

European Economic Crisis: Enhancing Good Regional Governance in the EU? The Case of Greece

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Abstract: This paper examines the effect of the Eurozone Economic Crisis on the implementation of the Kapodistrias and Kallikratis regional administrative reforms in Greece from 1994 to 2014, in order to better understand the impact of the crisis on regional governance and the wider Europeanization project. Our findings indicate that the crisis not only enhanced the success of regional devolution, previously stalled for many years, but also had an overall beneficial impact on effectiveness and efficiency of regional administrative structures, as measured by absorption rates of European Regional Development Funds. Our findings also suggest that there has been a parallel virtuous cycle of enhanced legitimacy of these regional authorities and a separation of regional elected officials from national parties, or an escape from the second-order election effect described in the literature, all of which is a small measure of good news for both the battered Greek middle classes, for whom any hope of future improvements must be pre-conditioned on attaining a better measure of efficient, transparent and effective governance at all levels. With only two electoral cycles having been completed, it is premature to draw definitive conclusions from the Greek case, but further time-series data and cross-regional comparative study is warranted.

Introduction

While much is known about the more obvious political and social costs of the European Economic crisis at the level of national governance in the Eurozone, much less is known about the impact of crisis on regional governance, particularly in the most vulnerable member-states. This paper assesses the effects of the economic crisis on regional governance in Greece over the period of the implementation of the Kapodistrias and Kallikratis administrative reforms from 1994 through 2014 and finds that on many levels, the crisis enhanced, rather than retarded their progress as

measured by two main outcomes. First, we find a “good governance effect” or, an enhancement of the type of effective regional governance required to access and distribute these funds. Second, we find a “regionalism effect” or, enhanced autonomy, at least as measured by increased budgetary independence of regions from absolute reliance on national resources, measured primarily through an analysis of absorption of European Regional Development Funds (ERDF). These outcomes are both somewhat counterintuitive in the setting of the widespread political, economic, and social upheaval that accompanied financial crisis and represent a “silver lining” of sorts in an otherwise bleak picture for the middle class in Greece and, by extension, elsewhere in the EU as well as for the Europeanization project itself. Our findings also suggest that there has been a parallel virtuous cycle of enhanced legitimacy of these regional authorities and a separation of regional elected officials from national parties, or an escape from the second-order election effect described in the literature, all of which is a small measure of good news for both the battered Greek middle classes, for whom any hope of future improvements must be pre-conditioned on attaining a better measure of efficient, transparent and effective governance at all levels. With only two electoral cycles having been completed, it is premature to draw definitive conclusions from the Greek case, but further time-series data and cross-regional comparative study is warranted.

Cohesion Funds & Regional Development

This study uses data about absorption rates of European Regional Funds as an indicator of regional government effectiveness. Since 1993, ERDF have been

utilized as a means to promote greater “economic and social cohesion in the European Union by correcting imbalances between its regions”¹ and cross-regional data is widely available. In addition, in the context of the aftermath of the Eurozone Crisis, which disproportionately impacted weaker economies within the Monetary Union, the attractiveness of these funds increased dramatically. As national budgets shrank with austerity measures, regional governments were left with limited options to meet increased responsibilities associated with ongoing devolution. They were unable to raise revenue through increased taxation or collection and, as a consequence, became increasingly reliant on structural and cohesion funds available through the EU. However, in order to access funds, regional governments had to have or acquire the internal capacity to do so. Our argument is that this changed context finally created the conditions necessary to implement long-delayed full implementation of two successive reform programs in Greece and, in so doing, simultaneously enhanced performance legitimacy of new regional authorities, thus creating a virtuous cycle. This was only enhanced by the fact that, in many instances, regional governments have been able to use structural funds creatively to meet immediate local needs, including the creation of public sector jobs and not just to fund a variety of “shovel ready” infrastructure projects. In addition, the new regional authorities also experienced unexpected benefits, since they didn’t have to rely on diminishing national sources for funding and the inherent competitions from neighboring regions. The effectiveness of ERDF funds as an influential instrument prompting domestic reform has been well documented in existing EU convergence

¹ http://ec.europa.eu/regional_policy/thefunds/regional/index_en.cfm

literature. In fact it is widely accepted that newer member states or developing regions, due to their relatively poor position have had higher absorption rates of ERDF funds than older member states or regions with higher income levels, which are less likely to maximize the absorption of allocations.

Nonetheless, the impact of the economic crisis on European regionalism is significant and extends beyond the more prominent and well-known cases in the Iberian Peninsula. Administrative devolution reforms within the EU, the move toward direct election of the EU executive and legislative organs, and the post-2008 economic crisis have all shaped absorption rates and enhanced autonomy in regions that have been able to understand and access the new EU framework. The influence of cohesion funds on regionalism can be assessed by measuring the level of financial dependence and the type of programs funded by ERDF funds.

Regional Reforms: The stalled history of Europeanization in Greece

We will argue that the debt crisis, created conditions that enabled implementation of regional administrative reforms that had been stalled since the early 1990s for a variety of reasons, including most importantly, national party politics and entrenched local patronage structures. In fact, since 2000, all national Greek administrations had attempted to put in place the structural reforms required by the Lisbon agenda without success, despite the administrative restructuring which had begun in 1994 with the Kapodistrias reform as a very limited first step. This program met with great local resistance, but was a first step in the “Europeanization” of Greece, moving competencies and functions from the state-

level to the EU level². According to the 2001 OECD Report on *Regulatory Reforms in Greece*, “too many small local authorities that lacked adequate political representation....had insufficient capacity to provide desired services to the community.”³ The Kapodistrias reforms restructured 5,775 local jurisdictions into 1,033 municipalities and reduced 52 regional administrations were to 13, organized along the territorial lines of the EU NUTS-2 (Nomenclature of Territorial Units for Statistics) classifications, and also authorized significant transfer of responsibilities and authority to the newly minted administrative structures.⁴ The Kapodistrias package also created a significant change in the method of selection of prefects (nomarchs), with direct elections replacing the previous process of appointment of nomarchs. The first direct prefectural elections were held in 1994, but this continued to be a work in progress, with electoral lists being cleaned up in 1998, term limits implemented in 2002, and the threshold for election from the first round was changed from 50% to 42% in 2006. There was clearly an effort expended by

