



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

HELLENIC REPUBLIC
MINISTRY OF ECONOMY
INFRASTRUCTURE, MARITIME AFFAIRS & TOURISM



regions at the centre of development

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

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

CASE STUDY REPORT

NIKAIA - AGHIOS IOANNIS RENTIS

Dimitrios Apistoulas-Yannis Antonenas

REPOS

REformability OF POLitical SYSTEMS

CONTENTS

Introduction	3
1. Socioeconomic context of the Municipality Nikaia- Aghios Ioannis Renti	5
1.1 Demographics and Socioeconomic Indexes (2001-2011)	5
2. Municipality of Nikaia-Ag. I. Renti: political leadership and the fiscal problem	9
2.1 Municipal staff 2011-2012	9
2.2 The political leadership of the municipality 2000-2014.....	10
3. Delineating the economic problem in the Municipality of Nikaia- Aghios Ioannis Renti	12
3.1 Brief History.....	12
3.2 The fiscal problem.....	14
3.3 Problem Perceptions and Causes.....	18
4. Scope and means of Actions: Evaluation, Performance, Impact.....	27
5. Debate.....	33
6. Political System: input, throughput and output legitimacy, political culture, knowledge, leadership.....	36
6.1 Input Legitimacy	36
6.2 Throughput Legitimacy	39
6.3 Output Legitimacy.....	41
6.4 Political culture.....	42
6.5 Knowledge.....	43
6.6 Leadership	44
7. Conclusions	46
8. Policy recommendations	48

Introduction

This report summarizes the conclusions of the case study of the Municipality of Nikaia- Aghios Ioannis Rentis that was carried out within the framework of the scientific research entitled 'Reformability of Political Systems in times of crisis: The example of the financial consolidation in German and Greek municipalities (REPOS)'. With a debt standing at 87 million euro, the report presents the basic measures implemented by the aforementioned Municipality towards fiscal stability and debt reduction within the time period 2011-2013.

The methodological background of this study was founded on primary data selected through desk research regarding core parameters pertinent to the superfluous debt of the Municipality of Nikaia- Aghios Ioannis Rentis and the repercussions on the local society and economy, as well as the means and policies selected by the Municipal Authorities during the period 2011-2013 to combat debt. In addition, in an attempt to further trace and identify the 'debt problem' of the municipality and describe the policies chosen and implemented by the key figures in dealing with the issue of debt in the Municipality, nine interviews were conducted (i.e. Mayor, Deputy-Mayor, Head of Financial Services) and more than 75 documents have been examined.

In terms of content, this report comprises 8 parts, each related to a core axis of this research:

In the first part, basic socioeconomic indexes and the political environment of the municipality are described, focusing simultaneously and gauging the effects that the ongoing economic recession has had on the social profile of the municipality (i.e. employment and unemployment rates).

The second part attempts to portray the political environment established in the Municipality in which debt was accumulated and examines how certain expenses have resulted in the excessive increase of debt.

The third part focuses on outlining the financial problem of the Municipality. Through a brief description of the historical background the full size of the fiscal problem is displayed and the key figures involved in solving the issue attempt to identify the fundamental reasons underlying the situation.

The fourth part examines the implemented policies on debt combat both from a perspective of purpose as well as content, attempting simultaneously to evaluate these based on performance and impact criteria in debt reduction.

The fifth part surveys the public debate underway regarding the issue of municipal debt, at a local and broader level.

In the sixth part, various dimensions of the local political system are portrayed. More specifically, the types of legitimacy, political culture, knowledge and profile of political leadership prevalent within the Municipality are explored.

The seventh part summarizes the basic findings of this study in the Municipality of Nikaia- Aghios Ioannis Renti regarding the methods of decision making and the implementation of specific political choices in dealing with debt.

Finally, the eighth part puts forward political proposals aimed at the elected officials that were and currently are involved in the process of fiscal consolidation of the Municipality.

1. Socioeconomic context of the Municipality Nikaia- Aghios Ioannis Renti

The Municipality of Nikaia- Aghios Ioannis Renti belongs to the Regional Unit of Piraeus of the Attika Region. It was created as a direct result of the Kallikratis Programme with the merging of two Municipalities: Nikaia and Aghios Ioannis Renti¹ and comprises two Municipal Units (Nikaia and Aghios Ioannis Renti). According to the provisions of Law 1515/85 'Regulatory Plan for the Protection of the Environment in Athens' the Municipality falls under the subzone of the Attica Basin, in the southwestern part of the wider Athens urban area and within the Administrative Department of Piraeus of the Attika Region². Furthermore, six basic transportation routes of the Attika Region traverse the area while it additionally boasts an extensive urban and suburban transportation network. This aspect is of vital importance when taking into consideration the potential for development of this particular area³.

The Municipality is among the largest within the Attika Region with a permanent population rising to 104.142 inhabitants, covering an area of 12.251 square kilometers with a population density of 9.418,24 inhabitants per square kilometer. It is situated between Athens and the port of Piraeus⁴. It is noteworthy that the municipal unit of Nikaia is the most densely populated and although it only covers double the area the unit of Aghios Ioannis Renti it has six-fold the population.

1.1 Demographics and Socioeconomic Indexes (2001-2011)

According to the data of the 2011 census, the population living in the Municipality is 104.142 inhabitants (51.200 male and 54.230 female), the number declining by 3.70% in comparison to the population reported in the 2001 census, when the population reached 108.146 people.

The average age of the inhabitants is reported at 41.2 years (in Attika the average is 41.3, while within the Hellenic Republic 41.9), while according to Graph 1.1.1 the age pyramid in 2010 indicates a reduction in the base (due to the declining tendency noted in birth-rate) an expanded tip (due to demographic aging) and reinforced middle layers (because of the recent mass influx of economic migrants which in the Municipality of Nikaia- Aghios Ioannis Renti comprises 9.6% of the permanent population body; a total of 10.123 inhabitants).

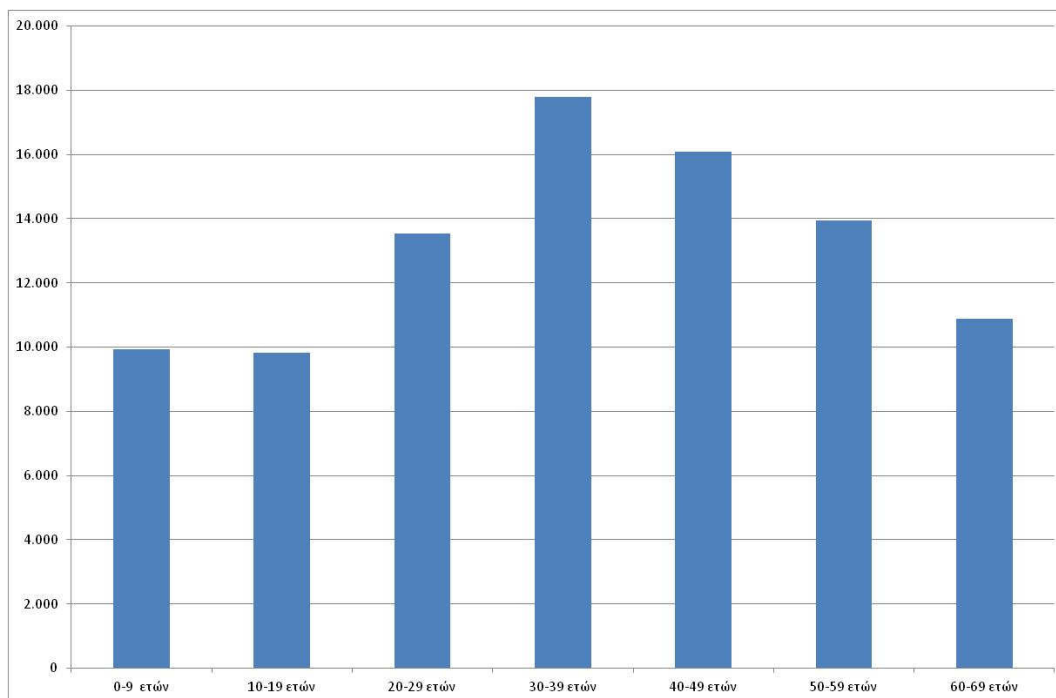
¹ The Municipality of Nikaia was chartered in 1933 while the Municipality of Aghios Ioannis Renti was initially established as a Commune in 1925. With Law 3852/2010 (Gov. 87/A/7-6-2010), both Municipalities were abolished in order to create a unified Municipality of Nikaia-Aghios Ioannis Renti

² According to Gov. 701/Δ/13.12.90 the following main traffic thoroughfares traverse the municipality: (i) Petrou Ralli- Salaminos Ave, (ii) Thivon Ave, (iii) Tzavella-Valaoritou str., (iv) Kifisou Ave, (v) Peiraos Ave.

³ The most important supralocal magnets in the area are the General Hospital 'St. Panteleimon', the 3rd Cemetery of Athens, the Weightlifting Olympic Stadium, the 'Katrakeio' Theater, The Central Fruit and Vegetable Market of Athens and the Leisure-Entertainment facilities of 'Village Center' and 'Allou Fun Park'

⁴ According to the Strategic Plan of Urban Development, the Municipality of Aghios Ioannis Renti has been recognized as an Intra-Municipal Center of Supralocal Activity

Graph 1.1.1: Age composition of the municipality (2011)



Source: Hellenic Statistical Authority, 2011

The completed level of education, for those born until 2014 in the Municipality of Nikaia - Aghios Ioannis Rentis approximates that of the overall country performance rather than that of the region (see Table 1.1.1):

- i. 52,17% completed secondary education (48,54 in the Attika Region, 44,1 in Greece)
- ii. 23,43% completed primary education (17,99% in the Attika Region, 24,9 in Greece)
- iii. 12,89 completed higher education (23,65% in the Attika Region, 17,84 in Greece).

Table 1.1.1: Municipality Education level (persons born in 2004 and before)

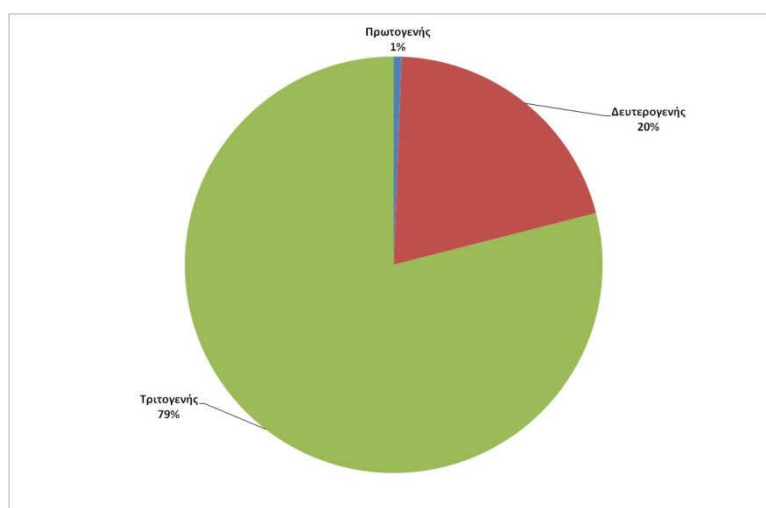
	Primary education	Secondary - Post-secondary education	Higher education	Other	Total
Number	23.201	51.646	12.766	11.390	
Percentage (%)	23,43	52,17	12,89	11,50	100

Source: Hellenic Statistical Authority 2011

According to data provided by the Piraeus Chamber of Commerce, the Municipal Unit of Aghios Ioannis Rentis is active in the sectors of production and processing, mostly due to the urban landscape of the wider Rentis area where larger, free spaces lend themselves to the development of an industrial zone. In contrast, the Municipal Unit of Nikaia, because of its dense building construction favors the development of commercial businesses along with the food and beverage sector.

Furthermore, while in the Nikaia-Aghios Ioannis Rentis the basic sectors of economic activity are industry (larger and small scale) commerce (local and supralocal range), entertainment facilities and transport (see Table 1.1.2) the active population of the area (37.016 inhabitants and 35,11% of the total permanent residents) is employed in the tertiary sector by 78,99%, in the secondary sector by 20,40%, and only by 0.60% in the primary sector.

Graph 1.1.2: Employment by economic sector (2011)



Source: Hellenic Statistical Authority 2011

It should be noted, that in the last decades, there is a noticeable decline in industrial activity as well as the development rate of commercial and entertainment enterprises along the basic routes traversing the area (e.g. Kifisou, Peiraios, Thivon Avenues). On the other hand, there is growth in the field of food and beverage as well as some entertainment/recreation centers.

