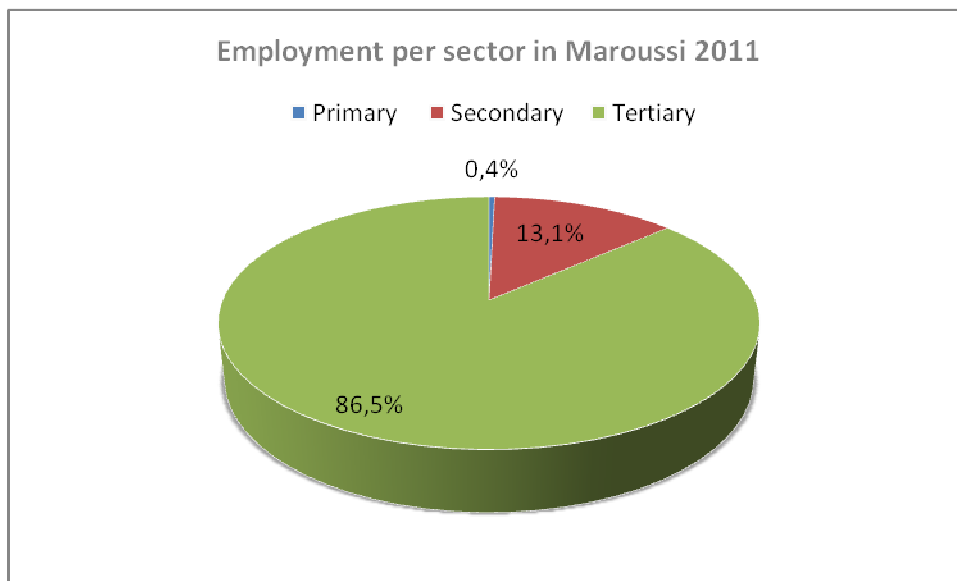


**Table 5: Sectoral allocation of employment**

Spatial Units	Production Structure (% employment)		
	2011		
	primary sector	secondary sector	tertiary sector
Greece	10.0%	17.6%	72.5%
Attiki	1.2%	16.9%	82%
Maroussi	0.4%	13.1%	86.5%

Sources: Hellenic Statistical Authority / Elaboration by Y. Psycharis

**Figure 2: Employment per sector in Maroussi, 2011**



Source: Hellenic Statistical Authority 2011/ Authors' elaboration



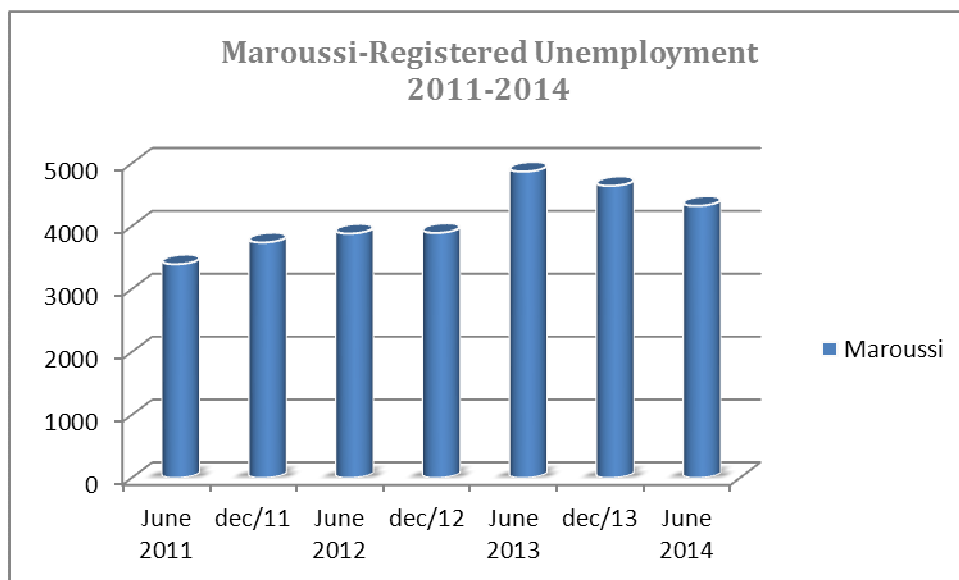
As regards the number of registered unemployed, it has been constantly increasing in recent years. More specifically, it grew from 3.400 in June 2011 to 4.329 in June 2014.

**Table 6 Registered unemployed 2011-2014**

Year	Maroussi	Greece
June 2011	3400	693710
Dec/11	3746	743170
June 2012	3888	782493
Dec/12	3898	797578
June 2013	4874	868557
Dec/13	4644	859408
June 2014	4329	820156

Source: Hellenic Statistical Authority 2011/ Authors' elaboration

**Chart 1: Maroussi –registered unemployment (2011-2014)**



Source: Hellenic Statistical Authority 2011, authors' elaboration



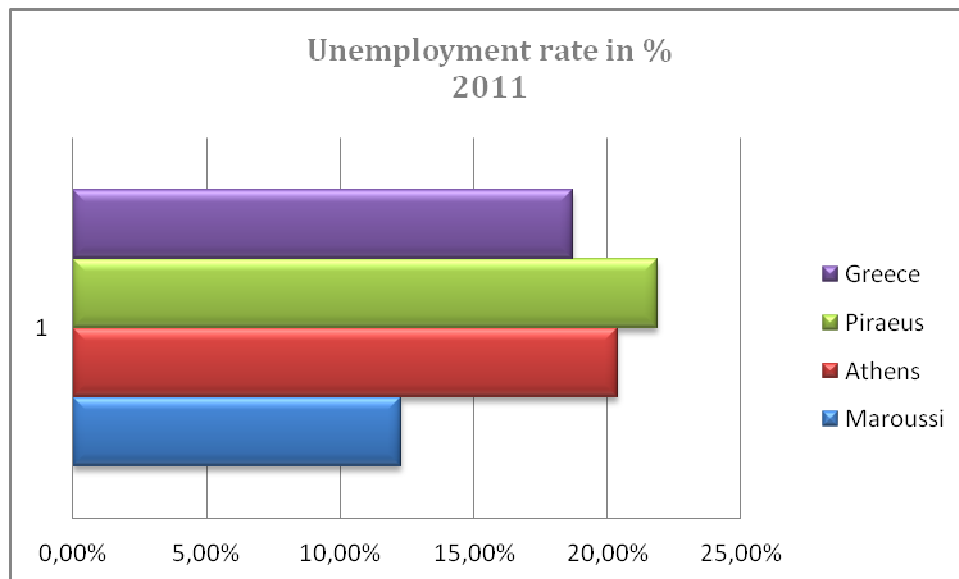
However, the percentage of registered unemployed in Maroussi (12,30%) is well below the national average (18,70%) and also the average of Athens (20,30%) and Piraeus (21,90%).

**Table 7: 2011 Unemployment rate in %**

2011 Unemployment rate in %			
Maroussi	Athens	Piraeus	Greece
12,30%	20,40%	21,90%	18,70%

Source: Hellenic Statistical Authority 2011, Authors' elaboration

**Chart 2: Unemployment rate in % - Greece, Piraeus, Athens, Maroussi**



Source: Hellenic Statistical Authority 2011/ Authors' elaboration



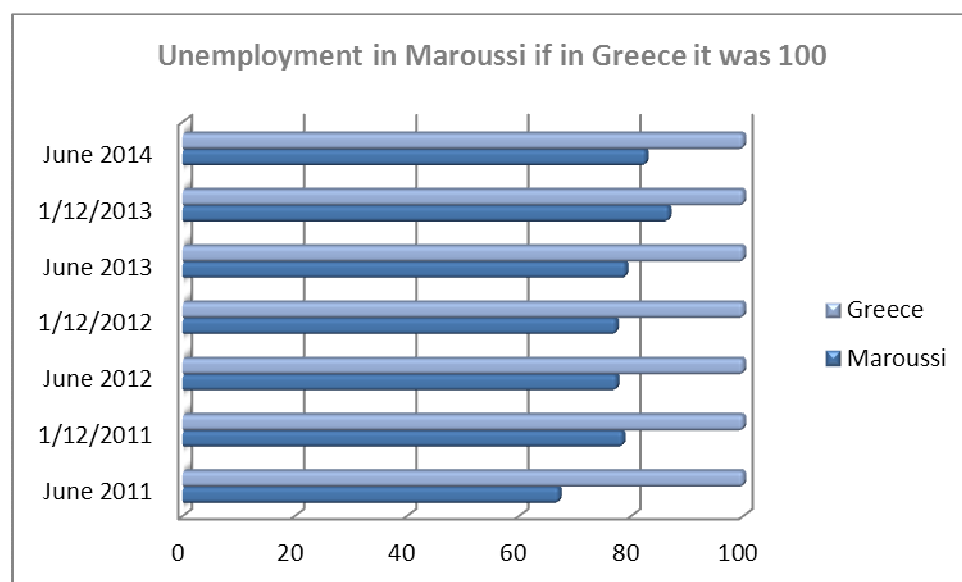
If in Greece the rates of unemployment were 100, in Maroussi municipality the unemployment rate would be 82,6 in June 2014 and 67,1 in June 2011, respectively. Despite the fact that, in Maroussi, the unemployment rate has been on an upward trend between 2011 and 2014, it remains lower than that of Greece.

**Table 8: Unemployment in Maroussi if in Greece unemployment rate=100**

Year	Maroussi	Greece
June 2011	67,1	100
Dec 2011	78,5	100
June 2012	77,4	100
Dec 2012	77,3	100
June 2013	79	100
Dec 2013	86,7	100
June 2014	82,6	100

Source: Hellenic Statistical Authority 2011/ Authors' elaboration

**Chart 3: Unemployment in Maroussi if in Greece unemployment rate = 100**





Source: Hellenic Statistical Authority 2011/ Authors' elaboration

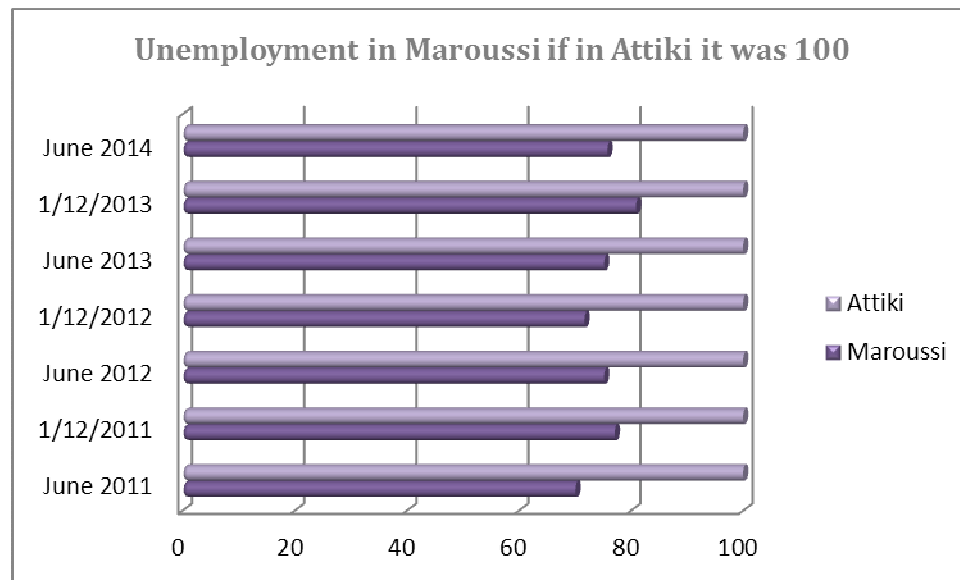
If in Attiki the rates of unemployment were 100, in Maroussi municipality the unemployment rate would be 75,8 in June 2014 and 70,1 in June 2011. In Maroussi, the unemployment rate has been on an upward trend between 2011 and 2014, but it remains lower than that of Attiki.

**Table 9: Unemployment in Maroussi if in Attiki unemployment rate = 100**

Year	Maroussi	Attiki
June 2011	70,1	100
Dec 2011	77,1	100
June 2012	75,2	100
Dec 2012	71,7	100
June 2013	75,2	100
Dec 2013	80,9	100
June 2014	75,8	100

Source: Hellenic Statistical Authority 2011/ Authors' elaboration

**Chart 4: Unemployment in Maroussi if in Attiki unemployment rate = 100**



Source: Hellenic Statistical Authority 2011/ Authors' elaboration

## 2.2 Municipal Administrative Organization

### *Directorates and Departments*

In the municipality of Maroussi, since 2011 the number of organizational units (i.e. Directorates and Departments) has been reduced; the administrative structure consists of 10 Directorates (instead of the former 11 in 2013), and 49 Departments (instead of the former 54 in 2011) and 23 distinctive offices. More specifically, the Department of Migrants and Migration repealed under the Law 4018/2011 and Law 4208/2013; the Directorate of Municipal Police and its 4 Departments repealed under the Law 4172/2013. A list of all Directorates can be found below.

**Table 10: Directorates in Maroussi municipality**

Directorates in the municipality of Maroussi
Directorate of Administration and Human Resources
Directorate for Legal Affairs
Directorate for Citizen Services
Directorate of Sport and Culture
Directorate of Financial Services
Directorate of Municipal Property and Supplies
Directorate for the Environment and Quality of Life
Directorate of Building
Directorate of Urban Planning
Directorate of the Waste Management and Recycling

Source: Organizational Chart of the municipality of Maroussi/ Authors' elaboration

### *The Legal Entities of the Municipality of Maroussi*

The Kallikratis Law 3852/2010 (Art. 103) obliged the Greek municipalities to reduce the number of their Legal Entities (see also Law 3852/10, Art. 108-112). According to the Economic Support Plan of Maroussi (under the Law 4038/2012), in 2012 the municipality of Maroussi had 5 Legal Entities and 7 Legal Entities were under liquidation. Moreover, according to interviewers the municipal “Employment Company” is still under liquidation. A list of the legal entities of the city of Maroussi can be found below.