² “According to established theories of European integration, EU membership involves first and foremost a transfer of competencies and functions from the state level to the central EU level. The transfer is presumed to be always upwards, one-directional, from the state to the EU. The parallel hypothesis is that because of this upward transfer of competencies and functions the state is steadily and irreversibly losing powers and stripped of its functions.” P.C. IOAKIMIDIS, “The Europeanization of Greece: An Overall Assessment,” *South European Society and Politics* Volume 5, Issue 2, 2000, Special Issue: Europeanization and the Southern Periphery (Guest Editors: Kevin Featherstone and George Kazamias)

³ OECD Reviews of Regulatory Reform OECD Reviews of Regulatory Reform: Regulatory Reform in Greece 2001

⁴ “The NUTS classification (Nomenclature of Territorial Units for Statistics) is a hierarchical system for dividing up the economic territory of the EU for the purpose of The collection, development and harmonisation of EU regional statistics; Socio-economic analyses of the regions; Framing of EU regional policies.” (http://epp.eurostat.ec.europa.eu/portal/page/portal/nuts_nomenclature/introduction)

successive national administrations, particularly the Simitis Administration, to maximize on the EU incentives and the administrative effective benefits of the regional decentralization.

Nonetheless, despite the deliberate policy initiatives for administrative devolution, national parties and increasingly polarized national politics, combined with local structures of patronage and clientelism did not allow these reforms to reach their expected outcomes. In fact, during the period of the reforms from 1994 – 2010, Greece conformed closely with the pattern of Second Order Elections (SOE) described by Reif and Schmidt, where the regional elections were largely nationalized, being either completely dominated by the ongoing national agenda or acting as a way for the opposition to reap the benefits of a protest vote in a manner similar to the role commonly associated with American midterm election.⁵ The end result was that, despite the fact that successive Greek national administrations were seemingly eager to pass competencies to regional prefects, structurally, culturally and behaviorally this was not accomplished. Regional elections and politics remained simply another expression of national politics and agendas.

It is worth mentioning that the 2001 OECD Report on regulatory reform in Greece, which referenced the Spraos Report commissioned by the Prime Minister's office in 1998, recognized the problems that existed with the Greek regulatory reform effort "relating to quantity, cost of regulation, quality, and democratic

⁵ Karlheinz Reif And Hermann Schmitt
Nine Second-Order National Elections – A Conceptual Framework For The Analysis Of
European Election Results, Volume 8, Issue 1, pages 3–44, March 1980

legitimacy.”⁶ The Spraos Report made recommendations based on OECD *Principles of Good Regulations*, which were accepted by the government and implemented within public administration with limited success.⁷ The Report found that the structural centralization of the Greek system exemplified by the process of new legislation formation, coordination of levels of government, development of new competencies, administrative capacities, transparency, and predictability made this process very important for real devolution. The fear was that as the OECD country experience had indicated, “rapid devolution with weak co-ordination and accounting mechanisms can create significant regulatory management problems and reduce the overall quality of regulation.”⁸ Despite the fact that Greece had made an attempt to be a good “European citizen” at the level of transposing EU directives legislatively, by the end of 1998 the country had the highest deficit of directives yet to be adopted and implemented meaningfully according to the 1999 EU Single Market Score Card.⁹ It is important to note that although the PanHellenic Socialist Movement (PASOK), who had opposed Greece’s accession to the European Common Market prior to 1981, dominated domestic politics in the 1980s, however, “the Parliament had delegated to the government the task of transposing EU Directives (Law 1338/83)...this law provided discretion to enact through a fast track

⁶ OECD Reviews of Regulatory Reform OECD Reviews of Regulatory Reform: Regulatory Reform in Greece 2001, pg. 141

⁷ *ibid.* pg. 143

⁸ *ibid.* pg.147

⁹ http://ec.europa.eu/internal_market/score/index_en.htm

procedure the EU obligations.”¹⁰ In sum, despite rhetorical opposition, PASOK was compliant with Europeanization directives at the level of national legislation.

The gap between legislation allowing transposing and deeper adoption of directives, however, was where this process stalled. Successful adoption is contingent upon, among other things, information, enabling, connecting and evaluating which requires a wider cultural and behavioral transformation well beyond the elite political will. The Kapodistrias regional, municipal, and electoral reforms were implemented only in form, but not substance. As Ioakimidis points out, there two types of Europeanization, “Responsive Europeanization,” and “Intended Europeanization.”¹¹ In Responsive Europeanization, there is little effort by political actors to work on the logic, norms or goals, it is more of a passive acceptance of treaty obligations, whereas Intended Europeanization is a much more deliberate and active process. Ioakimidis identifies the mid-1990s in Greece as a period of Intended Europeanization, especially through the leadership of Prime Minister Simitis, as his government attempted to meet convergence targets in preparation for European Monetary Union. Implementing the Maastricht Treaty had positive effects as far as the harmonization and Europeanization of Greek political life and administrative structure was concerned and, as Ioakimidis points out, the long range projection of Europeanization was modernization as well as “to transfer into their political systems the logic, dynamics, organizational traits, behavioural and regulatory patterns associated with European integration (governance

¹⁰ *ibid.* pg .147

¹¹ P.C. Ioakimidis, “The Europeanization of Greece: An Overall Assessment,” *South European Society and Politics*, Volume 5, Issue 2, 2000, pg. 73 – 94.

patterns).”¹² In the 1990s, Greek administrations were on board with these goals, whereas in the 1980s many of the reforms were more of a default response to a call for “modernization.” More significantly, these goals and processes were in any event, still not fully transferred to the wider society with clientelistic and patronage practices rampant, especially on the level of local politics.¹³

Cohesion Funds

Absorption rate of EU Cohesion Funds have been an integral component of the Europeanization process. For the EU, the funds are part of its growth strategy and agenda to enhance global market competitiveness, while for the national governments, absorption of these funds can enhance administrative competence and national budgets. In the case of Greece, however, absorption rates were very low throughout the 1980s to the end of 1990s, and they did not encourage the most effective governance. In fact, even after the Kapodistrias reforms, according to the EU Commission’s *Single Market Scoreboard*, Greece had the greatest deficits in absorption rates.¹⁴ The need to meet goals for monetary union convergence proved to be a far greater impetus to begin the process of better governance in the 1990s. This involved goals of both improvement of absorption rates and national finances in general. As a consequence, the Kapodistrias reforms regarding administrative devolution in 1994 were initiated, promoted and implemented by the national

¹² Ibid.