Table 1.1.2: Economic Activity in the Municipality of Nikaia- Aghios Ioannis Rentis

Recording date	Business Type	Municipality section of Nikaia	Municipality section of Aghios Ioannis Rentis	Total

Agricultural Activity	6/8/12	Processing of agricultural products	-	1	1
Livestock Activity	6/8/12	Processing of Livestock products	1	1	2
Manufacturing-Production Activities	6/8/12	Enterprises	3	20	23
Tourism-Services Activities	8/8/12	Hotels 2** (beds)	34 beds	-	1
	8/8/12	Hotel 1* (beds)	65 beds	-	2
	6/8/12	Commercial Enterprises	1	1	2
Energy Production	6/8/12	Solar	5	1	6
Industrial units	6/8/12	Petrochemicals Units (driving power up to 22 KW, thermal power up to 50 KW)	2		2

Source: Piraeus Chamber of Commerce

The employment rates were significantly curbed in the 80s and 90s because of de-industrialization. Nevertheless, the development of commerce and businesses in the field of leisure and entertainment balanced the level of unemployment, making it comparable to the overall average of the other urban centers in Athens-Piraeus (19,6% in 2011). The vast majority of the workforce are employees, while typical fields of employment can be found in the sectors of industry, commerce and entertainment⁵.

The results of the economic crisis, during the period of 2008-2012, in the Municipality of Nikaia-Aghios Ioannis Rentis are visible (see Table 1.1.3). More specifically, there is a significant drop in the declared per capita income by 18,88% as a direct result of horizontal cuts in salaries and pensions as well as the soaring increase of the unemployment rate. In short, there is shrinkage in local entrepreneurship as a consequence of prolonged recession while the increased rate of unemployment has become a major issue which has had repercussions on the real income of the citizens of the Municipality.

Table 1.1.3: Declared per capita income 2008-2012

⁵ Within the Municipal Unit of Aghios Ioannis Rentis 30 industrial plants are in operation (a percentage of 32,00% of the overall Piraeus activity) 556 of small scale industrial plants (a percentage of 6,54 in Piraeus) 313 professional enterprises (3,52 %) in their majority individuals and 714 commercial enterprises (9,00% of the overall in Piraeus).

	2008	2009	2010	2011	2012
Nikaia-Aghios I. Rentis	15.327,80	15.199,65	15.162,50	13.984,94	12.299,6
Attica (Region)	20.797,50	21.172,55	21.368,01	19.703,50	17.252,67
Greece	15.696,90	15.591,31	15.919,12	14.489,52	12.705,18

Source: Ministry of Economics, elaboration by Psycharis Y.

2. Municipality of Nikaia-Ag. I. Renti: political leadership and the fiscal problem

2.1 Municipal staff 2011-2012

Between 2011 and 2012, as can be deduced in Table 2.1.1., there was a staff reduction in the Municipality of Nikaia- Aghios Ioannis Rentis dropping from 948 to 711 (annual modification -25,0%)⁶. The occurring staff cut-back was mainly caused by external factors, governmental decisions especially regarding recruitment whereby the rule of ‘one hiring per five departures from every department’ was implemented. In addition, at the same time, a mass wave of staff retirement occurred because of amendments introduced to the social security system regulations. The result of this reduction in the numbers of staff was a decrease in salary expenditure from 26.169.157,47€ in 2011 to 22.970.197.31€ in 2012⁷ (annual modification -12,22%). Based on the above, it is apparent that staff cut-backs in the Municipality caused a corresponding but not equivalent reduction in cost, as, though staff volume was reduced by 25%, the corresponding payroll cost was cut by only 12%.

Table 2.1.1: Staff in the Municipality of Nikaia- Aghios Ioannis Rentis

	2012	2011
Permanent Staff	478	315
Employment contract of indefinite term	459	392
Temporary employment based on Public Law	11	4
Total	948	711

Source: Balance of the Municipality of Nikaia - Aghios I. Rentis 2012

⁶ According to a study of the Ministry of Interior (aka ‘Grigorakou Study’), in December 2013, the number of surplus staff within the Municipality of Nikaia- Aghios Ioannis Rentis amounted to 113 workers. It was recommended that these workers either be put into a mobility program or be removed through voluntary retirement. The evaluation indicators used by the Ministry of Interior pertained to payroll cost of municipal staff per one thousand residents. The Mayor had, of course, requested the withdrawal of the ‘study’ clarifying that ‘should what is mentioned there, about the Municipality, be applied it [the Municipality] will be led to a state of non-function’. See <http://www.aftodioikisi.gr/dimoi/d-nikaias-renti-an-efarmostei-meleti-grigorakou-o-dimos-den-tha-borei-na-leitourgisei>

⁷ See Municipality of Nikaia- Aghios Ioannis Rentis Balance Sheet 2012, p.17

Furthermore, based on Table 2.1.2.,the most costly Bureau in the Municipality was the Cleaning and Recycling Services (a percentage of 24,92%), the Bureau of Administration Services (a percentage of 11,90%) and the de-centralized Services of the Municipal Unit of Aghios Ioannis Rentis (a percentage of 11,76%). The percentage of contribution of the Bureau of Financial Services to the overall cost of services in the Municipality of Nikaia- Aghios Ioannis Rentis came up to 8,26%, followed by the Bureau of Parks and Green Spaces (4,66%), the Bureau of Education, Libraries and Social Services (3,50%), the Sports and Fitness Bureau (2,25%) and the Cultural Bureau (1.66%) .

Table 2.1.2: Address participation rate in the total cost of the Municipality Nikaia-Aghios Ioannis Rentis

ACCOUNT	DESCRIPTION	AMOUNT	PARTICIPATION PERCENTAGE OF TOTAL
92.01.01	General Division	369.883,32	0,99%
92.01.02	Division of Personnel and Administration	4.459.339,78	11,90%
92.01.03	Division of Internal Finance	3.095.650,18	8,26%
92.01.04	Division of Culture	620.562,74	1,66%
92.01.05	Division of Sports	844.625,96	2,25%
92.01.06	Division of education, libraries & social services	1.311.685.42	3,50%
92.01.07	Division of Waste Management and Recycling	9.340.794,87	24,92%
92.01.08	Division of City Planning	509.287,60	1,36%
92.01.09	Division of Citizen Service Center	882.652,77	2,35%
92.01.10	Division of Environment and quality of life	249.064.81	0,66%
92.01.11	Division of Green Spaces	1.746.837,16	4,66%
92.01.12	Division of Technical Services	2.224.457,82	5,93%
92.01.13	Decentralized Services	4.409.597,56	11,76%
92.01.15	Operating expenses	7.420.688,64	19,80%
	Total	37.485.128.63	100,00%

Source: Minutes of meeting of the Economic Committee of the Municipality of the Municipality Nikaia-Aghios Ioannis Rentis (27-3-2013).

2.2 The political leadership of the municipality 2000-2014

Traditionally, the strongest political party in the Municipality of Nikaia has been the Greek Communist Party (KKE). This can be observed in the results of municipal elections since the fall of the dictatorship (1974) to present. Specifically, Konstantinos Katsafanas (KKE) was the first Mayor of Nikaia elected in 1975, followed by Stelios Logothetis (KKE) from 1978 to 1990, Varvara (Vera) Nikolaidou (KKE) from 1990 to

1994, Vasilis Trapalis (center-left coalition PASOK-SYN) from 1994 to 2002 and Stelios Benetatos (KKE) from 2002 to 2011.

In the Municipality of Aghios Ioannis Rentis, from 1994 to 2011 Georgos Ioaneimidis was the elected Mayor. To be more precise, in 1994 he gained 60,0% of the vote in the second round of municipal elections and in 1998 he was supported by center-left coalition of PASOK and SYN when he gained 54,0% of the votes, 64,0% in 2002 and 62,5% in 2006, all from first round of elections.

In the November 7th of 2010 municipal elections, in the first round, Georgios Ioakeimidis gained 40,43% of the votes, supported by a center-left coalition of PASOK, Environmentalists and the Democratic Left party. The independent, left-wing candidate Stelios Logothetis came second with a percentage of 24,39%. In the second round of the municipal elections, on November 14th Georgios Ioakeimidis was elected first Mayor of the new Municipality of Nikaia- Aghios Ioannis Rentis (Kallikratis Programme) gaining 60,36% of the votes (Table 2.2.1). The result of the 2011 Municipal Elections indicates the electoral discontent with the results of the authorities' attempt to tackle the debt crisis with the ensuing consequences on municipal services but also on local businesses.

Once again, in the following municipal elections (May 25th 2014) Georgos Ioakeimidis was elected mayor in the first round of elections by 62,25% as a reward for his political choices and the financial consolidation measures applied (Table 2.2.2). It must be noted that Mr. Ioakeimidis' election followed both the Municipality's transformation into a cultural and leisure entertainment magnet after the opening of 'Village Cimenas' and the 'Allou Fun Park' center as well as the announcement of the Municipal debt of Nikaia soaring to 87.000.000€.

Table 2.2.1: Results of the municipal election 2010

<i>Candidate Mayor</i>	<i>Official support</i>	<i>First round</i>	<i>Second round</i>
<i>Ioakeimidis Giorgos</i>	<i>Panhellenic Socialist Movement, Ecologist Greens, Democratic Left</i>	40,43%	60,36%
<i>Logothetis Stelios</i>	-	24,39%	39,64%
<i>Benetatos Stelios</i>	<i>Communist Party of Greece</i>	18,33%	
<i>Maronitis Giannis</i>	-	3,99%	
<i>Vretakos Drakoulis</i>	<i>New Democracy</i>	9,20%	
<i>Papadopoulos Konstantinos</i>	-	3,66%	

Source: Ministry of the Interior and Administrative Reconstruction

Table 2.2.2: Results of the municipal election 2014

<i>Candidate Mayor</i>	<i>Official support</i>	<i>First round</i>	<i>Second round</i>
<i>Ioakeimidis Giorgos</i>	<i>Independent</i>	62,25%	-
<i>Benetatos Stelios</i>	<i>Communist Party of Greece</i>	12,95%	-
<i>Papadopoulos Konstantinos</i>	-	10,92%	-
<i>Vretakos Drakoulis</i>	<i>New Democracy</i>	6,61%	-
<i>Moschou Dimitroula</i>	-	5,00%	-
<i>Thoidou Aikaterini</i>	-	2,26%	-

Source: Ministry of the Interior and Administrative Reconstruction

3. Delineating the economic problem in the Municipality of Nikaia- Aghios Ioannis Rentis

3.1 Brief History

In November 2009, a delegation from the Municipality of Nikaia delivered a memo to all groups of the political parties in the Hellenic Parliament, informing them about the ‘financial impasse’ the Municipality was facing. In the memo, the fact that the Mayor (Stelios Benetatos) had made reference to the problem on a number of occasions, was highlighted. In an interview on July 1st 2009, he had stressed that on the one hand, there was in fact a deficit in the municipal payroll and on the other hand, the municipal treasury was ‘in the red’. To be more specific, the ordinary y income (Central Autonomous Grants {CAG} and Municipal Taxes) during September 2009 was at 1.260.000€ while payroll expenditure rose to 2.100.000€, thus creating a deficit of 840.000€ per month.

The economic problems of the Municipality of Nikaia can certainly be traced back to 2002, when the Municipal authorities of that time received an advanced down payment from the 2003 budget year of 4.800.000€, asume that amounted to 70% of 2003 the CAG (Central Autonomous Grants) in order to cover salary payments⁸. According to the Mayor of that period, the overall municipal debt reached 8.804.108€ (13bn Drachmas), at which time it was listed as one of the top 5 most heavily indebted municipalities which under Law 3345/2005 fell under the regulation for the freezing of installments for partial amortization of interest-bearing loans during the period 2005-2006.

During the same period and up to 2008 the total of equity capitals plummeted, therefore, while starting in 2004 with the amount of 11.577.000€, in 2005 it fell to 8.995.000€, in 2006 to 4.100.000€, in 2007 to minus1.397.000€, while in 2008 it

⁸ In October 2002, apart from 670 permanent members of staff, hundreds of part-time workers were employed by the Municipality of Nikaia, 335 of which were eventually offered permanent positions without, however, managing to secure extra funding for the payroll.

reached minus 6.708.000. Additionally, the balance deficit began in 2004 to show a loss of 4.463.000€, followed 12.318.000€ in 2006, 20.518.000€ in 2007, 27.261.000€, soaring up to 31.143.000€ in 2008.

At the same time, the short-term obligations of the Municipality in 2004, as stated on the Balance Sheet, rose to 8.739.000€, in 2005 to 7.773.000€, in 2006 to 11.995.000€, to 13.135.000€ in 2007, skyrocketing to 16.300.000 in 2008. Finally, in terms of loan obligations in 2003 these were gauged at 15.000.000, at 27.743.000 in 2004, at 33.000.000 in 2005, at 34.000.000 in 2006, 37.000.000 in 2007, escalating to 42.277.000 in 2008⁹.

