Fiscal Consolidation in German and Greek Local Governments: Reform Attempts, Supervision and Local Measures

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Abstract Fiscal consolidation in Greek and German local governments differs for many reasons. While some German local governments experienced a long period of austerity, driven by economic decline and federal and state measures, the global financial crisis and 'troika' programme caused the need for harsh austerity measures in Greece. In addition, there is a different institutional context for local governments in both states, accompanied by different revenue autonomy and state influence. Therefore, local options in Greece were limited, and local governments had to focus on spending cuts, whereas German local governments largely relied on increasing tax rates. The one commonality is in the field of regulation, when both states strengthened fiscal rules and supervision and established a bailout programme. However, intense monitoring, the implementation of fiscal rules and the 'top-down' actions of supervisory bodies in Greece fundamentally exceed German practice. Finally, fiscal consolidation in Greece was much more difficult and went hand in hand with minor local discretion.

1 Introduction

General characteristics of the financial crisis and its long-term impacts on municipal finance differ between countries, regions and specific municipalities. Whereas some German cities are affected by a long-term fiscal crisis, the Greek local level was forced to apply consolidation measures, despite the fact that several Greek municipalities were not indebted (Kolliniati et al. 2017). In 2001, prior to the financial crisis, funding—in particular interest rates—dropped with the integration of the common euro currency in Greece. However, by 2008, Greece had slipped into an economic recession and, in 2010, applied for financial assistance through the IMF,

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ECB and European Union (‘troika’). Based on a memorandum of understanding (MoU), the ‘troika’ granted a first tranche of emergency loans to Greece on the condition that the government implement a detailed list of austerity measures. Subsequently, the fiscal situation of Greek local governments dramatically worsened. The national government has restructured its territorial shape as well as its fiscal rules and supervision over the last several years. In contrast, the German economy and public finance quickly recovered following the financial crisis and reforms at the local level have been incremental. Varying socio-economic circumstances alone cannot explain the different policies in these two countries. Different institutional contexts are also relevant. Nevertheless, there is a ‘common challenge’ of fiscal consolidation at the local level, which makes a comparison between Greek and German local government feasible. Hence, the goal of our paper is to discuss how different reform attempts and the role of supervision in Germany and Greece shaped fiscal consolidation of local government. Moreover, we scrutinize specific municipal fiscal consolidation strategies referring to 15 case studies conducted in a German-Greek research project (Kolliniati et al. 2017; Stolzenberg et al. 2016)[1] and subsequent research (Kolliniati 2019; Stolzenberg 2018).

2 Comparing Local Government (Finance) in Germany and Greece

Taking into consideration different typologies summarized by Heinelt and Hlepas (2006) as well as Sellers and Lidström (2007), Greek local government compared to its German equivalent has fewer functions and lower discretion (Kolliniati 2019). As opposed to Greece, German local governments provide several public (welfare) services and have a strong constitutional role. The German local level differs within the country, as it is subordinate to 13 different states. These variations do not exist in the Greek unitary state. The revenues and expenditures of local levels are clearly higher in Germany than in Greece. Moreover, German municipalities levy business taxes as well as property tax and receive a share of income tax. The Greek local level mainly depends on the non-earmarked ‘Central Autonomous Grants’ and the ‘Earmarked Investment Grants’, which come from the central government. Consequently, Greek local governments can hardly consolidate their finances in terms of revenue.

However, the need for consolidation at the Greek local level did not derive from self-created accumulated debt. Local government debt as a percentage of GDP as

[1]The REPOS research project (Reformability of Political Systems in Times of Crisis) was financed in 2014–2015 by the German Federal Ministry for Education and Research and the Greek Ministry of Education, Research and Religious Affairs as part of the Bilateral R&D Cooperation in social science between Germany and Greece and extended by the German Federal Ministry for Education and Research for 2016.