¹³ An interesting case in point is the redrawing of the regional administrative map of the Kapodistrias reform. At first glance, most of geographic administrative units drawn were similar to the historical geographic divisions of Greece, however, the creation of Western Greece prefectures matches the 1987 NUTS-2 administrative divisions, set up in order to best absorb EU Cohesion Funds especially within the Mediterranean Integration Program (MIP)

¹⁴ http://europa.eu/rapid/press-release_IP-99-394_en.htm

government in one of Europe's most centralized state, so enhanced regionalism, was primarily a top-down or centripetal policy. As a consequence, instead of creating a structure detached from the centre, regional structures continued to be attached and depended on the center for political legitimacy as well as budgetary support. The Kapodistrias plan was part of a continuing process of local government reforms, whose strategic priorities were efficiency within the framework of movement toward greater Europeanization.¹⁵ However, simply geographically restructuring regional bureaucracy without any meaningful administrative or fiscal devolution, not surprisingly, produced only limited performance legitimacy for the new structures. Greek regional administration at both the level of institutions and political agenda continued to be highly nationalized.

The Kapodistrias reforms were only of limited effectiveness in other areas, as well. There was a great deal of duplication of and unclear or overlapping allocation of responsibilities, which produced a high level of frustration among civil servants, as well as ordinary citizens who had to access the services provided by these institutions. Nonetheless, by all accounts, this had been a sincere attempt on the part of the national government to ameliorate the problems of poorly functioning regional/local administration, to increase effectiveness and performance and to cut costs. Akrivopoulou and Dimitropoulos argue "... the Kapodistrias program has been a step towards a more flexible and well organized local and decentralized government, nevertheless, the remaining problems were many and pressing. The

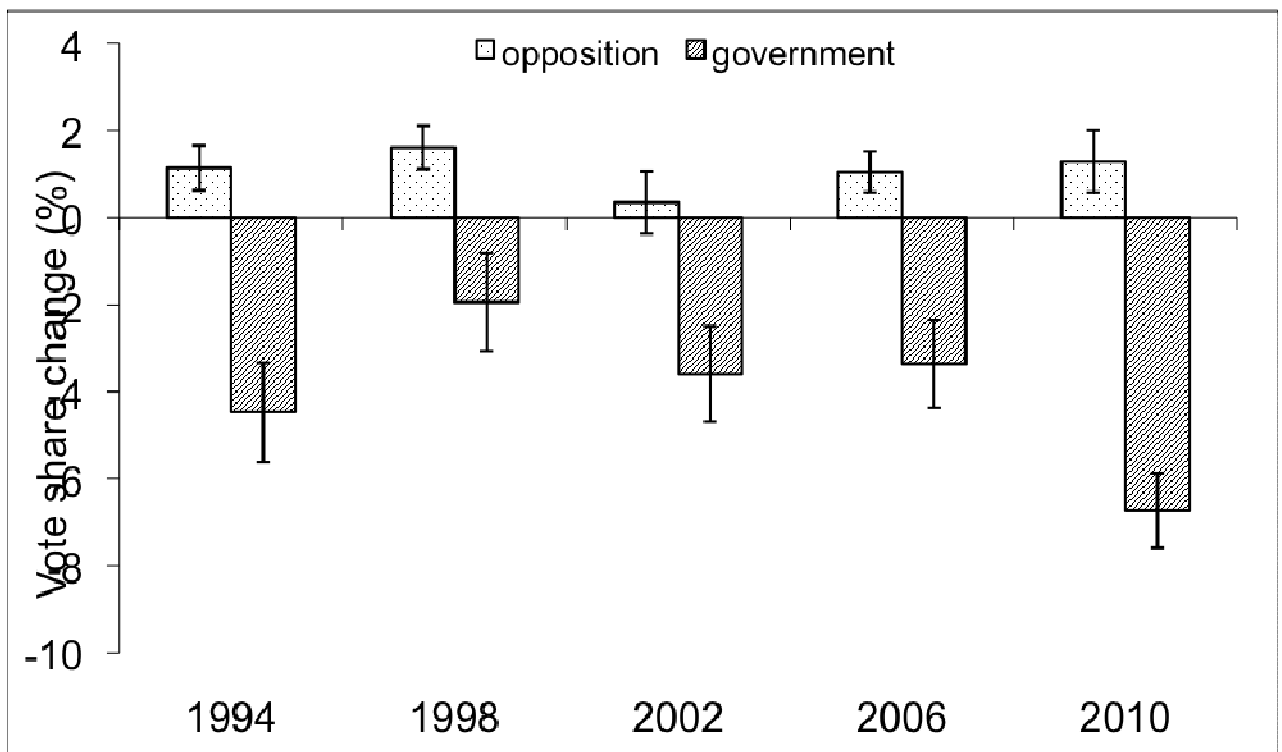
¹⁵ Nikolaos Komninos & Panos Getimis, "Impacts of Local Government Reforms in Greece: An Interim Assessment," *Local Government Studies*, Volume 37, Issue 5, 2011, pgs. 517-532, Published online: 23 Sep 2011

existing system of local and regional administration retained its complexity, its ineffectiveness and its preservation was costly. Therefore ever since the beginning of its enforcement, the Kapodistrias program was considered to be a transition to a much more radical reform, the 'Kapodistrias II program', which was nevertheless never implemented by the political forces."¹⁶ The limits of the Kapodistrias reforms were far from structural, however, they were equally cultural and behavioral. Political leadership and society at large were not willing to move toward real restructuring, since this would have meant loss of political power on the part of the national government and privilege and patronage on the local level. Regional elections continued to act as an additional level of competition for national parties and as a measure of popular support for the national government at midterm. The inability to engender a deeper change during the Kapodistrias reform period places the Greek case very nicely within the Second-Order Election (SOE) typology, providing a comparative framework to the Kallikratis period which followed.

The main argument of this paper is that the economic crisis has altered the terrain of Greek politics in ways that have allowed progress toward obtaining some of the goals of both the Kapodistrias and Kallikratis reforms in terms of improving regional governance. In this preliminary study, we rely on rates of administrative responsiveness as well as electoral behavior in order to measure this anticipated change, as well as the secondary literature. A two-level comparative framework can

¹⁶ Christina Akrivopoulou, Georgios Dimitropoulos, Stylianos-Ioannis G. Koutnatzis , The "Kallikratis Program": The Influence of International and European Policies on the Reforms of Greek Local Government “, *Istituzioni del Federalismo*, N.3 2012, pg.675 (http://www.regione.emilia-romagna.it/affari_ist/Rivista_3_2012/indice3.html)

be drawn: interstate (regionally and within Europe); and intra-state (across prefects), using diachronic comparison. Using Skrinis's work on voter deviation in regional elections vis-à-vis national elections and the congruence of national policy versus regional policies indicates that in the elections post Kapodistrias are classic SOE contexts within the political system.¹⁷ As the chart below indicates, the national party in opposition increased its percentage of votes from the previous national elections. In effect, the regional elections acted as a more of a referendum on the performance of national government than as a way to respond to local issues.