**Table 11: Legal Entities of Maroussi municipality**

<b>Legal Entities of the Municipality of Maroussi</b>	
<b>I. Municipal Enterprises</b>	
Cooperative Organization of Development <sup>1</sup>	
<b>II. S.A. Corporations</b>	
E.D.E.X.Y. S.A.	
Developmental S.A. of the municipality of Maroussi	
ATHMONO S.A. –Buildings’ Development and Planning	
ATTIKO GAS S.A.	
<b>III. Legal Entities of Public Law (NPDD)</b>	
O.KOI.PA.DA -“Amarysia Artemis”	

Source: Economic Support Plan 2012/ Authors’ elaboration

A list of the legal entities of the city of Maroussi which were under liquidation in 2012 can be found bellow; almost all of them are still under liquidation.

**Table 12: Legal Entities under liquidation of Maroussi municipality**

<b>Legal Entities Under Liquidation (since 2012)</b>	
<b>I. Municipal Enterprises</b>	
Municipal Enterprise of Development of the Amarousion munisipality (DEADA)	
Cooperative Organization of Solidarity and Prevention	
Cooperative Organization of Art and Culture	
Cooperative Organization of Technology and Education	
<b>II. Legal Entities of Public Law (NPDD)</b>	
Health Organization	
Solidarity Organization	
Employment Organization (or “Employment Company”)	

Source: Economic Support Plan, December 2012/ Authors’ elaboration

<sup>1</sup> the former Cooperative Municipal Enterprise of Transportation and Traffic control



### 3. Municipality of Maroussi: Political leadership and the fiscal problem

#### 3.1 The political leadership of the municipality

The municipality of Maroussi, from 1990 to 2006, was governed by the mayor P. Tzanikos who was supported by the social-democratic PASOK party. In the municipal elections of 2006, G. Patoulis, who was supported by the conservative New Democracy party, in the second round won the ballot by a margin of ten seats (13 seats in total, 53,22%) over the candidate P. Alexandris (3 seats in total, 46,78%) who was supported by the PASOK party. Since 2006, G. Patoulis is the mayor of the city of Maroussi.

In the municipal elections 2014, in the first round G. Patoulis was reelected mayor for the third time in a row, defeating nominee El. Magiakis who was supported by the leftwing SYRIZA party. In 2014, G. Patoulis secured 25 seats (57,89%) in the municipal council and El. Magiakis 6 seats (15,76%). Moreover, the municipal council of the city of Maroussi is composed of 5 municipal councilors (12,63%) being members of the party of the independent nominee K. Vlachos, 2 municipal councilors (6,12%) by the party of A. Fotopoulos who was supported by the communist KKE party, 2 municipal councilors (4,24%) by the independent party of D. Klapakis and 1 municipal councilor, D. Polychroniadis, who was supported by the radical left ANTARSYA party.

**Table 13: Municipal Elections 2014**

Candidate	Political Support	% 1st Round	Seats
Georgios Patoulis	ND - friendly	57,89%	<b>25</b>
Eleutherios Magiakis	SYRIZA – friendly	15,76%	6
Konstantinos Vlachos	-	12,63%	5
Athanasios Fotopoulos	KKE – friendly	6,12%	2
Dorylaos Klapakis	-	4,24%	2





Dimitrios Polychroniadis	ANTARSYA – friendly	3,36%	1
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Source: Ministry of Interior and Administrative Reconstruction / Authors' elaboration

**Table 14: Municipal Elections 2010**

Candidate	Political Support	% 1st Round	Seats
Georgios Patoulis	ND – friendly	56,44%	25
Elias Giannakakos	PASOK – friendly	22,51%	8
Nikolaos Mpountouroglou	KKE – friendly	7,47%	3
Eleutherios Magiakis	SYRIZA – friendly	5,92%	2
Dorylaos Klapakis	-	4,23%	2
Dimitrios Polychroniadis	ANTARSYA –friendly	3,43%	1

Source: Ministry of Interior and Administrative Reconstruction / Authors' elaboration

**Table 15: Municipal Elections 2006**

Candidate	Political Support	% 1st round	% 2nd round	Seats
Georgios Patoulis	ND – friendly	33,92%	53,22%	13
Panos Alexandris	PASOK – friendly	25,41%	46,78%	3
Eustathios Ragkousis	-	14,63%		3
Konstantinos Rotas	-	7,13%		2

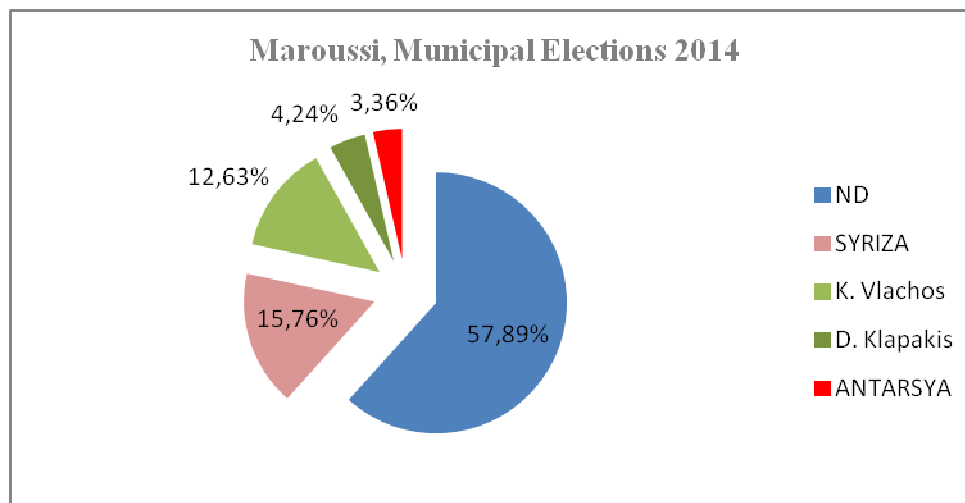
Source: Ministry of Interior and Administrative Reconstruction / Authors' elaboration

**Table 16: Municipal Elections 2002**

Candidate	Political Support	% 1st round	% 2nd Round	Seats
Panagiotis Tzanikos	PASOK - friendly	43,49%	54,77%	11
Konstantinos Rotas	ND – friendly	24,46%	45,23%	4
Sofia Sakorafa	-	11,86%		2

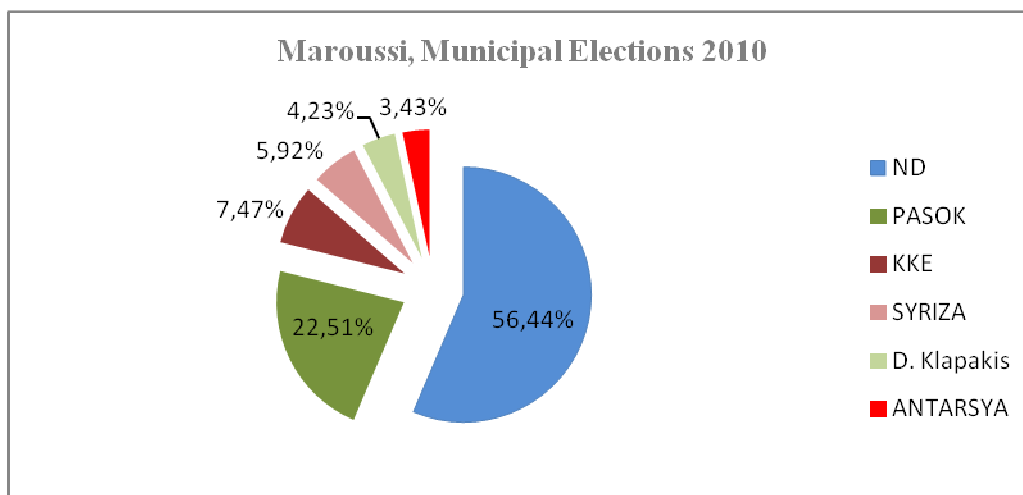
Source: Ministry of Interior and Administrative Reconstruction/ Authors' elaboration

**Figure 3: Maroussi, Municipal Elections 2014**



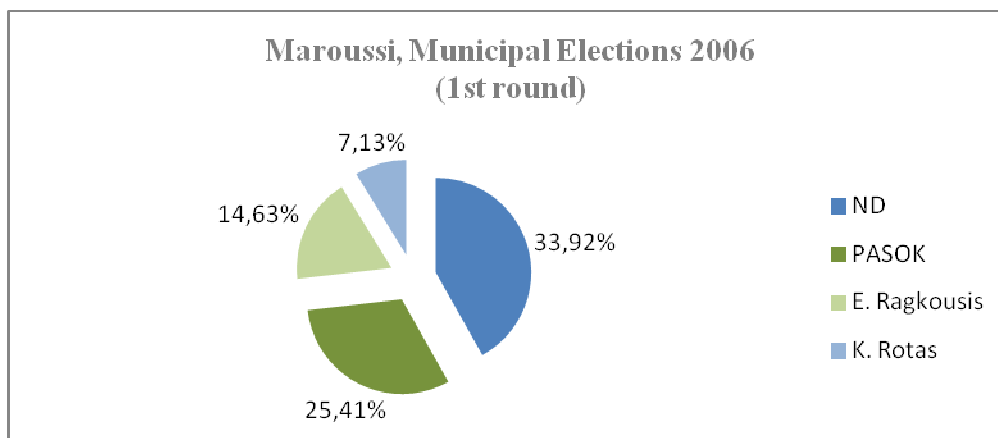
Source: Ministry of Interior and Administrative Reconstruction/ Authors' elaboration

**Figure 4: Maroussi, Municipal Elections 2010**



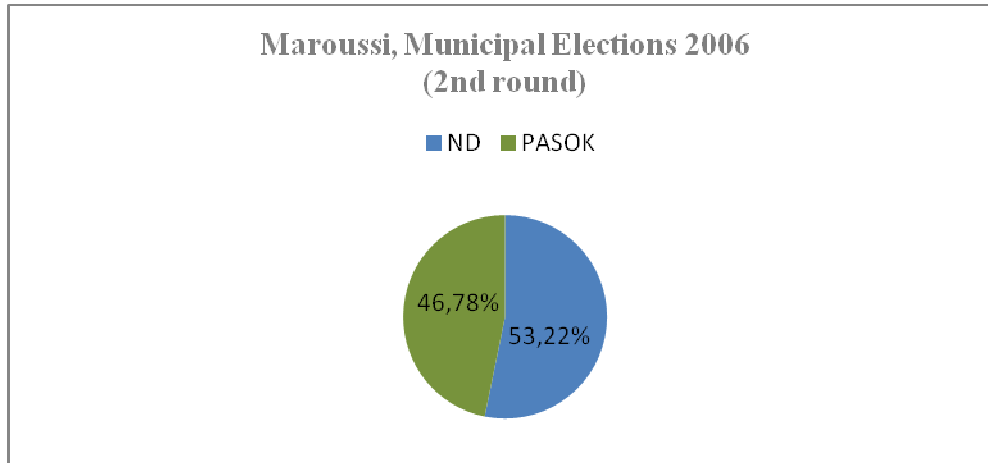
Source: Ministry of Interior and Administrative Reconstruction/ Authors' elaboration

**Figure 5: Maroussi, Municipal Elections 2006 (1<sup>st</sup> round)**



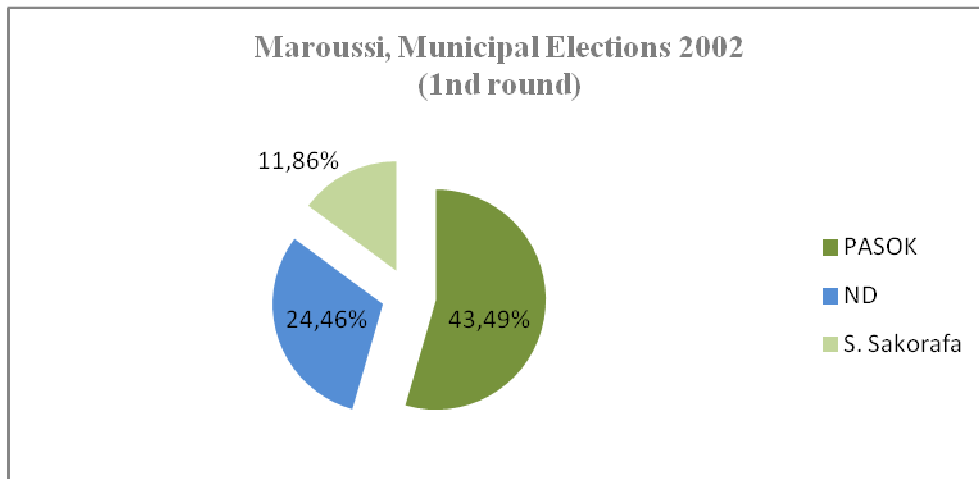
Source: Ministry of Interior and Administrative Reconstruction/ Authors' elaboration

**Figure 6: Maroussi, Municipal Elections 2006 (2<sup>nd</sup> round)**



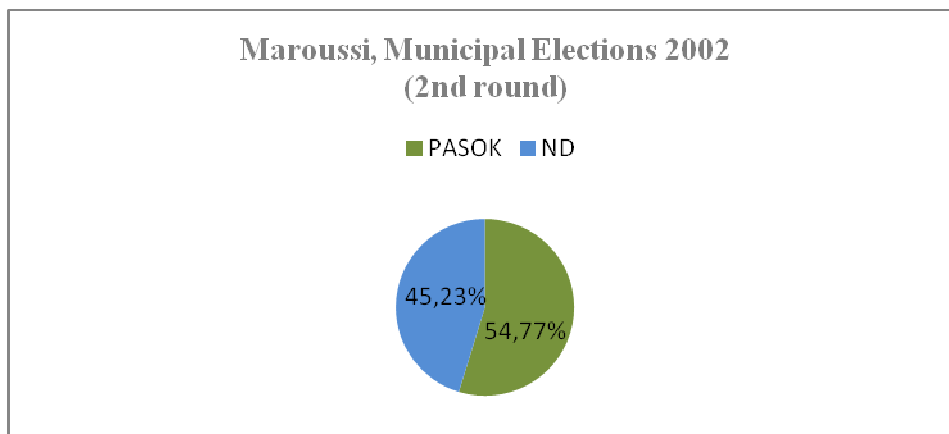
Source: Ministry of Interior and Administrative Reconstruction/ Authors' elaboration

**Figure 7: Maroussi, Municipal Elections 2002 (1<sup>st</sup> round)**



Source: Ministry of Interior and Administrative Reconstruction/ Authors' elaboration

**Figure 8: Maroussi, Municipal Elections 2002 (2<sup>nd</sup> round)**



Source: Ministry of Interior and Administrative Reconstruction/ Authors' elaboration

### 3.2 The fiscal problem

The public debt of Amaroussion was one of the highest municipal debts in the country, reaching the level of 143.301.574,00 euros in 2011. Despite its gradual reduction to 85.229.919,00 euros in 2013, because of the Ministry of Interior funding, the municipality of Maroussi continues to face a major fiscal challenge.