On the contrary, the Municipality of Aghios Ioannis Rentis never incurred debt and was fortunate to have a number of industries and small factory plants based in the area which made and still make use of large plots thus providing the Municipality with large amounts of council taxes (for example Village Center and Allou Fun Park provided one million euro on council tax while the overall income from municipal taxes amounted to eight million euro). In addition, the Municipality of Aghios Ioannis Rentis, before merging with Nikaia, boasted assets of 10.000.000€, while according to the Mayor of Aghios Ioannis Rentis the unification of the two municipalities 'is an apt example of two areas in two totally different financial states. Nikaia with a debt of 80 million and Aghios Ioannis Rentis with surplus reaching almost 10 million euro as of January 1st will be one municipality. The task at hand is difficult, however, we are obliged to work hard to break the deadlock'¹⁰. The result of the unification of the two areas was the creation of a municipality on January 1st 2011 with a deficit of 86.727.528,47 €¹¹.

Based on the above, one may observe that the debt of the Municipality of Nikaia-Aghios Ioannis Rentis is 'hereditary', as it has resulted from the merger of a big municipality in heavy debt and a small one with a significant surplus. In addition, according to data from the Ministry of the Interior regarding municipalities in debt, Nikaia- Aghios Ioannis Rentis held 28th position with a total of loan debt rising at 143% of its revenue¹².

Given the financial state of the Municipality of Nikaia- Aghios Ioannis Rentis, the new administration set the reduction the debt as its main political target, while according to the Mayor '(...) *we are working night and day to alter the situation. We are at a critical point both as a city as well as a country. Certainly, this is not easy for Self- Government. Especially, when ending up with a debt of 87.000.000€. All our efforts will be to organize things, curb uncontrollable and irrational spending encountered and render services functional for the wellbeing of the citizens. If we*

⁹ See article 'Municipality of Nikaia: Swamped in Debt' Sep. 08, 2003, <http://www.antenna.gr/news/Society/article/71873/-pnigmenos-sta-xrei-o-dimos-nikaias>

¹⁰ See: Kitsos, E. 'Municipality of Nikaia Bankrupt' Jan. 10, 2010 <http://www.halkidona.gr/2010/01/balance-sheet>

¹¹ See: 'The Battle of Kalliratis' Ta Nea Oct. 11,2011 p.12

¹² See: 'The Economic Trajectory of the Municipality of Nikaia- Aghios Ioannis Rentis (Part 2), <http://kinisipolitonnikaiasrenti.blogspot.gr>

manage to regulate our finances, then I would not be in hurry to characterize the municipality as a lost cause. This would be a new beginning’.

The municipal authorities of Nikaia- Aghios Ioannis Rentis have focused on the reduction of debt since 2011. The first step taken was to record/ document and determine the Municipality’s real debt. At a second level, the authorities made use of every means provided by the Government (e.g. settling overdue accounts) while at the same time trying to avoid Trusteeship at all costs¹³, without cutting back on social benefits at a municipal level. The basic policies of the authorities can be outlined as:

- Reduction of operational costs (by about 30%)
- Negotiation of old debts- Law 3858/2010 made provisions for extrajudicial settlement – which led to the saving of about 1.200.000€
- Dealing with finalized judicial decisions regarding employees and past debts (the Municipality paid out almost 1.200.00€)
- Clearance of rented spaces, as many services were transferred to premises owned by the Municipality that either had not been made use of or were overlooked due to bad space distribution, adding up to a total benefit of 250.00€ that would otherwise have been spent on rent.

Furthermore, relying on the technical resources of the Municipality there was an attempt to upgrade basic infrastructure (e.g. road resurfacing, improving the sewage system) and creating new social infrastructure¹⁴.

3.2 The fiscal problem

Moving on with the deposition of data regarding the economic profile of the Municipality of Nikaia- Aghios Ioannis Rentis, the indicators regarding the funding from the Government Budget (CAG) as well as the trajectory of municipal operational costs in conjunction with the repayment plan are worth mentioning. According to Table 3.2.1 State funding dropped by 57% between 2011 and 2013.

Table 3.2.1: State funding of the municipality of Nikaia - Aghios I. Rentis

CAG	2011	2012	2013
	18.513.141,60	11.780.610,48	11.359.399,86

Source: Processed data of the Municipality of Nikaia - Aghios I. Rentis

¹³ See: Βλ. <http://www.aftodioikisi.gr/ipourgeia/troika-gia-58-dimous>

¹⁴ . In an interview, the Mayor of Nikaia was resolved not to accept «επιτροπείας» for municipalities. ‘There cannot be Trusteeship in the decisions made in municipalities; this does not mean that there must be no control, so that mistakes of the past are not repeated in the cases of Mayors and Municipal Authorities with irrational expenditure and economic mismanagement that overburdened their budgets’ adding ‘There must be control, but control every month, or every quarter on our every decision on our every project is a situation we cannot accept because in this case it will not be us governing the municipalities: there will be no self-governance’ See: <http://newsta.gr/paradimotika>

Simultaneously, the reduction of Central Autonomous Grants between 2011 and 2013 was accompanied with a drop in operational costs of the Municipality by 30%. (Table 3.2.2).

Table 3.2.2: Operating costs of the Municipality (2010-2013)

	2010	2011	2012	2013
Payment	26.170.878,79	26.169.157,47	22.970.197,31	21.250.882,96
Fuels	704.426,20	625.981,82	638.523,33	473.767,13
Maintenance of fixed assets	1.250.665,95	296.710,12	220.616,30	119.522,49
supplies	1.445.360,94	743.564,22	531.911,30	350.922,64
Rents	696.762,38	269.536,77	257.281,44	152.927,58
Telecommunications	426.874,72	194.149,34	200.393,73	134.274,12
Other expenses	16.762.910,11	11.801.204,24	10.679.551,50	10.105.915,47
TOTAL	47.457.879,09	40.100.303,98	35.498.474,91	32.588.212,39

Source: Processed data of the Municipality of Nikaia - Aghios I. Rentis

On the other hand, in terms of debt collection, the attempt to gather accounts receivable from third parties between 2012 and 2013 were successful, thus significantly strengthening municipal cash flow and reducing debt toward the Municipality (Table 3.2.3. analytically presents progress made with accounts receivable). In other words, the Municipality of Nikaia- Aghios Ioannis Rentis managed in times of economic crisis and turmoil to reduce accounts receivable by almost 4.000.000€.

Table 3.2.3: Municipality claims by third parties (2010-2013)

	2010	2011	2012	2013
Claims	21.729.708,88	20.482.174,25	21.296.595,96	17.130.173,50

Source: Processed data of the Municipality of Nikaia - Aghios I. Rentis

The course of action described above followed by the Municipal Authorities led to the reduction of debt from 86.727.528,47€ on January 1st 2011 to 36.993.819,78€ on December 31st 2013. Table 3.2.4 presents the reduction of the initial debt per category of expenditure, while it is also highlighted that in 2011 an additional amount of 3.000.000€ from Central Autonomous Grants advanced down payments was at that time being repaid monthly by retaining 50.000,00€ from the annual State funding package (CAG).

Table 3.2.4: Reduction of initial debt by expenditure category (31.12.2010-31.12.2013)

CATEGORY	DEPT ON 31.12.2010	DEPT ON 31.12.2013
Debt to Social Insurance Institute (IKA) former Municipality of Nikaia	1.918.467,78	0,00
Debt to Social Insurance Institute (IKA) former Municipal Corporation	464.318,22	0,00
Debt to tax office	1.221.926,20	0,00
Debt to other Insurance Organizations	1.791.264,31	0,00
Debt to Athens Water Supply and Sewerage Company	3.408.917,84	0,00
Debts to suppliers	12.560.722,08	0,00
Debts arising from final judgments	1.946.892,03	0,00
Debts to interests	1.054.444,22	0,00
Debts to trial pending	15.044.393,34	0,00
Debts to suppliers & employees (former Municipal Corporation)	2.972.430,75	0,00
Debts to suppliers beyond five years	680.418,18	0,00
Debts to suppliers by acts of Court of Auditors	1.845.971,72	0,00
Debts to Deposit and Loans Fund	41.084.028,46	36.993.819,78
Debts to Emporiki Bank	733.333,34	0,00
Total Debt	86.727.528,47	36.993.819,78

Source: Processed data of the Municipality of Nikaia - Aghios I. Rentis

Regarding the distribution of municipal income (Table 3.2.5) the importance of the substantial contributions on behalf of the State and third parties as well as money returns which amounted to 10.217.834,0€, representing 19,1% of municipal income constitute an important factor . Furthermore, the increase of non-recurrent revenue by 24,8% from 2012 to 2013 was critical insofar that this was comparable to the municipal statutory revenue.

Table 3.2.5: Municipality income (2012-2013)

Nikaia - Aghios I. Rentis	Year	Regular income	Extraordinary income	Revenue from previous financial years	Collections from loans & demands from previous financial years	Collection in behalf of public sector & thirds & refunds	Cash balance
Percentage of municipal revenue							

	2012	61,4%	11,3%	1,1%	5,9%	19,1%	1,2%
	2013	37,4%	36,1%	0,3%	10,4%	11,7%	4,2%
Municipal income per capita							
	2012	311,38	57,50	5,74	29,72	96,92	6,27
	2013	324,86	313,42	2,28	90,67	101,42	36,34

Source: Ministry of Economics, elaboration by Psycharis Y.

When examining the distribution of municipal expenses, the largest percentage pertains to operational costs (52,1% in 2013) which within two years 2012-2013 we significantly reduced (by 20%), while as mentioned earlier between 2011-2013 dropped by 30%. In the opposite end of expense distribution one can find investment which in 2013 rose to 3.464.717,0€ representing 4,2% of overall expenditure, while in comparison to 2012 were slightly lower by only 0,6%.

Table 3.2.6: Municipal costs (2012-2013)

	Year	Operating expenses	Investments	Payments from previous financial years	Reserves
Nikaia - Aghios I. Rentis	Distribution of municipal spending (%)				
	2012	77,0%	4,8%	18,3%	0,0%
	2013	52,1%	4,2%	43,8%	0,0%
	Municipal expenditure per capita				
	2012	362,58	22,53	86,07	0,00
	2013	410,43	32,86	345,07	0,00

Source: Ministry of Economics, elaboration by Psycharis Y.

Table 3.2.7: Total Debt in million euros (2011-2013)

	2011	2012	2013
Nikaia - Aghios I. Rentis	74.048.878,0	74.536.294,0	50.046.877,0

Source: Ministry of Economics, elaboration by Psycharis Y.

Table 3.2.8: Total debt per capita (2011-2013)

	2011	2012	2013
Nikaia - Aghios I. Rentis	711,0	715,71	480,6

Source: Ministry of Economics, elaboration by Psycharis Y.

The overall debt of the Municipality of Nikaia- Aghios Ioannis Rentis is quite high when compared to cities of the similar population volume. According to criterion K2 of the Kallikratis Programme, a municipality is characterized as ‘in excessive debt’ when overall debt exceeds annual revenue by 60%. Bearing this criterion in mind, the Municipality of Nikaia- Aghios Ioannis Rentis was in a critical state with a debt of 130,9% in 2011, which by 2013 had fallen to 57%. In this sense, the case of the Municipality of Nikaia- Aghios Ioannis Rentis constitutes good practice the implementation of consolidation measures.

Table 3.2.9: Total debt to annual income

Nikaia - Aghios I. Rentis	2011	2012	2013
	130,9%	141,0%	57,0%

Πηγή: Ministry of the Interior and Administrative Reconstruction

3.3 Problem Perceptions and Causes

The various local active participants did not perceive the municipal debt problem under the same scope. A number of different views and various causes for the debt accumulation are registered resulting in two basic categories of reasoning: endogenous and exogenous. Endogenous factors pertain to internal decision-making processes in the municipality, while exogenous reasons originate in external socio-economic situations and upper-level governance. Following, indicative excerpts from statements of people involved in solving the debt problem of the Municipality of Nikaia- Aghios Ioannis Rentis are cited. They represent their notions about the municipal debt and the circumstances that created it.