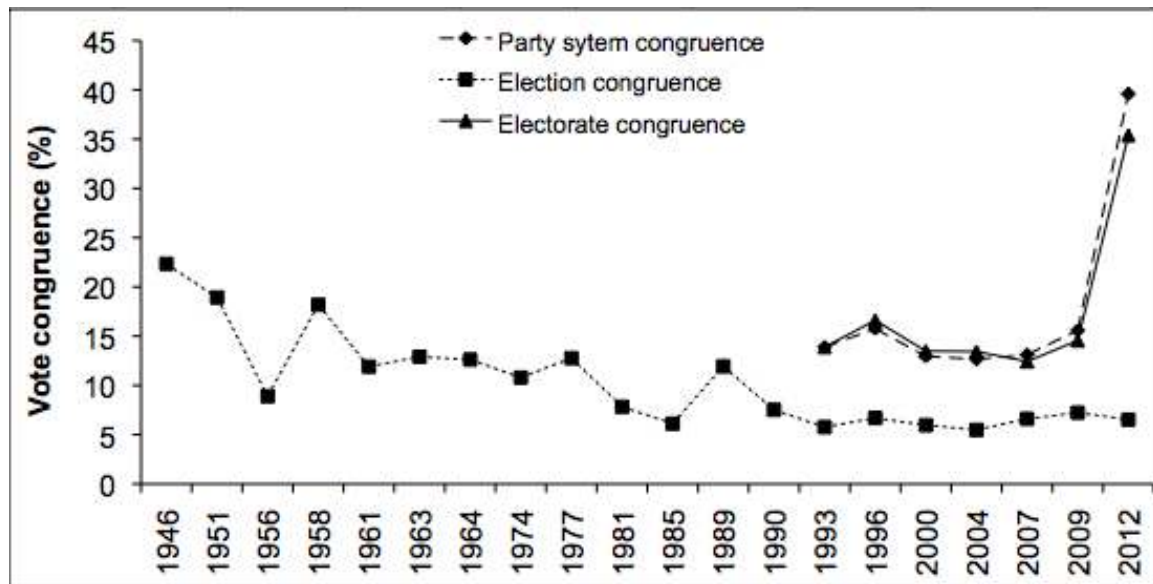
¹⁷ Greece: Five Typical Second-Order Elections despite Significant Electoral Reform, in R. Dandoy and A.H. Schakel (eds.), *Regional and National Elections in Western Europe: Territoriality of the Vote in Thirteen Countries*, Houndmills: Palgrave Macmillan, pp. 126-141

The subordination of regional and local issues is also evident in the congruence charted by Skrinis, in the Kapodistrias reform period 1996 to 2009. Voter turnout was lower, smaller parties or newer parties were favored and parties in national government were punished when in power for more than one term. The timing of the regional elections between national elections or at similar times with European elections created a sense of a national referendum taking away from the importance of possible regional issues.¹⁸ Since the Kapodistrias reforms of 1996 all the local and regional elections have taken place in between national elections and, as such, have served as electoral barometers for national party performance. The highly contentious 2000 and 2004 national elections in which the long-serving PASOK government barely won re-election in 2000 and eventually lost in March of 2004 did not allow the Kapodistrias reform to escape the framework of second order elections. The 2002 and 2006 municipal and regional elections had the characteristics of party, election and electoral congruence. In addition the highly politicized national environment stalled the devolution reform process, further frustrating progress towards better local governance. At the heart of both of these

¹⁸ According to Schakel and Jeffery's review of the literature dealing with second order elections and the pre-eminent theory in the field second order elections have specific characteristics. "Because less is 'at stake', REIF and SCHMITT (1980, p. 9-10) proposed that voters treat such second-order elections differently:

- They turn out less
- They favour small or new parties more
- Parties in national government lose favour, and national opposition parties gain"
- Moreover, voters' propensity to behave in these ways follows a cyclical logic; they are most likely to do so at the mid-point between elections that produce national governments, and less likely to do so soon after, or in the run-up to, an election that produces a national government." (Schakel, Arjan. And Jeffery, Charlie (2012) Are Regional Elections Really 'Second Order' Elections?, *Regional Studies*, 47, 3: 323–341.)

processess was the ability to access European structural funds and their dissemination in order to maximize goal effectiveness translating to performance legitimacy for the EU and local government.

