

GREECE

UNITARY COUNTRY

BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: HIGH INCOME

LOCAL CURRENCY: EURO (EUR)

POPULATION AND GEOGRAPHY

Area: 130 820 km²
Population: 10.755 million inhabitants (2017), a decrease of -0.4% per year (2010-2015)
Density: 82 inhabitants / km²
Urban population: 78.7% of national population
Urban population growth: 0.3% (2017 vs 2016)
Capital city: Athens (29% of national population)

ECONOMIC DATA

GDP: 297.0 billion (current PPP international dollars), i.e. 27 617 dollars per inhabitant (2017)
Real GDP growth: 1.4% (2017 vs 2016)
Unemployment rate: 21.5% (2017)
Foreign direct investment, net inflows (FDI): 3 571 (BoP, current USD millions, 2017)
Gross Fixed Capital Formation (GFCF): 12.6% of GDP (2017)
HDI: 0.870 (very high), rank 31

MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

According to the 1975 Constitution (revised in 1986, 2001 and 2008), Greece is a parliamentary republic. Legislative power is exercised by a unicameral Parliament composed of 300 members elected by universal suffrage for a four-year term. The head of state is the President of the Republic, elected by the Parliament for a five-year term. The Prime Minister is the head of government, belonging to the current leader of the political party that can obtain a vote of confidence by the Parliament. The President of the Republic formally appoints the Prime Minister, who has most political power.

The principles of decentralisation and local autonomy are enshrined in articles 101 and 102 of the Constitution, and its amendments in 2001 and 2008. The constitutional revision of 2001 in particular upgraded the status of local self-government, stating that the administration of local affairs is exercised by local authorities of first and second level, and establishing the clause of general competence as well as administrative and financial autonomy.

Greece is a unitary country “organised according to the principle of decentralisation” (article 101 of the constitution). After a long period of centralisation, Greece started a process of decentralisation in 1986, with the establishment of 13 “programmatic” regions by presidential decree. In 1994, the former 54 prefectures were transformed into self-governments with direct elected councils and prefects (law 2218/1994). In 1997, the *Kapodistrias* programme (law 2539/97) on the “formation of the first level of local government” aimed at empowering SNGs by increasing their size. At the same time, the 13 “programmatic” regions became the deconcentrated state administration at regional level (law 2503/97). The 2001 constitutional revision explicitly stated that Greece had two levels of SNGs (prefectures and municipalities/communities). In 2006, the Code for Municipalities and Communities (Law 3463/2006) was updated. In June 2010, a new major institutional and territorial reform was launched: the *Kallikratis* Programme (Law 3852/2010). It redefined the structure of the municipal and regional levels, their organisation, their competences, the financial system, and the State supervision. In particular, it merged the 54 prefectures to create 13 full self-governing regions with new responsibilities and it pursued the municipal amalgamation process, while transferring new responsibilities and associated staff to SNGs. Since 2011, responsibilities’ transfer has continued both through amendments of *Kallikratis* and through newer sectoral legislation.

Since 2018, a new process has started through the *Kleisthenis* programme (law 4555/2018), adopted in July 2018 to revise the *Kallikratis* programme. It introduced a new electoral system in local and regional elections, a new system of representation in local and regional councils and a reorganisation of the supervision authorities. *Kleisthenis* also introduced new tools for monitoring and assessing both past and future transfers of responsibilities to municipalities and regions in order to reconsider the current allocation of SNG responsibilities.

TERRITORIAL ORGANISATION

2018	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	325 municipalities (<i>dimos</i>)		13 regions (<i>periphéria</i>)	338
	Average municipal size: 33 181 inhabitants			
	325		13	338

OVERALL DESCRIPTION. Greece has two levels of SNG, comprising 325 municipalities (*dimos*) and 13 regions (*periphéria*), without a hierarchical link between them. Greece also has one autonomous territorial entity, the Community of Mount Athos Monasteries.

