

# Reforming Local Government in the Republic of Cyprus: Resistance and Differentiations

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## Abstract

*This work examines the attempts to reform the Cypriot local government system as they had been triggered by the implementation of the Memorandum of Understanding (2013-2016). It analyses the effects of European integration on the local government reform attempts and also examines how alterations in capacities, i.e. staffing, competencies, financial resources etc., acted as mediating factors affecting local government's reactions to the reform attempts. Specific analytical tools are utilized (urban Europeanization and circular Europeanization) along with empirical data from structured questionnaires and semi-structured interviews (2013; 2017). The research results indicate that European integration had limited effects in reforming LG in the Republic of Cyprus. Due to the crisis, domestic and local opposition successfully resisted change. Resistance was uploaded to the EU level by the executives, renegotiating the proposed change. Finally, it was demonstrated that LG's reactions and differentiated responses towards the reform attempts reproduced the differences among them in terms of local resources.*

**Keywords:** Republic of Cyprus, local government reform, urban Europeanization, circular Europeanization, crisis, implementation of the Memorandum of Understanding

## Introduction

The fact that a pre-accession attempt to reform local government (LG) in the Republic of Cyprus was never concluded meant that Cypriot municipalities and communities had to respond to modern challenges based on a legal and institutional framework dating back to the nineteenth century. Specific historical continuities not only restrain Cypriot LG's capacity to function well, but they also limit the possibility of utilizing the opportunities offered by the EU.<sup>2</sup> While this inconsistency has been clear to Cypriot central executives, a successful reform attempt is still elusive. This work uses LG as the point of analysis to offer a new sub-national study of a small EU member-state, i.e. the Republic of Cyprus. The basic novelty of this effort lies in its work to chart and analyse the post-accession attempts to reform LG with a specific focus on

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2 A. Kirlappos, 'Local Government in the Republic of Cyprus: Path Dependent Europeanization', *The Cyprus Review*, Vol.29, No. (2017).

the ones triggered by the provisions of the Memorandum of Understanding (MOU) (2013-2016).

The research hypothesis views local reactions vis-à-vis the reform attempts as dependent on the differences among the Cypriot local actors in terms of local resources, i.e. institutional and financial resources, competencies structures and personnel. Specific research questions include: 1) How has European integration influenced the attempts to reform LG in the Republic of Cyprus? 2) How do the differences among the Cypriot local actors in institutional and financial resources and structures affect the manner in which LG actors respond to the reform attempts?

This work derived its data from a number of sources. Initially field research was conducted (2013, 2017) charting the attempts to reform LG. For this reason, a total of 170 structured questionnaires were addressed to elected LG politicians. In addition, 40 semi-structured interviews of local public servants and local elected politicians provided the chance to gather additional data. Finally, the Auditor General of the Republic's reports were also used.

A single framework was developed to present and analyse the reform processes. It highlighted the purpose and duration of each attempt, the main actors involved and their preferences, the reform strategies and proposed measures, along with the local reactions and counterproposals. This framework permitted a close examination of the similarities and differences of the reform processes, allowing the formation of clearer conclusions on the patterns of reforms.

In order to assess the effects of European integration, we utilized two specific analytical aspects of Europeanization: urban Europeanization and circular Europeanization. In this context, based on Marshall's urban typology,<sup>3</sup> we accessed Europeanization's top-down impact, focusing on the various reform plans and proposals presented by experts and executives as well as on the recorded changes on local territorial and administrative structures. In order to assess the impact of bottom-up Europeanization, we explored the attempts of Cypriot LG to lobby central government structures and European institutions. Finally, we examined involvement in local and pan-European networks to evaluate the effects of the horizontal Europeanization process in reforms.

Since these attempts occurred during a highly polarized period, affected by the economic crisis, austerity policies and the implementation of the MOU, we used circular Europeanization.<sup>4</sup> This addition to Europeanization literature focuses on the intense reactions and resistance to the amplification of Europeanization's hard mechanisms.<sup>5</sup>

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3 A. J. Marshall, 'Europeanization at the Urban Level: Local Actors, Institutions and the Dynamics of Multi-Level Interaction', *Journal of European Public Policy*, Vol.12, No.4 (2005).

4 S. Saurugger, 'Europeanisation in Times of Crisis', *Political Studies Review*, Vol. 12, No 2 (2014), DOI. org/10.1111/1478-9302.12052.

5 S. Ladi and D. Tsarouhas, 'The Politics of Austerity and Public Policy Reform in the EU', *Political*

Factors such as time, politicisation and salience provide the framework explaining the differentiated Europeanization results based on continuous renegotiation between the EU, the Member States and LG. In this circular interaction, we added LG in order to take into account local resistance to EU-induced policy change.

In practice, the EU will function both as a dependent and independent variable, since the impact seems to be diverse.<sup>6</sup> For this reason, a typology of research indicators was employed, examining how differences in institutional and administrative capacities acted as domestic mediating factors, differentiating LG's responses to the reform attempts.

No previous research has been conducted examining LG reform in the Republic of Cyprus and local responses to it, creating thus a significant gap. This work attempts to fill part of this gap. The theoretical contribution of this work aims at offering a more comprehensive understanding of the limited effects of reform attempts on the Cypriot LG by emphasizing the mediating role of domestic factors. The research results indicate that, although the reform process was triggered by the provisions of the MOU, European integration had limited effects in reforming LG in the Republic of Cyprus. Moreover, due to the crisis, domestic opposition successfully resisted change, renegotiating the proposed changes at the EU level. Finally, it was demonstrated that LG's reactions and differentiated responses towards the reform attempts reproduced the differences among them in terms of local resources.