**Table 17: Maroussi - Total debt in million euro**

Year	2010	2011	2012	2013
Total Debt	77,14	143,30	127,48	85,22

Source: Ministry of Interior / elaboration by Y. Psycharis

**Table 18: Maroussi - Total debt per capita (euro/ per inhabitant)**

Year	2010	2011	2012	2013
Debt per capita	1.080,7	2.007,5	1.786,0	1.194,0

Source: Ministry of Interior / elaboration by Y. Psycharis

According to Kallikratis Law 3852/2010, Art. 262, par. 3, subpar. b. ii, in a municipality the total amount of debt should not exceed 60% of the annual revenues; In 2011 Maroussi's debt compared to its annual revenues was 230,7% and, as a result, Maroussi was obliged to take part in the special Fiscal Consolidation Plan (see Law 3852/2010, Art. 262).

**Table 19: Kallikratis Art. 262, 3. b. ii., in % (Debt to annual municipal income 2010-2013)**

Year	2010	2011	2012	2013
Debt to municipal revenues	115,8%	230,7%	220,6%	121,0%

Source: Ministry of Interior / elaboration by Y. Psycharis



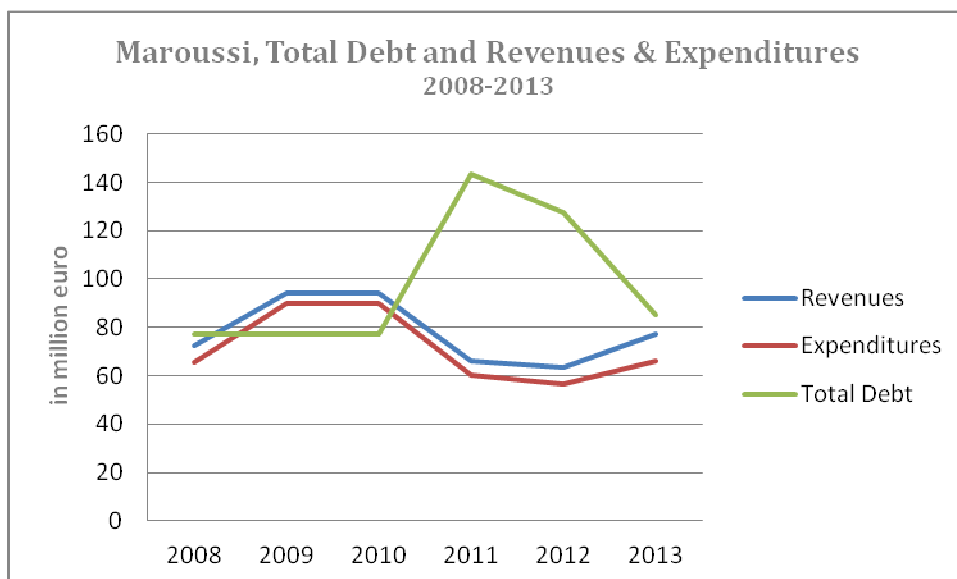
Furthermore, according to the reviews in annual report of Maroussi municipality, between 2008 and 2013, total expenditures in comparison to total revenues remain unbalanced; comparing reviews in annual reports with municipality's debt, it is obvious that the debt remains much higher than municipality's revenues. In Financial Year 2013 the debt decreased from 127.487.553,00 euros (2012) to 85.229.919,00 euros (2013) because of 19.142.295,00 euros funding from the Ministry of Interior (decision No 12828/2013 of the Ministry of Interior). Nevertheless, despite the austerity measures taken and Economic Observatory intervention, 2013 report shows that in 2013 Amarousion's expenditures had an upward trend, reaching 66.208.607,66 annual costs in 2013 –even higher to that of 2008 (i.e. 65.647.300,22 euros), before austerity measures imposed.

**Table 20: Reviews in Annual Reports and Debt –Amarousion municipality**

Revenues and Expenditures -Amarousion municipality			Debt of Amarousion Municipality
Year	Total Revenues (euros)	Total Expenditures (euros)	Debt (euros)
2013	77.435.674,23	66.208.607,66	<b>85.229.919,00</b>
2012	63.291.479,11	56.297.660,72	<b>127.487.553,00</b>
2011	65.822.516,45	60.319.497,94	<b>143.301.574,00</b>
2010	<i>Not available</i>	<i>Not available</i>	<b>77.140.632,00</b>
2009	94.124.354,49	89.998.505,35	<b>Not available</b>
2008	72.436.234,98	65.647.300,22	<b>Not available</b>

Source: Certified Public Accountants' reports (2008-2009, 2011-2013) and Ministry of Interior / Authors' elaboration

**Chart 5: Debt and revenues & expenditures of the Municipality of Maroussi (2008 - 2013)**



Source: Certified Public Accountants' reports (2008-2009, 2011-2013) and Ministry of Interior/ Authors' elaboration

\* for the Fiscal Years 2008 and 2009 the total debt is not available

\*\* for the Fiscal Year 2010 the total expenditures and revenues are not available

**Revenues (2011): general grants, earmarked grants, own revenues (taxes and fees)**

The distribution of municipal revenues for 2011 is illustrated in the following table.

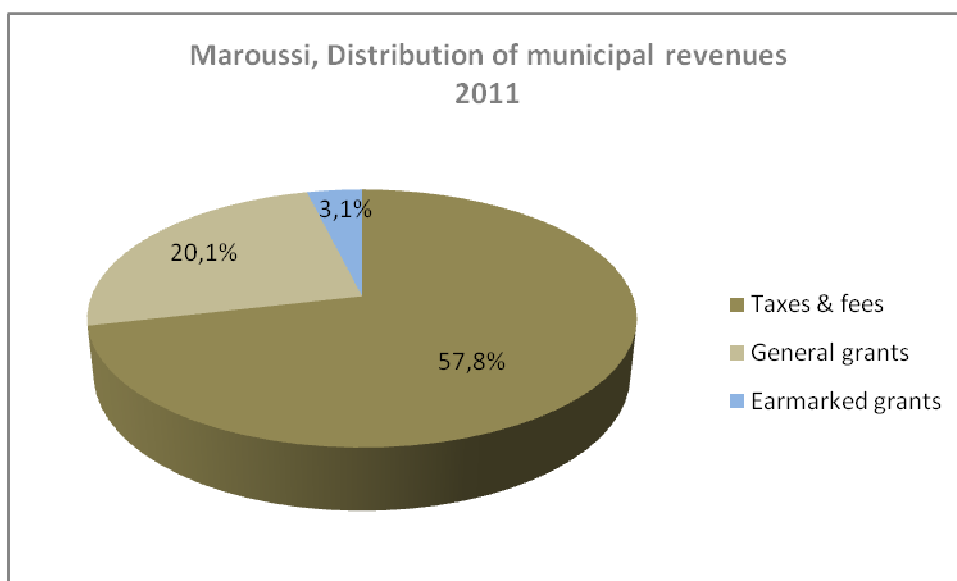
**Table 21: Distribution of municipal revenues -2011**

Year	General grants	Earmarked grants	Taxes and fees
2011	20,1%	3,1%	57,8%

Source: Ministry of Interior/ Authors' elaboration



**Figure 9: Maroussi, Distribution of municipal revenues 2011**



Source: Ministry of Interior / Authors' elaboration

**Expenditures in % of total expenditures (2011): operational costs, staff, investments**

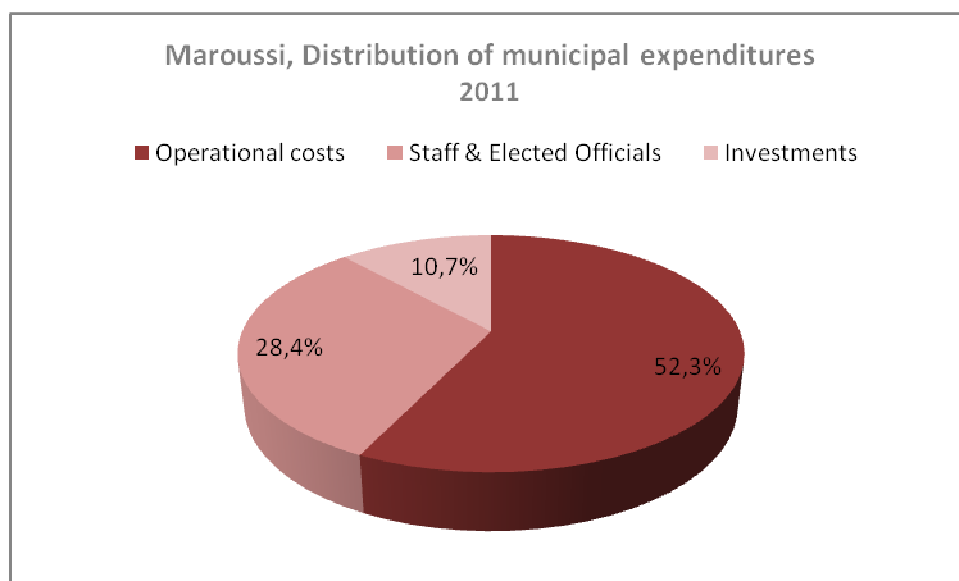
The municipal expenditures' distribution for 2011 is shown in the following table.

**Table 22: distribution of municipal expenditures -2011**

Year 2011	Operational costs	Municipal Staff & Elected officials	Investments
	52,3%	28,4%	10,7%

Source: Ministry of Interior / Authors' elaboration

**Figure 10 : Maroussi, Distribution of municipal expenditures 2011**



Source: Ministry of Interior / Authors' elaboration

According to Certified Public Accountants' report 2012, it is of central importance to define the meaning of "deficit", "surplus" and "profit or loss"; political leadership, Municipal Councillors and administrative actors should fully apprehend the meaning of these notions (see Certified Public Accountants report 2012, pp 61-62). For example, in some cases a municipality might have a *cash surplus*, but at the same time it might have a *loss*, for expenses exceed income. In other cases, income might exceed expenses, but at the same time the municipality might be unable to pay suppliers or salaries of personnel; a possible interpretation of such a situation it is its investments on tangible assets. In order to precisely determine the ability of Maroussi municipality to cope with short-term debt, Certified Public Accountants took into consideration working capital. According to Certified Public Accountants report 2012, in Maroussi municipality in 2012 there was a  $-43.105.234,48$  euros *deficit* in working capital and in 2011 there was a  $-24.583.580,69$  euros *deficit* in working capital. In 2012 the deficit was higher than this one of 2011, since the amount of 27.700.000 euros is transferred from the long-term to the short-term debt. Such amount of money concerns municipality's debt due towards Municipal Enterprises.



The deficit's upward trend reveals the effects of Municipal Enterprises to municipality's available budget and fiscal policy in general.

#### 4. Problem perceptions and Causes

Table 5 shows endogenous and exogenous causes of the fiscal problem, after a MAXQDA's classification of interviews, newspapers and documents of the financial department.

**Table 23: Different types of endogenous and exogenous causes**

code	sub-code 1	sub-code 2	sub-code 3	
endogenous causes				6
	Mismanagement of financial resources			27
	Unauthorized procedures			25
	Staff			7
	Failure in collecting taxes			11
	Employment Company			4
	Municipal Enterprises			9
	Loans			13
	Mismanagement in infrastructure decisions			17
exogenous causes				1
	upper level government			
		european level		0
		national/federal level		0
			Olympic Games	10
			Absence of control mechanisms	1



			Suspension of staff	1
			Cutting of central grants	12
			Kallikratis plan	4
			Inflexible legal framework	3
		federal state level		0
	socio economic conditions			0
		unemployment		1
		financial crisis		18
		economic restructuring		2

Source: MAXQDA

Table 24 illustrates endogenous causes (i.e. local authorities' decisions) which led the municipality of Amarousion to a fiscal problem.

