

### BASIC SOCIO-ECONOMIC INDICATORS

Income group - HIGH INCOME: OECD Local currency - Euro (EUR)

#### POPULATION AND GEOGRAPHY

AREA: **130 820** km<sup>2</sup>

POPULATION: **10.892** million inhabitants (2014), a decrease of -0.5% per year (2010-14)

DENSITY: **83** inhabitants/km<sup>2</sup>

URBAN POPULATION: **77.7%** of national population

CAPITAL CITY: **Athens** (27.5% of national population)

Sources: OECD, Eurostat, World Bank, UNDP, ILO

#### ECONOMIC DATA

GDP: **291.9** billion (current PPP international dollars) i.e. 26 795 dollars per inhabitant (2014)

REAL GDP GROWTH: **0.7%** (2014 vs 2013)

UNEMPLOYMENT RATE: **26.5%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **1 683** (BoP, current USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **12%** of GDP

HUMAN DEVELOPMENT INDEX: **0.865** (very high), rank **29**

### TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
<b>325</b>	-	<b>13</b>	<b>338</b>
MUNICIPALITIES (DIMOS)		REGIONS (PERIPHERIES)	
AVERAGE MUNICIPAL SIZE: <b>33 410</b> INHABITANTS			

**MAIN FEATURES OF TERRITORIAL ORGANISATION.** Since the Law 3852/2010 on the “New architecture of self-governance and decentralized administration” (the *Kallikratis* reform), Greece now has a two-tier local government structure composed of 325 municipalities (replacing 1 033 municipalities and communities) and 13 regions (replacing 54 prefectures), without hierarchical link. The reform maintained historic communities as deconcentrated entities, providing “some intra-municipal decentralisation”. The 325 new municipalities are divided into local communities (communities with a population of less than 2.000 citizens) and municipal communities (communities with population of more than 2 000 citizens). Greece has one autonomous territorial entity, the Community of Mount Athos Monasteries. Greece is also divided into seven deconcentrated state administrations (led by a General Secretary appointed by the Ministry of Interior) and 74 regional units for administrative purposes.

**MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES.** The *Kallikratis* reform was also a decentralisation process, granting municipalities and regions with new and expanded powers. Regional planning and development responsibilities have been given to the 13 new self-governing regions. They also manage the authorities for regional operational programmes of the European Union. Some responsibilities relative to local development, child protection, elderly care, social assistance to the unemployed and poor people and health prevention were transferred to municipalities. They were already responsible for environment, employment, education, culture and sports, civil protection, rural development. Many responsibilities are shared with the central government (e.g. education, health). As provided by the constitution, insular municipalities may undertake additional responsibilities otherwise exercised by the regions.

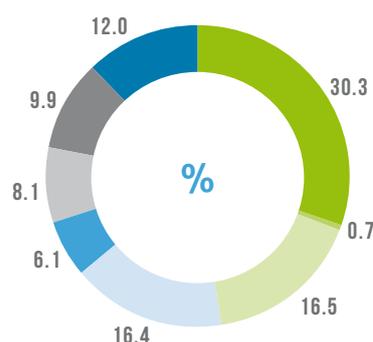
### SUBNATIONAL GOVERNMENT FINANCE

EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
TOTAL EXPENDITURE (2013)	3.5%	5.9%	100%
CURRENT EXPENDITURE	2.7%	-	78.0%
STAFF EXPENDITURE	1.3%	10.6%	36.5%
INVESTMENT	0.7%	24.5%	19.4%

Despite the transfer of responsibilities within the framework of the *Kallikratis* reform, Greece remains among the most centralised countries of the OECD, along with Chile, Ireland, New Zealand and Turkey. SNG spending as a percentage of GDP and public spending is among the lowest as well as the share of staff spending in public staff expenditure (despite the fact that staff spending represents a significant share of local spending). SNG involvement in public investment is also limited.

## EXPENDITURE BY FUNCTION

## % SUBNATIONAL GOVERNMENT EXPENDITURE



The main categories of SNG spending include general public services, economic affairs (mainly transport) and environmental protection, including waste water and waste. Some of the most important public service delivery systems, such as public education, public health and social protection are still subject to direct control by the central government

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2013)	3.9%	8.3%	100%
TAX REVENUE	0.9%	3.8%	23.3%
GRANTS AND SUBSIDIES	2.6%	-	66.9%
OTHER REVENUES	0.4%	-	9.7%

SNG financial resources are limited, reflecting few spending responsibilities. However, the *Kallikratis* reform modified resources for SNGs, granting them more tax revenue and reducing the share of general grants. Regions have no tax revenue and depend most entirely on central government transfers.

**TAX REVENUE.** Tax revenues are entirely own-source, benefiting almost exclusively to municipalities (regional tax revenues are negligible). Around 90% of municipal tax revenue comes from property tax. A new property tax (Unified Property Tax, ENFIA) was established in 2014. Other taxes include street cleaning tax, a street lighting tax, beer tax, advertising tax, etc.

**GRANTS AND SUBSIDIES.** Transfers from the central government represent the primary share of SNG revenue. They mainly come from the Central Autonomous Funds (CAF) granted annually to municipalities and regions. CAF funds for municipalities are made up of receipts from the PIT, VAT and property tax. CAF funds for regions come from receipts from the PIT and the VAT. Funds are allocated based on various criteria (demographic, geomorphological, administrative, financial, social, environmental etc.) characterising each municipality and region. CAF transfers are divided between "Regular Grant" (RG) for operating expenditure and the "Public Investment Specific Programme Grant" (PISPG). Other transfers to local governments include compensation grants, global investment grants and earmarked grants (for transportation costs for pupils, for welfare support, etc.). Capital expenditure grants represent around 18% of total grants.

**OTHER REVENUES.** Other revenues for municipalities include service charges and fees (such as market charges, charges for cemeteries, charges for the use of slaughterhouses) and the assets sales or rents.

OUTSTANDING DEBT	% GDP	% GENERAL GOVERNMENT
OUTSTANDING DEBT (2013)	1.3%	0.7%

The *Kallikratis* reform granted the Court of Audit with additional powers in the monitoring of local governments. An Observatory for Financial Autonomy of the Local Government Organizations was launched by Law 4111/2013 and further implemented by Law 4270/2014. Tasks of this Committee are to ensure the preparation of realistic and balanced budgets by local authorities, in accordance with the applicable budgetary Law as well as to monthly monitor budget execution by local authorities. The law 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. A debt-brake was introduced for the few municipalities facing problems of over-indebtedness. The *Kallikratis* law provided that these municipalities would join a "Special Economic Recovery Program." Overall, the level of local debt remains low as a percentage of GDP and total public debt. In 2013, it was made up of loans (75%) and other accounts payable (25%).

A joint- study of:



Sources: OECD National Accounts Statistics • OECD (2015 and 2016) Subnational Governments in OECD Countries: Key data • Council of Europe (2015) Local and regional democracy in Greece, CG/2015(28)8PROV • N. Hlepas (2014) Centralisation, Decentralisation, Recentralisation: Lessons from the Greek Experience in K. Göymen & O. Sazak, Centralization Decentralization Debate Revisited, Istanbul • Committee of the Regions (2014), <https://portal.cor.europa.eu/divisionpowers/countries/MembersNLP/Greece/Pages/default.aspx> • Council of Europe (2012) Structure and Operation of Local and Regional Democracy, Greece, Situation in 2012, Strasbourg.