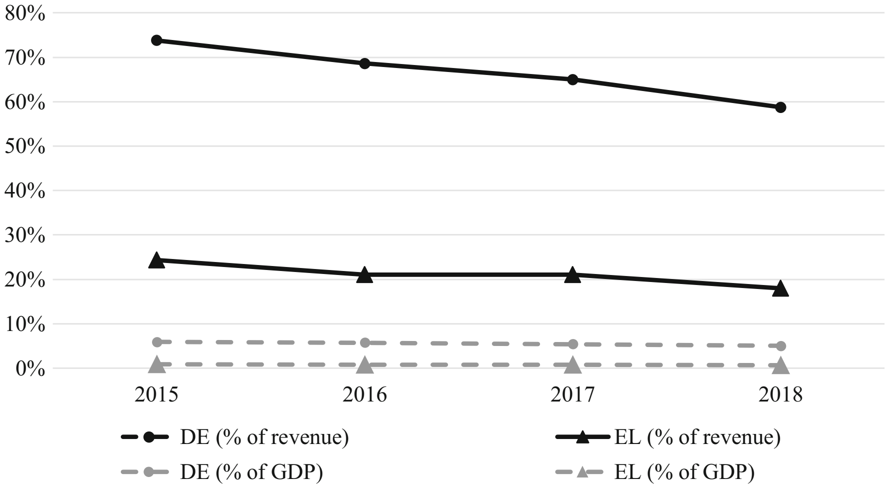

Fig. 1 Local government debt as percentage of GDP and as percentage of local government revenue (own calculations based on Eurostat 2020)

well as a percentage of local government revenue is clearly higher in Germany than in Greece (see Fig. 1). Municipal debt was not necessarily a cause of the debt crisis in Greece.

Local level liabilities are concentrated in some German states and in urbanized regions in Greece. In Germany, short-term borrowing (*Kassenkredite* or *Liquiditätskredite*) constitutes a remarkable share of debt at the local level (almost 40% in 2015). De jure, short-term borrowing is limited to compensate for short-term variations of revenues. The Greek equivalent is overdue liabilities towards private suppliers and contractors. Moreover, in both countries, the debt of municipal companies was non-transparent (for Germany approximately 50% of municipal debt; see Bogumil et al. 2014) until new public statistics were introduced. In both countries, exogenous reasons mainly cause fiscal challenges for local governments which they can hardly influence (i.e. socio-economic conditions or decisions by upper level governments). However, in Germany there are also endogenous reasons for fiscal problems which are related to local failures (Bogumil et al. 2014).

3 Reform Attempts and Fiscal Measures at State and National Levels

Policymakers at the upper levels, Greek national government and international agreements, and the German federal government, shape the fiscal situation of local levels to a great extent. In these terms, policymakers at the upper level have various options to improve (or worsen) the fiscal situation at the local level. Territorial reforms, short- or medium-term conditional financial assistance, the extension of taxation rights and (re-)allocation of grants are possible alternatives. Furthermore, upper levels can redefine fiscal rules and change the practices of fiscal supervision over local governments. During the last several years, most of these policy options have been used in both countries, but extent and direction of these measures was remarkably different.

3.1 Territorial Reforms

In Greece, the ‘Memoranda’ policies shaped the fiscal situation to a great degree. The MoU, signed by Greece in 2010, mentioned explicitly that ‘parliament should adopt legislation to reform public administration at the local level, notably by merging municipalities, prefectures and regions with the aim of reducing operating costs and wage bill’ (Chortareas and Logothetis 2016). Consequently, the so-called Kallikrates programme (Law 3852/2010) was passed and changed local and regional government fundamentally, by not only changing their population and spatial size but also reforming their structure and responsibilities (Hlepas 2012). The existing 54 prefectures were reorganized into 13 administrative regions (Ministry of Interior of the Hellenic Republic 2013), which became part of local government and the Greek equivalent to German counties (in larger spatial and population size). However, territorial reform of the municipal level was more important. The number of municipalities reduced remarkably (from 1034 to 325 and then to 332 with Cleisthenes’ Law), and as a result, the median population of Greek municipalities today is much higher than in Germany (see Table 1) and among the highest in Europe. The majority of Greek municipalities merged with others, and only a minor share retained their spatial and population size.