**Table 24: Different types of endogenous causes of crisis**

Actor	Endogenous causes	document group
General Secretary	<ul style="list-style-type: none"> <li>✓ numerous Municipal Enterprises which were costly and inefficient</li> <li>✓ large infrastructure projects</li> <li>✓ expenses for social services because of the enormous needs but also in some cases because of artificial demands</li> <li>✓ absence of a supply-demand control mechanism</li> <li>✓ too many local public servants (until 2007)</li> </ul>	interviews
Vice-Mayor of Finance and Economics and Chairman of Economic Advisory Council	<ul style="list-style-type: none"> <li>✓ high interest rates for loans taken for infrastructures of minor importance</li> <li>✓ fiscal mismanagement, wasteful mentality and wrong investment decisions</li> </ul>	interviews



Director of Financial Management	<ul style="list-style-type: none"> <li>✓ the absence of a Cost Benefit Analysis</li> <li>✓ wrong political decisions (e.g. loans)</li> <li>✓ reluctance to collect revenue (e.g. local taxes)</li> <li>✓ wasteful management and wrong investment decisions</li> </ul>	interviews
Ex-Mayor	<ul style="list-style-type: none"> <li>✓ risky infrastructure investments for the Olympic Games</li> <li>✓ irrational loans' management</li> <li>✓ constrains, by the opposition, in a loans' renegotiation (in 2005)</li> <li>✓ reluctance to collect revenues (e.g. from Lamda Development, Golden Hall shopping center)</li> <li>✓ in 2010, Maroussi municipality sold the 1,5% of Mall shopping centre (in 2010)</li> </ul>	interviews
Opposition (PASOK-friendly)	<ul style="list-style-type: none"> <li>✓ loans (since the 90's)</li> <li>✓ corruption in municipal "Employment Company"</li> <li>✓ Municipal Enterprises as a tool of "political patronage and clientelism"</li> <li>✓ Persistence of irrational management (after 2007)</li> <li>✓ too many local public servants (before and after 2007)</li> <li>✓ supererogatory infrastructures as a clientelistic practice</li> <li>✓ reluctance in collecting taxes from the Mall and Golden Hall</li> </ul>	interviews
Opposition (SYRIZA-friendly)	<ul style="list-style-type: none"> <li>✓ numerous Municipal Enterprises (since 2000) which were costly and insufficient</li> <li>✓ "Employment Company" as a tool of "political patronage"</li> <li>✓ too many loans</li> <li>✓ wastefulness and wrong investment decisions</li> </ul>	interviews
Employees Representatives	<ul style="list-style-type: none"> <li>✓ Municipal Enterprises as a tool of political patronage - irrational employment management, absence of control budget mechanism</li> <li>✓ irrational financial management</li> <li>✓ illegal decision-making procedures</li> <li>✓ wastefulness and wrong investment decisions</li> </ul>	interviews
Journalist I	<ul style="list-style-type: none"> <li>✓ endogenous causes are of minor importance</li> <li>✓ Municipal Enterprises as a tool of "political patronage"</li> <li>✓ irrational loans' management</li> <li>✓ reluctance in collecting revenues</li> </ul>	interviews



	<ul style="list-style-type: none"> <li>✓ absence (weakness) of a collect revenues mechanism</li> <li>✓ reluctance in benefit of powerful enterprises such as Mall</li> </ul>	
Journalist2	<ul style="list-style-type: none"> <li>✓ too many loans for irrational purposes</li> <li>✓ slipshod infrastructure investments for the Olympic Games</li> <li>✓ “Employment Company” and Municipal Enterprises as a tool of “clientelistic relations”</li> <li>✓ too many local public servants</li> </ul>	interviews
Commercial Associations’ President	<ul style="list-style-type: none"> <li>✓ ex-mayor’s irrational investments</li> </ul>	
Member of Greek Parliament	<ul style="list-style-type: none"> <li>✓ reluctance in collecting revenues by big Malls</li> </ul>	personal website

Source: Authors’ elaboration

Table 25 contains actor’s quotes derived by articles and interviews with 12 different actors; such quotes concern endogenous reasons of the debt problem.

**Table 25: Quotes about endogenous causes of the fiscal problem.**

Actor	Quotes about endogenous causes	document group
General Secretary	<ul style="list-style-type: none"> <li>• <i>“Regulated Entities were too many; there were 8 Municipal Enterprises, 3 non-profit companies, 9 public entities and municipality’s services. As a result, the municipality was operating like a business group which was suffering by an efficient-management deficit. Such entities had costly Management Boards and, at the same time, they were insufficient.”</i></li> </ul>	interviews
Vice-Mayor of Finance and Economics and Chairman of Economic Advisory	<ul style="list-style-type: none"> <li>• <i>“Debt problem has been caused since 2005-2006 and not because of the economic crisis, but because of the then city council’s decisions. Taking out loans, numerous investments have been made without reciprocal benefits for the city or residents”.</i></li> </ul>	interviews



Council		
Director of Financial Management	<ul style="list-style-type: none"> <li>• <i>“First and foremost, endogenous causes have led the municipality to a debt crisis: city council’s decisions”.</i></li> </ul>	interviews
Ex-Mayor	<ul style="list-style-type: none"> <li>• <i>“Fiscal problem, mainly, comes from endogenous causes”.</i></li> <li>• <i>“I decided to follow a risky investment policy, because of the Olympic Games 2004. We bought 160 acres land and 15.000 square meters buildings. Unfortunately, the Olympic Games interest went down rapidly. Additionally, we spent 5.000.000 to 6.000.000 euros for the city center reconstruction, but such infrastructures were made in short time and as a consequence they had many functional problems”.</i></li> </ul>	interviews
Councilor of Opposition (PASOK-friendly )	<ul style="list-style-type: none"> <li>• <i>“Employment Company is a thorn issue. Municipality’s debt is linked to a great extend to insufficient Employment Company; politicians were treating Employment Company as a clientelistic tool”.</i></li> <li>• <i>“The Golden Hall shopping centre does not defray municipal taxes, but under the law of the "Olympic Development" it was obliged to defray 2% sales tax. In other words, every single shop in Golden Hall should pay to Maroussi municipality 2% turnover tax. Into the Golden Hall there are many companies -about 100 shops in total. Nevertheless 50% of those companies are run over 5 years, without paying such a 2% turnover tax. Why? Because in the municipality of Maroussi they have not introduced a collection mechanism via which they could compile such shop’s data and their balance sheets, in order to scrutinise the actual amount of Golden Hall’s shops income. What does this mean? It means that Marousi is lossing money... At the same time, the coalition Government New Democracy and PASOK, decreased such a tax and now instead of 2% Golden Hall’s shops are obliged to pay only 0,5% sales tax. As a result, Golden Hall shopping centre contributes less than a small shop”.</i></li> </ul>	interviews
Councilor of Opposition (SYRIZA-	<ul style="list-style-type: none"> <li>• <i>“Dept problem began in 2000, during the incumbency of the ex-Mayor. First and foremost, Municipal Enterprises’</i></li> </ul>	interviews



friendly)	<i>management was insufficient and corrupted. In 2007, when the new Mayor (New Democracy friendly) took office, Chartered Accountant’s reports doubted Municipal Enterprises’ management”.</i>	
Employees Representatives	<ul style="list-style-type: none"> <li>• <i>“Amaroussion municipality used to run numerous Municipal Enterprises; the municipality of Maroussi had the most Municipal Enterprises in Greece”.</i></li> <li>• <i>“The son of an ex-Municipal Councilor was earning 12.000 euros per month; his son! He used to work in ATHMONO real estate”.</i></li> <li>• <i>“As far as the salaries are concerned... when they are complaining about local civil servants’ salaries, apparently, they do not refer to my 1.000 euros per month wage, because a 1.000 euros monthly salary does not constitute a segment of the fiscal problem. Nevertheless, Management Boards Consultants’ salaries do constitute a segment of the fiscal problem. In 2003 Consultants’ wages were published; there were Consultants who were earning 15.000 euros per month! You know, “the fat years” before the Athens Olympic Games. Don’t you know that a municipal civil servant could earn more than one wage? One from the municipality and one more from a Municipal Enterprise. There were such tremendous salaries not only during the ex-mayor’s incumbency but also during the incumbency of the current mayor of Maroussi. However, the current mayor had introduced a trick; during his incumbency a 15.000 euros salary could not be detected, since someone might earn 3.000 euros per month from five different Municipal Enterprises”.</i></li> </ul>	interviews
Journalist1	<ul style="list-style-type: none"> <li>• <i>“Decisions made, because of the Olympic Games 2004, have profoundly affected municipality’s financials and debt problem”.</i></li> </ul>	interviews
Journalist2	<ul style="list-style-type: none"> <li>• <i>“Ex-political leaders were wasting money and taking out irrational loans”.</i></li> </ul>	interviews







Commercial Associations' President	<ul style="list-style-type: none"> <li>“I am not aware about municipality’s debt problem, but I could state that the ex-mayor had decided to make tremendous irrational investments”.</li> </ul>	interviews
Member of Greek Parliament	<ul style="list-style-type: none"> <li>“the mall Golden Hall, which is situated in an Olympic property in Maroussi, turned into “special economic zone” by the Law 4179/2013 which was passed in August 2013; such a status implies a tremendous loss for the municipality of Maroussi”.</li> </ul>	personal website

Source: Authors’ elaboration

Table 26 illustrates the exogenous causes (i.e. causes come from the upper lever) which had an influence to the debt problem.

**Table 26: Exogenous causes**

Actor	Exogenous causes	document group
General Secretary	<ul style="list-style-type: none"> <li>✓ There was no strict limit on the total annual amount that a Municipal Council/Local Authorities should be allowed to borrow.</li> <li>✓ loans because of Olympic Games</li> </ul>	interviews
Vice-Mayor of Finance and Economics and Chairman of Economic Advisory Council	<ul style="list-style-type: none"> <li>✓ economic crisis</li> <li>✓ failure to take a new loan on 2008 (because of the crisis)</li> <li>✓ private businesses’ shutting down reduce local taxes revenue</li> <li>✓ cutback in State Grants (K.A.P.)</li> </ul>	interviews
Director of Financial Management	<ul style="list-style-type: none"> <li>✓ economic crisis</li> <li>✓ residents are unable to pay their energy bills (DEH)</li> <li>✓ private businesses shutting down reduces local taxes revenue</li> </ul>	interviews



	<ul style="list-style-type: none"> <li>✓ absence of an efficient collecting revenues mechanism</li> <li>✓ staff's suspension led to the lack of experienced and skilled employees</li> <li>✓ cutback in State Grants (K.A.P.)</li> </ul>	
Ex-Mayor	<ul style="list-style-type: none"> <li>✓ 100% of fiscal problem comes from endogenous causes</li> </ul>	interviews
Opposition (PASOK)	<ul style="list-style-type: none"> <li>✓ State did not support Maroussi municipality for the Olympic Games</li> <li>✓ loans because of Olympic Games</li> <li>✓ economic crisis</li> <li>✓ State Grants (K.A.P.) decrease and social needs increase</li> </ul>	interviews
Opposition (SYRIZA)	<ul style="list-style-type: none"> <li>✓ Investments and infrastructures because of the Olympic Games without reciprocal benefits</li> <li>✓ Maroussi municipality in collaboration with Lamda S.A., made development projects to build Mall shopping centre, without implementation and benefits</li> <li>✓ cutbacks in State Grants (K.A.P.) and State Investment Grants (SATA) has almost ceased</li> </ul>	interviews
Employees Representatives	<ul style="list-style-type: none"> <li>✓ absence of a control mechanism against corruption, enhancing transparency and meritocracy</li> <li>✓ cutbacks in State Grants (K.A.P.) and State Investment Grants (SATA) has almost ceased</li> </ul>	interviews
Journalist I	<ul style="list-style-type: none"> <li>✓ exogenous causes are of central importance</li> <li>✓ OAKA Stadium for Olympic Games</li> <li>✓ investment loans for Olympic Games</li> <li>✓ cutting State Grants (K.A.P.)</li> <li>✓ transferring responsibilities without additional funding</li> </ul>	interviews



Journalist2	✓ cutbacks in State Grants (K.A.P.)	interviews
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Source: Authors' elaboration

Table 27 contains actor's quotes collected by articles and interviews with 12 different actors. Such quotes concern exogenous reasons of the debt problem.

**Table 27: Quotes about exogenous causes of the fiscal problem**

Actor	Quotes about exogenous causes	document group
General Secretary	<ul style="list-style-type: none"> <li>“...Central Government was not controlling municipality's decisions which concerned numerous loans. “</li> </ul>	interviews
Vice-Mayor of Finance and Economics and Chairman of Economic Advisory Council	<ul style="list-style-type: none"> <li>“economic crisis has affected the debt problem, since, in 2008, Patoulis could not secure a new loan”.</li> </ul>	interviews
Director of Financial Management	<ul style="list-style-type: none"> <li>“because of the economic crisis and harsh salary cutbacks and unemployment, quite a few residents are able to pay their energy bills (DEH), and such a resource was the most important revenue in the city (we used to collect almost 20.000.000 euros per year)”.</li> <li>“many multinational, small and medium-sized enterprises, which were renting property within the municipality's territory, have been closed. As a result, municipal taxes revenues have decreased dramatically”.</li> <li>“the absence of an efficient revenue collection mechanism might increase, dramatically, the fiscal problem”.</li> </ul>	interviews
Ex-Mayor	<ul style="list-style-type: none"> <li>“the 100% of a fiscal problem in a municipality comes from local authorities' decisions, not because of exogenous causes”.</li> </ul>	interviews
Opposition (PASOK)	<ul style="list-style-type: none"> <li>“the State did not give grants to the municipality of Amarousion, despite the fact that the municipality was</li> </ul>	interviews



	<i>obliged to improve its infrastructures and the main Stadium which hosted the Olympic Games 2004. As a result, municipality had to spend money of its budget and take out loans”.</i>	
Opposition (SYRIZA)	<ul style="list-style-type: none"> <li>• <i>“State Grants (K.A.P.) have reduced (about 70%); there are, also, significant cutbacks in State Investment Grants (SATA)”.</i></li> </ul>	interviews
Employees Representatives	<ul style="list-style-type: none"> <li>• <i>“the lack of experienced and skilled employees (because of the employees’ suspension) has increased, markedly, the fiscal problem”.</i></li> </ul>	interviews
Journalist1	<ul style="list-style-type: none"> <li>• <i>“Amaroussion municipality is an extraordinary case study, because of the Olympic Games 2004. In Maroussi, political leaders were obliged to contribute to Olympic Games, investing money in new infrastructures”.</i></li> </ul>	interviews
Journalist2	<ul style="list-style-type: none"> <li>• <i>“I could state that the significant cutbacks in State Grants (K.A.P.) are of central importance”.</i></li> </ul>	interviews
Commercial Associations’ President	<ul style="list-style-type: none"> <li>• <i>“I am not aware about that”.</i></li> </ul>	interviews
Journalist	<ul style="list-style-type: none"> <li>• <i>“A good example of the sell-out and depreciation of the public property is the Museum of the Olympic Games. Despite the fact that Greek taxpayers had paid high taxes about it, then, it was delivered through TAIPED to the company [...] with a reduction of the initial rent (by ten times) of the former International Press Centre (IBC)”.</i></li> </ul>	newspaper

Source: Authors’ elaboration

#### 4.1 Remarks/Explanations

Drawing a distinction between the endogenous and exogenous causes of the fiscal problem, most actors accord primacy to the endogenous ones; despite the fact that exogenous causes have played a vital role to the sharp debt’s increase, such exogenous causes could have been constrained if political leaders had taken more rational decisions aiming to benefit the public interest.