REGIONAL LEVEL. In each new region, the *Kallikratis* reform created “regional units”, within the boundaries of the former prefectures to play an “intra-regional decentralisation role”, still providing services via the former prefectural administrations. Each region has a regional council and a head of the region (*perifereiarchis*) elected by universal suffrage for a period of five years. Greece is characterised by strong geographical fragmentation (around 9 840 islands out of which 169 are inhabited, sometimes with very low population sizes (15 000 km of coast, mountains covering between 70% and 80% of the country’s area, etc.). Regions range from 206 000 inhabitants in the Ionian Islands to 3.765 million in the region of Attica, while the average size was 827 000 inhabitants in 2017. Greece ranks 9th in terms of highest regional GDP per capita disparities among 30 OECD countries with comparable data. In 2016, the level of GDP per capita in the capital region (Attica) was twice as high as in East Macedonia, the region with the lowest GDP per capita in the country.

MUNICIPALITIES. The current number of municipalities results from two main waves of amalgamations, in 1997 and 2011. In 1997, with the *Kapodistrias* programme, the number of municipalities and communities decreased from 5 825 to 1 033. In 2011, the implementation of the *Kallikratis* Programme resulted in a decrease to 325 new municipalities. The communities were abolished as self-governing entities but the reform introduced “intra-municipal decentralisation”, by subdividing municipalities into “deconcentrated” communities, represented by elected administrative bodies (a president and/or

a council depending on the size) and whose competences are basically consultative. Overall, there were 6 102 communities in 2016 (note: the 2018 *Kleisthenis* programme abolished the distinction between local and municipal communities introduced by the *Kallikratis* reform). At municipal level, members of the municipal council and the mayor (*dimarchos*) are elected by direct universal suffrage for a five-year term. Currently, municipalities have around 33 200 inhabitants, which is well above the OECD and EU28 averages (9 700 and 5 900 inhabitants). In 2016, 13% of municipalities had fewer than 5 000 inhabitants (vs 53% before the *Kallikratis* programme), versus 44% in the OECD. Athens, the capital city, is the most populated (around 665 000 inhabitants) but around 3.16 million if the functional area is taken into account (Calithèa, Peristérion and Piraeus, among others). However, Athens does not have a special status as a capital city but is included in the metropolitan region of Attica. Together with the metropolitan area of Thessaloniki, they have a regional status with some additional metropolitan functions given to them to address supra-local concerns.

INTER-MUNICIPAL COOPERATION. Article 245 of law 3463/2006 states that voluntary horizontal cooperation between municipalities is achieved by the establishment of municipal associations in the form of legal entities governed by public law. Inter-municipal structures with single or multiple tasks do exist but many of them are inactive. The *Kallikratis* reform also provides for a form of obligatory inter-municipal cooperation known as "administrative support" in order to help smaller municipalities carry out some responsibilities transferred to them under the *Kallikratis* programme (e.g. town planning, technical and welfare benefits services). State territorial administration. The central government has seven deconcentrated administrations at territorial level. Led by a General Secretary appointed by the Ministry of the Interior, they are mainly responsible for coordination of state territorial administration, multi-level coordination, administrative supervision of SNGs, management of public assets, administrative issues (civil status, migration affairs, etc.), environmental affairs (natural resources, water management, forest protection) and representation of the central government.