The remaining 332 municipalities distribute among 6 different categories. According to Law 4555/2018 passed in 2018, the so-called Cleisthenes programme, these municipal categories are taken into consideration for the allocation of ‘Central Autonomous Grants’ and any other sort of funding specified for municipalities.

As opposed to Greece, the German national (federal) government cannot decide on territorial reforms at the local level. The responsible states implemented only a few limited territorial reforms (e.g. Rhineland-Palatinate, Saxony-Anhalt and Mecklenburg-Western Pomerania) focusing on smaller municipalities and counties. In contrast, some recent endeavours even failed due to enormous public resistance (the states of Thuringia and Brandenburg). Since the given reforms did not affect highly indebted medium and larger cities, limited positive fiscal effects could have been possible at the most.

Table 1 Number and median size of municipalities in 2014 (Ladner et al. 2019)

	Germany	Greece
Number of municipalities	11,040	332
Median size (population)	7335	33,515

3.2 Changes in Allocation of Functions and Grants

During the last few years, states in Germany and Greece allocated new functions to local governments that the upper levels should have adequately compensated financially. In both countries, constitutions anchor this obligation: in Greece by the national Constitution and in Germany by state constitutions (so-called *Konnexitätsregel*). However, these provisions were circumvented to different degrees.

In Greece, the 'Kallikrates programme' decentralized additional functions to insular municipalities and municipalities of continental Greece, mentioning that particular legislation, namely, the *'ELL.A.D.A'* programme, should financially compensate municipalities for these new responsibilities (Hlepas 2012). However, the *'ELL.A.D.A'* programme was never implemented, and adequate additional funding was not allocated for those new functions (Kolliniati et al. 2017). Following up on provisions of the MoU, the national government reduced 'Central Autonomous Grants' to the municipalities by approximately 60% from 2009 to 2016 and the 'Earmarked Investment Grants' by more than 80% from 2009 to 2017 (Central Union of Municipalities in Greece 2017). Moreover, through the MTFS 2013–2016 and Law 4093/2012, the national government obliged local governments to cut municipal employees' salaries (a salary cut of approximately 40%), to freeze municipal recruitment, to merge municipal companies and to dismiss personnel in those municipal services that the central government had abolished (school guards and municipal police).

Similar measures are inconceivable in Germany, since neither national nor state governments can exercise this kind of hierarchical steering towards local government. Consolidation measures were much less drastic; German supervision authorities enacted recruitment freezes for highly indebted municipalities, whereas the above-mentioned measures had to be implemented horizontally in all Greek municipalities, including those in good fiscal condition. As in Greece, additional tasks delegated to local governments were not always compensated adequately in Germany. Federal and some state legislation caused a continuous increase of local government spending for mandatory social services. Nevertheless, opposing trends became more common during the past years. The recommendations by a commission on municipal finance (*Gemeindefinanzkommission*; see Zimmermann 2012 and Niespor 2013) and political pressure at the local level persuaded the federal level to (partly) take over expenditures in various social policy fields (e.g. welfare for elderly and partial invalids, integration assistance for handicapped people, housing costs for welfare recipients). Financial relief for local governments was possible because the economic and fiscal situation in Germany quickly recovered following the financial crisis and the federal government benefited from exceptionally high tax revenues. More systematically, some states changed the allocation of grants. Thus far, the federal constitution obligates states to share some of their revenues with local levels in the form of grants. Recently, some states have chosen a new approach (e.g. Hesse, Thuringia and Saxony-Anhalt). They reformed fiscal equalization schemes to calculate the amount of grants in relation to the specific tasks of local government and their estimated costs, instead of a specific share of their revenues. It remains disputable if revenue is adequate to fulfil the given tasks. Nevertheless, compared to their Greek equivalents, German local governments received remarkable and rather predictable support from the upper levels.