#### 4.1.1 Endogenous causes

Briefly, the endogenous causes are: a. the absence of a Cost Benefit Analysis, b. wrong decisions (e.g. loans) because of municipality's economic hardship, c. municipality was reluctant to collect its revenues (e.g. local taxes), because of the political leaders who were concerning to preserve their prestige and increase public support, d. wastefulness of money and wrong investment decisions.

To be more specific, among the endogenous causes are the irrational use of loans, the practice of treating Municipal Enterprises and the "Employment Company" as "clientelistic tools" and the decisions made by the political leaders for risky investments and slipshod infrastructures because of the Olympic Games 2004.

More precisely, the Maroussi municipality, until 2010, "*had one of the highest number of Municipal Enterprises in Greece*" (Employees Representatives, interview, 2014); there were 13 Local Enterprises staffed by highly paid executives (i.e. Managing Directors and Management Boards Councilors). Moreover, "Employment Company" was a renting and leasing Employees Company, through which they had the flexibility to hire staff avoiding ASEP mechanism; political leaders, benefiting of such flexibility, they used to treat this municipal "Employment Company" as a vehicle to hire under-qualified and uneducated staff in order to implement political patronage and attract voters. All actors, with the exception of ex-mayor (1990-2006), share the view that Local Enterprises and "Employment Company" constitute causes of grave importance for the fiscal problem.

Furthermore, all actors who were being questioned assume that the absence of rational loans' management has aggravated the fiscal problem. In addition, in some cases, local authorities are reluctant to collect municipality's revenue; this is the case for some shopping malls and real estate companies.

According to the Certified Public Accountants Report of 2012 (see pp 25-26 and p 36), a Real Estate company owes 22.018.648,73 euros to the Maroussi municipality and such a debt remains stable since 2007.

Moreover, under the "Olympic Development" law (Law 3342/2005), Olympic Complex's Shopping Centres do not pay municipal taxes, but shops at these centres were obliged to defray 2% sales tax (or turnover tax) (Art. 7, Law 3342/2005). Nevertheless, about 50% of a certain Shopping Centre's shops are run since 5 years, without paying such a turnover tax. Additionally, the coalition Government New

Democracy and PASOK passed a law (Law 4179/2013) and this shopping centre (a kind of “deluxe mall”) turned into the status of “special economic zone” benefiting from a turnover tax decrease. Consequently, Shopping Centre’s shops instead of 2% they were obliged to pay 0,5% turnover tax (Art. 32, Law 4179/2013).

Moreover, according to a former mayor of Maroussi, the municipality has not benefitted from the biggest shopping center, since in 2010 political leaders decided to sell the 1,5% of such a mall. Consequently, not only Maroussi cannot profit from this big Shopping Centre, but also it suffers a loss because of the environmental pollution caused by the Shopping Center. The (Greek) Council of State (StE) in its Decision report of 2003 (Decision 1528/2003) declared that this Shopping centre building breaches the Art. 24 of the Greek Constitutional Law, it tremendously pollutes the environment and that there is a conflict between the Greek Constitutional Law and the Law 2947/2001 which concerns “Olympic Games’ Hospitality”.

Furthermore, according to Certified Public Accountants Report of 2012, uncollected revenues of Maroussi municipality from the sale of goods and services reached 21,579,868.60 euros in 2012; 76% of such uncollected revenues concerns 63 costumers/enterprises. Moreover, 6.205.077,25 euros out of these 21,579,868.60 uncollected revenues are fines for arbitrary buildings and structures; however, the municipality may be deprived of arbitrary buildings revenues, since debtors could settle up this debt to the Ministry of Environment, Energy and Climate Change (YPEKA), taking advantage of the Laws 3843/2010, 4014/2011 and 4178/2013 (“Arbitrary Buildings and Structures Fines”).

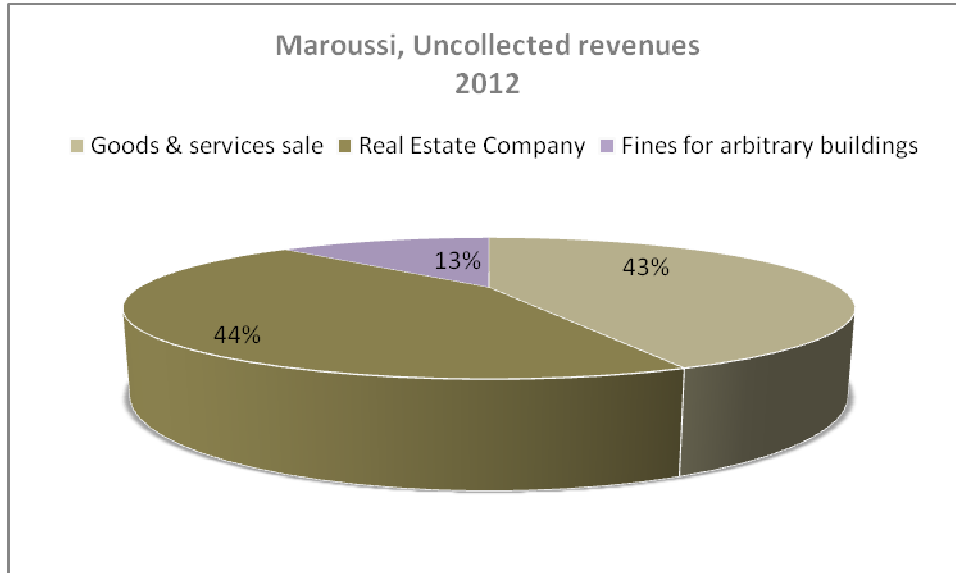
The table bellow illustrates the uncollected revenues of the city of Maroussi for the Financial Year 2012.

**Table 28: Maroussi –Uncollected revenues (2012)**

Maroussi, Uncollected revenues 2012 (in million euro)	Real Estate Company	Sales of goods and services	Fines for arbitrary buildings and structures
	22,01	21,57	6,20

Source: Certified Public Accountants’ report of 2012 / Authors’ elaboration

**Figure 11 : Uncollected revenues of Maroussi municipality (Financial Year 2012)**



Source: Certified Public Accountants Report of 2012/ Authors' elaboration

The legislation mentioned above (i.e. Law 4179/2013 –“special economic zone”) is a good example of central state decisions for the benefit of debtors to municipalities, badly affecting the fiscal situation of municipalities. Additionally, the Laws 3843/2010, 4014/2011 and 4178/2013 (“arbitrary buildings and structures”) are just a few examples which reveal that central governments and parliamentary majorities adopt legislation “legalizing” or “settling” infringements and illegalities for the benefit of the state treasurer, depriving the municipalities, without previously asking them, of steering tools and revenue sources.

Last but not least, risky investments and slipshod infrastructures were made; as a result, after 2007 the new local authority decided to reconstruct the same infrastructures and, at the same time, the municipality could not make proper profits from Olympic Games’ investments, for example from Ilida and ATHMONO.

ATHMONO Real Estate S.A. is a Municipal Enterprise which runs the real estate of Maroussi municipality. Since 2002, ATHMONO overdue liabilities reached the amount of 1.205.000.000 euros to the Social Policy & Solidarity Organisation -



O.KOI.PA.DA.- (municipality’s organisation which is responsible for kindergartens in Maroussi). According to Municipal opposition councilors (press release December 2014) in 2014 ATHMONO did not pay a debt of 300.000 euros to O.KOI.PA.DA.; thus a 300.000 euros extra funding was provided indirectly by the Maroussi municipality to ATHMONO. In this way, the municipality indirectly subsidized the Athmono Real Estate S.A. which did not meet its obligations.

#### 4.1.2 Exogenous causes

As far as the exogenous causes are concerned, first and foremost, Olympic Games 2004 was an important exogenous cause of the debt problem. The state did not provide corresponding special grants to the municipality of Amaroussion and, simultaneously, the municipality was obliged to improve its infrastructures and build supplementary sports facilities (e.g. the Olympic Tennis Center) of the main Stadium which hosted the Olympic Games 2004 (i.e. OAKA Stadium). Moreover, it is worth mentioning that in 2012 there was a rent reduction by 68% to a certain Olympic Complex’s Shopping Centre (from 350.000.000 euros to 113.000.000 euros). The rent reduction was attested by an agreement between the Hellenic Republic Asset Development Fund (TAIPED) and a Real Estate Company which runs such a big Shopping Centre in Maroussi.

Furthermore, the economic crisis has multiply affected the residents and, consequently, the budget in Maroussi municipality. Because of the harsh cutbacks in salaries and the tremendous rise of unemployment, some residents are unable to pay their electricity bills (DEH) through which an important part of municipal fees are being collected (e.g. street lighting, cleaning and waste collection fees). The electricity bills provided the most important share of own revenue in the city, since through these bills, almost 20.000.000 euro were collected per year. Additionally, many multinational, small and medium-sized enterprises, which were renting property within the municipality’s territory, were closed and a lot of buildings are empty. As a result, municipal revenue has dramatically decreased, for many sorts of municipal “compensation” fees are collected on the basis of the surface that households or businesses are really using; thus, when a surface is not used, no fees are collected. Furthermore, the absence of an efficient revenue collection mechanism and the lack of experienced and skilled employees might increase, markedly, the fiscal problem. Last but not least, among the exogenous causes are the unprecedented cutbacks in State Grants (K.A.P.); for the central government, shifting a disproportionate big share of cutbacks to local government was a convenient political option.



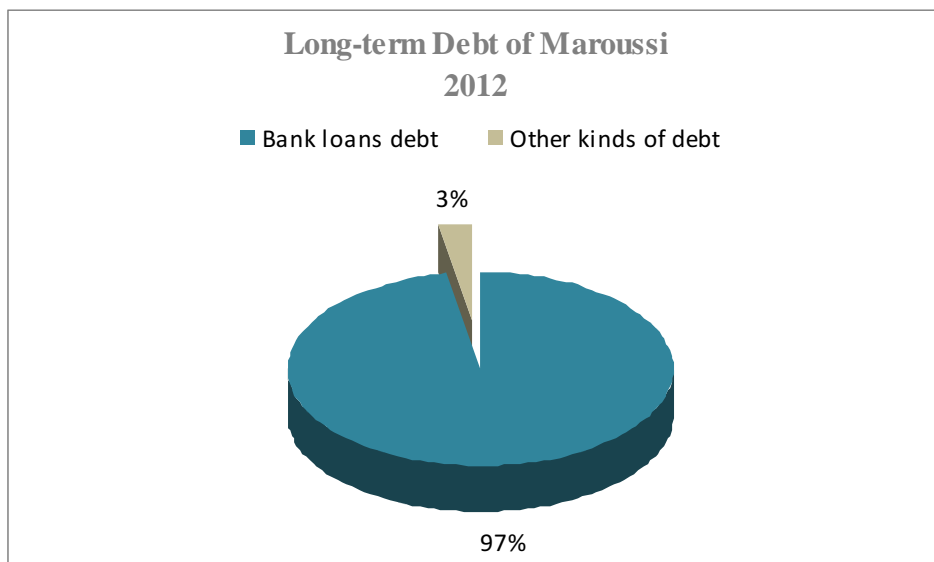


#### 4.2 Debt of the municipality of Maroussi

In the Maroussi case, the analysis showed that the most important cause of the fiscal problem was endogenous and it was the fact that policy-making in the municipality seemed to be insufficient and irrational. To be more specific, the most thorn endogenous cause which charges the municipality with the burden of the debt was the absence of a Cost Benefit Analysis (e.g. in Municipal Enterprises, loans); using such a tool of analysis, local authorities could utilize properly municipality's strengths and available resources. In these terms, according to interviewees, Municipal Enterprises are not ineffective themselves; they do become, not only ineffective but also harmful, because of the way they have been managed.

The long-term debt of Maroussi municipality for the Fiscal Year 2012 was 46.254.713,97 euros. The amount of 45.017.342,07 euros debt out of the total 46.254.713,97 euros is owed to Bank loans. To be more specific, there are seventeen (17) outstanding long-term loans which should be repaid in a more than five years period.

**Figure 12: Long-term debt of Maroussi municipality, 2012**





Source: Certified Public Accountants Report of 2012 / Authors' elaboration

Fifteen (15) loans from Deposits and Loans Fund (DLF) - 26.627.521,70 euros: Elongation of the maturity of the debt under the 21533/31-5-12 additional regulating act of DLF, the Law 4093/2012 and 947/20-5-13 report of DLF. The repayment period start date is 1-1-2016.

One (1) loan from the National Bank of Greece (NBG) - 31.234.818,52 euros: the KARELA building (100.382 m<sup>2</sup>) is mortgaged as security for the outstanding debt.