SUBNATIONAL GOVERNMENT RESPONSIBILITIES

According to article 102 of the constitution, there is a "presumption of competence" in favour of SNGs for the administration of local affairs. The implementation of these principles was done by successive laws including the 2006 Code for Municipalities and Communities and the decentralisation programmes. The 2011 *Kallikratis* reform in particular granted municipalities and regions new and expanded powers, transferred from the former prefectures and state deconcentrated administrations. At municipal level, the law has defined eight specific areas of responsibilities for municipalities, which remain broad. The *Kallikratis* programme transferred additional responsibilities related to local development, child protection, elderly care, social assistance to the unemployed/poor, and preventative healthcare. At regional level, the new regions are mainly responsible for regional planning and development, including the management of the authorities for regional EU operational programmes. Many regional and municipal areas are shared with the central government (e.g. education, health and transport), resulting in overlaps, especially with state deconcentrated administration. There is some asymmetry of responsibilities. SNGs located in the three insular regions (South Aegean, North Aegean and Ioniou) have a wider set of competences, e.g. local development, health and welfare, tourism and intra-regional transport plans. The metropolitan areas of Attiki and Thessaloniki, in addition to their regional responsibilities, can exercise responsibilities such as environmental protection, urban planning, transport and communications, civil protection and security, quality of life and urban renewal, which go beyond the municipality's administrative boundaries.

In order to provide their services, municipalities may set up legal entities of public or private law, including municipal public establishments, special purpose municipal associations and municipal enterprises under private law. With the crisis, municipal enterprises had been reduced by 80% (there were around 1 500 before the crisis, out of which 2/3 were inactive).

The 2018 *Kleisthenis* programme aims at taking stock of the transfers of responsibilities that have been completed so far in the framework of the *Kallikratis* programme as well as to better monitor and assess both current and planned transfers. In that perspective, several committees have been set up, including a permanent committee within the Ministry of the Interior, to evaluate every new bill that involves a transfer of responsibilities. Inter-ministerial committees have also been established to redefine responsibilities carried out by SNGs and procedures in cooperation with the competent ministries.

MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

	REGIONS	MUNICIPAL LEVEL
1. General public services	Regional administration	Municipal administration; Building permits and urban planning applications; Issuing professional licenses; Administrative civil services
2. Public order and safety	Civil protection and emergency services	Civil protection and emergency services; Some local policing powers
3. Economic affairs / transports	Planning/Programming and regional development; agriculture/livestock and fisheries; Employment; Trade; Tourism; Roads, transport and communications; Special transport services; Support to local enterprises; Energy and industry; Tourism	Local economic development; Tourism; Employment; Rural development, livestock and fisheries; Local roads; Local public transport (including small ports)
4. Environmental protection	Natural resources; Environment protection	Parks and green areas; Nature preservation; Waste management; Sewerage; Street cleaning
5. Housing and community amenities	Public works; Urbanism; Environment	Urban and land use planning; Gas distribution; Drinking water; Public lighting
6. Health		Health prevention (medical centres)
7. Recreation, culture & religion	Culture; Sports	Pre-primary education; Primary and secondary education (shared), mainly for school construction, maintenance and equipment (via school committees)
8. Education	Education	Pre-school; Primary and secondary education; Vocational training
9. Social protection		Social protection and solidarity mainly child protection; Elderly care; Social assistance to the unemployed/poor/disabled; Support services for families; Integration of foreigners; Housing benefits

SUBNATIONAL GOVERNMENT FINANCE

Scope of fiscal data: 325 municipalities, 13 regions, 522 Legal entities public law, 155 Legal entities private law.

SNA 2008

Availability of fiscal data:
High

Quality/reliability of fiscal data :
High

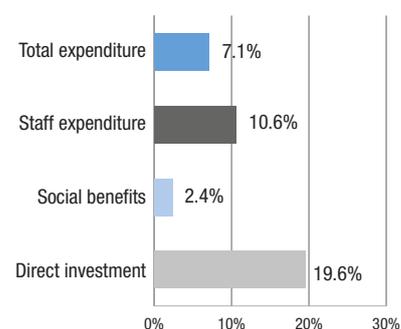
GREECE

UNITARY COUNTRY

GENERAL INTRODUCTION. According to Article 102 of the Constitution, SNGs have administrative and financial autonomy. The Constitution also specifies that the State should provide funds to SNGs so they can exercise their responsibilities, in particular when new tasks are transferred to them. The Constitution also provides for the adoption of specific laws concerning the allocation of taxes collected by the State as well as the determination and collection of local revenues directly from local authorities. However, fiscal decentralisation in Greece is not as developed as political and administrative decentralisation. The initial plan of fiscal decentralisation, called the ELLADA programme, which would have allowed SNGs to develop their fiscal capacity by collecting their own resources, was eventually abandoned. One reason for this is the context of deep economic and social crisis, which has severely affected SNGs. Austerity measures prevented the country from fully implementing the decentralisation programme, and, in the end, reduced the scope of action of SNGs, whose revenues and expenditure have dropped significantly in recent years.

SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION

2016	DOLLARS PPP / INH.	% GDP	% SNG EXPENDITURE	% GENERAL GOVERNMENT EXPENDITURE (SAME EXPENDITURE CATEGORY)
Total expenditure	942	3.5%	100%	
Incl. current expenditure	755	2.8%	80.2%	
Staff expenditure	350	1.3%	37.1%	7.1%
Intermediate consumption	242	0.9%	25.7%	
Social expenditure	141	0.5%	14.9%	10.6%
Subsidies and current transfers	8	0.0%	0.8%	2.4%
Financial charges	12	0.0%	1.2%	
Others	3	0.0%	0.3%	
Incl. capital expenditure	187	0.7%	19.8%	
Capital transfers	5	0.0%	0.6%	
Direct investment (or GFCF)	182	0.7%	19.3%	19.6%

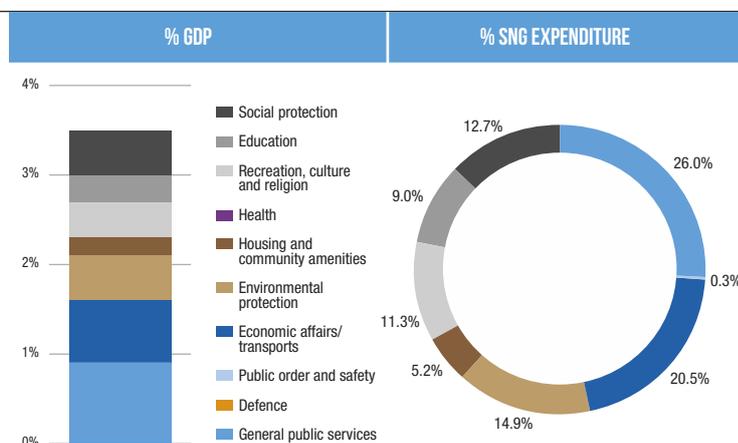


EXPENDITURE. Greece remains among the most centralised countries in the OECD in terms of SNG spending. Spending ratios are at the lowest level in the OECD and well below the OECD average for unitary countries (9.2% of GDP and 28.7% of public expenditure). Overall, as a share of GDP and public spending, SNG spending did not increase compared to 1995. The share of SNG staff spending in total public staff spending is particularly low, well below the OECD average for unitary countries (43%) - despite the transfers of staff from the central government in the framework of *Kallikratis*. This reflects the fact that some of the most important public service delivery systems, such as public education, public health services, and social protection are still subject to direct and comprehensive control by the central government. This is also the result of the crisis, fiscal consolidation measures and the need to comply with Memorandums of Understanding. This resulted in several budget cuts, including the downsizing of the SNG public sector through staff reduction, limitations in hiring new and qualified staff and pay cuts. Between 2010 and 2013, the Greek civil service was downsized by around 19% at subnational level. Overall, SNG spending decreased by 2.8% per year in real terms between 2007 and 2017.

DIRECT INVESTMENT. SNG involvement in public investment is limited and much smaller than the OECD averages for unitary countries (1.7% of GDP and 50.7% of public investment). However, investing is an important function of SNGs, accounting for 19.3% of their expenditure in 2016, above the OECD average for unitary countries (13.8%). SNG investment has not yet recovered to pre-crisis levels: between 2008 and 2017, it decreased on average 10% per year in real terms. Most investment is made on behalf of the central government and within the framework of EU programmes, which are the main (and almost only) source of investments at the subnational level.