### **Urban Europeanization and Circular Europeanization**

Urban Europeanization as an analytical and theoretical model was developed when Marshall<sup>7</sup> called for a more comprehensive academic study of Europeanization at the local level. Consequently, the three research dimensions/processes of Europeanization were applied to LG actors, who are able to implement Europeanization (top-down) through EU legislation and by fulfilling criteria to secure EU funding, which triggers changes in local policies, practices, and preferences.<sup>8</sup> LG actors are also able to upload Europeanization (bottom-up) by becoming active policy shapers, lobbying European institutions and transferring local demands to the European level.<sup>9</sup> Finally, they are able to contribute to the horizontal process of Europeanization by joining transnational networks, such as the Council of European Municipalities and Regions (CEMR), to transfer practices and norms among them.<sup>10</sup>

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*Studies Review*, Vol. 12, No. 2. (2014), 174, DOI.org/10.1111/1478-9302.12048.

6 T. A. Börzel and T. Risse, 'Conceptualizing the Domestic Impact of Europe', in *The Politics of Europeanization*, eds K. Featherstone and C. Radaelli (Oxford: Oxford University Press, 2003).

7 Marshall, 'Europeanization at the Urban Level', 682.

8 *Ibid.*, 672.

9 *Ibid.*

10 Marshall, 'Europeanization at the Urban Level', 673.

More recently, there have been new additions to Europeanization literature which analyse new empirical findings that Europeanization has, under specific conditions, acquired a more empowering nature.<sup>11</sup>

As a means of containing the 2013 economic crisis, the EU took steps in two main directions. On the one hand, a number of reforms have been implemented at the European level so as to enhance the EU's institutional capacity to cope with the crisis. On the other hand, it concluded a number of bailouts with some of its member states. These events, as Ladi and Tsarouhas point out,<sup>12</sup> have provided the EU with powers over public policy reforms, and thus over public administration, including the means of surveillance, sanctioning and imposition, especially for bailed-out member states. These new powers not only highlight a constant increase in Europeanization's hard mechanisms but they also indicate that classic Europeanization literature cannot explain the observed results, especially since resistance is maximized.<sup>13</sup>

In this context, Saurugger<sup>14</sup> applied the concept of circular Europeanization to the implementation of EU-derived policies, indicating that, in light of the crisis, the three-step model (goodness of fit, mediation, change) cannot explain why change occurs or not. Normal Europeanization's conditions and mechanisms are not valid in times of crisis, since issues are perceived with increased political meaning, producing increased domestic resistance. As she highlights, in times of crisis, the impact of EU decisions on the domestic level must be understood as a feedback loop.<sup>15</sup> This process gives domestic opposition the opportunity to avert policy/institutional change, to resist the changes at the EU level and to successfully renegotiate the proposed change. Saurugger<sup>16</sup> highlights the importance of time, salience and discourse in explaining political aspects of Europeanization, indicating that domestic opposition leads to renegotiation.

These two analytical aspects of Europeanization will be applied to the empirical data.

### ***Historical Continuities and Cypriot Local Government***

The Republic of Cyprus joined the EU in 2004 and the Eurozone in 2008. Located at a significant geopolitical point, it suffers, to date, foreign occupation and division. Administratively, it is divided into six districts, 39 municipalities and 491 communities.<sup>17</sup>

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11 Ladi and Tsarouhas, 'The Politics of Austerity and Public Policy Reform in the EU', 174.

12 Ibid., 173-75.

13 S. Ladi and P. R. Graziano, 'Fast-Forward' Europeanization: Welfare State Reform in Light of the Eurozone Crisis, in *Europeanization and European Integration*, eds R. Coman, T. Kostera and L. Tomini (London: Palgrave Macmillan, 2014).

14 Saurugger, 'Europeanisation in Times of Crisis'.

15 Ibid., 182.

16 Ibid.

17 Due to the existence of a number of very small communities in terms of population, the number

During the Ottoman and British periods, prior to the Republic of Cyprus' independence, a number of historical continuities were generated which placed burdens on to the Republic of Cyprus' social, political and financial advancement.<sup>18</sup> These continuities have also had a profound effect on Cypriot LG, diminishing its administrative, financial and political autonomy and affecting the outcome of European integration at the local level.<sup>19</sup>

### ***The Ottoman and British Eras***

Based on a process of explicitly assigning a very limited list of competencies and sources of revenue, local actors were allowed specific characteristics during this historical period. At the same time, the central state exerted firm administrative control on them in the form of the appointed District Commissioners.<sup>20</sup>

During British rule (1878–1960), some reconstruction was effected in local actors' situations, i.e. mayors and councils were held accountable for the management of the municipal budgets.<sup>21</sup> Yet, since British laws of the period that regulated LG kept many of the provisions of the old Ottoman laws,<sup>22</sup> in practise there was no improvement. Local competencies and local financial resources remained extremely specific and very limited. Finally, appointed district commissioners exercised strict administrative control over LG.<sup>23</sup>

### ***The Republic of Cyprus***

The first postcolonial years were characterized by a series of tragic events that established very unusual circumstances, such as inter-communal violence in 1963,<sup>24</sup> the coup d'état against President Makarios and the resulting Turkish military invasion in 1974. Local elections were not held and the Council of Ministers decided (1963) to appoint instead persons to be in charge of managing LG.<sup>25</sup> This practise has stopped since the 1980s with the implementation of new laws and the European Charter of Local Self-Government (1988) providing aspects of a more modern legal framework.

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of the Communities tends to change from time to time.