3.3 Fiscal Supervision and Bailout Programmes

Despite the general institutional differences of both local government systems, fiscal supervision at the local level is comparatively strict in both countries (Sellers and Lidström 2007). Greece and Germany do not have rules pertaining to the insolvency of local governments, which makes fiscal control and supervision from state authorities necessary to prevent bailouts.

In Greece, there was a complex system of state supervision by various local authorities, which was party-politicized and inefficient. Consequently, one of the objectives of the 'Kallikrates programme' was to implement a fundamental change of supervision (Hlepas 2012). Today, there are mainly three supervising authorities: (a) the 'Court of Audit', which audits all Greek public agencies; (b) the 'Observatory for Financial Autonomy of Local Government Organizations' ('Observatory'), which monitors the budgets; and c) the 'Independent Supervisory Authority' (a regionalized part of the Ministry of the Interior), which is headed by the 'Auditor of Legality'; this authority is responsible for disciplinary control and control of legality (Kolliniati 2019), but in practice it was never activated.

In Germany, state ministries of the interior are responsible for supervision, but usually delegate this task to deconcentrated state authorities or in smaller municipalities, even to counties. The German states' courts of audit have exclusively watchdog-functions and are not supervision authorities, as in Greece (Glöckner and Mühlenkamp 2009).

Balanced budget rules for local governments exist in Greece as well as in all German states. In 2013, a new balanced budget rule for the Greek local level was introduced which also includes municipal company budgets. Furthermore, according to the 'Kallikrates programme' (a), the debt of a municipality should not exceed 60% of annual regular revenues, and (b) interest payments should not be higher than 20% of annual regular revenues. Municipalities, which do not fulfil these criteria, don't receive credit approval. However, according to the 'Cleisthenes programme', there are exceptions for loans, which include measures to improve the energy efficiency of their facilities, machinery or vehicles and general investment projects. These measures should result in reduced operating costs, and savings should cover interest payments.

If municipalities or regions do not comply with one of these debt limits, they can apply for the special ‘Fiscal Consolidation Plan’[2] (*Ειδικό Πρόγραμμα Εξυγίανσης*; see Law 3852/2010, Art. 262). The ‘Kallikrates programme’ also established this plan, which aims to consolidate the budgets of municipalities and administrative regions.

Moreover, the ‘Kallikrates programme’ introduced the ‘Independent Supervisory Authority’, which is headed by the ‘Auditor of Legality’ and has two main tasks. First, it is responsible for disciplinary control of political leadership, and second, it checks the legality of local acts. According to the ‘Cleisthenes programme’, the auditor is in charge of reviewing the legality of municipal decisions, among others of projects of more than 60,000 euro, obligatory expropriations and loans. In the case of illegality, the auditor can retract such decisions (Hlepas 2012). In implementing the second MoU, the Greek government established the ‘Observatory’ by Law 4111/2013 and the so-called Financial Assistance Account of Local Government, which is an overdue liabilities programme (Kolliniati et al. 2017). The ‘Cleisthenes programme’ made subsequent amendments.

If municipalities agree to fixed consolidation agreements, in practice this programme transfers municipal debt to the central level (Hlepas 2015). The ‘Observatory’ belongs to the Ministry of Interior and is responsible for monitoring local finances and accounting for real-time budget execution. It controls the implementation of budgets on a quarterly basis with the aim that they are balanced and realistic. As specified by the ‘Cleisthenes programme’, budget evaluation by the ‘Observatory’ takes into account the aims and limits set by the central government budget and the current ‘Medium Term Fiscal Strategy Framework’ (MTFS). If quarterly budgetary targets have a negative deviation of more than 10%(compared to the provisions of the Article 4E of the Integrated Action Plan – *Ολοκληρωμένο Πλαίσιο Δράσης – Ο.Π.Δ.*), the ‘Observatory’ steps in. It informs the respective municipality, the responsible supervisory authority and the minister of interior. Moreover, the ‘Observatory’ drafts an opinion report on the methods of budget implementation or of setting realistic objectives. It may also scrutinize liabilities for loans, in particular focusing on overdue liabilities: own revenues in relation to its total revenues, the rate of change in total borrowing and the rate of change in total overdue liabilities.