3.3.1 Perception of the problem by the majority:

- *It is significant for a municipal authority to define its debt and economic situation right from the beginning because this will allow us to be judged, when we hand over office at the end of our administration (4 years)- Mayor 2011.*
- *The debt of the Municipality of Nikaia was 87.7 million euro at the end of 2010, when it merged with Aghios Ioannis Rentis (...) This amount is expected to increase by five or ten million euro because of the court cases pending in our Legal Services Bureau- Mayor 2011.*
- *In a time of recession and the debt we inherited surpassing 87 million euro, with reduced funding for Local Self-Governance by 60%, no one would expect a program of new projects in the city- Mayor 2014.*
- *In the good years when money was rolling in the streets, instead of working projects and zero debt, Nikaia accumulated debt- Mayor 2014.*

- *The recording of debt occurred at the right time and it became known that it reached 90 million euro. It was debt that was accounted for on the opening balance sheet of the new unified Municipality at 87 million euro and we discovered an additional 3.5 million over the following years- Vice Mayor of Finance.*

3.3.2 Perception of the problem by the minority:

- *The debt of the Municipality of Nikaia to the public treasury comes up to 1.5 billion drachmas, according to the disclosure of the Head of ‘Democratic Unity’ and Councilwoman at the City Council meeting two days ago (...) The 1 billion drachma loan of the current administration, as well as the amounts owed since 1998 are not included and nobody knows where the debt will end up by the end of the year –Ex Mayor, current Councilwoman (KKE).*
- *The biggest problem of the new Municipality is financial; an 80 million euro debt resulting in the incorporation of the Municipality in the consolidation program, as stipulated in the Kallikratis Program. We will have, in other words a kind of IMF hanging above our heads, meaning privatization of services, retrenchment of staff, curtailment of social expenses’- Candidate Mayor (independent, 2010).*
- *I will remind you where we started out when we took over the administration of the Municipality: there was no money for gas either for cars or for the swimming pool. We tried to locate funds even through personal contacts. We laid our claims by mobilizing citizens and employees outside the Ministry of Interior (newspapers reported that it was a long time since a municipality had protested in such a manner) and thus managed to get two down-payments and paid salaries for two fortnights. How could we repay the debt when our payroll was short half a million euro a month from State funding (that is 6 million euro a year)?- ex-Mayor (KKE) 2014.*

From all the above one can reach the following conclusions:

- The debt problem in the Municipality of Nikaia was known from the beginning of 2000
- The municipal authorities during the period 2002-2011 had not set tackling the debt problem as a priority
- No corrective action was taken in order to reduce debt from 2002-2011
- The administration of the municipality maintained a passive stance towards debt growth and never made recommendations to the political leadership of the municipality on the issue, either in writing or verbally
- The borrowing policy implemented by the Municipality of Nikaia was aimed at covering the payroll deficit of the municipal staff

- During the same period (2001-2011) the debt was dealt with through ‘mobilization of citizens’, ‘informative memos’ and personal actions’
- During the period 2002-2011 the sole political measure of tackling debt was making use of regulatory Law 3345/2005 for the freezing of installments for partial amortization of interest-bearing loans for the fiscal years 2005 and 2006
- The municipal authorities up to the beginning of 2011 ‘exchange securing 4-year administrations with putting the municipality in debt’
- Only in 2011 was the full amount of debt determined which triggered the process of dealing with and reducing debt.

3.3.3 Majority view for the reasons that led to debt

- *The vast part of responsibility for the current financial situation of municipalities lies with the Mayors because of maladministration and mismanagement which the Ministry and the Governments should have stopped- Mayor 2011*
- *Until now, Self- Governance unfortunately functioned under the same bad rules as the Central Government: lack of transparency, irrational hiring, misery and favoritism- Mayor 2013*
- *The preparatory period for the 2004 Olympic Games in Athens was a lost opportunity for the Municipality of Nikaia when the Mayor in power then could have asked for anything... - Mayor 2014*
- *As there was no systematic inspection of budgets and summative reports the responsibility lies mainly on the Municipality- Vice Mayor of Finance*
- *You will not find in any Municipality with an organized warehouse issuing Consignment Notes or in/out invoices after receiving a signed requisition by a department Director based on an announced need for supplies- Vice Mayor of Finance, 2014*
- *The squandering of resources, the loss of opportunities of investing in programs that would contribute to securing income for the Municipality, failure in tax collection, the significant reduction in State funding, the results of the recession on the citizens,*
- *reduced collection of income from companies... - Vice Mayor of Social Services, 2015*
- *The irrational squandering, the excessive overtime requested by municipal staff, bureaucracy and over-borrowing- Vice mayor of Technical Services 2015*
- *Mismanagement, irrational squandering of resources, favoritism hiring of staff, transfer of responsibilities without the relevant transfer of funds- Vice Mayor of Green Spaces and Parks, 2015*

3.3.4 Minority view for the reasons that led to debt

- *Municipalities were forced to take out loans because of pressure for development, new administrative responsibilities like the municipal police, social work and developmental work – Ex Mayor, 2014*
- *Uncontrollable subsidies of athletic associations, cultural associations and the local press to support municipal Public Relations- Ex Mayor 2014*
- *Because what we were used to all these years, those of us participating in municipal councils, was that the only economic and political action taking place during board meetings was the discussion of loans Independent Councilor 2013.*

3.3.5 Administrative view for the reasons that led to debt

- *The number of employees and the payroll cost before the time of the memorandum brought on the increase of payroll need of the municipality that were dealt with further borrowing- Director of Financial Services, 2014.*

3.3.6 View of social partners, journalists etc. for the reasons that led to debt

- *For those who are unaware of the situation must be said that Mr..... as a Mayor had organized a program of summer swimming for Day Care Centers for the Elderly and other citizens by coach to the private beach 'Yabanaki' in Varkiza! The debt from this 'idea' came up to 175.000,00€ as the mayor paid neither the coach company nor the beach entrance! The reasoning of Mr was in simple terms 'I implement social policies with money I do not have and will be paid for by the next administration' (Blog post-Renti, 2014).*

Taking into consideration all of the above, the acute financial problem of the Municipality of Nikaia- Aghios Ioannis Renti is a direct result of policies of the consecutive municipal authorities between 2002-2011, while the reasons behind the creation of this debt lies in the integration policies of Self-Governance as a local authority, the milestone being the Kallikratis Program.

The following explanations need to be added to reasons behind debt growth:

- Irrational Squandering of resources
- Lack of transparency, mass hiring and favoritism
- Implementation of policies without having secured the funding, so the next administration would have to pay for
- The lack of an organized and systematic control of budgets and summative reports
- Reduction of State funding
- Transfer of more responsibility to Self- Governance

- The dramatic increase of public spending to satisfy debt due to loans received during the period prior to 2011.

3.3.7 Endogenous causes for the creation of debt according to the majority

- *Do you know how much the amortization I found in 2011 for 42.000.000€ at the Consignments Deposits and Loans Funds is? 680.000€ a month. Tell me which city can survive paying interest of 680.000€ a month for 42.000.000€ while owing another 45.000.000€. It isn't possible for this city to survive- Mayor 2014*
- *My personal view is the we had to deal with management that didn't care if the municipality was put into debt- Mayor 2014*
- *And of course the other majority problem is (...) can you have tax collecting mechanisms? In today's Self-Governance world, no! So we are unable as services but as political will to go out and collect our money- Mayor, 2014*
- *... they were forced to complete projects and purchase supplies without having secured funding from the Central Government – Vice Mayor 2014*
- *There was an inability to collect old taxes and debts, as the law stipulates whereby when someone owes the municipality over 300€ the municipality can block the issuing of a Tax Clearance Certificate; this never applied- Vice Mayor of Finance, 2014*
- *The biggest problem that over-borrowing caused to municipalities was the following: there was need for expenditure without managing to match revenue in budget balance sheets. The result was that until 2011 we have fictional budgets- Vice Mayor of Finance 2014*
- *In the organizational problem of the two municipalities, a great problem was the totally irrational structure of services that did not allow for printed data necessary in the decision-making processes of the municipality - Vice Mayor of Finance 2014*

3.3.8 Endogenous causes for the creation of debt according to the minority

- *The loss of EU funding that was a good source of revenue- Ex Mayor, 2014*
- *... the other weakness was though the hiring of staff and favoritism- there were too many workers hired - Ex Mayor, 2014*
- *... they were using the municipal services as a means of repaying special favors by hiring staff, I for example when leaving the Municipality in 1990 had a total number of 600 workers. When I returned in 2006, there were 1700 - Ex Mayor, 2014*
- *... therefore the Municipality was forced to take out loans for two reasons: one to respond to the stipulations of General Urban Development Plan and the studies for the review of expropriation of land, which self-governance failed to eventually address, and the second was to deal with the sewage system- Ex Mayor, 2014*

- *In the meantime, there was no development project in the Municipality of Nikaia because all the funding received either from the expropriation of municipal land or projects were sacrificed at the altar of staff payroll, while at the same time perpetuating the situation with new loans and debt - Ex Mayor, 2008*
- *Mr. ... was bound to a political choice but also a personal attitude that does not allow him to stop the deterioration of municipal finances, nor to secure the legal payment of the staff. Because he cannot plan a contemporary economic policy that will have a sharp assertive edge and that will exhaust every possible source of income from the central government and simultaneously create local sources of revenue, so that in the long term the municipal needs be met- Ex Mayor, 2008*
- *While the Municipality of Nikaia owns 1000 acres of valuable land, there is no plan of development so that this render valuable revenue- Ex Mayor, 2008*

3.3.9 Exogenous causes for the creation of debt according to the majority

- *(...) responsibility lies on both sides, the municipalities should have been forced to produce real budgets- Vice Mayor of Finance 2014*
- *Self-Governance should dislodge itself from central administration and it is late in doing so. Unfortunately, as everything else in this country, this is a sector that has been set back. It is inconceivable, for example, that we cannot implement tax policies and be dependent on the Electricity Company to collect our municipal taxes when the Electricity Company charges Local authorities huge commissions. For instance in my municipality in the Municipality of Nikaia- Aghios Ioannis Rentis the commission charged is 800.000 €. This sum could pay a couple of dozen employees to do this job. Instead of that, we are begging the Electricity Company to do it for us because there are no legal mechanisms set up for municipalities to collect. This is a big problem. If the Electricity Company cannot collect due to fear of disconnecting supply, the municipalities do not have the means to put pressure on tax collection- Mayor 2013*
- *Over the past three years self-governance has been deprived of 62% of State funding. For 2013 it seems the reduction will be even larger, because as we incorporate Central Autonomous Grants (CAG) and the ever falling Impairment Collective Decision of Local Government (CDLG) this amount may reach 65%. If we consider that in 2009 self-governance received annually 215.000.000€, in 2010 and 2011 the sum was reduced to 168.000.000€ and last year in 2012 we reached less than 130.000.000€ and this year about 101.000.000€. This is the picture- Mayor 2013*
- *Today a mayor is very happy if he can cover expenses for maintenance and the payroll, these are the two main areas left to us, and it is uncertain we can even do that: to pay the staff on time and repair our infrastructure. I recon mayors in 2014 will be judged by their ability to have carried out repairs and conservation and covered the payroll of those that have collected garbage. The*

era when mayors were judged by their projects is long gone, the chapter 'projects' is closed. This is a huge degradation of self-governance and there is a huge gap from European self-governance, the average of which we had come much closer in the last decade and converged even more. In the last three years, we have diverged once again, and this is due to lack of revenue- Mayor 2013

- *Economic turmoil has drastically reduced our capability- the merging of municipalities has turned financially sound municipalities into indebted ones. In my case, I was Mayor of one of the most financially wealthy municipalities with a 10.000.000€ surplus and I have found myself mayor of a municipality with a deficit of 90.000.000€- I ended up owing 80.000.000€ as a new municipality. Similar cases have occurred elsewhere in other municipalities in Attika. Along with the recession- as the mergers coincided with the beginning of the recession- municipalities found themselves in dire fiscal circumstances, out of which no one know if and when they can be overcome- Mayor 2013*
- *A coordinated battle in collaboration with the municipal staff and the citizens is the only way to pressure the government into providing a solution to the impasse the municipalities have found themselves in. The Minister of Interior cannot ignore the payroll problem of 1000 Nikaia staff- Mayor 2013*
- *The upper level of administration is to blame for the reduction by 60% of government grants to self-government- Vice Mayor of Technical Services 2015*
- *The reduction of State funding plays a significant role in economic predicament of the Municipality which negatively influences the debt problem- Vice Mayor of Social Services 2015*

3.3.10 Exogenous causes for the creation of debt according to the minority

- *... we have a disproportionate transfer of institutional competencies without the respective funds. This is one of the basic reasons the deficit budgets started appearing (...) In other words, local self-governance has been enriched with further competencies but not with respective financial abilities – Ex Mayor 2014*
- *The economic difficulties in the Municipality of Nikaia- Aghios Ioannis Renti as can be noted from the Balance Sheets is the same as all other municipalities around the country (...) Even municipalities that has the luck, let's say, of having Industries and small factory plants etc like Rentis, even these municipalities where 90% of their taxes do not come from ordinary citizens are facing problems- Ex Mayor 2014*

3.3.11 Exogenous causes that led to debt according to the view of social partners, journalists etc.

- *2011 was a very difficult moment, with our country crushed between the troika and the memorandum and self-governance being called upon to function with 60% less funding from the State with the former Municipality of Nikaia carrying a huge debt of 87.000.000€ (blogpost-Renti, 2014)*

- *The attack Self-Governance has undergone during the past three years from the central state is unprecedented. For the first time we have seen staff reduction of 30% and competencies like Municipal Police and School Guards being struck off. If, to the above, we add the shortcomings and the inability of the Kallikratis Program to respond to the current state of affairs and the difficult venture of making the two Municipalities of Nikaia and Rentis function in a unified manner, once can realize why the self-governing administration ending, was the most difficult ever (blogpost-Renti, 2014).*

Regarding the reasons why the Municipality of Rentis was led to debt, the governing majority seems to believe that it is due to the squandering of available sources, inability to collect taxes and the lack of existing balanced budgets. In addition, according the majority previous municipal authorities ‘completed projects and ordered supplies without having secured funding from the central government’.

