



# Is it the twilight of decentralization? Testing the limits of functional reforms in the era of austerity

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## Abstract

Economic crisis and rigid austerity seem to have brought a long-lasting period of decentralization to an end. The comeback of centralist patterns offers the rapid implementation of austerity measures, while the lack of resources is challenging the sustainability of decentralized services. There is an obvious inconsistency between European decentralization policies, on the one side, and European austerity policies, on the other. Empirical evidence shows that local authorities were more responsive to citizens' demands for social services, but now municipalities without resources repulse decentralization. In spite of centralist patterns, case studies of fiscal consolidation have revealed a remarkable deviation of municipal responses to top-down fiscal policies. Visionary leadership, active citizenry and inclusive decision-making processes predict good performance, while reproductive leadership and a passive citizenry predetermine unproductive central–local conflicts over burden-sharing and blame-shifting.

## Points for practitioners

Our results show that both decentralization and centralization policies are highly dependent on the attitudes and actions of local authorities. In the case of social services, the responsiveness of local authorities brings obvious performance gains. Attempts at burden-shifting to municipalities in times of crisis will, however, most probably face blockades. In the case of austerity policies, top-down unitary strategies with rigid norms and mechanisms cannot rule out performance disparities among the addressees of these policies. The responsiveness of municipalities is highly dependent on local leadership, actors' constellations and the attributes of the community involved. In case of functional reforms, the prior consultation and ongoing assistance of local authorities and involved communities should be a standard practice.

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