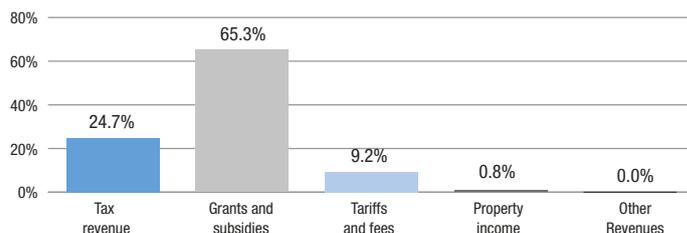
SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOG

The main categories of SNG spending include general public services, economic affairs and transport, environmental protection and social protection. Some of the most important public service delivery areas, such as education and health, represent a small share of SNG expenditure, in sharp contrast to the situation in the OECD on average where these two spending areas are the top two priority items. Recreation, culture and religion, as well as housing and community amenities account for more than 50% and 75% respectively of the general government expenditure in the same category, which means that SNG are key stakeholders in those specific policy areas.



SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY

2016	DOLLARS PPP / INH.	% GDP	% GENERAL GOVERNMENT REVENUE (SAME REVENUE CATEGORY)	% SNG REVENUE
Total revenue	1 027	3.8%	7.6%	
Tax revenue	253	0.9%	3.4%	24.7%
Grants and subsidies	670	2.5%		65.3%
Tariffs and fees	95	0.4%		9.2%
Property income	9	0.0%		0.8%
Other revenues	0	0.0%		0.0%



OVERALL DESCRIPTION. SNGs rely heavily on central government transfers, which accounted for more than 65% of SNG revenue, well above the OECD average for unitary countries (48.8% in 2016). Consequently, the share of tax is small, below the OECD average for unitary countries of 38.7%. SNG revenue decreased significantly with the crisis (-2% per year on average between 2007 and 2017 in real terms), in particular resulting from cuts in grants.

TAX REVENUE. Tax revenues account for a small share of GDP and public tax revenue, well below the OECD average for unitary countries (respectively 4.7% of GDP and 19.8% of public tax revenue). Tax revenues are entirely own-source, benefiting almost exclusively municipalities (regional tax revenues are negligible) and concentrated on one tax: the property tax. In 2016, the property tax accounted for 92% of municipal tax revenue, 23% of SNG revenue and 0.9% of GDP (below the OECD average of 1.1% of GDP). A new property tax (Unified Property Tax, ENFIA) was established in 2014 to replace two previous property taxes, the real estate based wealth tax (FAP) and the property tax that is collected through the Electric company utility bill. The new tax applies to individuals and legal entities owners of land and buildings. It comprises a main tax and a supplementary tax. The main tax, which for buildings, plots, fields and so on is calculated on the basis of “objective values” based on several criteria such as the location, etc. The supplementary tax (so called sumptuary tax) is imposed on very expensive property. Other small taxes include street cleaning and lighting tax, beer tax, advertising tax, and the tourist tax, particularly important in several coastal areas, etc. The ability to set rates over these taxes is restricted.

GRANTS AND SUBSIDIES. Central government transfers represent the primary source of revenue, especially for the regions (95% of their revenues). The most important are the Central Autonomous Funds (CAF) granted annually to municipalities and regions. CAF are derived from different taxes. For the municipalities, CAFs receive: 19.5% of the income tax on individuals and legal persons; 12% of the Value Added Tax (VAT); and 11.3% of the Unified property tax (ENFIA). For the regions, CAFs receive 4.2% of the PIT and CIT and 4% of the VAT. CAF grants are first assigned to major spending areas and then distributed to individual local governments on the basis of different criteria such as population size, road network and level of social services. CAF grants are divided into the “Regular Grant” (RG) for operating expenditure and the “Public Investment Specific Programme Grant” (PISPG) which finances specific capital expenditure projects. Other transfers to SNGs include earmarked and categorical grants allocated based on data sent by the municipalities or regions regarding their specific expenses. Overall, 77% of grants covered operating expenditure and 23% investment in 2016.

