

SLOVAK REPUBLIC

UNITARY COUNTRY

EUROPE

BASIC SOCIO-ECONOMIC INDICATORS

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

POPULATION AND GEOGRAPHY

AREA: **49 036** km²

POPULATION: **5.419** million inhabitants (2014), a decrease of -0.1% per year (2010-14)

DENSITY: **111** inhabitants/km²

URBAN POPULATION: **53.8%** of national population

CAPITAL CITY: **Bratislava** (7.4% of national population)

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

ECONOMIC DATA

GDP: **153.5** billion (current PPP international dollars) i.e. 28 327 dollars per inhabitant (2014)

REAL GDP GROWTH: **2.5%** (2014 vs 2013)

UNEMPLOYMENT RATE: **13.2%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **85** (BoP, current USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **21%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.844** (very high), rank 35

TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
2 927	-	8	2 935
MUNICIPALITIES (OBCI)		HIGHER TERRITORIAL UNITS (SAMOSPRÁVNE KRAJEJ)	
AVERAGE MUNICIPAL SIZE: 1 850 INHABITANTS			

MAIN FEATURES OF TERRITORIAL ORGANISATION. The Slovak Republic has a two-tier system of subnational government, whose autonomy is recognised in the 1992 Constitution and then by the 1990 municipal autonomy Act and the 2001 Act on Local Governments of Higher Territorial units. This latter created the self-governing regions. The municipal level includes cities (*mesta*), rural municipalities, city districts in Bratislava and Košice as well as three military districts. The statute of city is granted by the Parliament to municipalities which are an administrative, economic and cultural centre providing public services to neighbouring municipalities. They have, however, the same responsibilities as other municipalities. Municipalities have a small demographic size, the average municipal size in Slovakia being the penultimate in the OECD, before Czech Republic and after France. 85% of municipalities have less than 2 000 inhabitants. To tackle this problem, the government promotes inter-municipal cooperation in the framework of voluntary "joint municipal office" (233 as of May 2014). Slovakia has also a territorial state administration which has been restructured in 2013-2014 through the ESO (efficient, reliable and open state administration) reform. New 72 districts offices (*okresy*) and 8 district offices, one in the seat of each region have been created in 2013 replacing numerous state territorial entities.

MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES. Regional responsibilities since 2002 include regional roads and public transport, education (secondary, professional and vocational education), territorial planning, regional economic development, social welfare (children's homes, social policy), health (hospitals of second category and specialised services), culture, etc. Municipal tasks, extended in 2002 (416/2001 Act), include education (pre and primary schools), social welfare (elderly, children, social aid), local roads and public transport, environmental protection, utilities (water and sewerage, waste), parks, local planning and development, tourism, housing, culture, municipal police, fire-fighting, health (hospitals of first category and medical centres, first aid), etc.

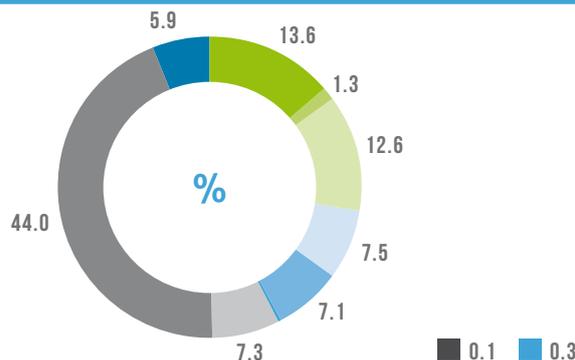
SUBNATIONAL GOVERNMENT FINANCE

EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
TOTAL EXPENDITURE (2013)	6.4%	15.7%	100%
CURRENT EXPENDITURE	5.6%	-	86.5%
STAFF EXPENDITURE	3.1%	36.2%	47.6%
INVESTMENT	0.8%	26.4%	12.7%

Despite the strong decentralisation process in 2002, Slovakia remains a centralised country from the local government spending responsibility perspective. The level of SNG spending in GDP and public spending are half of the OECD average of unitary countries of 13.4% of GDP and 29.0% of public spending. SNG role as public employers is comparatively significant, which is explained by the fact that SNGs are responsible for paying teacher salaries on behalf of the central government. As a result, staff spending accounted for almost half of SNG spending in 2013. In contrast, SNGs play a weak role in public investment, well below the OECD unitary countries on average where it accounted for 56.4% of public investment in 2013, representing 2.0% of GDP.