18 A. Sepos, *The Europeanization of Cyprus: Polity, Policies and Politics* (Basingstoke: Palgrave Macmillan, 2008).

19 Kirlappos, 'Local Government in the Republic of Cyprus: Path Dependent Europeanization'.

20 C. Tornaritis, *Η Τοπική Αυτοδιοίκηση Εν Κύπρω* [Local Self-Government in Cyprus], (Nicosia, 1972), 6–13.

21 Ibid., 16–17.

22 Ibid.

23 D. Markides, *Κύπρος: 1957-1963* [Cyprus: 1957-1963], (Athens: Mesogeios, 2009), 186.

24 The issue of separate municipalities was central to the outbreak of violence in 1963. See Markides *Κύπρος*.

25 Markides, *Κύπρος*, 348-349.

Although accession to the EU instigated reforms and institutional change for the political, economic and administrative arrangements of the Republic of Cyprus, it did not significantly touch LG.<sup>26</sup> As a result, Cypriot LG actors do not enjoy the significant role that their EU counterparts usually have. Local competencies in the areas of public services are fragmented and are shared with ministries and semi-governmental organizations, leaving limited room for free operation.<sup>27</sup>

Massive debt problems, corruption and limited political accountability are common, and the auditor general<sup>28</sup> (2000-2016) frequently reports cases of embezzlement and fraud. The strict administrative control of the central state continues to this day, embodied by the appointed district officers.<sup>29</sup> LG actors continue to have limited means of income and are largely dependent on the central state's grant.<sup>30</sup> As it has been explained, the domestic balance of power does not favour LG actors, and they have become accustomed to operating in a very specific and thus restrictive manner.

The following part will contextualize the basic features of the Cypriot LG actors in an attempt to highlight the mediating factors of Europeanization at the local level.

## **Contextualization of the Local Mediating Factors of Europeanization**

### **Population and Financial Characteristics**

The average population of a municipality in the Republic of Cyprus is 19,950 and the respective one for a community is 645.<sup>31</sup> These figures indicate that the Cypriot LG system is highly fragmented, thus creating resource restrictions. The existence of so many LG actors on a small island like Cyprus seems to have an effect on political power distribution. According to Attalides,<sup>32</sup> this has permitted local political interests to become established and well placed to resist change and reform.

Cypriot LG expenditures as a percentage of the GDP is the second lowest in

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26 Kirlappos, 'Local Government in the Republic of Cyprus: Path Dependent Europeanization'.

27 A. Kirlappos et al., 'Austerity Measures and Local Public Services in Cyprus: Coping with Challenges Old and New and Reinforcing Historical Continuities', in *Local Public Services in Times of Austerity across Mediterranean Europe*, eds A. Lippi and T. Tsekos (London: Palgrave Macmillan, 2019).

28 Auditor General of the Republic, *Annual reports 2000-2016* (Audit Office of the Republic of Cyprus, Nicosia, 2000-2016).

29 D. Markides, 'Local Government', in *The Government and Politics of Cyprus*, eds J. Ker-Lindsay and H. Faustmann (Bern: Peter Lang, 2008), 186-188.

30 Auditor General of the Republic, *Annual reports 2000-2016*.

31 National School of Government International (NSGI), *Local Government Reform in Cyprus: Final Options Report*. (London: National School of Government International, 2014), 25, available at [http://www.moi.gov.cy/moi/moi.nsf/0/D1BB8168615F0DF3C2257D02002F7C52/\\$file/Local%20Government%20Reform%20in%20Cyprus\\_Final%20Options%20Report\\_08%2004%2014.pdf](http://www.moi.gov.cy/moi/moi.nsf/0/D1BB8168615F0DF3C2257D02002F7C52/$file/Local%20Government%20Reform%20in%20Cyprus_Final%20Options%20Report_08%2004%2014.pdf).

32 M. Attalides, *Social change and urbanization in Cyprus: a study of Nicosia* (Nicosia: Social Research Centre, 1981).

Europe, according to CEMR,<sup>33</sup> reaching a mere 2.1 %. Table 1 summarizes the limited financial condition of the members of the sample, along with the great differences noticed between them in terms of budget average, own resources average, and state grants average.

There is a clear connection between the population sizes of the local actors and their capacities in terms of financial resources. The urban municipalities had the biggest financial capacities, validating the enlarged economic activities of the urban centres of the island, where the majority of the population is settled.

**Table 1:** Local Economic Capacities of the Municipalities and Communities

Municipalities/ Communities 2008-2013	Budget Average €	Own Resources Average €	State Grants Average €
Urban Municipalities	32,569,533.5	19,650,408.5	10,914,604.5
Suburban Municipalities	14,145,940.5	8,103,360.5	6,197,261.0
Rural Municipalities	8,251,077.5	3,402,250.0	1,792,894.0
Displaced Municipalities	981,071.5	46,261.5	923,591.5
Communities	1,510,000.0	10,000.0	1,688,850.0
Displaced Communities	1,250.0	250.0	1,000.0

Source: Kirlappos 2016, 2017

The recent implementation of the austerity programme, as it was provisioned by the MOU, and the consequent imposition of budget cuts meant that LG's economic capacities and resources were further reduced. This is indicated by Table 2, verifying that the state grant allocated to the municipalities was reduced by up to 40 % from 2012 to 2016.

33 Council of European Municipalities and Regions (CEMR), 'Subnational Public Finance in the European Union', (Brussels: Dexia - CEMR, 2012), 24, available at: [http://www.ccre.org/docs/Note\\_CCCE\\_Dexia\\_EN.pdf](http://www.ccre.org/docs/Note_CCCE_Dexia_EN.pdf).