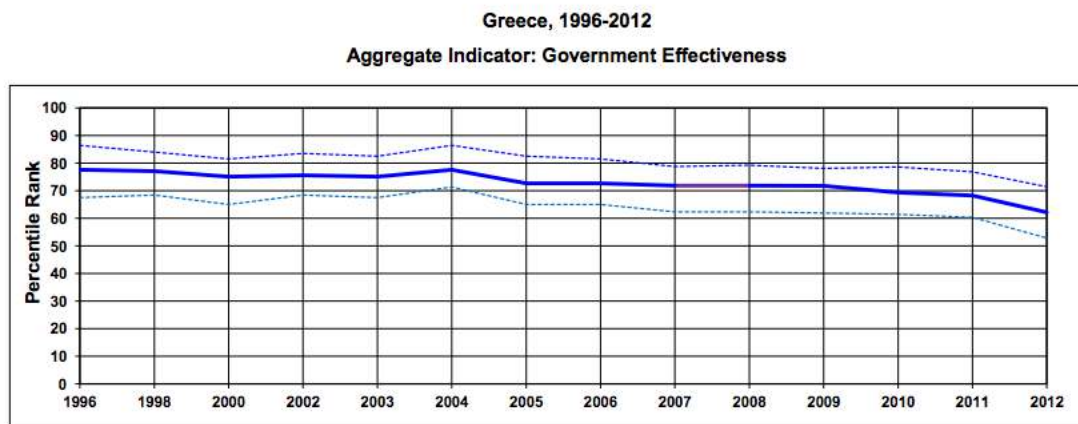
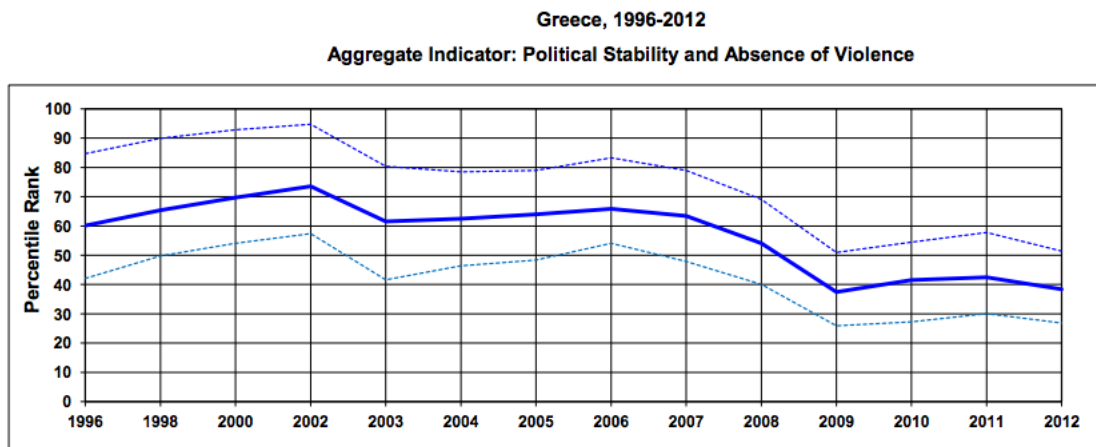
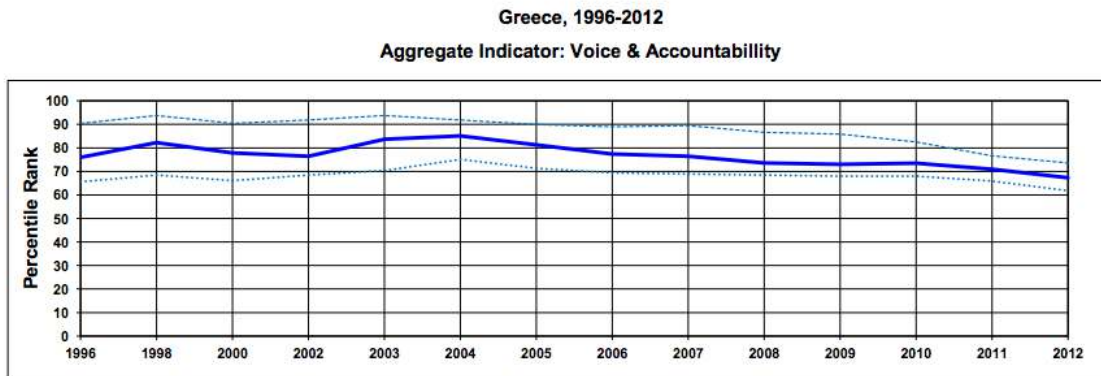


The fact that all the regional elections held in Greece in the period 1996 to 2010 were held between national contests, in a highly-politicized national atmosphere limited the effectiveness of the reforms and stalled the necessary next steps.

Reviewing the World Bank's *Worldwide Governance Indicators* for Greece from 1996 to 2012, there are significant observations regarding governance that can be attributed to the Kapodistrias reforms and their immediate effects and eventual stalling and reversal.¹⁹ "The WGI report six aggregate governance indicators for over 200 countries and territories over the period 1996-2012, covering i) Voice and Accountability, ii) Political Stability and Absence of Violence, iii) Government Effectiveness, iv) Regulatory Quality, v) Rule of Law, and vi) Control of

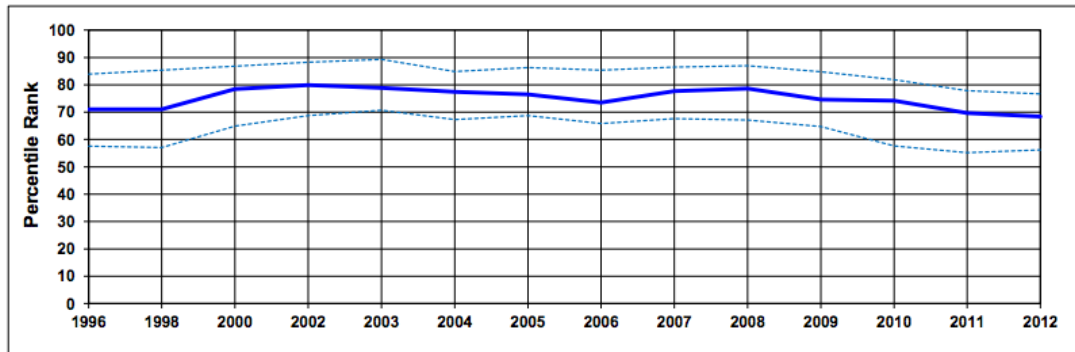
¹⁹ <http://info.worldbank.org/governance/wgi/index.aspx#countryReports>

Corruption.”²⁰ In all six indices measuring governance quality in Greece, there is a decline that begins in 2002 and moves precipitously after 2004. The only exception is “Control of Corruption” which peaks in 1998 and then begins to decline.