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE



The primary area of SNG spending is by far education, resulting from the fact that regions and municipalities are responsible not only for the construction and maintenance of educational infrastructures but also for school-related services and the payment of teachers and staff. Other significant areas of SNG spending are general public services and economic affairs/transport followed by environmental protection and recreation and culture.

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2013)	6.7%	17.3%	100%
TAX REVENUE	0.7%	4.4%	11.0%
GRANTS AND SUBSIDIES	4.6%	-	69.9%
OTHER REVENUES	1.3%	-	19.2%

SNGs rely heavily on central government transfers, since the system of shared taxation established by 2005 Act on Local Financing, has been re-characterized as a system of grants in the framework of the new methodology of the system of national accounts.

TAX REVENUE. Tax revenues only represent a small share of municipal and regional financial resources, among the lowest level in the OECD. Until 2015, regions were only able to levy one tax, the motor vehicle tax, which is imposed on vehicles used for commercial purposes only. Today, regions have no tax revenue. Municipalities are able to levy seven different taxes, including a property tax and six specific local taxes on goods and services. Municipalities are free to decide whether or not to levy each tax, and to set the rates of all local taxes and have a large autonomy on tax bases (exemptions, rate reduction). Recurrent taxes on immovable property, levied on land, apartment and building, represented around 60% of SNG tax revenue but only 0.4% of GDP, well below the OECD average.

GRANTS AND SUBSIDIES. The share of central government transfers in SNG revenue is one of the highest of the OECD countries, the OECD average accounting for 37.3% in 2013. The largest transfer (non-earmarked) to SNGs is the share of PIT, re-distributed from the central government to regional governments (21.9% of tax receipts) and municipalities (65.4%). This transfer follows an equalisation principle, as the allocation for each SNG is calculated on the basis of needs, as well as population criteria (number of inhabitants, age structure, size, population density, etc.). Earmarked transfers from the central government aim at financing certain services. They represent around one third of municipal budgets. The main grant is for education, allocated according to the number of pupils and covering in particular payment of teachers' salaries. Other transfers include grants for public housing, public transport, social care, roads, etc. Capital grants represented around 12% of total grants in 2013.

OTHER REVENUES. Other subnational revenues represent a significant source of revenue, particularly user charges and fees (17.6% of SNG revenue) such as municipal fees for waste collection or for the use of municipal property. They also include operating surpluses of public enterprises controlled by SNGs, assets sales, etc.

OUTSTANDING DEBT	% GDP	% GENERAL GOVERNMENT
OUTSTANDING DEBT (2013)	3.0%	5.0%

Since 2005, SNGs must follow a balanced budget rule, as well as debt ceilings (debt service and debt outstanding cap). They are free to borrow under the form of loans or bonds to finance capital expenditure (golden rule). The Fiscal Responsibility Constitutional Act of 2011 and the Law on Budgetary Responsibility of 1 March 2013 strengthened the fiscal rules applying to SNGs, which came into effect in 2015. A new rule stipulates that SNGs exceeding the debt limits must pay a fine imposed by the Ministry of Finance amounting to 5% of the difference between the total debt and the 60% ratio. It also reinforced the role of the National Accounting Office (NAO) which controls local and regional accounting, budgeting and public expenditures. Slovak SNG outstanding debt is well below the OECD average for unitary countries of 15.1% of GDP and 12.0% of public debt. It is made up of other accounts payable (25%) and financial debt (75%), comprising most exclusively loans.

A joint- study of:



Sources: OECD National Accounts Statistics • OECD (2016 and 2015) Subnational Governments in OECD Countries : Key data • OECD (2016), Making the Most of Public Investment in the Eastern Slovak Republic, OECD Multilevel Governance Studies • Council of Europe (2016), Local and regional democracy in the Slovak Republic CG30(2016)09-final • OECD (2014), OECD Economic Surveys: Slovak Republic 2014 • European Committee of the Regions (2014): "Division of Powers Between the European Union, Member States, Candidate and some Potential Candidate Countries, and Local and Regional Authorities: Fiscal Decentralisation or Federalism" • Astrauskas A. and Gecikova I. (2014), Similarities and Differences in Local Self-Government in Lithuania and Slovakia", American International Journal of Social Science Vol. 3 • Capkova S. and Roncakova L. (2014), Fiscal Equalization and Regional Growth", European Scientific Journal Vol. 1.