Furthermore, the lack of a clear account of the real debt on an official municipal database construed a significant problem. This was dealt with, to a significant extent, through the Kallikratis Program with the creation of developmental systems of surveillance and control of the financial data (on a Pan-Hellenic level) of all Municipalities.

On the other hand, the minority, during the days of whose governance the debt of the Municipality of Nikaia almost doubled, regards the creation of the debt a result of not utilizing EU funding which ‘was a very good source of revenue’, the ‘favor-exchange with irrational hiring of staff through Municipal Services and the ineffective demand of further funding from the central government.

A basic exogenous factor in debt accumulation in the Municipality of Nikaia according to the minority view was the reduction by 62% of state funding while blames the collective institutions of self-governance for ‘compromising retreats without any reaction’.

Moreover, in the view of the majority, the result of the amalgamation through the Kallikratis Program was that the fiscally sound municipality of Agios Ioannis Renti became indebted. The present Mayor very aptly states: ‘In my case, I was Mayor of one of the most financially wealthy municipalities with a 10.000.000€ surplus and I have found myself mayor of a municipality with a deficit of 90.000.000€- I ended up owing 80.000.000€ as a new municipality. Similar cases have occurred elsewhere in other municipalities in Attika. Along with the recession- as the mergers coincided with the beginning of the recession- municipalities found themselves in dire fiscal circumstances, out of which no one know if and when they can be overcome’.

Additionally, as stated by the majority, in times of recession, the transfer of responsibilities should definitely be accompanied by the transfer of corresponding funds, otherwise these types of political decisions may deem themselves as not economically viable. This rule is also highlighted and regulated by article 9 of the

European Charter of Self Governance:’ the financial resources of the local authorities should be correspondent to their obligations’.

Finally, according to the majority one of the factors behind the turmoil in the Municipality of Nikaia- Aghios Ioannis Renti and the resulting debt growth is the inability to collect financial obligations of citizens towards the municipality (rented municipal property, taxes etc.)

In the Municipality of Nikaia- Aghios Ioannis Renti, the financial situation can only be described as dismal. To be more specific, during the last four years the Municipality is facing:

- Unprecedented cuts in state funding, reaching 62%. The Municipality found itself dealing with restrictions and stagnation initially, followed by the reduction of equity capitals (municipal taxes, royalties, licenses, contributions)
- Grave problems because of the restricted capacity of NSRF in contributing towards local investment and infrastructure improvement. Furthermore, the option of loans for the finance of local development initiatives had eclipsed, ending up only in financing and restructuring Municipal debt.
- Increase demand in funding and staffing necessary due to the integration stipulated by the Kallikratis Program.
- The continuous trimming of staff due to retirement or benching
- Increased funding commitments and needs in staffing of social structures and initiatives especially at a time of increased demand because of the socio-economic crisis. Recession has led to the increased demand for municipal goods and services. This means the institutions of self-governance should have had at their disposal appropriate services (well-staffed, fiscally viable, compatible with the needs of the local society, citizen-friendly etc.) so that they can successfully respond to their intended goal. Within this framework Local Authorities are proving themselves as essential pillars of social cohesion. This means that they need to function as safety nets for the socially disadvantaged, simultaneously contributing to the civic solidarity.

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

In the following part of this case study, an evaluation of the means of debt control is attempted in terms of effectiveness and impact.

4.1 Effectiveness of applied measures according to the majority

- ... the continuous attempt to increase revenue from past accounts that had been abandoned, a daily cash desk check and through regulating municipal debt which in the past resulted in the freezing of cash flow by creditors- Mayor, 2011
- Within the first nine months at the helms of the unified Municipality we have decreased operating costs by 30% through constant regulation of past debt- as stated in the Kallikratis Programme Law 3858 on extrajudicial settlements- which has allowed us to gather 1.000.00 to 1.200.200€- Mayor, 2011
- In my opinion, the Kallikratis Program has failed for two reasons: One is bad financial timing- it was wrong at a time like this, and while the country had signed its first Memorandum in 2010, to go into this kind of process when it was clear that financially things would get difficult, so what were we doing? They did not take that into account and the Minister of Interior stubbornly did as he pleased. The second reason was that the Kallikratis Program contained a number of democratic processes, undoubtedly very useful, but certainly for a different time; for example the Municipal Committee of Consultation, the Municipal Ombudsman and the Committee for Immigrants. All of these services were strangled by the adverse fiscal situation and as a result never operated, even in those municipalities that had every democratic intention of opening up these Services to the public. As an example, I would like to mention the case of the Committee of Consultation in the Municipality of Rentis (Kapodistriasis Programme) which I never managed to transfer to the unified Municipality of Nikaia- Aghios Ioannis Rentis. When my main worry was how to pay workers fortnightly, I could not really tackle issues like this. It almost sounds like a joke when in a city that could not even cover basic expenses, would set up institutions like those stipulated in the Kallikratis Program. These are institutions of a 'healthy' democracy, standing on solid ground in which institutions like these would help it grow. We tried to create these new institutions at a time when democracy was yielding because of bad timing. When you try to introduce institutions that have not matured in the conscience of the citizens, then in fact you do not strengthen the process, you weaken it. They take a long time to become part of citizen awareness but were destroyed at the very same time they were introduced. We reached a point when Local Self-Governance requested the abolition of these institutions- institutions that are inherently good- because of the financial timing. I reckon that if we had discussed the Kallikratis Program four- five years earlier or introduced it ten years later, it would have been a very interesting challenge. The given time we adopted this programme could

only have developed negatively, providing bad service to all self-governance- Mayor 2013

- *The state gave us the opportunity regulate debt to public funds, Inland Revenue and Social Security through retained earnings while at the same time considering these debts as overdue. I was expecting to reach the deadline at the end of June and during the last week of June I tried to regulate debts towards Social Security etc. As a result, of the 8.000.000€ that I was expected to receive, 6.000.000€ were involved in this exchange. In other words, the state owed me 8.000.000€ and they told me with this amount I could pay off my debt towards the state- I owed only 6.000.000€, which until then I had not paid and I let the amount increase. So off I went to pay off the debt from this amount of 8.000.000€- so what is left to pay for amounts overdue? The 2.000.000€ that I had left. Therefore I did not pay for overdue debts that initially amounted to 8.000.000€- this way I only paid 2.000.000€- Mayor 2014*
- *We did the following: having insider knowledge, we made sure we added to the overdue accounts as much as we could- we added everything we could- Mayor 2014*
- *... the introduction of Supervision by the Ministry of Interior is a process with strong supporters but also opponents, from a political standpoint though this was a type of control of the municipalities which was a necessary good- Vice Mayor of Finance- 2014*
- *... apart from the rent reduction from 500.000€ to 150.000€, the cuts in various costs, the introduction of prerequisites for the reduction of operational costs of about 2.000.000€ per annum including the service fees I told you about, together with spare parts, green spaces all of which were our basic pillars. The important thing was that we created a new legal entity that controlled funding, we shut down all the other legal entities as stipulated by the law, replaced it with one municipal enterprise where expenses are constantly being checked- Vice Mayor of Finance 2014*
- *The Kallikratis Programme curbed the appetite of maladministration- Vice Mayor of Green Spaces and Parks 2015*
- *The Kallikratis Programme provided municipalities with the directives and IT systems in order to be able to function- Vice Mayor of Finance 2014*
- *and Parks 2015*
- *Many times Supervision has a negative impact by blocking the finances of local self-governance resulting in the problematic operation of the Municipalities- Vice Mayor Of Social Services 2015*
- *The Kallikratis Programme helped in the reduction of unaudited municipal spending and hiring without control- Vice Mayor of Technical Services 2015*
- *Economizing in sources and overtime along with the tidying of services contributed to the achievement of fiscal goals- Vice Mayor of Technical Services 2015*

4.2 Effectiveness of applied measures according to the minority

- *The issue of debt for the Municipality of Nikaia requires a more rounded approach. The maladministration of previous administrations brought us here. Our municipal party and I personally promise to make use of the possibilities in pooling resources, like the reduction of operational costs, making good use of municipal assets and development through innovation- Candidate Mayor 2011, (New Democracy- Center Right)*
- *Unfortunately, the Kallikratis Programme gave municipalities responsibilities providing minimal funds from the state. After implementing the programme, the shortcomings became evident and its inability to respond to the current circumstances was clear. We owe the citizens to live up to their trust- Candidate Mayor 2014*
- *The Kallikratis Programme brought municipalities new responsibilities simultaneously cutting back on funds, making the functioning of municipalities difficult. The abolition of the Kallikratis Programme by a Leftist government along with the creation of a new urban planning framework would provide a solution- Candidate Mayor 2014*
- *Through the Kallikratis Programme, Central Administration rid itself of responsibilities passed on to municipalities which now citizens have to pay for. The transfer of Children's Day Care Centers to the municipalities for instance was a negative development. Laymen and the working class pay, while the Government is free from all responsibility- Candidate Mayor 2014*
- *More responsibilities the reduction of funding by almost 60% from Central Autonomous Grants are leading municipalities to privatization of certain services or even their termination. That is why, as a political movement, we need to demand municipal debt reduction, if not even an entire debt write-off, so that funds can be redistributed to social needs- Candidate Mayor 2014*
- *Treasury management entails commitment and hard work. Political management entails lifting flags and shouting. Both of these may coexist. Nevertheless, without the first, there never be any tangible results- Independent Councilman 2013.*

4.3 Effectiveness of applied measures according to the administration

- *We reduced our operational costs- Head of Financial Services 2014*
- *(...) in general we implemented measures. We tried to block the issuing of a Certificates of Tax Clearance for those who were in debt- that was our legal right- and also confiscated assets - Head of Financial Services 2014*

4.4 Effectiveness of applied measures according to social partners, journalists etc.

- *There is a true budding of infrastructure projects under development in the Municipality of Nikaia- Aghios Ioannis Renti. With proposals aimed at specific*

European funding programs, the municipality has secured and streamlined projects worth over 30 million euro which are of essence and not mere re-paving of sidewalks. At the same time, the debt of the Municipality not only did not increase but it was also reduced by 37 million euro- newsta 2013

- *In the fiscal years 2012 and 2013, the effort to collect debts towards the Municipality from third parties resulted in the increase of cash flow in the Municipality and the reduction of debt. We can observe, therefore, the excellent work carried out by the financial services, especially at times of recession and hardship, to reduce debt towards the Municipality by about 4.000.000€. In other words, we managed to curb debt towards the Municipality at a time when debt towards the State doubled (Civic Movement 2014).*

4.5 Conclusions

Since the creation of the new Municipality on January 1st 2011, specific measures were taken and policies implemented so that the debt, reaching 87 million euro, could become viable and its payment feasible¹⁵.

- Regulating debt to the Deposits and Loans Fund through a long-term repayment programme
- Reforming Municipal operations and Legal Entities under a more rational scheme while reducing costs
- Increasing municipal revenue in view of financial independence at a time of plummeting state funding
- Strictly observing the consolidation programme that resulted in the significant reduction of the initial debt to 37 million euro at the end of 2013, the creation of cash surplus of 4.5 million euro and the repayment of all overdue debt.

What is noteworthy is the fact that recession and the stable reduction of Central Autonomous Grants since 2011 was dealt with through the implementation of rational and viable policies of financial administration. Specifically, the reduction of 26,6 % of State funding from 2011 to 2013 was outbalanced by the increase of revenue pertaining to the economic independence of the Municipality by 12% and the reduction of operational costs by 18,4%¹⁶.

¹⁵ The improvement of the economic situation in the Municipality of Nikaia- Aghios Ioannis Renti can be observed in the Balance Sheet for the fiscal year 2013. It indicated earnings of 22.7€ million while the overall municipal debt was reduced from 87€ million to 37€ million, this amount resulting from bank loans only as all suppliers had been repaid. In an interview to the investigation team, the Vice Mayor of Finances (2014) stated 'despite bad economic timing, the Municipality has rid a large portion of its debt' highlighting the collection of debts to the Municipality falling from 21€ million in 2012 to 17€ million in 2013 simultaneously reducing municipal loans from about 42€ million in 2010 to 38€ million. In regards to the collection of taxes the Mayor mentioned 'we tackled all past debts, we sought out all amounts owed and ways to collect these amounts- for example by blocking the issuing of tax certificates etc. This was a very important job that worked long-term and could lend results overnight'.

¹⁶ Regarding the sectors where cost reduction occurred, the Vice mayor of Financial Services mentioned that payroll started off in 2011 at 26€ million and went down to 21€ million in 2013, gas expenses

The reduction of operational costs, to be more precise, was the result of the tracking of stock, supplies and machine and automobile parts, the electronic processing of the municipal warehouse, analytic accounting- costing, the curbing of expenses (for instance rent expenses of 250.000€)¹⁷, telecommunications, gas, and automobile or mechanical maintenance¹⁸.