At the end of each quarter and financial year, the ‘Observatory’ drafts a report on the results of budget implementation, which each local authority must publish. This report portrays the main financial situation of each local government and its legal entities and, in case of participation, the account statement by the ‘Financial Assistance Account of Local Government’. The ‘Financial Assistance Account of Local Government’ was established by Law 4111/2013 and amended by the ‘Cleisthenes

[2]The ‘Fiscal Consolidation Plan’ (or ‘Special Economic Recovery Program’/*Ειδικό Πρόγραμμα Εξυγίανσης*) should not be confused with the ‘Financial Assistance Account of Local Government’ (*Λογαριασμός Οικονομικής Ενίσχυσης Ο.Τ.Α.*). The former is a ‘programme’; the latter is an ‘account’. Moreover, the ‘Fiscal Consolidation Plan’ was established by the Ministry of Interior, whereas the ‘Financial Assistance Account of Local Government’ was established by the Consignment Deposits and Loans Fund.

programme'. It aims to support municipalities, in emergencies, to obtain balanced budgets. This Account funds by the Central Autonomous Funds (*KAΠ*) and was established by the Consignment Deposits and Loans Fund. Local governments can take part in this programme upon request and after fulfilling certain requirements (Ministry of Interior of the Hellenic Republic 2013). Furthermore, the Court of Audit controls local governments, as all Greek public agencies (Greek Constitutional Law, Art. 98). Under these terms, it applies a preventive and ex post control on expenditures (Hlepas 2014; Ministry of Interior of the Hellenic Republic 2013). Every municipal contract of more than 200,000 euro is controlled by the Court of Audit (Hlepas 2014).

As in Greece, German supervisory bodies usually must approve municipal budgets plans, but also investment and short-term borrowing. If German municipalities do not follow the balanced budget rule, a consolidation concept must be submitted which contains measures for balancing the budget in the following years (Geissler 2009). Supervisory bodies must approve these concepts. If they deny approval, emergency budget management rules will (*Nothaushaltsrecht*) apply. In this case, local fiscal autonomy is minimal, and only expenses for legal or contractual obligations are permitted. Although legally provided only for exceptional situations, several municipalities, mainly in North Rhine-Westphalia, had to be governed under these rules for several years. As a last resort, the supervision authority can appoint a state commissioner to take over the tasks of the mayor and the local council. In a similar vein to Greece, there is a trend to strengthen fiscal rules for local governments. However, supervision differs between countries.

German supervision acts less in a top-down manner, but there are remarkable variations between the states. According to critics, some German supervision authorities have a laissez-faire attitude, since they do not want the state to be publicly blamed for the fiscal problems of local governments and want to avoid litigation risks (Gröpl et al. 2010; Herrmann 2011). Nevertheless, there is some evidence that supervisors control budgets stricter and increasingly make use of hierarchical interventions (see chapter by Ebinger et al. in this volume) (Ebinger et al. 2018; Holtkamp 2006).

Conditional consolidation programmes for the local level expanded the powers of supervision in Germany (see chapter by Person and Geissler in this volume). Balanced budget rules, essentially disregarded for many years in some states, were once again enforced. Moreover, the institutional framework of supervision partially changed. For smaller municipalities participating in these programmes, supervision shifted from counties to state authorities (e.g. in Hesse and North Rhine-Westphalia), which meant that fiscal rules should be more strictly enforced and more uniform (Person and Zabler 2017). However, stricter control was accompanied by new advisory structures, such as the ministry of finance in Hesse or court of audit (*Gemeindeprüfungsanstalt*) in North Rhine-Westphalia (Stolzenberg 2018). In any case, states established consolidation programmes as a 'help for self-help' and offered conditional grants or debt relief in return for consolidation efforts by the municipalities (and to some extent, counties). Local government associations participated in designing these programmes, which reduced resistance by the local level.