OTHER REVENUES. Tariffs and fees represent 9.2% of SNG revenue, which is below the OECD average of 14.9% in 2016. SNGs can charge fees for waste management, public lighting, water and sewage services provided by local public companies, use of public space for professional activity, operation of cemeteries etc. Revenues from physical and financial assets account for a very small percentage of SNG revenue, below the OECD average (2%), despite the existence of local public companies.

SUBNATIONAL GOVERNMENT FISCAL RULES AND DEBT

2016	DOLLARS PPP/INH.	% GDP	% GENERAL GOVERNMENT DEBT	% SNG DEBT
Total outstanding debt	214	1.3%	0.7%	100%
Financial debt*	146	0.9%	0.5%	68%

* Currency and deposits, loans and bonds

FISCAL RULES. SNGs have to prepare realistic and balanced budgets, in accordance with the principles of public finance management and budgeting laid down by law 2362/1995 on Public Accounting. In 2012, in order to strengthen tax and budget management, an internal stability pact for local government (based on a balanced budget constraint) has gone into effect. It includes corrective and sanctioning mechanisms as automatic cuts in expenditures to be applied as a rule when targets are expected to be missed (Law 4172/2013). In addition, according to the Medium-Term Fiscal Strategy Framework (MTFS) for 2015-18, approved by law 4263/2014, SNGs are required to contribute to the overall fiscal effort. In this perspective, various actions have been taken to ensure the fiscal consolidation of SNGs, increase the effectiveness of management, accounting and financial control and improve supervision and functional assessment of SNGs. The *Kallikratis* reform granted the Court of Audit with additional powers in the monitoring of SNGs. An Observatory for the Financial Autonomy of Local Government was set up by Law 4111/2013 and further implemented by Law 4270/2014 and Law 4555/2018, in particular to monitor, on a monthly basis, the management and implementation of SNG budgets.

DEBT. Borrowing is authorised to finance investment projects (“golden rule”) and to refinance existing debt under better conditions. The law 4111/2013 introduced additional fiscal rules limiting debt: interest payments for a given year cannot exceed 20% of ordinary annual revenues and total debt must remain under 60% of total annual revenues. It also requires that SNG receive the approval of the Minister of Finance to access any kind of loans. A debt-brake was introduced for the few municipalities facing over-indebtedness problems, which have to join a “Special Economic Recovery Program”. Overall, the level of local debt remains low as a percentage of GDP and total public debt, especially compared to the OECD average for unitary countries (14.5% of GDP and 11.8% of public debt). In 2016, it was made up of financial debt (68%) and other accounts payable (32%). Financial debt is exclusively composed of loans.



Lead responsible: OECD
Last update: 02/2019

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Socio-economic indicators: OECD // Eurostat // World Bank // UNDP // UN Desa // ILO // Hellenic Statistical Authority.

Fiscal data: OECD National Accounts Statistics // OECD Revenue Statistics // OECD (2018) Subnational Government in OECD countries: key data (brochure and database) // Eurostat

Other sources of information: OECD (2019) Territorial Review of Greece - Preliminary Findings // OECD (2019) Making decentralisation work: a handbook for policy makers // Council of Europe (2018) Training needs analysis of local government in Greece. Report by Cezary Trutkowski and Nikolaos-Komninos Hlepas // OECD (2017) Multi-level Governance Reforms: Overview of OECD Country Experiences // Anastassios Chardas (2017) Local Governance in the Age of Austerity in Greece and the Impact of the EU Leader Approach in the Region of Peloponnese // CEMR (2016) Local and Regional Governments in Europe Structures and Competences // Ionnidis, P. (2015) Decentralization, Local Government Reforms and Perceptions of Local Actors // The Greek Case. Council of Europe (2015) Local and regional democracy in Greece. Congress of Local and Regional Authorities // Nikolaos-Komninos HLEPAS (2015) Regionalism in Greece – AER.