**Table 2:** Annual State Grant to Municipalities 2011-2016

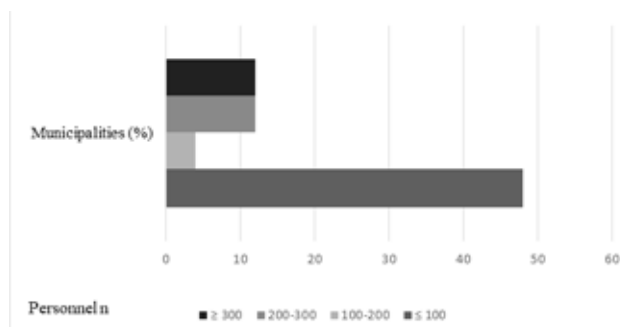
Year	Annual State Grant Municipalities €
2011	68,795,153
2012	60,976,514
2013	58,082,868
2014	51,093,530
2015	51,130,120
2016	51,130,920

Source: Kirlappos et al., 2019

**Personnel and Competencies**

As it was noted, there are substantial differences in terms of the ‘attributed tasks’<sup>34</sup> that LG actors exercise in Cyprus. This takes place in two ways. Municipalities have greater and more substantial competencies than the communities. On the other hand, urban municipalities, since they are town planning authorities, have more complex responsibilities than the rest of the municipalities.

These substantial dissimilarities in terms of powers exercised are articulated through the intense differences in local structures and personnel. The following charts demonstrate these severe differences between the members of our sample. While the municipalities have greater resources in terms of personnel than the communities, the vast majority employ fewer than 100 people. On the other hand, the majority of communities employ fewer than 5 people.

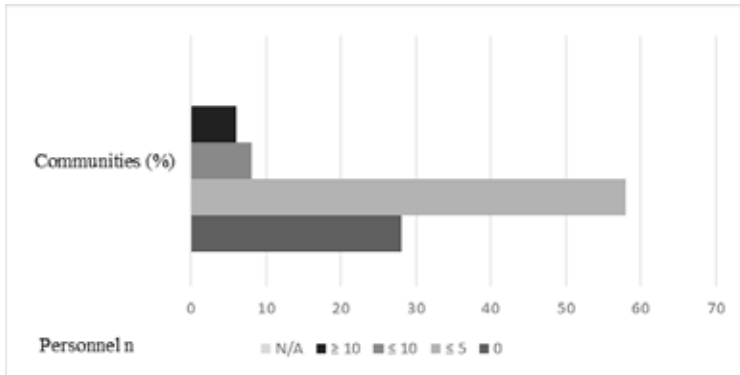


**Figure 1:** Municipalities’ Personnel 2008-2013

Source: Kirlappos 2016, 2017

34 F. Fleurke and R. Willemsse, ‘Effects of the European Union on Sub-National Decision-Making: Enhancement or Constriction’, *Journal of European Integration*, Vol.29, No. 1 (2007).





**Figure 2:** Communities' Personnel 2008-2013  
 Source: Kirlappos 2016, 2017

These limited resources were further restricted in practise by the implementation of the MOU and the consequent austerity measures. Due to the austerity programme, budget constraints compelled LG actors in Cyprus to decrease their personnel costs by firing people. This is indicated by Table 3 that verifies the reductions in municipal personnel, which in turn create further problems to the already restricted local capacities.

**Table 3:** *Decreases in Municipal Personnel*

Municipality	Total personnel 2011	Total personnel 2015
Agios Athanasios	79	70
Agios Dometios	86	61
Kato Polemidia	97	60
Lakatamia	144	125
Larnaca	350	318
Limassol	494	393
Nicosia	559	458
Paralimni	180	156
Paphos	255	218
Strovolos	353	283

Source: Kirlappos et al., 2019

The following parts will present the post-EU-accession attempts to reform the Cypriot LG system, by focusing on the significance of internal and external factors that drive and mediate the results.

## **Reforming Cyprus' Local Government: Easier Said than Done**

This work focuses only on the reform attempts that occurred as a result of the implementation of the provisions of the MOU (2013-2016). While the pre-MOU attempt (2010-2012)<sup>35</sup> could also be related to the influence of European integration, it does not, however, demonstrate such intense elements of coercion and conditionality as the last two attempts did.

### ***MOU Triggered Reform Attempts 2013-2016***

The MOU included a specific provision regarding LG reform in the Republic of Cyprus. This provision provided a window of opportunity to enact the reform process during the implementation of the MOU. These reform attempts can be categorized into three phases. In the initial one, the foreign experts presented their reform report, initiating public discourse, reactions and resistance about this issue. In the second one, the executives changed their mind and presented a modified proposal. Finally, in the third one, the executives presented an entirely new bill prior to the completion of the MOU.

The main drivers for these reform attempts included the economic crisis, the MOU, the consequent imposition of austerity measures and the overall need to modernize LG's institutional and legal framework. The key actors involved in this reform process were distributed in three levels: European, national and local. The European level included European institutions that were involved in the process, mainly the European Commission. The national level included national actors, such as the political parties, the parliament and the executives, particularly the Ministry of the Interior. Finally, the local level included local politicians, local public servants, municipalities, communities and their respective unions.