The allocation and sources of funding were partly disputed, whereas the local level mainly accepted the conditions (Stolzenberg 2018). Approximately 19% of German municipalities participated in such programmes. Heinelt and Stolzenberg (2014) show that the type (grant or debt relief) and amount of financial assistance as well as their sources, the number of participating municipalities, the specific conditions and possible sanctions for non-compliance vary remarkably between states. Generally, municipal councils decide if their municipality should participate in these programmes and choose detailed consolidation measures. Supervising authorities monitor compliance and apply sanctions if necessary. In a few smaller municipalities in North Rhine-Westphalia, supervision authorities installed state commissioners who enacted fiscal consolidation measures in the place of municipal authorities (Holtkamp and Fuhrmann 2014). These sanctions were a strong signal towards local governments (in North Rhine-Westphalia). In general, German municipalities still emphasize good cooperation with supervision and observe an interplay between consulting and control (Ebinger et al. 2018).

In 2019, the federal government also began preparations for a debt relief programme to reduce short-term loans to local governments. However, as negotiations with states have proven difficult, nothing has yet been determined. In addition, there are constitutional challenges (Mehde 2020).

In Greece, until recently the ‘Independent Supervisory Authorities’ did not play a crucial role in practice because the ‘Auditor of Legality’ was not activated. Under these terms, the seven deconcentrated administrations played a supervisory role. Furthermore, one can claim that Greek municipal fiscal policy had become the subject of ‘unprecedented centralization’ abolishing the political discretion of local authorities. As a result, an appeal was lodged to the high administrative court (‘Council of the State’) against acts of the ‘Observatory’, but was rejected.

Compared with Germany, new monitoring and control mechanisms in Greece have more short-term direct and in-depth access to fiscal data and e of harsh formal sanctions is still rare and cooperation between supervisions and local government remains the rule.

3.4 Local Fiscal Consolidation Measures

The sections above describe the varying degrees of discretion local government enjoys in both countries. Nevertheless, in-depth case studies of eight Greek and seven German cities with guided interviews and further document analysis showed that there are variations of fiscal consolidation strategies within the two countries. Actor-related and other specific local factors explain such differences.[3]

[3]The case studies and empirical methods are described in detail in Stolzenberg et al. (2016) and Stolzenberg (2018).

In the German case, all selected municipalities were medium-sized cities (110,000–340,000 inhabitants) taking part in consolidation programmes. Most of these cities implemented fiscal consolidation measures at remarkable financial expense. German municipalities used their taxation rights to a significant degree. Under these terms, nearly all the investigated German cities and most of the municipalities, which participated in the consolidation programmes, increased their property taxes. Business tax increases were rare and less extensive, since local actors were concerned about negative economic effects for their cities (Arnold et al. 2015, p. 133ff). Consolidation measures on the expenditure-side revealed great variation between German cities. Horizontal cutbacks but also attempts at efficiency gains usually showed only limited fiscal effects, but there are also deviating cases. Local actors pointed out that after decades of fiscal consolidation, it was difficult to reach further efficiency gains. Therefore, despite tax increases, the investigated German cities relied on selective cutbacks to different policies, which shows that they had some discretion in fiscal consolidation policies. There is a variation among the priorities of German local actors. Some focussed on attracting (and keeping) businesses and/or new citizens, whereas others concentrated on limiting the negative social effects of consolidation.

These case studies indicate that fiscal consolidation success also depends on the commitment by local actors and the states' bailout programmes. Some of the selected cities suffered budget deficits for decades, and municipal debt reached such astronomical amounts that it made own consolidation efforts without external support pointless. The German local actors interviewed mainly blamed upper level governments and economic circumstances for getting them into such a futile situation (*Vergeblichkeitsfalle*). Few local actors opposed consolidation programmes, and some tried to benefit from windfall profits. The latter was only possible when consolidation programme conditions were less strict, and an explicit balanced budget rule was lacking (Rhineland-Palatinate). However, several local actors used the consolidation programmes as an opportunity to escape the situation; there are some initial signs of successful fiscal consolidation. After many years, several of the selected cities have reached balanced budgets. Most cities have not (yet) been able to reduce their debt levels, despite the direct effect of the debt relief provided by some consolidation programmes. Furthermore, one must consider that the German local level benefited from very good economic circumstances and high tax revenues in the years following the financial crisis. If German municipalities reach a sustainable fiscal position, one can evaluate when the programmes will run out and when economic conditions might get worse.