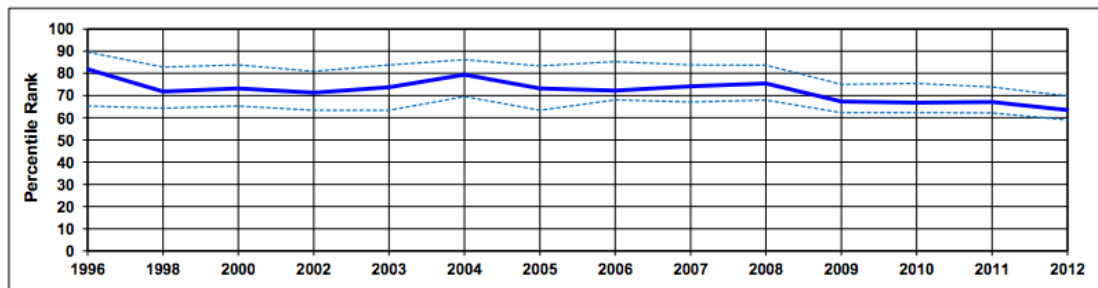


²⁰ *ibid.*

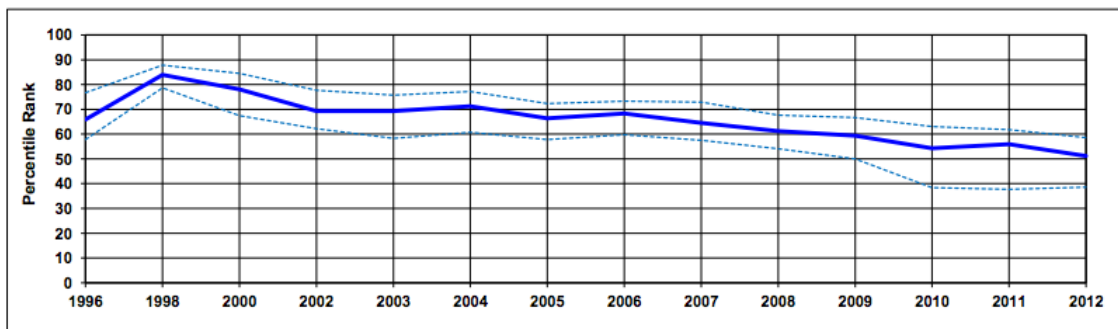
Greece, 1996-2012
Aggregate Indicator: Regulatory Quality



Greece, 1996-2012
Aggregate Indicator: Rule of Law



Greece, 1996-2012
Aggregate Indicator: Control of Corruption



The momentum toward good governance that was established in the late 1990s and the early part of 2000s dissipated by mid-decade along the way the related process of regional devolution and performance legitimacy. The economic crisis which fully materialized following the national elections of 2009 changed the political landscape drastically. As Skrinis indicated the pattern of regional elections

in Greece was that of a second order election, the economic crisis and the inability of the political system to address it had a precipitous effect throughout. The inability of the state to function on a very basic level had been recognized for some time, even by the Conservative New Democracy Karamanlis government in 2004, however any meaningful reforms continued to be mired in party politics of patronage. The long-planned Kapodistrias II reforms, which had been scheduled since the inception of Kapodistrias, were never implemented. The costs of this failure were very clear by early January 2010, when the Greek government was reviewing options for dealing with its fiscal/debt quandary, it was also faced a tremendous legitimacy gap among its European partners, within the global economic establishment, as well as within its own national constituency. Although the inability to fully implement regional reform was not the only contributing factor in the massive governance failure experience by Greece in early 2010, it was a disastrous lost opportunity with very real consequences as the WGI data indicates.

The Kapodistrias II or Kallikratis Reforms, as they came to be known, were finally introduced in 2010, in the midst of what appeared to be a catastrophic economic and administrative collapse. These measures were perceived domestically as merely a superfluous political debate, shaped by the zero-sum bipolar party rhetoric of previous decades. Nonetheless, economic and political crisis allowed the PASOK government to push through a devolution agenda begun two decades previously and frozen since 2002. In many respects, the proposed Kallikratis reforms concerning governance effectiveness and cost-cutting of the public sector were collateral assurances extracted by Greece's lenders. As Akrivopoulou et al argue,

there are effects of international and European policies that are evident in the timing and depth of the reform and its expected effects.²¹ “The participation of national states in international and regional organizations leads necessarily to the “delegation” of a large part of their powers to the governance levels beyond the state. A large amount of policymaking, rulemaking and planning is delegated to the global and regional levels of governance.”²² The two memoranda that the Greek governments signed, effectively providing economic protection of the national economy from global markets until 2015, facilitated the process of creating effective regional institutions, which enhanced governance, helping them to become amore legitimate and reliable connector to global economic and political institutions. In essence, the near-total collapse of the national political, administrative and party structures liberated the devolution process from its previous shackles and made it even more robust than initially planned. What was eventually proposed as the Kallikrates reforms was a more drastic administrative and electoral restructuring than envisioned by the long stalled phase II of Kapodistrias in several respects. Most importantly, Kallikrates moved prefects to direct elections, thereby moving regional elections away from national party politics.²³

²¹ Christina Akrivopoulou, Georgios Dimitropoulos, Stylianos-Ioannis G. Koutnatzis , The "Kallikratis Program": The Influence of International and European Policies on the Reforms of Greek Local Government “, *Istituzioni del Federalismo*, N.3 2012, pg.675 (http://www.regione.emilia-romagna.it/affari_ist/Rivista_3_2012/indice3.html)

²² *ibid.* pg. 657

²³ “The first MoU set was signed in December 2010 (Memorandum I). Memorandum I aimed at putting the public debt of Greece on a clear downward path. In this vein, it outlined the economic and financial policies that the Greek government and the Bank of Greece would implement during 2010-2012. In March 2012, Greece and its lending partners signed a second Memorandum in order to finance the country for

Domestically, the reforms were received with great apprehension, but in the context of the ongoing crisis, there was not the type of active opposition and outrage that greeted the Kapodistrias reforms two decades earlier. The Kallikrates reforms were a necessary first step in creating the type of independent, transparent, and reliable domestic structures to facilitate cost cutting and effective governance that were preconditions to receiving IMF, EU and European Central Bank funds. The Kallikratis reforms were very significant in terms of both administrative consolidation, as well as empowerment and transparency. The law of June 2010 eliminated 54 prefectures by incorporating their structures and functions in the existing 13 regional self-government departments. On the level of local self-government, the 1,053 Kapodistrian municipalities were reduced by two-thirds to 325. These reductions were not only aimed at cutting administrative costs, but were also focused on creating a governance approach centered on meeting local needs and solving problems immediately. This was a complete departure from the centralist state approach that had persisted for the previous two decades.

Along with administrative restructuring, the law outlined structural, functional, and electoral changes aimed at greater direct representation and transparency. Peripheries and municipalities were to be governed with directly elected local executive and legislative authorities, who were to wield an unprecedented degree of authority over a wide array of financial issues. In addition, prefects and mayors were no longer able to appoint their councils or economic affairs committees. The term in office was increased from 4 to 5 years to coincide

the period 2012-2015 (Memorandum II)...Moreover, it focuses on structural reforms and on measures to boost development.” (ibid. pg. 256)

with European parliamentary elections, the age of eligibility for councilors was lowered to 18, and the age of eligibility for mayors and regional general secretaries was lowered to 21. The elective percentage was raised to 50% and “extended the right to vote and be voted as municipal councilors and vice mayors to legal immigrants...in each municipality a council for immigrants integration was founded as well as local Ombudsman...”²⁴ Taken together, the reforms created the institutional architecture for a completely new level of political authority outside of Athens, with built-in safeguards for oversight and local input. The economic crisis and subsequent collapse of the national party system allowed sweeping restructuring and, in form at least, a major step toward the Europeanization of Greece and the European project.