### ***First Phase: Initial Experts' Proposal***

In fulfillment of the MOU obligations, the newly elected government, under President Anastasiades (2013 until present day), appointed British experts to prepare reform

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35 The Union of Cyprus Municipalities and the Union of Communities commissioned the Greek National Centre of Public Administration and Local Self-Government to conduct a comprehensive study (EKDDA, 2010), under the scientific coordination of Associate Professor Nicolaos-Komninios Hlepas. The basic aims of this attempt focused on decentralization, improvement of the regulatory framework and empowerment of LG. This effort was characterized by a gradual and incremental scope (2010-2021) since changes would be effected over a period of more than 10 years. Finally, economic incentives were to be given so as to promote the establishment of larger amalgamations. This reform attempt was never implemented due to conflict caused by the worsening financial situation of the island. Tensions were raised in view of the February 2013 presidential elections. Support for the LG reform bills, pending in Parliament since 2011, evaporated, especially since fears were raised that local reactions could influence the outcome of the election.

reports, based on which an LG reform process would be triggered.<sup>36</sup> This development gave a clear top-down nature to this reform attempt. The experts acknowledged that the existing system of LG was no longer viable and prepared proposals for comprehensive and drastic institutional and territorial reform. The purpose of this reform plan was to reduce the fragmentation of the system by promoting far-reaching institutional reform and downsizing the number of LG actors.

It proposed the establishment of five powerful, district-level authorities, which would be formed merging all municipalities and communities per district.<sup>37</sup> This reform report also proposed that the new units were to incorporate all district, municipal and community level competencies, along with 15 new additional competencies decentralized by the government. Central authorities agreed to adopt related laws as high priority prior to the completion of the MOU.

### **Preferences, Actions and Reactions**

Despite the high external pressure stemming from the MOU, this reform proposal was met with strong resistance. The European Commission was pushing for the implementation of a wider public administration reform package that included health, education and agriculture. Yet, it considered the reform plan of LG as probably the most challenging of all four.<sup>38</sup> Implementation was scheduled to start in the fourth quarter of 2014. The Ministry of the Interior was in full agreement with the experts' recommendations, especially with the suggestion to drastically minimize the number of local actors, and resorted to threatening to decrease the grant allocated to LGs, in order to secure support for the reforms.

There was strong resistance to the suggested reforms, originating from both the national and the local levels. In this context, mayors (70%) and presidents of community councils (76%) distrusted the reform attempts, viewing them as highly technocratic (structured questionnaires 2013, 2017). Mayors (84%) and presidents of community councils (82%) highlighted that the municipalities and communities would run the risk of being neglected if they were to be merged into greater entities. Both local politicians and local public servants were afraid that they would lose their political positions and their jobs respectively, and they started cooperating with the opposition parties to prevent the proposed reforms being implemented.<sup>39</sup>

On the other hand, the mayors of the Nicosia district took initiatives in preparing

36 International Monetary Fund, Country Report 14/180-Cyprus (Washington, D.C.: IMF, 2014), available at <https://www.imf.org/external/pubs/ft/scr/2014/cr14180.pdf>.

37 National School of Government International (NSGI), Local Government Reform in Cyprus.

38 European Commission, 'The Economic Adjustment Programme: Cyprus 5th Review', *European Economy: Institutional Papers 009* (2014, December)

39 Ibid.

a position paper containing further suggestions on this issue. They were soon joined by mayors of Limassol, Larnaca and Pafos. With this initiative, they managed to involve the Union of Municipalities, and thus the rest of the municipalities, in order to hire experts and start preparing counterproposals.<sup>40</sup> The same initiative was attempted by the communities, with less success.

As the Minister of the Interior admitted, this reform process was influenced by the electoral timeframe and the upcoming European Parliament elections.<sup>41</sup> In practise, support for the LG reform bills decreased, in fear that local reactions and resistance could influence the outcome of the European Parliament elections, the first elections ever to be held in Cyprus, as the country was implementing its Economic Adjustment Programme.

### **Second Phase: Change in Government's Mind**

The second phase was characterized by a change in the executives' minds regarding the reforms. As a result of the backstage pressure, a new reform report was presented by the British consultants that was subsequently accepted by the Ministry of the Interior. This development provided again an obvious top-down nature to the reform attempt.

This report was considerably different in terms of the scope and magnitude of the LG reforms.<sup>42</sup> The government drafted a bill as high priority before the completion of the MOU (March 2016) that reproduced the institutional suggestions of the previous plan, but with one significant alteration: there was not going to be a mandatory reduction of the LG actors. It repropounded the establishment of five powerful, district-level authorities, incorporating all competencies and assets belonging to municipalities and communities. The latter would be preserved but only with a cosmetic role, with no substantial powers or assets (Bill 09/2014).<sup>43</sup> Competencies belonging to other organizations, such as sewerage and water boards, would be transferred to the five district councils, along with decentralized state competencies like town planning.

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40 Kirlappos et al., 'Austerity Measures and Local Public Services in Cyprus'.

41 S. Hasikos, 'New second tier institutions for local government'. *Sigmalive* (2014, June 20), available at <http://www.sigmalive.com/news/local/136935/xasikos-defterovathmia-organa-gia-tin-topiki-aftodioikisi>.

42 Kirlappos et al., 'Austerity Measures and Local Public Services in Cyprus'.

43 Bill. 09/2014, 'Law Regulating the Functioning and Administration of First and Second Tier Local Government Organizations, their Competencies and Other Related Matters'.

**Preferences, Actions and Reactions**

The European Commission<sup>44</sup> accepted the changes in the reform proposal and reached a new deal with the executives. It urged the Cyprus Government to resolve issues such as the unclear explanation of the rationale for choosing the new structure and the uncertain implementation details. Implementation was scheduled to start in the first quarter of 2015.