The Mayor of the Municipality of Nikaia- Aghios Ioannis Renti appears to be adverse to the framework of Supervision considering that there cannot be any supervision of municipal decisions. This, however, does not mean that there should be no control on Mayors and Municipal Authorities so that cases, like in the past, of fund squandering and irrational spending along with maladministration, resulting in excessive debt are avoided. On the other hand, the Mayor believes that frequent control is not acceptable (at a monthly frequency for example), as it interferes with the principle of self-governance.

It is commonly accepted by both the majority and the minority, that the implementation of the Kallikratis Program brought along, for the municipalities of the country, a number of responsibilities and services that were not accompanied by the transfer of commensurate funds to cover their smooth operation. The Mayor of the Municipality of Nikaia- Aghios Ioannis Renti, when asked about the Kallikratis program, mentioned that 'it has failed because of the bad economic situation- the given time the program was adopted, the development was negative, providing only bad service to Self-Governance' On the other hand, the implementation of this program along with the new institutional framework, has also had a positive impact such as the enforcement of financial rules and transparency in municipal administration. This was achieved through the introduction of the Diavgeia database, on which all hiring, purchases, tracing of expenses, the disclosure of the financial state of municipalities and all issues pertaining to self- governance and elected representatives must be

dropped from 625.00€ to 470.000€ in 2013, maintenance costs have been halved, while supplies were cut from 750.000€ to a staggering 350.000€ in 2013. There was a great reduction in telecommunication expenses from 200.000€ to 130.000€ in 2013 which will decrease even more as the provider was switched in the middle of the year. Other operational costs were cut by 1.2€ million from 2011 to 2013. The vice-mayor also mentioned that amount spent on Legal Entities was also significantly reduced as for example in the case of Social Protection where the National Strategic Reference Programme provided necessary funds. At the same time, the settling of overdue debts and the regulation of debts towards Social Security and Inland Revenue through retained funds, further reduced municipal debt which has to an extent been repaid,. As a result the municipal balance sheets shows the deficit of 4€ million in 2012 to have altered into a surplus of 22€ at the end 2013. 'All of this was achieved by, Municipal Authorities remaining true to themselves and by strictly adhering to the programme of financial restoration presented to a Committee of the Ministry of Interior, based on article 152' Commented the Vice Mayor.

¹⁷ Services and institutions were transferred to buildings owned by the municipality that either had not been used before or had not been considered due to bad distribution of space. Practically, this meant 250.000€ saved that would have otherwise been spent on rent expenses. See: <http://www.halkidona.gr>

¹⁸ The Opposition has leveled criticism to the above mentioned policy. To be more specific, the Head of the Opposition, reiterated his concerns about demanding more funds from the central government making reference to cuts from Central Autonomous Grants but also to the funding of Legal Entities by the Municipality. He also noted that much of the money collected was from business enterprises that had already foreclosed or were on the verge of foreclosure but had been forced to pay for fear of having their bank accounts confiscated, for example.

uploaded. This has additionally limited the opportunities for uncontrollable borrowing which led municipalities in the past to bankruptcy.

Taking into consideration the aforementioned findings, we can focus on 3 basic points:

- i) The rationalization of finances and the correct fiscal management aiming at the curbing of operational costs (payroll, supply purchase and use etc.), the implementation of cost-effective processes (IT based solutions), the adoption of policies like 'cost-effect relation' and performance control systems etc.
- ii) The use and good management of assets
- iii) A change of direction: the Municipality does not beg or demand part of owed taxes from the central government but should have those mechanisms in place to collect taxes, to be allowed to do so, or to be able to set into motion what has been allowed on the premise that these processes transform income into public property and resume tax autonomy.

This way, taxation at a local level will become part of citizen consciousness balanced by the provision of services by the municipalities. This is the only way to disentangle local government budgets from the state budgets that will result in the dislodging of Self-Governance from the clientele/favoritism system of central administration. Furthermore, it will assist in achieving the main goal: the promotion of financial and social development at a local level and the provision of goods and services.

5. Debate

In this section, the debate on the financial problem of the Municipality, the key players engaged in this debate and role of the local Media is presented.

5.1 Majority viewpoint about the debate over municipal debt

- *What was important for us to do, however, was to record the exact extent of the debt, as the previous Municipal Authority claimed that the amount came up to 30.000.000€- anyone could claim anything they wanted. What we did was to record the debt, present it to the press providing all the data analytically, presented how the debt developed at the Consignment Deposits and Loans Fund from 2003 to 2010, debt to constructors etc. We presented the data to the City Council, the amount of 87.000.000€ was agreed on with the exception of the Communist Party KKE, we informed everyone, presented the issue on TV, did wherever was necessary, as it was important to convince the citizens- and they would have been convinced, even if we were liars, because we communicated the issue well. – Mayor 2015*
- *... examine the aspect of data transparency, as this is an issue that everyone is forced to abide by through the Diavgeia database which was an important measure for Greek society and especially for the Municipality of Nikaia that uploads financial data every quarter and every year- Vice mayor of Financial Services 2014*
- *Public debate is the foundation of the democratic processes that govern the municipal authority. The debt problem is discussed in all municipal institutions, the local press, public meetings and the citizens- Vice mayor of Social Affairs 2015*
- *The citizens and interested bodies were informed about the real financial state of the municipality through press releases - Vice Mayor of Technical Services 2015*
- *Everywhere, wherever the Municipality had access. All means of public debate were exhausted in an attempt to make the issue public- Council to the Mayor 2015.*

5.2 Minority viewpoint about the debate over municipal debt

- *The discussion about the budget should have taken place with the presence of relevant institutions and citizens- Independent Councilman 2013*
- *What we usually discuss remain shut behind the closed doors of Municipal Councils, no one is informed in essence of what is happening, what is being discussed and we allow any sort of information to be waft around the city depending on what the source may be- Independent Councilman 2013.*

5.3 Conclusions

The briefing of citizens and political parties about the financial state of the Municipality of Nikaia began with a memo addressed to the parliamentary groups of the political parties that the Mayor of Nikaia and the President of the City Council have sent on Monday November 30th, 2009. The basic demand of the Mayor at that time was the ‘coordinated struggle together with the municipal workers and the citizens of Nikaia to force the Government to solve the financial impasse the Municipality found itself in’ and added ‘It is impossible for the Minister of Interior to ignore the the payroll problem of more than 1000 employees of the Municipality of Nikaia’.

In essence, the debt issue was put forward as a problem in need of a solution during the 2011 pre-election rallies. The problem was highlighted by the ex-Mayor of Aghios Ioannis-Renti who was a candidate of the newly formed Municipality of Nikaia-Aghios Ioannis-Renti, a result of the Kallikratis Program, and became the main weapon in his election campaign against his contender the ex-Mayor of Nikaia who was regarded as the one responsible for the debt predicament of his municipality. On the opposite end, the reputation of good mayor/ an administrator who succeeded in creating a surplus of 10.000.000€ in his municipality followed the ex-Mayor of Aghios Ioannis-Renti which led to effortless victory during the second round of Municipal elections in 2011 with a staggering 60,36% of votes.

The following step was for the newly-elected Mayor, in collaboration with the Vice-Mayor of Financial Services and other municipal institutions, to trace and record the exact the actual debt of Nikaia. He then called a press conference (February 22nd, 2011) where a detailed account of the debt trajectory from 2003 to 2011 was disclosed with the purpose of ‘revealing, for the first time, the true predicament of the financial state of the municipality’¹⁹.

The following step was for the newly-elected Mayor, in collaboration with the Vice-Mayor of Financial Services and other municipal institutions, to trace and record the exact the actual debt of Nikaia. He then called a press conference (February 22nd, 2011) where a detailed account of the debt trajectory from 2003 to 2011 was disclosed with the purpose of ‘revealing, for the first time, the true predicament of the financial state of the municipality’.

In addition, in 2013 the Mayor of Nikaia- Aghios Ioannis-Renti presented the financial data of the city, emphasizing those indicators pertaining funding from the national budget, the decrease of operational costs and any developments in debt repayment aiming at proving the success of his financial policies over the first three years of his term in office regarding debt control.

¹⁹ The Mayor of Nikaia- Aghios Ioannis-Renti emphasized, during a press conference, ‘Unfortunately for the Municipality of Nikaia my prediction were true and the situation seems worse than expected. Everything indicated, last summer, that the debt would amount to about 83.000.000€ but we all hoped we would be mistaken and things would be better. This however, is not true. The debt of the Municipality of Nikaia comes up to 86.727.528.47€ at 31.12.2010 and we expect this to increase by five to ten million due to the pending judicial cases, with the Legal Services.

Finally, during the re- election campaign of 2014, the Mayor of Nikaia- Aghios Ioannis-Renti advertised his accomplishments in the best possible way, communicatively focusing on the reduction of debt from 86.727.528,47€ to 36.993.819,78€. Published articles of the time carried titles like:

- *Huge deficit reduction in the Municipality of Nikaia- Aghios Ioannis Renti*
- *The Municipal Authority of Mr. Ioaneimidis reduced the debt of Nikaia by 50€ million*
- *Through important projects, the Municipal Authority of Mr. Ioakeimidis pull Nikaia out of impasse*
- *Nikaia regards 2013 with optimism. The Municipal Authority of Mr. Ioakeimidis averted bankruptcy and streamlined restitution*
- *The Ioakeimidis miracle in Nikaia*

6. Political System: input, throughput and output legitimacy, political culture, knowledge, leadership.

This unit focuses on the local political system and explains how local key figures formed ideas and made decisions while also how these policies towards financial stability in the Municipality of Nikaia- Aghios Ioannis Rentis were implemented and evaluated. Drawing from a number of sources, the main characteristics of legitimacy and transparency, the political mien and civilization together with knowledge and the leadership profile of the Municipal authority are presented, with regards to solving the debt problem.

6.1 Input Legitimacy

On a first level, the Municipal Authority of Nikaia- Aghios Ioannis Renti during the three-year period of 2011-2013, promoted not only policies for debt reduction but also took steps towards the improvement of the administrative ability of the Municipality as a public institution. The Municipality is regarded as a body providing communal goods and services and also as an institution securing the implementation of local policies according to the principles of sustainable growth and social cohesion, within the framework of National and European priorities. The purpose of these actions was to improve effectiveness and productivity as well as legitimizing the Municipal Authority's function. To be more specific the actions promoted within the municipal business plan within the period 2013-2014 aimed at²⁰:

- improving effectiveness and productivity of municipal services and better customer service
- improving the productive capability of municipal services, developing existing staff, computing automation, supply commissions as well as securing land and facilities
- improving the economic state of the municipality through a mid-term financial programme, close surveillance of the cost of services provided and rational fiscal management

As already highlighted, from 2011 to 2013 the Mayor of Nikaia- Aghios Ioannis Renti had set as a main priority the reduction and management of debt leaving behind the setting up of democratic institutions which he regarded as 'undoubtedly very useful, but certainly for a different time; for example the Municipal Deliberation Committee, the Municipal Ombudsman and the Committee for Immigrants' The Mayor concludes 'All of these services were strangled by the adverse fiscal situation and as a result never operated, even in those municipalities that had every democratic intention of opening up these Services to the public. As an example, I would like to mention the case of the

²⁰ Business Programme of Municipality of Nikaia- Aghios Ioannis Rentis 2013-2014, ΑΔΑ:Β4Τ8ΩΚΑ-ΣΚ7

Committee of Consultation in the Municipality of Rentis (Kapodistriasi Programme) which I never managed to transfer to the unified Municipality of Nikaia- Aghios Ioannis Rentis. When my main worry was how to pay workers fortnightly, I could not really tackle issues like this. It almost sounds like a joke when in a city that could not even cover basic expenses, would set up institutions like those stipulated in the Kallikratis Program.’

On a second level, and after the target of debt reduction had been achieved, the Mayor and the City Council of the Municipality of Nikaia- Aghios Ioannis Rentis extended an invitation to all local bodies of communal representation to participate in an open public debate regarding the five-year development programme 2015-2019 of the municipality. This invitation included professional, commercial, scientific, cultural, athletic and charity associations, local chapters of employee and employer organizations, parent-teacher associations, bodies of the society of citizens, the volunteer/non-governmental organizations, civic movement institutions and basically anyone interested in participating²¹.

Beforehand, the Municipality of Nikaia- Aghios Ioannis Rentis, in accordance with article 76 on the creation of Municipal Debate Councils of Law 3852/2010, invited on December 29, 2014 any citizen registered in the municipal electoral lists, as well as those listed in special electoral lists, as stipulated in paragraph 1 of the article, to fill out an application at the Municipality in order to participate in a random draw for the Debate Council Members.