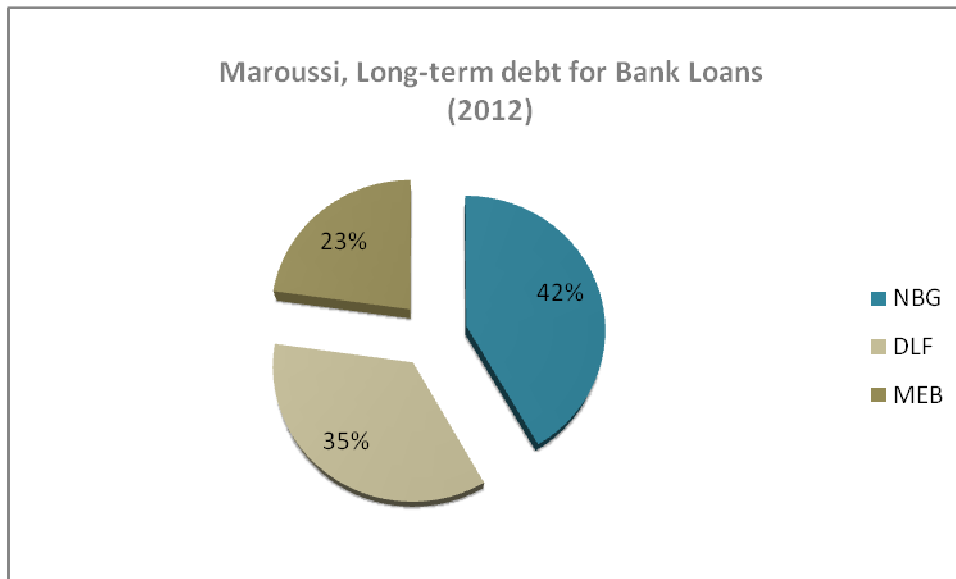
One (1) loan from Marfin Egnatia Bank (MEB) - 17.084.571,47 euros.

**Table 29: Maroussi - Long-term debt for Bank Loans, 2012**

Maroussi, Long-term debt for Bank Loans (in million euro)	National Bank of Greece (NBG)	Deposits and Loans Fund (DLF)	Marfin Egnatia Bank (MEB)
	31,23	26,62	17,08

Source: Certified Public Accountants Report of 2012 / Authors' elaboration

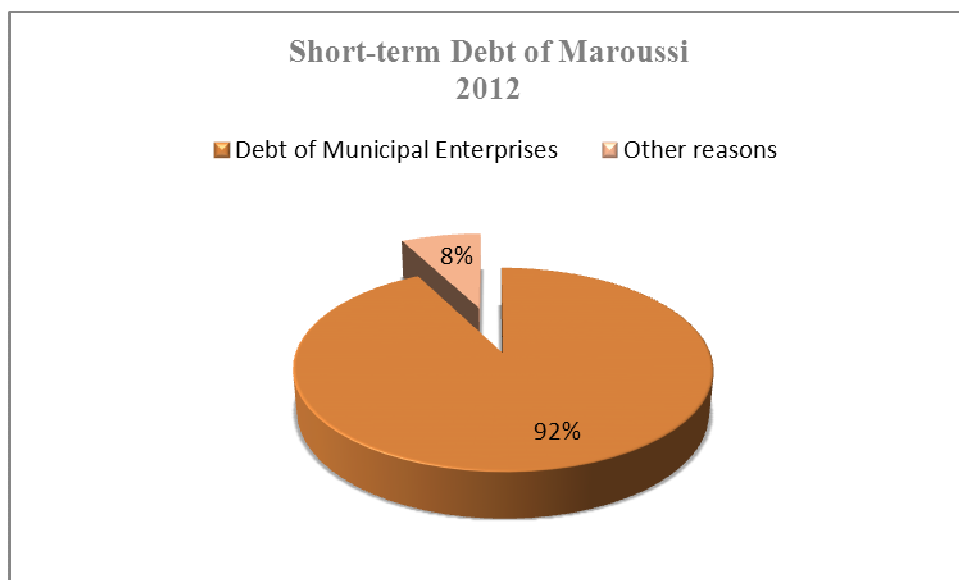
**Figure 13: Long-term debt of Maroussi municipality for Bank loans, 2012**



Source: Certified Public Accountants Report of 2012 / Authors' elaboration

The short-term debt of Maroussi municipality for the Fiscal Year 2012 reached the sum of 48.843.106,45 euros. The amount of 45.123.363,08 euros, namely the 92% of this debt had been created by the municipality's enterprises (e.g. Development Municipal Enterprise, ATHMONO S.A., Development Cooperative Organization). This is a very astonishing finding, since it signalizes that the municipal enterprises, being private law companies, have been engaged in order to circumvent legal and accounting controls provided for the municipalities, but at the very end, the taxpayer had to pay back these loans.

**Figure 14: Short-term debt of the municipality of Maroussi, 2012**



Source: Certified Public Accountants Report of 2012 / Authors' elaboration

In Financial Year 2013 the debt decreased because of the Ministry of Interior funding (19.142.295,00 euros) to Maroussi municipality (decision No 12828/2013 of the Ministry of Interior) for its overdue liabilities (so-called program of overdue liabilities). By 1-11-2013 Maroussi municipality had repaid 16.349.257,73 euros of its debt.



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

Table 30 shows MAXQDA’s classification concerning the means of action which have been adopted by the municipality and those which came from the upper level.

**Table 30: Implemented means – codes and number of codes**

Parent code	Code	All coded segments
implemented means		0
	Corporate social responsibility/ Voluntarism	8
	Management reforms	10
	Recording and monitoring	8
	revenues increase	11
	cutbacks	9
	Extension of paying off loans	8
	Loans	2
	Utilization of municipal estate	9
	NSRF	25

Source: MAXQDA

Table 31 shows the means of action adopted by the municipality of Amaroussion, since 2007, in order to remedy the debt problem. Such means of action concern local government’s decisions (i.e. endogenous means).



**Table 31: different types of endogenous means of actions**

Actor	Endogenous means of actions	document group
General Secretary	<ul style="list-style-type: none"> <li>✓ balloon payment loan's negotiation</li> <li>✓ Loan and Deposit Fund loan's 25-year-extension</li> <li>✓ European Technical Resources Office for EU funding</li> <li>✓ Corporate social responsibility</li> <li>✓ Partnership with the Technical University of Crete</li> <li>✓ Optimum utilization of human resources</li> <li>✓ Internships</li> <li>✓ ISO Certification</li> <li>✓ Temporary and part-time staff</li> <li>✓ Ministry of Labour funding, OAED funding, stages</li> </ul>	interviews
Vice-Mayor of Finance and Economics and Chairman of Economic Advisory Council	<ul style="list-style-type: none"> <li>✓ Loans' negotiations</li> <li>✓ Utilization of EU funding</li> <li>✓ Corporate social responsibility</li> </ul>	interviews
Finance Director	<ul style="list-style-type: none"> <li>✓ stop hiring new staff</li> </ul>	interviews
Ex-Mayor	<ul style="list-style-type: none"> <li>✓ the endogenous means of action were not successful</li> </ul>	interviews
Opposition (PASOK)	<ul style="list-style-type: none"> <li>✓ loan's negotiation</li> <li>✓ no serious endogenous means of action</li> </ul>	interviews
Opposition (SYRIZA)	<ul style="list-style-type: none"> <li>✓ balloon payment loan's negotiation</li> <li>✓ the shutting down of Employment Company</li> <li>✓ Loan and Deposit Fund loan's 25-years-extension –with a</li> </ul>	interviews



	<p>huge interest rate</p> <ul style="list-style-type: none"> <li>✓ Cutbacks in technical programme</li> <li>✓ Cutbacks in social benefits (34.000.000 euro less)</li> <li>✓ Staff's reduction</li> <li>✓ Utilization of EU funding</li> </ul>	
Employees Representatives	<ul style="list-style-type: none"> <li>✓ Staff's reduction</li> </ul>	interviews
Journalist1	<ul style="list-style-type: none"> <li>✓ Shopping center's reinforcement project</li> <li>✓ Financial Recovery Plan</li> <li>✓ Loans' negotiation</li> </ul>	interviews
Journalist2	<ul style="list-style-type: none"> <li>✓ Loan's extension</li> <li>✓ Optimum utilization of municipality's property</li> <li>✓ Corporate social responsibility</li> </ul>	interviews

Source: Authors' elaboration

Table 32 shows the means of action imposed by the upper level (namely exogenous means) to the municipality of Amarousion, since 2007, in order to reduce the debt problem.

**Table 32: Upper Level means of actions**

Actor	Exogenous means of actions	document group
General Secretary	<ul style="list-style-type: none"> <li>✓ Ministry of Interior Earmarked Grant for overdue liabilities of the municipality</li> <li>✓ Municipal Enterprises' closing down –reduction of administrative councils and staff</li> </ul>	interviews
Vice-Mayor of Finance and Economics	<ul style="list-style-type: none"> <li>✓ Ministry of Interior Grant for overdue liabilities Local Enterprises' merging or closing down according to the</li> </ul>	interviews





and Chairman of Economic Advisory Council	provisions of “Kallikratis” –reduction of Management Boards and staff	
Finance Director	<ul style="list-style-type: none"> <li>✓ Municipal Enterprises’ closing down</li> <li>✓ Ministry of Interior Grants for the municipality’s overdue liabilities</li> <li>✓ employees’ suspension</li> </ul>	interviews
Ex-Mayor	<ul style="list-style-type: none"> <li>✓ the exogenous means of action were not successful</li> </ul>	interviews
Opposition (PASOK)	<ul style="list-style-type: none"> <li>✓ Ministry of Interior Grants for the municipality’s debt due</li> <li>✓ Employment Company’s closing down</li> <li>✓ Municipal Enterprises’ closing down –reduction of Management Boards and staff</li> </ul>	interviews
Opposition (SYRIZA)	<ul style="list-style-type: none"> <li>✓ Ministry of Interior Grants for the municipality’s debt due</li> <li>✓ Municipal Enterprises’ closing down –but they were replaced by Cooperative Enterprises</li> <li>✓ cutbacks in salaries</li> </ul>	interviews
Employees Representatives	<ul style="list-style-type: none"> <li>✓ Ministry of Interior Grants for the municipality’s debt due</li> <li>✓ Municipal Enterprises’ closing down –but they were replaced by Cooperative Enterprises</li> <li>✓ 40% cutbacks in salaries</li> </ul>	interviews
Journalist1	<ul style="list-style-type: none"> <li>✓ Ministry of Interior Grants for the municipality’s debt due</li> <li>✓ Municipal Enterprises’ closing down –but they were replaced by Cooperative Enterprises</li> </ul>	interviews
Journalist2	<ul style="list-style-type: none"> <li>✓ Ministry of Interior Grants for the municipality’s debt due</li> <li>✓ Municipal Enterprises’ closing down</li> </ul>	interviews

Source: Authors’ elaboration





Table 33 contains actor’s quotes collected by articles and interviews with 12 different actors. Such quotes concern the effects of the means of actions by the interviewees.

**Table 33: Quotes about the effects of the means of action adopted**

Actor	Quotes –evaluating the means of action	document group
General Secretary	<ul style="list-style-type: none"> <li>• “A funding was approved by the Ministry of Interior and 19.142.295 euros was given to Amarousion municipality in order to repay its debts; consequently, we have the chance to achieve Economic Support Plan’s goals before the deadline which has been set.”</li> <li>• “We reformed employees management, which means: a. Optimum utilization of human resources, b. Internships, c. Temporary and part-time staff, d. Ministry of Labour funding, OAED funding, and the fact that they hired employees using “Stages” programmes”.</li> <li>• “We negotiated two loans. The first was a “balloon payment” loan, achieving to cut 4.000.000 euros interest rate. The second one, was a package of 12 loans of the Loan and Deposit Fund, achieving 25 years extension of them”.</li> </ul>	interviews
Vice-Mayor of Finance and Economics and Chairman of Economic Advisory Council	<ul style="list-style-type: none"> <li>• “Municipal Enterprises closing down was of central importance. Since 2010, there have been only 3 Public Entities in Amarousion municipality; as a consequence expenses have reduced, since there are no numerous Management Boards and highly paid Managing Directors”.</li> </ul>	interviews
Finance Director	<ul style="list-style-type: none"> <li>• “Total expenses have reduced, because of Municipal Enterprises closing down; in this way, municipality achieved to decrease its debts to suppliers”.</li> </ul>	interviews





	<ul style="list-style-type: none"> <li>• “Since municipalities could not resolve effectively their debt, the Ministry of Interior tried to remedy it through legislation. Generally speaking, the amendment, through Kallikratis legislation has, mainly, positive effects, despite the fact that it could be more effective”.</li> <li>• “Because of endogenous and exogenous means of action, municipality’s infrastructures and social policy have shrunk markedly”.</li> </ul>	
Ex-Mayor	<ul style="list-style-type: none"> <li>• “I am a bit suspicious of Municipal Enterprises’ liquidation”.</li> </ul>	interviews
Opposition (PASOK friendly)	<ul style="list-style-type: none"> <li>• “With the exception of a loan’s negotiation, political leaders did nothing in order to reduce debt problem; only Kallikratis law had positive effects, –the irrational budget management has been controlled because of Kallikratis”.</li> </ul>	interviews
Opposition (SYRIZA friendly)	<ul style="list-style-type: none"> <li>• “Annual budgets were always balanced –it is and was a prerequisite. We support the view that we have to set and achieve goals without oblige residents to make sacrifices, just because political leaders have implemented irrational management”.</li> </ul>	interviews
Employees Representatives	<ul style="list-style-type: none"> <li>• “Since salaries are not a heavy burden and are predictable, harsh cutbacks in salaries are not a successful mean of action”.</li> </ul>	interviews
Journalist1	<ul style="list-style-type: none"> <li>• “The most successful means of actions are: the Economic Support Plan, Municipal Enterprises’ closing down, payoffs of loans and debts”.</li> </ul>	interviews
Journalist2	<ul style="list-style-type: none"> <li>• “Economic Support Plan benefited the municipality, because it took out a 19.000.000 euros loan and managed to pay off its debts”.</li> </ul>	interviews

Source: Authors’ elaboration

## 5.1 Remarks/Explanations

As far as the endogenous means of action are concerned, political leaders adopted different policies which could be divided into three main categories. The first category concerns the human resources and it consists of the implementation of new flexible labor contracts; the second category is the loans' re-negotiation and the third one concerns funding projects. Human resources category consists of: a. Optimum utilization of human resources, b. Internships, c. Temporary and part-time staff, d. Ministry of Labor funding, OAED funding, Stage programmes.