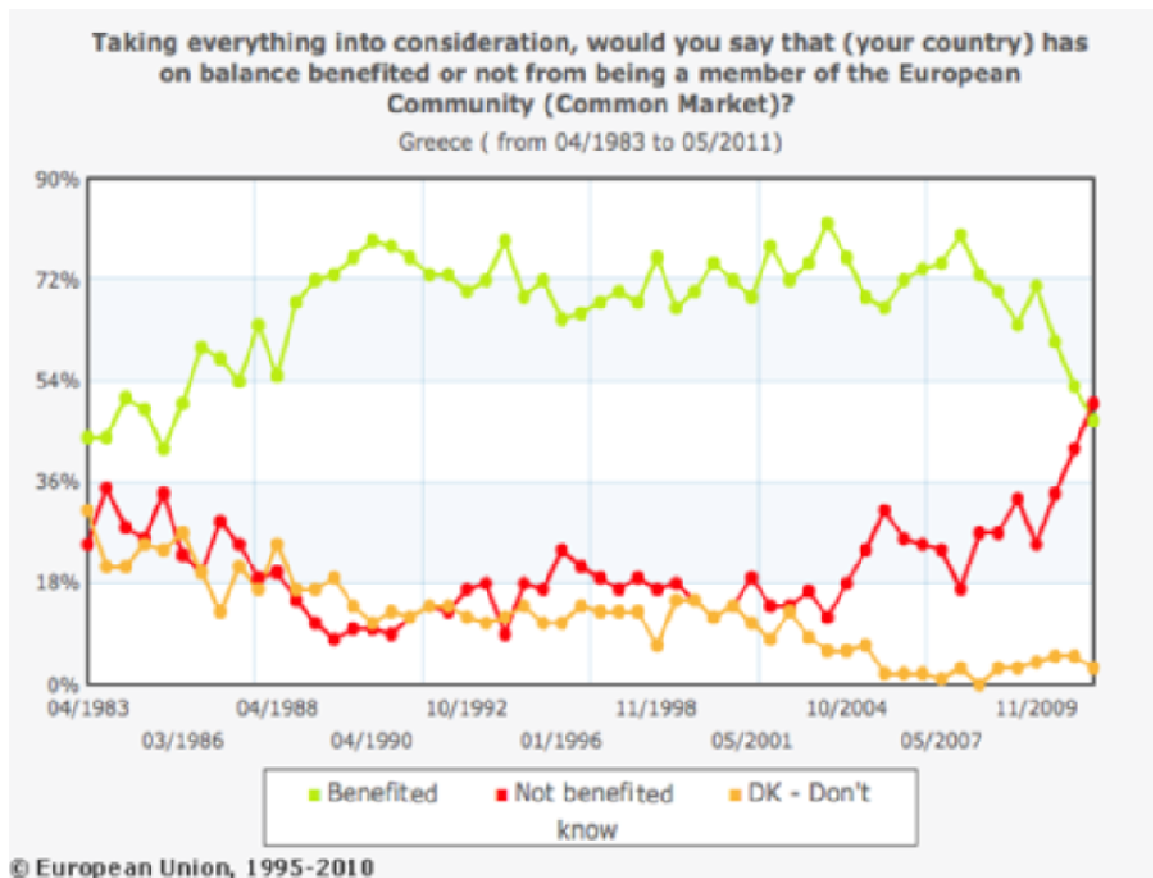
Ironically Kallikratis would not have been possible if not for the severe economic and political crisis, and harsh austerity measures that ensued. The scope of the crisis essentially allowed the chronic opposition from public officials, political parties and unions that had stalled or killed many previous attempts to be bypassed. It should also be noted that the sheer scope of the inefficiency of the system in place at the time of the passage of the Kallikrates reforms was also a factor in its favor. A telling example is that in 2010, the Greek state did not have an accurate count of either the number of public officials employed at the national level or of the number of pensioners, since there was no census data available. This is not to say that there were not obstacles to the implementation of the Kallikrates project. There were and these ranged from cultural and behavioral to financial and organizational.

²⁴ Akrivopoulou, pg. 666-67

The new law shifted responsibilities and decision-making processes at a time of severe economic austerity, while at the same time reducing the number of municipalities by 60 percent, which did indeed raise objections ranging from equity to concerns about loss of local public sector jobs and ease of transportation to now sometimes far flung public offices. However, the overall political opportunity structure had shifted such that vocal opposition to restructuring was ultimately minimal, most likely because it was viewed as a set of technical issues that were that was far less salient to voters than unemployment, pension and other public benefit cuts, the possibility of default, liquidity, tax reform, etc.

Regional elections following the Kallikratis reforms were held in 2010 and 2014, with the May 2014 regional municipal elections being the first held according to the new law to coincide with European Parliamentary elections. Although it is far too early in this process to draw definitive conclusions about the effects of the Kallikratis reform as a Europeanization mechanism, there are several interesting observations to note. The 2010 and 2014 municipal and regional elections took place at a time of continuing and cumulative economic and political crisis, with social unrest increasing, including political violence. Additionally, for the first time since Greece's accession to the European Community in 1981, more Greek citizens believe that the EU has not benefited their country.²⁵

²⁵ Pappas, Takis "Greece and the European elections: a preview," *openDemocracy*, 16 January 2014 (<https://www.opendemocracy.net/can-europe-make-it/takis-s-pappas/greece-and-european-elections-preview>)



The context in which these electoral contests took place has important implications for the questions raised in this paper with respect to whether economic crisis had an unexpected benefit of improved governance at the municipal level. Participation as measured by turnout is an indirect, but important measure of both relevance/legitimacy as well as of the degree to which regional/bye- elections are second order. In the 2010 elections, a year after the PASOK government had taken office in the midst of a wave of popular dissatisfaction, participation in the second round of elections dropped to record lows of 47% in regional (peripheral) and 49%

in the municipal contests.²⁶ These were the first elections in which national parties did not appear on the ballot, but only supported local tickets, at times in collaboration with other parties. In some instances, as was the case in the two largest urban centers, Athens and Thessaloniki, non-aligned candidates won, with no support from either major political party. In the May 2014 elections, which coincided with the European Parliamentary elections, the Kallikratis architecture is fully implemented. The level of participation, although not in the 2006 or 2002 levels, was at around 60% in both rounds for both the peripheral and municipal contests.²⁷ The most surprising electoral figure, however, was the level of participation in the European Parliamentary elections, which was 58%. This was the fifth highest among the 28 EU states, with only Malta, Luxembourg, Belgium and Italy with rates greater than Greece.²⁸ At a time of great popular dissatisfaction with the European Union project across Europe, the level of participation in Greece is note worthy. There are a number of possible explanations for these figures, which point to outcomes that will have to be observed and analyzed over time. However, the indications of the May 2014 results illustrate that many of the goals consequences of the Kallikratis reforms were realized. The collapse of the national party structure, the inability by law of national parties to directly take part in the