Again there was strong resistance to the suggested reforms. While local politicians viewed this proposal more positively in relation to the previous one, a majority of them too rejected it – 75% of the mayors and 81% of the presidents of community councils (structured questionnaires 2013, 2017). The main reason for discomfort was the fact that the reform proposal aimed at removing local competencies, leaving both municipalities and communities without an ‘actual’ role (semi-structured interviews 2013, 2017). It was stated by both the mayors and the presidents of the community councils that the proposed reform plan would increase the distance between citizens and LG actors, decreasing the efficiency of the administration.<sup>45</sup> Both demanded an increase in the decentralization of competencies at the local level to truly enhance LG (83% and 72% respectively; structured questionnaires 2013, 2017). Just like in the previous attempt, local politicians were able to cooperate with opposition parties, exerting backstage pressure on the government and managing to prevent the effective implementation of the reform process.<sup>46</sup>

Support for the LG reform proposal decreased, mainly because of electoral considerations since two important elections were held within a short period of time in Cyprus: the parliament and municipal elections (May and December 2016). In this context, fears that local resistance could affect the outcome of the elections influenced the executives’ decisions, despite the Minister of the Interior’s proposal to postpone these elections for the sake of the reforms.<sup>47</sup>

**Third Phase: New Proposal**

The third and final attempt to reform the LG system of the Republic of Cyprus was influenced by the nearly completed MOU. In contrast to the previous two attempts, this one had a bottom-up nature, since the central structures were willing to accept more input from LG.

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44 European Commission, ‘The Economic Adjustment Programme: Cyprus 7<sup>th</sup> Review’, *European Economy: Institutional Papers 009* (2015, October).

45 Ibid.

46 Kirlappos et al., ‘Austerity Measures and Local Public Services in Cyprus’.

47 Ministry of the Interior, Statements by the Minister on the probability of postponing the local government elections (2016, October), available at <http://www.moi.gov.cy/moi/moi.nsf/All/425DC991F51F01CAC2258044001948D2?OpenDocument>.

The main urban and suburban municipalities responded by commissioning Notoria International to prepare another reform study, which the executives eventually accepted as the basis for reform legislation. Just like the first attempt, its purpose was to diminish the fragmentation of the system, i.e., to decrease the number of municipalities to either 22 or 12, to conduct institutional reform and to increase cooperation among LG actors.<sup>48</sup>

Yet a different strategy was adopted, since an incremental process was proposed, having the final goal to produce new structures of local clusters consisting of municipalities and communities along with district clusters. District administrations' role and competencies were to be substantially reduced in favour of the new units, which would also acquire additional decentralised central state competencies.<sup>49</sup> The Ministry of the Interior prepared the new reform proposals and brought them to Parliament in March 2016.

### **Preferences, Actions and Reactions**

This time the European Commission noted the partial compliance of the LG reform provision.<sup>50</sup> After negotiations with the executives, it accepted new extensions to the implementation of the reform plan prior to the completion of the MOU in January 2016.

The Ministry of the Interior continued to be in favour of implementing the reform, although based on its experience it was very cautious. Regardless of both external and internal pressure, this reform proposal was also met with strong resistance, initiating new disagreements and important backstage pressure.

Local politicians rejected once again the reform plans, fearing that they would run the risk of falling by the wayside if they were to be amalgamated (semi-structured interviews 2013, 2017). The main concern had to do with the proposed reduction in the numbers of municipalities and communities, which triggered further anxiety and further obstacles to the successful conclusion of yet another attempt to reform LG in the Republic of Cyprus (semi-structured interviews 2013, 2017).

The executives presented the new bill prior to the completion of the MOU. This was debated in the Parliament for most of 2017 and lost momentum due to the February 2018 presidential elections. In practise, support for the LG reform proposal further decreased out of fear that local reactions could influence the outcome of the elections.

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48 Notoria International and Union of Municipalities, *Lean Six Sigma Value Proposition on the Municipalities service processes* (Torino and Nicosia: Notoria International and Union of Municipalities, 2015), available at <http://www.notoriainternational.com/Our-Job-for-the-UOM>.

49 Ibid.

50 European Commission, 'The Economic Adjustment Programme: Cyprus 7<sup>th</sup> Review' (2015, October).

The following part will analyse the findings based on urban and circular Europeanization.

### **Reforming Local Government: Effects via a Urban Europeanization Framework**

Our empirical findings seem to demonstrate that European integration had a very moderate influence on the attempts to reform LG in the Republic of Cyprus, presenting very limited evidence of Europeanization effects. It was indicated that out of the three Europeanization processes, the top-down one had relatively greater initial effects. At the same time, weaker evidence of Europeanization effects were noticed in relation to the two other processes: bottom-up and horizontal.

#### **Top-Down**

We start with Europeanization's top-down effects on LG's territorial and administrative structures as well as on its institutional framework. As it was demonstrated, EU pressure to reform LG was originally enacted when the Republic of Cyprus signed the MOU in April 2013. This triggered a process of subsequent reviews of Cyprus's Economic Adjustment Programme, materializing specific actions, strategies and milestones in order to operationalize the LG reform process. Consequently, reform pressure was further increased, affecting the external/internal divide,<sup>51</sup> with pressure applied initially by external actors on the central actors (the executive and parliament). During this initial phase of the top-down Europeanization process, the strongest effects were delivered. As a result, the executives had to 'absorb' explicitly assigned provisions, i.e. commissioning a reform study from foreign experts, having consultations with national and LG actors, and presenting bills to Parliament in order to be passed into legislation. Yet, as soon as this reform pressure was applied by the centre to the periphery (LG), an inconsistency was obvious between the provisions of the MOU and the fact that there was no actual enactment of an LG reform process. At this latter and final stage Europeanization effects were met with strong local reactions and resistance, eventually producing inertia.