Political leaders in Maroussi municipality re-negotiated two loans. The first was a balloon payment loan, achieving a 4.000.000 euros cutback in interest rate. The second one was a package of 12 loans of the Loan and Deposit Fund (the interest rate of LDF's loans is usually higher than rates of private commercial banks), achieving 25 years extension of them.

Funding projects consist of: a. European Technical Resources Office for EU funding, b. corporate social responsibility, c. Partnership with the Technical University of Crete, d. ISO Certification.

Opposition is claiming that, in fact, political leaders have just implemented exogenous means of action, and the endogenous means are only political communication tricks, with the exception of the loans' 25-years-extension.

The exogenous means of action, which have been imposed by the central State are: a. 40% cutbacks in salaries, b. employees' suspension, c. Municipal Enterprises' closing down or merging, d. Employment Company's closing down (some actors claim that this mean is an endogenous one), e. they did not hire new staff, f. Ministry of Interior Grants for the municipality's debt due and Economic Support Plan.

According to Employees' Representatives, since the salaries of low-paid employees are not a heavy burden and they are predictable, the harsh cutbacks in salaries are not a successful mean of action.

Among the most successful means of action was the funding of 19.142.295,00 euros provided by the Ministry of Interior for the municipality's overdue liabilities and Municipal Enterprises' closing down. Since, in Maroussi municipality, one of the most thorn issues was Municipal Enterprises and "Employment Company", the fact that Municipal Enterprises were closed down, under the Kallikratis legislation (Law



3852/2010), consist the most successful and widely discussed mean of action, in order to be achieved a debt reduction. Nevertheless, some Municipal Enterprises were renamed Cooperative Organizations (Koinwfeleis Epixeiriseis) and, since 2012, most of them are still going into liquidation. Today the Cooperative Organizations which are under liquidation are the Cooperative Organization of Solidarity and Prevention, the Cooperative Organization of Art and Culture and the Cooperative Organization of Technology and Education (see Ch. 2.2). Since the local authorities decided to put Municipal Enterprises and/or Cooperative Organizations into liquidation, Amaroussion municipality has to repay such enterprises' debts.

## 6. Public discussion/debate

Table 34 shows MAXQDA classification concerning the public debate on the fiscal problem in Amaroussion municipality.

**Table 34: Public debate (actors with the most press articles)**



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



Code	Documents	All coded segments	All coded segments %	actor group	position	opposition/majority	party
Actor	1	1	0,14	external expert	auditor		
Actor	1	27	3,74	local politicians	General Secretary	majority	ND
Actor	1	22	3,05	administration	Director of Financial Management		
Actor	1	21	2,91	local politicians	President of economic Committee, Vice-Mayor of Finance	majority	ND
Actor	1	4	0,55	local politicians	municipal councilor	opposition	SYRIZA
Actor	1	6	0,83	administration	General Secretary of Employees		
Actor	1	10	1,39	administration	President of employees		
Actor	1	38	5,27	journalist			
	1	30	4,16	journalist			
Actor	2	4	0,55	local politicians	Head of a minority party	opposition	PASOK
Actor	1	1	0,14	local politicians	Head of major minority	opposition	PASOK
Actor	1	14	1,94	local politicians	Former Mayor 1990-2006	opposition	PASOK
Actor	1	25	3,47	local politicians	municipal councilor	opposition	PASOK



Actor	1	22	3,05	local politicians	Head of major minority	opposition	SYRIZA
Actor	4	5	0,69	local politicians	Mayor	majority	ND

Source: MAXQDA

Table 35 below contains quotes collected by interviews with 12 different actors; they concern the scope of publicity of the fiscal problem of the municipality of Maroussi.

**Table 35: Quotes about the publicity of fiscal problem**

Actor	Quotes	document group
General Secretary	<ul style="list-style-type: none"> <li>“when the Mayor took office, in 2007, he revealed the debt problem –through Mass Media and a brochure distributed. According to such a brochure in 2007 the local debt had shot up, reaching the rate of 400.000.000 euros”.</li> <li>“during February 2007, we faced a real danger of suspension of payments”.</li> <li>“we revealed the debt problem. In Amarousion municipality, economic crisis began earlier than that of Greece or the USA.”</li> </ul>	interviews
Vice-Mayor of Finance and Economics and Chairman of Economic Advisory Council	<ul style="list-style-type: none"> <li>“we revealed the debt problem, in 2007, when the mayor took office”.</li> </ul>	interviews
Finance Director	<ul style="list-style-type: none"> <li>“political leaders are not revealing dept problems; on the contrary, they do prettify such problems. Nevertheless, I support the view that, administrative actors reveal fiscal problems, since they are obliged to send financial three-month-reports to the Municipal Council and Economic</li> </ul>	interviews



	<i>Council”.</i>	
Ex-Mayor	<ul style="list-style-type: none"> <li>• <i>“in 2007, the mayor exaggerated municipality’s debt problem”.</i></li> </ul>	interviews
Opposition (PASOK-friendly)	<ul style="list-style-type: none"> <li>• <i>“the publicity of debt crisis, from the Mayor in 2007, was just a political communication trick, exaggerating the real debt problem. When politicians take offices, they are always exaggerating a debt problem. In Amarousion in 2007 the mayor was claiming that the total debt was 380.000.000 euros, and an expensive brochure distributed; nevertheless, in fact, municipality’s debt was about 70.000.000 euros”.</i></li> </ul>	interviews
Opposition (SYRIZA-friendly)	<ul style="list-style-type: none"> <li>• <i>“the mayor revealed the debt problem when he came into office in 2007. Nevertheless, he spent a lot of money for press conferences and an expensive brochure was distributed. As a result, municipality’s debt increased, reaching 450.000.000 euros”.</i></li> </ul>	interviews
Journalist1	<ul style="list-style-type: none"> <li>• <i>“in 2007, when the mayor took office a brochure was distributed; such a behavior indicates his intentions as far as the ex-mayor’s financial management is concerned”.</i></li> </ul>	interviews
Journalist2	<ul style="list-style-type: none"> <li>• <i>“residents are not aware about debt problem; they try the mayor and rely on him”.</i></li> </ul>	interviews
Commercial Associations’ President	<ul style="list-style-type: none"> <li>• <i>I am not aware.</i></li> </ul>	interviews

Source: Authors’ elaboration

## 6.1 Remarks/Explanations

Most of interviewees state that political leaders (i.e. majority) are not revealing debt problems; on the contrary, they do prettify such problems. According to the Director of Financial Management, administrative actors reveal fiscal problems, since they are obliged to send financial three-month-reports to the Municipal Council and Economic Committee. Opposition (i.e. PASOK-friendly, SYRIZA-friendly), and journalists





support the view that political leaders are hiding the problem when opposition reveals it and in some cases opposition exaggerates it. On the contrary, Director of Financial Management claims that none of the actors exaggerate the debt problem.

Maxqda data corroborates interviewees' statements according to which, fiscal problem was hardly discussed by political leaders (i.e. majority). When the Mayor took office on 2007, he revealed the fiscal problem through mass and local media; consequently, as far as the Mayor, General Secretary and Vice-Mayor of Finance and Economics and Chairman of Economic Advisory Council are concerned, maxqda data indicates, mainly, the period between 2007 and 2008. Nevertheless, opposition (PASOK-friendly) and ex-mayor claim that debt's publicity in 2007 by the Mayor was just a political communication trick, exaggerating the real debt problem. Moreover, according to press and media, the current Mayor has been hiding that Marousi municipality's debt has an upward trend since 2010 (i.e. during his incumbency); this might be the reason why maxqda data suggests that opposition local politicians, auditors and journalists are the most active actors in the local debate on municipality's debt.

## 7. Political system: Legitimacy and Transparency, political culture, Policy style, knowledge, leadership

In Marousi municipality, how do local actors take decisions and implement actions concerning fiscal consolidation measures? In order to answer this question, we will scrutinize three main categories and their features prevailing in the local political system of Marousi. First, the legitimacy and transparency category, secondly, the political culture and policy style category and thirdly, the knowledge and leadership style category. Our interpretation is based on qualitative evaluation of different actor's perceptions and the MAXQDA analysis of relevant texts.

### *Input legitimacy*

Scrutinizing the degree of input legitimacy in Maroussi, we took into consideration two main variables: First, the involvement of the opposition and the Council in the decision making processes. Secondly, the activation of advisory boards –namely the Economic Committee and Deliberation (or Consultation) Committee– and the influence of societal groups.







In the case of Maroussi, input legitimacy is very low, because the fiscal and budget decisions are made by the Mayor's "circle of power" without prior consultation with the councilors of the opposition. More specifically, the Economic Support Plan (Sxedio Oikonomikis Ypostirixsis) of Marousi municipality was hardly discussed in the Municipal Council, since the councilors were not aware in advance about its content and scope of action.

*"I would like to point out that before fiscal consolidation decisions being made there was not consultation period; political leaders did not deliberate neither with the Municipal Council, nor with local community. To be more specific, in December 2012 the Economic Support Plan (Sxedio Oikonomikis Ypostirixsis) was approved by the majority of the Municipal Council. Nevertheless, such a project which was an 100-pages-plan is distributed to councilors just a few hours before the Municipal Council meeting; as a result, we abandoned the meeting since such an important issue has not been presented in the Municipal Council beforehand and consequently we could not examine it closely and thoroughly."* (Councilor of opposition)

*"A far as the Economic Support Plan (Sxedio Oikonomikis Ypostirixsis) is concerned, such decisions have been made by the local political leadership; we had no idea about it."* (Employees Representatives)

In Maroussi municipality, the political leaders of the majority (i.e. the Mayor, the General Secretary and Vice Mayor of Economics and Finance) have the absolute control of fiscal policies implemented. Despite the fact that during a Municipal Council meeting councilors can freely express their opinion, finally the decisions are made by the political leaders –neither by the opposition, nor by the councilors.

*"Nowadays, municipality's fiscal policy is drawn by the Central Government, not by the municipality. Afterwards, in the municipality, the fiscal policy decisions are taken by the majority's actors".* (Councilor of opposition, PASOK-friendly)

*"The opposition tries to take part in the fiscal-decision-making process sending proposals, but the final fiscal decisions are made by the majority's actors. However, I believe that only the 20%-30% of the fiscal decisions is made by the municipality; the 70% of the fiscal decisions is imposed by the Central Government".* (Councilor of opposition, PASOK-friendly)

Additionally, in Marousi municipality in principle there are deliberative bodies introduced by Kallikratis legislation, such as the Economic and Deliberation (or



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



regions at the centre of development

Co - financed by the Hellenic Republic and the European Union - European Regional Development Fund,  
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Consultation) Committees, but in practice such bodies do not play an active role in municipality's decisions.

*"...for example the Deliberation Committee of the municipality. Making Kallikratis legislation, the legislator was imagining that such instruments would contribute to the participation of the local community; nevertheless, such a Committee is not utilized properly and probably the reason why is that these Committees has a consultative character and not a decisive one". (Councilor of opposition –SYRIZA friendly)*

*"There was a Deliberation Committee and they said that we were its members. However, they never invited us in meetings; they never relied on our proposals–neither on orals nor on written ones". (Employees Representatives)*

Moreover, civil society does not take part in the decision-making process, because of the current procedures' way of working.

*"There are interest groups and lobbying and are trying to be well-informed and express opinion, but they cannot influence municipality's decisions. For example, according to legislation before the final budget of 2015 submitted, we should invite such social actors to participate in budget discussion meeting; social actors do attend these meetings, but decision makers do not take into consideration their opinion". (Director of Financial Management).*

*"As far as the fiscal problem is concerned, I should point out that interest group actors attending Municipal Councils, did never discuss and share their view about the fiscal policy. It is very bizarre that societal groups might believe that a fiscal problem constitutes a special issue of the Municipal Council's agenda which should be resolved solely by the mayor and councilors". (Councilor of opposition, PASOK-friendly)*

### ***Throughput legitimacy***

The degree of throughput legitimacy of the fiscal consolidation policy in Maroussi has been evaluated by two variables. The first variable concerns the transparency and accountability of local decisions about the means of action implemented. The second variable is related to the communication strategy of Maroussi municipality and the publicity of fiscal problem in local press.



In Maroussi municipality transparency and accountability are low, since the procedures of the endogenous means of action were not transparent. To be more specific, one of the main means of action in order to face the fiscal problem was the Municipal Enterprises and Employment Company (Organismos Ergasias) closing down. Nevertheless, up to now political leaders from the majority has not informed the Municipal Councilors of the opposition about Employment Company's debt and about the erasure of Municipal Enterprises' 20.000.000 euros debt to suppliers.

*“The Employment Company is still going into liquidation. It is rumoured that the debt of Employment Company is tremendously high. Nevertheless, we are not aware about its accurate debt and precise details. We have been repeatedly asking political leadership to show us the documents about such debt; they never gave us anything. According to a prosecutor's order, they are obliged to provide us the relevant documents; however, they did ignore even the prosecutor's order. Taking all things into consideration, the Employment Company is one of the black spots of Maroussi municipality; both the ex-mayor and the current mayor did not treat such a Company in a proper way”.* (Councilor of opposition, SYRIZA-friendly).

*“Political leaders decided to delete 20,000,000 euros debts of the municipality to suppliers of the Municipal Enterprises... They announced that the Municipal Council decided to cancel 20,000,000 debts of municipal enterprises. So we sent written questions, etc., asking them to send us accurate information about such suppliers. They did not give us any information”.* (Councilor of opposition, SYRIZA-friendly).

Moreover, the fiscal problem of the municipality is an issue that solely the Municipal Council and Political Leadership are aware of it. On the contrary, local citizens are not informed about such a fiscal problem.