²⁶ Ministry of the Interior, Devolution and Electronic Governance, Peripheral and Municipal Results of 2010, ([http://ekloges-prev.singularlogic.eu/dn2010/public/index.html#{"page":"main"}](http://ekloges-prev.singularlogic.eu/dn2010/public/index.html#{))

²⁷ Ministry of the Interior, Devolution and Electronic Governance, Peripheral and Municipal Results of 2014, [http://ekloges.yes.gr/may2014/dn/public/#{"page":"level","params":{"level":"snom_n","id":13}}](http://ekloges.yes.gr/may2014/dn/public/#{)

²⁸ *Wall Street Journal*: European Parliament Elections 2014: Results <http://graphics.wsj.com/european-elections-2014/>

regional and municipal elections, and the need to field candidates for all municipal and regional councils had as a consequence a large infusion of younger, untested, and unaffiliated candidates in local politics. The age, gender and ethnic background of the newer candidates was also quite diverse, as young educated, unemployed and legal immigrants sought a greater level of participation, accountability and voice.

Beyond these trends which merit continued observation and analysis, is the widening awareness that regional and local government must access sources of funding beyond that which the national government was unable to provide. The economic collapse of the centralist state and its inability to function on the very basic level (with tax collection being a primary example), had rendered it completely bankrupt and inept. Regional and local governments had a newly acquired autonomy and a great incentive to access European Structural Funds and Greek regions leveraged this at remarkable rates. In fact, the absorption rate of European Structural Funds in Greece in the period 2010 to 2014 are among the best within the EU. This represents a complete turnaround from the figures prior to 2009. The Task Force for Greece (TFGR) which was set up as part of the Memoranda that Greece signed in order to assist in coordinating and organizing the absorption of European Structural funds, in its July 2014 report on Greece's progress, states that "Greece has consistently improved its absorption rate of Structural Funds, placing the country in the 5th position at the EU level from 18th at the end of 2011

(see table 1) and ensuring now an absorption rate above EU average for all three funds under consideration - whereas in 2010 the result was the opposite.”²⁹

Table 1: absorption rate of Structural Funds in Greece since 2010

		Structural funds (all funds)	European Regional Development Fund	Cohesion Fund	Social Fund
Total Amount Decided (EUR)		20.210.261.445	12.149.300.178	3.697.160.864	4.363.800.403
Rate absorption by Dec 2010	Greece	21,86%	26,19%	15,90%	14,84%
	EU average	22,94%	26,96%	26,07%	29,06%
	GR Ranking	17	10	13	22
Rate absorption by Dec 2011	Greece	34,94%	39,65%	29,28%	26,60%
	EU average	33,36%	34,31%	28,35%	35,43%
	GR Ranking	18	11	8	22
Rate absorption by Dec 2012	Greece	49,23%	53,58%	46,03%	39,84%
	EU average	46,20%	47,06%	40,74%	48,93%
	GR Ranking	15	8	6	21
Rate absorption by September 2013	Greece	67,46%	69,34%	73,92%	56,72%
	EU average	56,40%	57,25%	49,89%	60,10%
	GR Ranking	6	5	2	16
Rate absorption by January 2014	Greece	77,11%	80,99%	81,80%	62,31%
	EU average	64,08%	64,85%	58,02%	67,59%
	GR Ranking	4	2	2	20
Rate absorption by June 2014	Greece	81,26%	83,32%	81,80%	75,06%
	EU average	69,17%	69,71%	64,91%	71,66%
	GR Ranking	5	3	4	11

Source: Commission services

Although good governance can't be measured simply by effectiveness of raising funding for local infrastructure projects, the rate at which newly minted regional governmental authorities were able to successfully do so is certainly an impressive and unprecented achievement.

Discussion & Conclusion:

²⁹ Task Force for Greece, Seventh Activity Report, July 2014, (Reporting Period: February-May 2014), *European Commission*, http://ec.europa.eu/commission_2010-2014/president/pdf/qr7_en.pdf

This paper reviewed the effects of economic crisis on regional governance, through an analysis of both the long history of (mostly stalled) structural reform and absorption of European Regional Development Funds (ERDF). We hypothesized two main outcomes: 1) Enhancement of the type of good governance required to access and distribute these funds, and 2) Increased budgetary independence of regions from absolute reliance on national resources, since as national budgets shrank with austerity measures following the onset of crisis in 2008, regional governments were left with limited options to meet increased responsibilities associated with ongoing devolution. In order to access funds, newly minted regional governments had to enhance their internal capacity and in so doing, enhanced their performance legitimacy, thus creating a virtuous cycle. Based on the limited scope of this study and data set available, we remain cautiously optimistic that both of these outcomes have in fact, been realized. The exponential increase in ERDF monies alone is impressive as are the figures with respect to participation in regional elections, along with the delinking of national from regional elections. However, in order to truly assess whether or not “good governance” is becoming institutionalized in the peripheries in Greece, much more data is needed. One major problem with the present study is that it lacks a great deal of empirical time series data with respect measures of effectiveness, efficiency and transparency, in addition to reliable measures of the degree to which regional politics will be able to develop and remain distinct from national politics and parties. It also was far beyond the scope of this paper to examine another fundamental underpinning of our understanding of good governance and that is that, other than turn out figures, we

do not have any indicators of affective political orientations of local constituencies, measures of legitimacy, trust or other more robust indicators of the growth of the type of civic engagement that is a hallmark of both good governance and the classic function of the middle class. Time and time series data on elections and public perceptions will in part ameliorate these deficits and give us not only a better indicator of the state of regional governance in Greece, but also of the variations between regional administrations that we anticipate emerging. Finally, the impact of economic crisis on regional governance in Greece must be examined in comparative context to that of other EU member states in order to understand which, if any, patterns can be discerned.

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