It was clear that the manner in which LG actors responded to the reform attempts was influenced by their resources, capacities and competencies. Evidence indicates that differences in the 'attributed tasks',<sup>52</sup> personnel and economic capacities acted as mediating factors causing differentiations in the local positions vis-à-vis local reform. In this context, the largest urban municipalities demonstrated that size and financial ability were indicators of a differentiated behaviour. These municipalities have a more

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51 H. Wollman, 'Local Government Reforms: Between Multifunction and Single Purpose Organisations', *Local Government Studies*, Vol. 42, No.3 (2016).

52 Fleurke and Willemse, 'Effects of the European Union on Sub-National Decision-Making'.

prominent role in the Cypriot political and administrative system, as they are town planning authorities. They managed to mobilize the Union of Municipalities and thus the rest of the municipalities to hire experts and start preparing counterproposals in the form of a fully developed proposal. However, this behaviour seems to demonstrate that each rule has its exceptions, since the other LG actors did not demonstrate analogous behaviour.

The communities revealed a poorer response. Just like the municipalities, the communities managed to involve their respective union, yet due to greater resource constraints this involvement was less efficient. In practise, only brief comments were developed vis-à-vis the proposed bills, but there were no fully fledged counterproposals.

### ***Bottom-Up and Horizontal***

As the empirical data indicated, there was limited evidence of bottom-up Europeanization effects based on the restricted mobilization of the Cypriot LG actors at the European level. On the other hand, the great differences in resources, competencies and financial capacities caused differentiations in LG's responses. There was also limited evidence concerning mostly the biggest urban and suburban municipalities that they attempted to make their case at the EU level, verifying Kull and Tartar<sup>53</sup> who associated the size of local actors with LG's mobility at the European level. The means frequently utilized included the Union of Cyprus Municipalities (semi-structured interviews 2013, 2017). The rest of the LG actors exhibited a clear inclination to lobby and upload LG preferences to central state structures rather than to European institutions. As it was demonstrated, local politicians were less focused on the European level, since they were doubtful that it could help them prevent the proposed reforms.<sup>54</sup>

Empirical evidence demonstrated that the horizontal process of Europeanization had limited effects. In particular, only the biggest urban and suburban municipalities perceived their participation in pan-European networks, such as CEMR, as a means that would increase their potential either to resist the proposed reforms (24%) or to formulate counter proposals (13%) (structured questionnaires 2013, 2017). The rest of the municipalities and communities showed a clear preference towards national level networks, such as their respective unions, rather than the European ones.

### **Circular Europeanization and Local Government Reform in Times of Crisis**

We turn our attention to explaining the reasons that prevented change from taking place. Initially, it should be noted that the response of an institution to exogenous

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53 M. Kull and M. Tartar, 'Multi-level Governance in a Small State: A Study in Involvement, Participation, Partnership, and Subsidiarity', *Regional and Federal Studies*, Vol. 25, No. 3 (2015).

54 Ibid.



pressures is a complex and constantly evolving process.<sup>55</sup> In this context, our focus should be on a series of endogenous and exogenous factors that could offer an explanation based on the mechanisms of circular Europeanization.

Time was a crucial factor when analysing the results of the LG reform attempts. According to Paterson,<sup>56</sup> during a good ‘weather situation’, top-down Europeanization is easier to apply, since there is no great time pressure. Yet, in times of crisis, timeframes acquire increased significance, becoming a crucial intervening variable. The implementation of the LG reform process was antagonized heavily, resulting in a number of delays. The extreme circumstances which had been brought on by the economic crisis, the austerity policies and the implementation of the MOU caused particularly polarized conditions. These were further polarized due to a prolonged electoral period that affected the domestic timeframe. Four consecutive election processes were held: the May 2014 European Parliament elections, the May 2016 parliamentary elections, the December 2016 municipal elections and last, but certainly not least, the presidential elections of January 2018. These continuous and prolonged electoral timeframes increased the public’s perceived importance of these LG reform attempts, increasing the chances for actors to oppose governmental decisions. Reforming LG was in practice a technical issue, whose salience became more prone to resistance.<sup>57</sup>

At this point, the massive impact that party patronage and clientelistic networks exert over a very small country, such as Cyprus,<sup>58</sup> along with very specific aspects of Cypriot LG, needs to be taken into account. Since political parties in Cyprus mostly promote candidates who demonstrate considerably extensive party background, these candidates rise through the ranks of political parties maintaining very good connections with the institutional centre, i.e. the executive and the legislature.<sup>59</sup> Therefore, local politicians were able, to the point that their political positions were threatened, to cooperate with the parliamentary opposition, increasing their involvement with national politics and in an indirect way with EU-level politics. This higher degree of politicisation caused delays and inertia, blurring the divide between

55 H. Tsoukas and R. Chia, ‘On Organizational Becoming: Rethinking Organizational Change’, *Organization Science*, Vol. 13, No. 5 (2002), 578.

56 W. E. Paterson, ‘Hastening Slowly: European Studies – Between Reinvention and Continuing Fragmentation’, in *Research Agendas in EU Studies: Stalking the Elephant*, eds M. Egan, N. Nugent, W. E. Paterson (Basingstoke: Palgrave Macmillan, 2010).