*“Fiscal problem is kept unknown by citizens. Political leaders have an attitude “it is our problem, we will deal with it in the Municipal Council”. Every single councillor, from the majority and opposition will express her point of view, but the fiscal problem will remain into the municipality like a secret. Should you ask local citizens about the municipality's debt problem, they will agree that the municipality has a debt problem but they have no idea about the real problem”.* (Councilor of opposition, PASOK-friendly)

According to the Director of Financial Management, the decision-making procedure is not 100% transparency, but such blurred procedures tends to be eliminated because





of the legislation of the Ministry of Interior which introduced “Diavgeia” –a project which obliges public and local authorities to make their decisions public on the internet. Moreover, according to a councilor of opposition transparency is strengthened by the personnel of the financial department and Economic Observatory.

*“There is also transparency deficit in European Union funding programmes which require deliberation with the local community... However, we should point out that, in Maroussi, the personnel of the Financial department contributes significantly towards an economic transparency by sending reports to the Economic Observatory, etc. Nevertheless, in Maroussi we are facing a grave transparency deficit and also deliberative deficit.”* (Councilor of opposition, SYRIZA-friendly)

In the municipality of Maroussi the fiscal problem was revealed by the then newly-elected mayor, when in 2007 he came into office. Nevertheless, during his incumbency the mayor has been hiding the real dimensions of the fiscal problem and debt in Maroussi municipality. As far as the local press is concerned, because of the high dependence on the political leadership, in some cases local press is biased.

*“Journalists of the local press are in favor of the mayor of the day; they are trying to survive. Don’t you know it?”* (Councilor of opposition)

### **Output legitimacy**

Output legitimacy reflects the degree of effectiveness of the local fiscal measures implemented and goals achieved, as well as the effectiveness of the local social policy and Kallikratis reform (e.g. Economic Observatory).

Evaluating the means of action, two of them which could effectively resolve the fiscal problem were, first, the closing down of Municipal Enterprises and “Employment Company” and second, the Ministry of Interior Grants for the debt due. To be more specific, the shutting down of Municipal Enterprises and “Employment Company” implies that municipality’s short-term expenses and debt have currently an upward trend; nevertheless, in the future their closing down will benefit the Maroussi municipality, since such institutions were costly and intransparent. Political leadership used to spend a tremendous sum of money for Management Boards Consultants’ wages of Municipal Enterprises and they were hiring under-qualified personnel through “Employment Company”. However, it is worth mentioning, that opposition and employees’ representatives, draw the attention to “Cooperative Organizations” –



according to the above actors, such Organizations tend to replace the “Employment Company” and Municipal Enterprises.

*“Not only “Cooperative Organizations” are the “twin siblings” of Municipal Enterprises, but also there are still Municipal Enterprises which has not been closed. For example the Municipal Development Enterprise (the ex DEADA) and ATHMONO which is a real estate enterprise”.* (Employees Representatives)

*“So, they did close down some Municipal Enterprises; but we still have their “kids”. These “kids” are Municipal Enterprises' cars, but they cannot transfer them to the municipality since they are leasing cars. So, intentionally, they still keep these cars in some Municipal Enterprises and they spend money in order to repair these vehicles again and again”.* (Employees Representatives)

Today, in Maroussi municipality, an important amount of the debt still exists. As Director of Financial Management stated explicitly: *“balanced annual budgets are of minor importance; published reviews in annual reports are of central importance, since they do illustrate a potential debt. All reviews in annual reports have a deficit – not a surplus; in Amaroussion municipality, there are no balanced annual reports”.*

As far as the Kallikratis legislation and Economic Observatory are concerned, one out of three Opposition Representatives, one out of two journalists and the Director of Financial Management are in favor of Kallikratis and Economic Observatory (for the local government) as well. They share the view that both of them have amended some drawbacks in local administration system; On the other hand, General Secretary states that *“Economic Observatory has too strict an implementation. “Scrutinizing every single expense” practice constrains the local government's decision-making and, hence, has the potential to obstruct rather than facilitate the realization of an effective management”.*

Director of Financial Management is in favor of Kallikratis and Economic Observatory mechanism. He shares the view that such instruments have been created in order to amend some drawbacks in local administration system; since municipalities could not resolve effectively their debt, the Ministry of Interior tried to remedy it through legislation. Generally speaking, the amendment, through Kallikratis legislation has, mainly, positive effects, despite the fact that it could be more effective; most of actors support the view that the most positive effect of Kallikratis



was the closing down of Municipal Enterprises and the drawback is the fact that, the State did not give additional grants for the responsibilities transferred.

Measures adopted have influenced significantly other sectors within the municipality. For example, the suspension of employees brought grave problems to the municipality's services and has a negative impact, especially, on social services, for their quantity and quality have decreased (e.g cleanliness). According to Director of Financial Management, because of local austerity measures *“municipality's infrastructures and social policy have shrunk markedly; since there is no money, someone cannot improve infrastructures, can do nothing”*. Civil society is contributing voluntarily, via “social pharmacy”, “social super market”, “help at home”, “meals free of charge”; thus, such a voluntarism reveals that Maroussi municipality is unable to support social needs through its own resources. The fact that a local community is supported by voluntarism implies that official municipal social services are insufficient.

*“Despite the fact that the mayor tried to reduce the municipal debt, the fiscal measures implemented have not had a negative effect on social services; in order to achieve it, voluntarism played a key roll -we should point such factor out: voluntarism from local citizens”*. (Journalist)

### **Political culture**

In municipality of Maroussi, there is a top down decision making; lower levels of local authority have a more passive role rather than an active one. Additionally, despite the fact that according to the new legislation, social actors should take part in the decision-making, social actor's opinion has too limited a power, for they are unable to influence political leaders' decisions.

Administrative actors cannot resolve fiscal problems, because they are facing two constrains: on the one hand, political leaders' intervention, and on the other hand, the inflexible institutional framework. As a result, administrative actors have a passive attitude rather than a creative one, since they cannot negotiate with citizens in order to find the best solution for the fiscal problem benefiting not only the municipality but also the local citizens.

During Municipal Councils' and other Councils' discussions, municipal councilors vote is in accordance with their political party; unanimous decisions are rare exceptions. Thus, the decision-making is often conflictual and party politicization. In





addition, Director of Financial Management stated that there is a democratic deficit, since administrative actors do not have the chance to take part actively in councils (i.e. in the Municipal Council and Economic Committee).

*“Decisions are made in conflictual way and this is one of the main drawbacks of the local government”.* (Councilor of opposition, SYRIZA-friendly)

Despite the fact that decisions should be made in a cooperative way, in practice actors cannot do that. Local consulting mechanisms exist only in texts and legislations, since their scope of action is too limited and they cannot intervene on the decision-making properly. Moreover, actors of the financial department propose some projects but, according to Director of Financial Management *“they do not follow any of our proposed projects or ideas”*.

### ***Knowledge***

In Maroussi municipality, for potential financial stability measures, the mayor relies on local political leaderships’, managerial and expert knowledge (i.e. General Secretary, Vice-Mayor of Finance). Local authorities only engage the financial department in procedural/administrative fiscal decisions. In some cases, local authorities collaborate with consultants with financial expertise and experience; such collaborations are limited to European funding, such as ‘Thisseas’ programme and NSRF programmes. Nevertheless, most of interviewees stated that such fiscal measures are mainly imposed by the Central Government. Taking all things into consideration, the above type of knowledge is a component of the “city-boss” leadership style which prevails in Maroussi case.

*“I believe that fiscal decisions are determined by two main actors: the Ministry of Interior and local political leadership. In municipality, they do not utilize scientific knowledge, experts from Universities and in general qualified individuals of the country”.* (Councilor of opposition)

### ***Leadership***

In Maroussi municipality case the “city boss” leadership style prevails. There is a very low degree of input and throughput legitimacy, a top down hierarchical management and fiscal measures implemented without a consensus of the opposition and local community.



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Despite the fact that parallel to the consolidation measures, political leadership has set some strategic goals getting benefits by development programmes (e.g. via European Technical Resources Office for EU funding, Corporate social responsibility, Partnership with the Technical University of Crete), nevertheless the leadership style is not characterized as strategic one.

*“In our city, it is obvious that the leadership style is mayor-oriented; in practice, such a leadership style means that the mayor makes decisions and majority's municipal councilors vote, blindly, in favour of such decisions. In some cases, of course there are some councilors within the local authority who express their own opinion demanding transparency; however, these councilors are rare exceptions, not the rule”.* (Councilor of opposition)

**Table 36: Maroussi municipality: Leadership orientation (strategic/reproductive) and exercise of power (authoritative/cooperative)**

strategic	reproductive
<ul style="list-style-type: none"> <li>• Few strategic goals have been set (i.e. via a European Technical Resources Office for EU funding, Corporate social responsibility, Partnership with the Technical University of Crete)</li> <li>• Mayor promotes voluntarism in order to face deficits in social services (i.e. “social pharmacy”, “social supermarket”)</li> </ul>	<ul style="list-style-type: none"> <li>• Clientelistic and patronage practices</li> </ul>
authoritative	cooperative
<ul style="list-style-type: none"> <li>• Top down and command and control decisions. The Mayor and General Secretary determine the municipal agenda. “Closed” Mayor’s circle of decisions.</li> <li>• “Fragmented” and “selective” information by the Mayor, General Secretary and Vice Mayor to the opposition. As far the debt is concerned there is a transparent deficit; during the fiscal consolidation measures there was a deliberative deficit.</li> </ul>	<ul style="list-style-type: none"> <li>• Voluntarism of CSOs (e.g. “social super market”, “social pharmacy”, “meals free of charge”)</li> </ul>

Source: Authors’ elaboration





## 8. Conclusions

The fiscal problem in Maroussi municipality has been aggravated by endogenous causes. Among the main endogenous causes are: i. Irrational use of loans, ii. Treatment of the Municipal Enterprises and “Employment Company” as clientelistic tools, iii. Reluctance in collecting revenues from large Malls, iv. Risky investments and slipshod infrastructures for the Olympic Games 2004.

During the Fiscal Year 2013, municipality’s revenues reached the amount of 77,435,674.23 euros and expenditures the amount of 66,208,607.66 euros; at the same time, in 2013 the certified uncollected revenues by a Real Estate Management Company reached the amount of 22,018,648.73 euros. In the same year the debt of the municipality is reduced to 85,229,919.00 euros, because of the funding (19,142,295.00 euros) received by the Ministry of Interior (decision number 12828/2013, Ministry of Interior). However, it is worth mentioning that the official debt of Maroussi municipality does not contain the total amount of debt of the “Employment Company” and Municipal Enterprises which are still under liquidation.

All actors support the view that the available budget is of central importance for the municipality of Maroussi, since a wealthy municipality might achieve its goals. Thus, political leaders, taking office, have to make a financial report of the municipality and a rational five-year-plan; such issues could be a challenge for a municipality.

The strategic goal which has been set by the municipality is a surplus in review in the annual report for the 2014 –a goal which is in accordance with Economic Observatory’s and Ministry of Interior’s institutional framework. Nevertheless, whether or not such a strategic plan is achievable, remains an open question.

During the decision-making, political decisions are made by political leaders; administrative actors have a passive role because they are facing two constraints: on the one hand, political leaders’ intervention, and on the other hand, the inflexible institutional framework.

In the municipality of Amaroussion, there is a top down decision making; The decision-making procedure is not 100% transparence and civil society does not take part in the decision-making.



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COMPETITIVENESS AND  
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Among the most successful means of action were first, the closing down of the Municipal Enterprises and the “Employment Company” and secondly, the Ministry of Interior Grants for the debt due. Nevertheless, despite the austerity measures taken and Economic Observatory intervention, the Maroussi municipality is still facing fiscal and debt problems; today, even the Director of the Financial Management cannot determine the exact features of the debt problem in Maroussi.

Director of Financial Management stated explicitly that *“few people are fully aware about the fiscal problem of the municipality –there is no person who knows the real dimension of the fiscal problem. Neither administrative actors of the Amarousion municipality, nor the political leaders are fully aware. If you asked me, I could tell you that I know, only, an 80% of the debt –not 100%. The reason why, we do not know the real extent of the debt problem, is the fact that we do not know Municipal Enterprises’ debt. Such a lack of awareness derives from the central administration’s weaknesses. To be more specific, the Ministry of Interior takes monthly reports for the municipality, but not for the Municipal Enterprises. This is the reason why I am claiming that I do not know everything about the debt problem, but only the municipality’s debt”*.

## 9. Policy recommendations

*Policy recommendations to elected politicians:*

- Uncollected revenues from a Real Estate Company (22.018.648,73 euros) must be immediately collected, since there is an imminent risk of debt’s obliteration.
- The rent of a big Shopping Center in Marousi could be increased.
- Uncollected revenues from the big Shopping Centers must be immediately collected.
- Systematic debate in the municipal bodies, with active participation of the Heads of the Opposition and Municipal Councilors.
- Direct Democracy reinforcement: deliberative meetings about infrastructure expenditures and costs in which local citizens should express their opinion about the needs of their own neighborhoods.
- Open and public debate, transparent decision-making processes.
- Municipal Councilors’ tax returns should be posted on the website municipality; up to now only Mayor’s tax returns has displayed on the website of Maroussi.



*Policy recommendations to Local Administration and Central Government:*

- Introducing a mechanism which might control the annual budgets and data of big Shopping Centers in Maroussi.
- "Mirror System" through which the Ministry of Finance, the Ministry of Interior, the General Accounting Office, the Court of Auditors, the Decentralized Administration and the municipality will have access to the same data (e.g. municipal budgets, quarterly financial reports).
- Cooperation with tax authorities.
- Establish links and permanent networks with CEOs of other municipalities and exchange views and experience on similar local practices.
- Prepare the necessary innovative infrastructure for interactive communication systems, user friendly open information systems, public service providing, quick examination of claims and local problems.
- Certified Public Accountants Reports and Review in Annual Reports must be displayed on the website of the Municipality of Amaroussion.
- Deliberation Committee reinforcement: the draw must be transparent, posting on municipality's webpage the names of citizens who have been randomly selected. Such citizens should be obliged to take part in the Deliberation Committee. Municipality must post on its webpage Deliberation Committee's agenda and minutes.
- A programme with the duties, timetable and obligations of personnel should be displayed at the relevant administrative departments.