Through this course of action, the opening of public debate through the establishment of the Public Debate Council, the municipal authorities of the Municipality of Nikaia- Aghios Ioannis Rentis attempt to redefine the traditional relationship with the citizens by implementing policies based on the notions of understanding, information, utilization. More specifically, the political debate opened by the Municipality regarded:

- the recording and utilization of different perceptions, view points and needs in existence at a local level
- the understanding both on the side of the municipal authorities as well as the citizens that commanding top-down solutions to problems is a futile exercise
- the utilization of communal experience, knowledge and creativity in existence at a local level

Given that the role of the opposition in a Municipal Council is not only important but also necessary because it controls the administration of the municipality and puts forward proposals for issues considered to be handled mistakenly, the legitimization of the Municipality of Nikaia- Aghios Ioannis Rentis appears to be strong. This is apparent

²¹ The open public debate lasted 16 days from January 15th to 31st. while in order to facilitate the process the interested parties were asked to complete a questionnaire comprising questions on each field of public policy for example, needs and problems of the Municipality in fields like the Environment and Quality of Life, Social Policy, Health, Education. Civilization, Sports, Local Economy and Employment.

in the minutes of the City Council meetings regarding budgets, where no serious disagreements are put forward, with the exception of the previous Mayor. For example, a candidate-Mayor during the 2011 budget voting stated: *the budget based on principles of management and accounting, it is a budget that tries to manage the crisis, which is evident through numbers, a crises originating in the Municipality of Nikaia, today's Municipal Unit of Nikaia.... We will neither vote for or against the budget. We will be present and will vote present on this particular budget and we will be- as we stated during the discussion of the technical programme close to you to demand an increase of income, to materialize the stipulations of the budget, because in the end, Self-Governance is not about rivalry and opposition, what one did do what did the other, but what can we do, and we will be here to judge particular actions in the process of materializing this poor budget, which is, however, and this I must repeat, in terms of accounting, sound.'*

In 2012 the ex-Mayor of Nikaia voted for the proposed budget while an independent candidate-Mayor mentioned: *however hard you made life during the pre-election period, we asked what is missing from this Municipality? Self-intelligibility. The person who can start the revolution of self-intelligibility will have won over the citizens. And, it's true, the first step has been taken: The city is cleaning up. The employees, through honorable attempts are standing by the Administration in the same way that the Administration and the City Council are standing by the workers, their beliefs and their just demands, because their demands are just, a person cannot live on 800€ when they were paid 1.300€ and we ask of them, as well of many others whose shops were closed down for example to pay municipal tax... I will vote in favor of the payroll which is a standard expense we can do nothing about, and I will vote present on all other programmes, including the technical programme which covers 30% of the budget.'*

The same applied to the vote on the technical programme of Municipality of Nikaia- Aghios Ioannis Rentis, as only the ex-Mayor, KKE-member and head of the 'People's Coil' movement voted against it, *'under whose leadership the Municipality was almost led to bankruptcy while the undertaking of any significant project was non-existent even though it was a time that self-governance was handsomely subsidized by the Government.'* On the other hand an independent candidate-Mayor stated: *We will vote for the first Technical Programme though we understand the difficulties being faced. We will stand by you to demand and win much more'.*

The Municipal Authorities of Nikaia- Aghios Ioannis Rentis managed in a very short time to gain wide public consent through the communal bodies of the Municipality and at the same time soften strong opposition on issues of financial management. In 2010, the situation in the Municipality reminded one of *'a sinking ship while the crew was playing cards. Until then the Municipality received more than 2.000.000€ in state funding while today it gets 800.000€.* Despite that we managed. All the managerial team of the Municipality and colleagues worked very hard to reverse the situation of

2010 we undertook a debt of 42.000.000€ to banks and 45.000.000€ to creditors. In this very difficult three-year period, we managed to reduce debt by 50.000.000€.'

What is very important is that no political group ever challenged the data on 2011 Balance Sheet or voted against it. For political reasons, the groups 'People's Coil', 'Beautiful City' and 'Against the Current' voted present. Respectively, during the closing remarks of an ex-Mayor on the 2013 budget discussion, she recognized *'the attempt of the vice-Mayor of Finance to rationalize and correctly manage the situation'* but notes: *'in an attempt to make the best of the situation the municipality has found itself, the authorities are making compromises and retreats'* adding *'the budget discussions are not being politicized but they are merely managing a situation dancing to the music that austerity Governments are playing and finally yields.'*

6.2 Throughput Legitimacy

The degree of legitimacy of the municipal authorities of Nikaia- Aghios Ioannis Rentis is very strong and this is evident in the responses of the members of the majority concerning the ways decisions are made in the various communal bodies of the municipality. More specifically, the vice- Mayor of Social Services claims *'The decisions are made in a manner of consent through democratic processes, while everyone may express themselves freely'*. On the other hand the vice-Mayor of Technical Services pertains that *'decisions are made top-down, while the Council members and lower municipal staff have no say'* and concludes that council members *'vote according to their political affiliation.'*

To the question how the Municipality of Nikaia- Aghios Ioannis Rentis managed to reduce its debt from 86.727.528,47€ in 2011 to 36.993.819.,78€ by the end of 2013, the Mayor responds *'When you take on the responsibility of a Municipality with excessive debt, nothing can be considered easy. From the first day in office our policies are based on three principles: Democracy, Transparency, Work. Democracy in decision making, transparency in our decisions and work without complaint aiming at improving the everyday life of the citizen.'*

6.2.1 Democracy

According to the Mayor *'All these years we have proven that we know how to listen to demands of local society, we know how to compose rational argument and most importantly how to be effective.'* In addition the Mayor firmly believes in *'powerful, independent Self-Governance based on transparency, democracy and meritocracy.'*

While the Mayor created the Public Debate Council during his second term in office of the Kallikratis Programme Municipality of Nikaia- Aghios Ioannis Rentis he notes that *'... if a society is not ready to earn an democratic institution, even if you give it away like a present, you do not help. Society was not ready for the institutions- lets*

accept that only certain sections of society were possibly ready. The Kallikratis Programme took us back financially, and put us in a position where even very progressive mayors and municipalities that had every intention of implementing these new institutions, or even dreamt of the day they would, were unable to do so. You do realize I cannot be discussing democratic institutions when the citizens are going hungry, when the everyday quest is how to feed a couple thousand destitute inhabitants and unemployed. If I manage to meet this basic need, I will then be free to move on, something I cannot do at present, and I am not ashamed to say it as I have been in the frontline for many years. Neither do I want to set up an institution per say and then claim it failed to function.'

Furthermore, according to the Vice-Mayor of Social Issues *'The democratic procedures are adhered to regarding decisions and everybody, regardless of rank, have a say and role in Municipal issues. Council Members in collaboration with vice-Mayors and Mayor, as well as members of staff express their opinions.'*

The Mayor has set up an Executive Committee in the Municipality with an enlarged composition. To be more specific *'... an Executive Committee should be composed of the Mayor and Vice-Mayors. The Executive Committee is composed of the Mayor and Vice-Mayors, the Chair of the Municipal Council, the Chair of the Legal Corporation, the Chair of the Municipal Enterprise. Therefore, all positions on the payroll are included and special collaborators also on the payroll- it has been like this for the past four yearsand now I have decided to also include the two Chairs of the School Committees as well as the two Chairs of the Municipal Units, one from Nikaia and one from Aghios Ioannis Rentis. This means that this body will comprise 20 members.'*

6.2.2. Transparency

According to the Mayor, the implementation of the Kallikratis Programme has also introduced positive measures *'... such as the enforcement of financial rules and transparency in municipal administration. This was achieved through the introduction of the Diavgia database, on which all hiring, purchases, tracing of expenses, the disclosure of the financial state of municipalities and all issues pertaining to self-governance and elected representatives must be uploaded. This has additionally limited the opportunities for uncontrollable borrowing which led municipalities in the past to bankruptcy. Within this framework, the Municipal Committee of Consultation, the Municipal Ombudsman and the Committee for Immigrants are all institutions intended to bring about serious changes to the day to day functioning of the Selef-Governance.'* He added *'Transparency in our every choice is a basic rule of our policy from which we do not diverge. Step by step we move towards the modernization of our services with the invaluable help of our staff so that efficiency and productivity is improved as well as the speed that the municipal machine moves. Through re-organizational*

interventions, rationalization and automation we are seeking to sufficiently respond to the demands of our unified Municipality.'

Further to the above, the vice-Mayor of Social Services, regarding the degree of transparency and legitimacy of the decisions made, comments: *'the smooth cooperation of all the elected members and the administrative staff of the Municipality help achieve our goals to a great extent (debt reduction) while all the decisions made are transparent and legal.'*

6.2.3. TeamWork

According to the Mayor *'We are working to solve the problems and weaknesses accumulated in the past, we are working to provide convincing responses to the challenges of today, we are working to open new routes towards the future our city deserves.'* The Mayor has complemented the contribution of all his colleagues, within the framework of problem solving and working by mentioning *'the Vice-Mayor of Finance has made a very special and important contribution to this goal. The contribution of all other members of the Municipal Authority such as Vice-Mayors, Chairs of Committees and Boards, Commissioners etc. who daily struggle to economize on recourses without sacrificing the quality of service provided by the Municipality to the citizens, is also noteworthy. Judging from the results, it seems we have accomplished our targets, as for the first time in years, the Municipality has a rich portfolio of completed projects to boast about.'*

6.3 Output Legitimacy

It is true that the Municipal Authorities in Nikaia- Aghios Ioannis Rentis, during the period 2011-2013, have a lot to demonstrate for as *'the municipal debt has been reduced, employees are paid on time, suppliers are compensated, the Municipality is functioning without a hitch, it is upgrading services on offer qualitatively and important projects are being streamlined etc.'* The year 2013 finds the Municipality in a very different position in comparison to 2011 *'when opportunities for development were constantly being overlooked.'* The trajectory of marginalization and self-exclusion has been reversed according to the Mayor who in an interview adds: *'Debts to third parties have almost been totally repaid, the debt towards social security services has been regulated, the benefit from extra-judiciary settlements amounts to 4.000.000€, the savings from incoming and outgoing materials reach 2.000.000 and the amount from rent no longer paid is 300.000€.'* The new Municipal Authorities can also take credit for the newfound labor peace, after years of turmoil, as the previous leadership could not pay employees on time resulting in industrial action on behalf of the municipal workers. Within this framework the Mayor explains: *'By respecting the money of our citizens, we closed the black holes of the past and managed to provide the staff with a sense of security which was long lost. The fruit of our labor is visible in plain view. We*

developed our social infrastructure and we feel justified because we managed to give emphasis to social providence and solidarity.'

Despite the fact that *'when in our days a municipality manages to cover the payroll expenses and infrastructure maintenance it is considered successful'* the Municipality of Nikaia- Aghios Ioannis Rentis did not only do what was *'expected'* but managed to include an number of developmental projects with funding from the National Strategic Reference Framework, the Region of Attika, the Green Fund and other state sources. In addition, according to the Mayor *'Our city is beginning to see the light after years of being in darkness because of the financial debt. We managed to transform Nikaia into a clean city without trash. Recycling has been promoted throughout the municipality and we are in the process of purchasing new advanced equipment to make the city even cleaner. We developed our Social Services by establishing a Social Grocery Store, Pharmacy, provided free Medical Check Ups and vaccination for those without social insurance, structures set up in the battle against poverty. All this was achieved through a strong network of social solidarity that developed among our citizens, under the auspice of the Municipality. Naturally, what we have accomplished so far is insufficient, as poverty is widespread. However, we have accomplished a lot and with your help we will do even more. We maintained and expanded our green areas, we developed more playgrounds, renovated school buildings, created four new Kindergartens. We reasserted the credibility of the Municipal Services, restored the good relations of the municipal staff with the citizens that had been disturbed in the past years, especially as all the inadequacies of the previous leadership had been blamed on the staff. We gained funding from the National Strategic Reference Framework, the Region of Attika and other sources so development projects worth 16.000.000€ have already been streamlined and will be altering the image of the city in the years to come. In time of recession, the only way to secure funding is through sources mentioned earlier. We succeeded through hard work.'*

6.4 Political culture

From the analysis so far of the political style of the decision forming and making process in the Municipality of Nikaia- Aghios Ioannis Rentis, it is apparent that, despite responses by interviewed municipal staff who claimed the opposite, decisions and supervision were top-down. Respectively, the fiscal political priorities of the municipality were set at a high rank by a small executive group which according to the Mayor *'...worked very hard to overturn the situation prevailing in 2010 when we accepted a debt of 42.000.000€ to banks and 45.000.000€ to creditors. We managed in the following three-year period to reduce the debt to 50.000.000€.'*

The administration of the Municipality had surrendered the entire decision forming and making process to the will of the Mayor whose opponents, nevertheless, agreed that he had *'clear thought and perception'*. The same occurred with the

implementation of the very strict fiscal directives which the leadership clung to under the directives of the Mayor and Vice-Mayor of Finance.