As in Germany, one can observe variations between municipalities, despite the fact that the Greek national government implemented a bailout of overdue liabilities at the local level. The Greek case studies were conducted in medium-sized and larger cities (50,000–660,000 inhabitants). Some of those cities concentrated on debt restructuring by implementing the overdue liabilities programme, which massively reduced local government debt. Other municipalities focused on a more effective collection of their own revenues, a higher absorption of EU funds or management reforms. In some municipalities, actors pointed out that they mainly introduced new procurement systems, cost-benefit analyses for major services, zero-base budgeting and strengthened corruption prevention as well as opportunities for extrajudicial compromises with creditors. Furthermore, since the central government implemented ad hoc decreases in grants, municipalities had to react every year with ad hoc consolidation measures. Hence, strategic long-term measures were nearly impossible, and cutbacks mainly targeted staff and investment spending. Moreover, a cautious assessment, including negative impacts of consolidation measures, reveals several limitations, such as infrastructural problems, understaffed and underfunded services and societal inequalities.

4 Conclusion

Analysing recent trends in local fiscal consolidation in German and Greek local government exposes major differences in state and local measures. This article explains the reasons for those differences, which refer not to economic data, alone. Different institutional contexts regarding local autonomy and the intensity of fiscal supervision are of higher relevance.

In Germany, local debt volumes clearly exceed Greek numbers. Local government debt was not a driver of public debt in Greece. However, local governments faced fiscal consolidation requirements in both countries. In Greece, national government and international institutions imposed decisions on fiscal consolidation quite suddenly; in Germany, federal and state governments shaped and worsened the fiscal situation over the long-term. The state reformed Greek local government thoroughly reformed during the past years. The ‘Kallikrates programme’ fundamentally changed the population and spatial size, but also structure and responsibilities of local and regional governments. Moreover, the Greek national government imposed harsh cutbacks on grants and made top-down decisions on comprehensive fiscal consolidation measures. In contrast, following the financial crisis, German federal government reduced the financial burdens of local governments in certain social policies, and some states reformed their fiscal equalization schemes in favour of the local level, thus benefitting from the improving economic situation. German reform attempts have been incremental because of the federal system, the strong institutional role of local government and less dire fiscal and economic circumstances.

Both countries decided upon similar strategies for fiscal regulation and bailouts. The Greek national government and German states implemented fiscal rules more rigorously during the past years and established conditional bailout programmes. However, the Greek ‘Kallikrates programme’ introduced a new complex supervisory system, which is very strict and performs top-down fiscal micromanagement. In Germany, conditional bailout programmes also offered additional grants or debt relief to local governments and expanded the powers of fiscal supervision. However, compared to Greece, the cooperative aspect of supervision is still more important.

Given this broad picture of consolidation driven by institutional aspects, there are also different local strategies within both countries. German municipalities decided on selective cutbacks in different policy fields and set different priorities. Some focused on limiting negative social effects of consolidation, whereas others concentrated on attracting businesses or new citizens. Nevertheless, fiscal consolidation remains a permanent challenge, since there are still several heavily indebted municipalities. In Greece, there are also variations between priorities of local actors. For example, some municipalities relied mainly on the implementation of the overdue liabilities programme; others tried to collect fees, or they focused on a higher absorption of EU funds or on management reforms. In other Greek cities, actors concentrated on new procurement systems, zero-base budgeting, on corruption prevention and on opportunities for extrajudicial compromises with creditors.

Overall, measures at the national and local level in Greece largely exceeded those in Germany. We can explain this in the timing of external pressure and different economic trends following the financial crisis, by the limited constitutional status at the local level and the limited revenue autonomy for local governments. Finally, state supervision got different roles as well as competencies, too.

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