57 Saurugger, ‘Europeanisation in Times of Crisis’.

58 Faustmann, ‘Aspects of the Political Culture in Cyprus’, 17-28.

59 A. Kirlappos, *Τοπική Αυτοδιοίκηση στην Κοινοτική Δημοκρατία: Ο Περιορισμένος Εξευρωπαϊσμός και τα Βάρδια του Παρελθόντος* [Local Government in the Republic of Cyprus: The Limited Europeanization and the Burdens of the Past] (Larnaca: Vivliekdotiki, 2016).

centre and periphery<sup>60</sup> and successfully resisting change. On the other hand, due to these continuous electoral processes, the centre did not push forward so as to not increase discomfort and to not lose its connections to the local politicians.

This strong interconnection between LG and political parties is not enough to explain the fact that this coercive Europeanization did not produce the desired results, i.e. LG reforms. After all, Cypriot executives did demonstrate greater willpower in employing other specific reforms that facilitated the country to successfully implement its economic and adjustment programme.<sup>61</sup>

Our findings verify the existence of a complex feedback loop explanation. Domestic resistance and debate influenced the actions related to the implementation of the LG reform, leading to a readjustment of the specific MOU provisions. In this context, domestic opposition to LG reform was transferred to the EU level by the executives. The latter and particularly the former Ministers of Internal Affairs were successful in convincing the European Commission about the difficulties in implementing LG reforms at the domestic level. They were also successful in renegotiating their application.<sup>62</sup> As a result, the European Commission gave the Cyprus Government a number of extensions to enact the reform process, indicating a changing logic in relation to the implementation of public administration reforms that was noticed in other empirical cases. In this context, Ongaro<sup>63</sup> notes that the crisis has been having an adversarial effect on administrative reform, since greater attention has been focused on fiscal consolidation, which eventually has become the guiding principle. This indicates that attention was focused on implementing the provisions of the MOU, especially the ones aiming at fiscal consolidation. These were seen as more vital than the need to implement administrative reforms to solve long-lasting institutional problems, jeopardising the very prospect of modernization through reform.<sup>64</sup>

## Conclusions

This work was the very first attempt to study the efforts to reform the LG system in the Republic of Cyprus, stressing interesting features of this process and contributing to the development of the international literature. It attempted to offer new empirical insights concerning Cypriot LG by studying a new research topic.

Research findings delivered evidence of very little, if any, effects of these

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60 Wollmann, 'Local Government Reforms'.

61 Kirlappos et al., 'Austerity Measures and Local Public Services in Cyprus'.

62 Saurugger, 'Europeanisation in Times of Crisis'.

63 Ongaro, 'The Relationship between the New European Governance Emerging from the Fiscal Crisis and Administrative Reforms: Qualitatively Different, Quantitatively Different or nothing New? A Plea for a Research Agenda', *Administrative Culture*, Vol. 15, No. 1 (2014).

64 Ibid.

consecutive attempts to reform LG in the Republic of Cyprus. Consequently, Cypriot municipalities and communities are still struggling to respond to modern challenges because of their clearly outdated legal and institutional framework from the nineteenth century. At the same time, a critical mass that supports change in LG seems to be absent.

Concerning our first research question, it was indicated that, although the reform process was triggered by the provisions of the MOU, European integration had limited effects in reforming LG in the Republic of Cyprus. Out of the three urban Europeanization processes, greater effects were initially noticed via the top-down one. Yet eventually and since the reform of the LG system was never enacted, inertia were produced.

In practice, reforming LG was a technical issue that became susceptible to resistance. Our findings indicate that since these reform attempts occurred during a highly polarized period, affected by the economic crisis, the austerity policies and the implementation of the MOU, they were met with strong domestic opposition. Specific features of Cypriot LG, i.e. the promotion of local politicians with important party origins and connections, and the massive impact that party patronage and clientelistic networks exert over Cyprus increased further the degree of politicisation and salience of this issue. Due to the unusual conditions triggered by the crisis, domestic opposition and local politicians were able to efficiently use their connections with the centre to successfully resist change. This higher degree of politicisation caused delays and inertia, blurring the divide between centre and periphery. Then again, due to a number of continuous electoral processes, the centre, despite the former Minister of the Interior's intentions, did not push forward with the reforms so as to not further increase discomfort and not to lose its connections to the local politicians.

Our findings indicate that change was effectively resisted and that resistance was initially uploaded from the local to the national level. Then the executives shifted domestic opposition to LG reform to the EU level, activating a process of renegotiation with the European Commission and confirming the existence of a complex feedback loop explanation. The executives were able to convince the European Commission about the difficulties in implementing the LG reforms. Consequently, the European Commission gave a number of extensions to the enactment of the reform process, indicating a changing logic to the employment of public administration reforms that was noticed in other empirical cases. In practise, fiscal consolidation has been acting as a guiding principle at the expense of much needed public administration reforms.

Regarding our second research question, the empirical findings indicated that Cypriot local actors' differences in institutional and financial resources, specialized personnel and structures were quite significant in affecting the way in which LG actors responded to these reform attempts. We observed that LG's reactions and differentiated

responses towards the reform attempts reproduced the differences among them in terms of local resources. Urban and to a lesser extent suburban municipalities were able to demonstrate a differentiated behaviour vis-à-vis the rest of the local actors, voicing additional proposals, hiring experts and preparing counterproposals to the reform attempts. The smaller municipalities and communities lacked these resources and exhibited less interest.

This work's theoretical input delivered a depiction of the tremendously limited Europeanization effects deriving from the attempts to reform Cypriot LG. It confirmed that the response of an institution to exogenous pressures is a very complex process. At the same time, it confirmed circular Europeanization's applicability in highlighting the main factors that explained the reasons why change never took place in the form of LG reform during the crisis.

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