The faith of the administration in the municipal leadership stems from the mutual trust built on by the Municipal Authorities of Nikaia- Aghios Ioannis Rentis. Since 2011 the employees *'with honorable attempts were standing by the Municipality and vice versa'*. On the other hand, *'employees were paid, so we had a happy staff which would only say good things about the Municipality, as their pockets were filled with money, not only their salaries and overtime wages but also overdue payments. So each of them would get 8.000-12.000€ in back payments, at a very difficult time financially, therefore, they were the best advertisement.'* As a result, *'because of the municipal staff, the city was cleaned up and suddenly Nikaia became a relatively clean city, which no one could ever imagine.'*

Regarding the way decisions were reached at the various collective committees of the Municipality of Nikaia- Aghios Ioannis Rentis, it can be observed that these decisions were reached with consent and never under circumstances of political turmoil and sterile opposition. By examining the minutes of voting sessions for budgets, balances and technical operational programmes of the municipality, the opposition appears to recognize from the results, the efficiency of the policies for financial stability and by keeping a low key when addressing the council either voted 'present' to adhere to their political affiliations or voted in favor of the proposals, as in the case of the technical operational programme.

However, just before the 2014 municipal elections, there was a rift in the cohesion of the ruling majority. To be more specific, four city council members of the majority group accused the Mayor of Nikaia- Aghios Ioannis Rentis of *'degrading and discrediting them, even within their own municipal group'*, *'keeping them in the dark about vital information regarding the city and its citizens'*, *'a total lack of social policies'*, *'accepting them only when voting what was dictated to them'* and *'utilizing staff that only came from the Municipal Unit of Aghios Ioannis Renti'*. Finally the Mayor was accused of *'arrogant behavior which prevented him from seeing anything else but his overweening ego.'*

6.5 Knowledge

There seem to be two very basic tendencies concerning the type of knowledge on which decision making is based on in the Municipality of Nikaia- Aghios Ioannis Rentis. The first tendency depicts the Mayor (City Boss leadership style) as a key figure, who *'...has extensive experience, based on which educated decisions can be made without the need of external consultation, in order to achieve agreed goals.'* This notion is supported also in the press of 2013 where *'... for the first time in years Nikaia has a Municipal Authority with a vision and concrete planning and above all tangible results in terms of infrastructure results. The Municipal Authority though only two years in office has streamlined and is currently building- in times of economic crisis-*

more projects than ever in the eight years of the previous administration. More importantly, more projects are underway, awaiting approval for funding’ was printed.

The second tendency describes a situation whereby municipal executives possess needed experience and are able to implement ready top- down decisions, without, however, being able to challenge or counter-propose in the case they disagree. Additionally, there is a total lack of presence of local knowledge (social partners, entrepreneurs etc.) as they do not participate in the decision making process. This is also confirmed by the mayor himself, when asked if external expertise was utilized in the quest for debt reduction he responded by saying ‘... *what I have yet to find in local Self-Governance- I may not have looked close enough- is the existence of experts in specialized areas and specific knowledge. I reckon not that they do not exist but it’s difficult to locate them – those who have specialized knowledge and who will not deceive you. After all which specialist who can open up entire new chapters we are in dire need of, will come and work for a salary of 1.000€.*’

The Mayor regards the executive agencies of the central government with the purpose of supporting municipalities, like The Central Union of Municipalities and Communities of Greece (KEDE), Hellenic Agency for Local Development and Local Government (E.E.T.A.A.), the Observatory etc. as ‘*not having established mechanisms to aid Mayors and local societies. It is impossible for us to always be researching about various issues while KEDE is unable to advise us or put us in touch with someone who knows what to do, someone who has the know-how.*’

Furthermore, according to the Mayor ‘focusing on the efficient achievement of goals, without delays, even under top-down model of management’ was a one-way street, given the dire financial state of the Municipality of Nikaia- Aghios Ioannis Rentis. ‘*When in 2010 the bankruptcy of the Municipality was a foregone conclusion we succeeded in 2014 to be talking about an economic miracle. Not only did we save the city from bankruptcy, but today it is regarded as a model of management and operation.*’

6.6 Leadership

The political leadership style that represents the Municipality of Nikaia- Aghios Ioannis Rentis is that of ridged hierarchy, definitely Mayor-centered, while collaboration is limited to a very small group close to the Mayor (“City Boss” leadership style). In the majority rule group there are no disagreements due to the strong leadership profile of the Mayor in the process of decision making, especially in the field of economics, where everybody follows suit whatever the Mayor dictates. It is noteworthy that the Mayor takes into consideration the council of his very close collaborators, especially the Vice-Mayor of Finance, while as a strategic leader, after visualizing his goal and the means to achieve it, he manages to secure the effective implementation of his political choice through efficient leadership making use of specific strategies and tactics.

Within this framework, the Mayor delegates duties and responsibilities, sets goals, evaluates the process of implementation of his political choices and secures that targets are met, while consolidating financial stability which includes an element of challenge of his partners and the executives of the Financial Services of the Municipality. In this sense he could be described as a 'strategic' leader with traces of a 'visionary', as in his vision of debt reduction there are elements of challenge prevailing the levels of Vice-Mayors and all Heads of municipal divisions. The Vice-Mayors and Heads of municipal divisions are very much aware of the structure of the problem of excessive debt, they transform the vision into a strategic policy and then into action though the municipal staff who, in turn, are aware of the portion of the contribution they are responsible for in materializing the selected political choice of the Mayor: Debt Reduction.

The Vice-Mayor of Technical Services corroborates the above by stating '*I prefer fast and efficient solutions even if the managerial structure is strictly hierarchal*' thus implying that the decisions are top-down and in accordance with what has been mentioned earlier proves that Mayoral decisions are not challenged and are implemented immediately by the administration, which appears to be bound by the strong leadership profile of the Mayor.

The leadership model of the Mayor follows a strictly hierarchal structure, the decisions regarding the fiscal policy selected to be implemented comes from the Mayor himself and small group of colleagues close to him. His alibi in avoiding wider structures of decision-making was the 2010 dire financial situation of the Municipality and the very confined time limits at his disposal to react and solve the problem. On the other hand, his very successful first term with the capping stone of drastic debt reduction, solidified his position against the opposition and justified his political choices, thus making the work of the opposition very difficult.

It was this very leadership model, however, that led to a serious rift within his own political group. He was accused of 'instances of arrogant governing', 'a stance lacking meritocracy', an 'undemocratic perception' of things, maintaining 'a cliquish non-transparent leadership circuit', demonstrating an 'obsolete mentality very unlike contemporary managerial practices'. Also the Mayor was criticized for 'bottomless arrogance and centralization of authority', in the case of the K-S. quarry for 'refusal to disclose information' and last but not least maintaining 'an Aghios-Ioannis Rentis court'.

The Mayor certainly displays, on the one hand, abundant self-confidence regarding his beliefs, his judgment and knowledge and on the other commitment to the goals he sets. An apt example is his 2011 decision to set debt reduction as his main target. He had then stated: '*It sounds ridiculous to be discussing strategic goals when we do not know if we will be in operation tomorrow, when every day we are unable to or even struggle to make salary payments etc.*'

Finally the Mayor distinguishes himself in the field of Communication and mainly, his ability to convey messages regarding the success of his policies.

7. Conclusions

The prevalent perception regarding the financial problem of the Municipality of Nikaia- Aghios Ioannis Rentis and the original causes of this situation lie both in input legitimacy pertaining to the internal process of decision-making within the Municipality as well and output legitimacy concerning the upper level of governance and external socio-economic factors. As far as input legitimacy is concerned, the increase in the number of municipal staff in Nikaia resulted in borrowing, in order to cover salary costs, while in the case of output legitimacy we can mention the reduction of state funding by 60% firstly, followed by a transfer of responsibilities from central to local governance without corresponding funding.

To be more specific, the majority rule of the Municipality considers the Kallikratis Programme to be failing for two basic reasons. First of all, the timing of implementation was wrong, as it coincided with the worst possible financial conjuncture of the last decades. Additionally, from the mergers of municipalities resulting from the implementation of the programme, a number of municipalities were created with excessive debt, as in the case of the Municipality of Nikaia- Aghios Ioannis Rentis, that resulted from the unification of a financially sound and a financially indebted municipality. The second reason is that the programme stipulated the creation of a number democratic institutions, very useful under other economic circumstances, (Council of Public Debate, Council of Immigrants etc) which were strangled and lost due to the economic state of the country and, therefore, were never implemented.

Since the creation of the unified municipality on January 1st,2011, specific steps were taken to establish the debt of the ex-Municipality of Nikaia as viable and to secure its payment. Concisely the steps taken were the following:

- Drawing of a comprehensive programme of financial restitution for the municipality founded on the basis of renegotiating a long-term repayment agreement with the Consignment Deposits and Loan Fund
- Rationalizing operational costs with a simultaneous cut in expenses in the Municipality and its legal entities
- Increasing income related to the independence of the Municipality, given the continuous reduction in State funding, not taking into account the austerity perceptions and logic

In the following three years, all the social structures and services towards the citizens were maintained, the programme of financial restitution was strictly followed resulting in a sharp reduction of debt, which at the end of 2013 amounted to 37.000.000€, accompanied by a cash flow surplus of 4.500.000€ and the eradication of all new matured charges. It is noteworthy that to date, all employees are paid in time and in full both in terms of salaries and overtime wages without delay, while all res judicata cases concerning open-ended employees and suppliers that had been accumulating since 1998 were all paid in full.

The sharp reduction of State funding was counter-balanced with the increase of municipal income regarding its financial independence by 12% and the decrease of operational costs by another 12%. The decrease of operational costs was a result of the correct monitoring of supplies and spare parts through automation and analytic accounting/costing, the curbing of telecommunications, rent, vehicle/machinery service and fuel costs.

All of the above measures resulted in securing the smooth payment of staff salaries and maintaining all services to the public. The Municipality fulfills all the prerequisites necessary *‘to enter a growth trajectory and to establish a wider structure of social services aimed at the weaker members of society, beyond observations and austerity governments, relying only on the implementation of self-governance principles and democratic ideological perceptions’*.

The financial decision making and implementation process in the Municipality of Nikaia- Aghios Ioannis Rentis contains all the characteristics of top-down directives and monitoring. The leadership profile of the Mayor ‘City Boss’ contributed to his achieving a wider consensus, firstly, within a short period of time in all municipal institutions and secondly, to soften the acute controversy on economic policy and management.

All of the above, together with the ‘monumental’ communicative charisma of the Mayor towards the citizens (by informing the public of the real debt amount and the measures by which he intended to tackle the problem) were the main reasons why the Mayor was easily re-elected for a second term of office. In other words, the combination of consolidation measures that led to financial stability, the decisions of the political leadership made at the top and the masterful communication of the municipal debt problem along with the policies implemented resulted in securing a second term in office for the Mayor.

Consequently, the widespread information and the good understanding of the purpose as well as the procedure of implementing measures for financial stability in the municipality by all interested parties (majority rule, the opposition, municipal staff, social partners etc) facilitated their willing and meaningful participation in the common goal which, from the beginning, had been targeted at reducing debt to a manageable level.

On the other hand, securing equal access to information regarding the development of the financial consolidation measure implementation contributed to the reinforcement of relations of trust within the communal institutions of the Municipality.

Finally, the Mayor’s accountability and full assumption of responsibility regarding everything done and said reinforced his credibility and soundness of choices.

8. Policy recommendations

The policy recommendations are mainly addressed to the elected officials who were in some way involved in the procedure of financial consolidation of the Municipality of Nikaia- Aghios Ioannis Rentis. In this particular unit, policy recommendations to elected officials are included, through whom self-governance may reduce expenditure in response to a loss of income while strengthening provided services to the citizens.

- Fostering collaboration between adjacent municipalities, especially in regards to the functioning of basic infrastructure or common administrative procedures like the development of control processes, collection of amounts owed to the municipality by third parties and information technology
- Reducing payroll expenditure by cutting back on overtime rather than staff
- Collaborating with external partners in an attempt to pinpoint methods and means of economizing on resources
- Implementing transparency in supply-purchase and budget expenses
- Seeking solutions through consensus
- Utilizing of skills of the entire workforce
- Implementing measures of financial stability that do not disadvantage the weaker social groups
- Making better and more effective use of European Structural Funds in terms of basic infrastructure -for instance the European Regional Development Fund (ERDF) through the Regional Operational Program (ROP) of Attiki- and sensitive areas like social protection of weaker social groups – as in the case of ESF through the Regional Operational Program (ROP) of Attiki and Operational Programme "Human Resources Development
- Activating further the institution of Public Debate with the purpose of altering the traditional relationship of municipal authorities with citizens and implementing policies based on the principles of understanding, information, utilization
- Maintaining local economies at sustainable levels in the sense that it cannot be taken for granted that recovery from the current recession can be founded on strategies like attracting foreign investment, urban development etc. On the contrary, research and innovation should be promoted, the development of a social economy, the improvement of skills at a local level and the provision of a comprehensive framework as regards urban planning and infrastructure (including information and communication technology)

- Supporting the more fragile social groups with emphasis on children and the elderly by developing a network of supportive services providing primary social care locally.