



Institute for Economic and Social Reforms

Fiscal decentralization and transparency of municipalities in Slovakia

Peter Golias

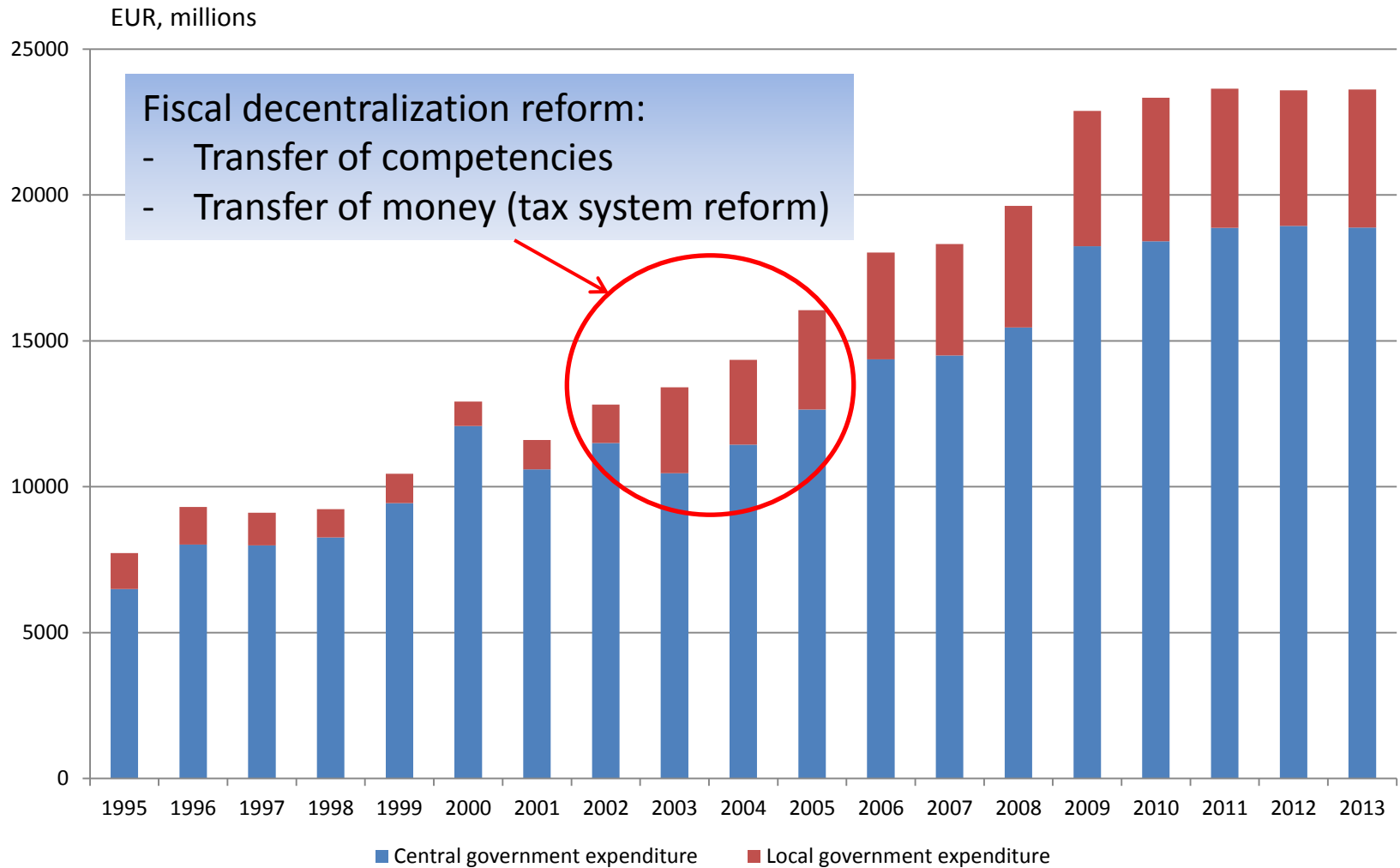
INEKO Director

May 28th, 2015

Chisinau, Moldova

Seminar on “Financial health of municipalities from
Moldova using Slovak experience”

Government expenditure



Source: OECD

Funding of local governments

2015 revenues	Municipalities (2926 towns, town districts, and villages)	Higher Territorial Units (8 HTUs)	Total
In EUR million	4,044	1,254	5,298
In % of state budget revenues	27.9%	8.7%	36.6%
In % of public finance revenues	14.2%	4.4%	18.6%
In % of GDP	5.2%	1.6%	6.8%

Source: Ministry of Finance of the SR

Financing principles

- **Original competencies** to be financed from tax revenues depending on real tax collection and/or hard data (number of citizens & pupils, etc.)
- **Transferred competencies** to be financed from state budget transfers depending on hard data (number of citizens & pupils, etc.)
- **Other mostly one-off needs** to be financed from grants based on a request for financing (projects)
 - Regional development, environment
 - Building industrial parks, etc.

Competencies

- Original
 - Education: Primary arts schools, language schools, pre-primary schools, school facilities (dormitories, clubs, canteens, etc.)
 - Transport: Intra-city (municipalities); inter-city (HTUs)
 - Care services (munic.), social affairs (homes for pensioners) & culture (HTUs)
 - 2nd and 3rd class roads (HTUs)
 - Communal waste disposal, etc.
- Transferred
 - Education: Primary schools (municipalities), secondary schools (HTUs)
 - Health care: Regional hospitals, polyclinics, health centers (HTUs)
 - Construction permits (municipalities)
 - Citizens' registration offices (municipalities), etc.

Revenues of municipalities

	2015 (EUR million)	2015 (%)
Tax revenues	1,954	48%
- Share on personal income tax revenues	1,442	36%
- Real estate taxes	327	8%
- Other local taxes and fees (e.g. tax on dogs, fees for waste disposal, etc.)	185	5%
Non-tax revenues	573	14%
- Business activities, rent	156	4%
- Administrative and other fees	253	6%
- Sale of capital (land, buildings, etc.)	80	2%
- Other (e.g. interest on deposits)	84	2%
Grants and transfers	1,177	29%
Other (transfers from previous years, loans, etc.)	340	8%
Total	4,044	100%

Source: Ministry of Finance of the SR

Revenues of municipalities

	2015 (EUR million)	2015 (%)
Tax revenues	1,954	48%
Non-tax revenues	573	14%
Grants and transfers	1,177	29%
- Subsidies to fund primary schools	679	17%
- Subsidies to (co)fund Eurofunds projects (Environment + Regional development + Business subsidies + Education)	344 (=183+116+29+16)	9%
- Subsidies to fund social policies	54	1%
- Other (Environment Fund, Subsidy to fund flats restitution, Subsidies to fund Registry and other offices, etc.)	100	2%
Other (transfers from previous years, loans, etc.)	340	8%
Total	4,044	100%

Source: Ministry of Finance of the SR

Revenues of 8 HTUs

	2015 (EUR million)	2015 (%)
Tax revenues	625	50%
- Share on personal income tax revenues	614 (up from 426 in 2014)	49%
- Tax on motor vehicles	12 (down from 147)	1%
Non-tax revenues	123	10%
- Business activities, rent, interest on deposits	9	0.7%
- Administrative and other fees	80	6%
- Sale of capital (land, buildings, etc.)	8	0.6%
- Other	26	2%
Grants and transfers	421	34%
Other (transfers from previous years, loans, etc.)	85	7%
Total	1,254	100%

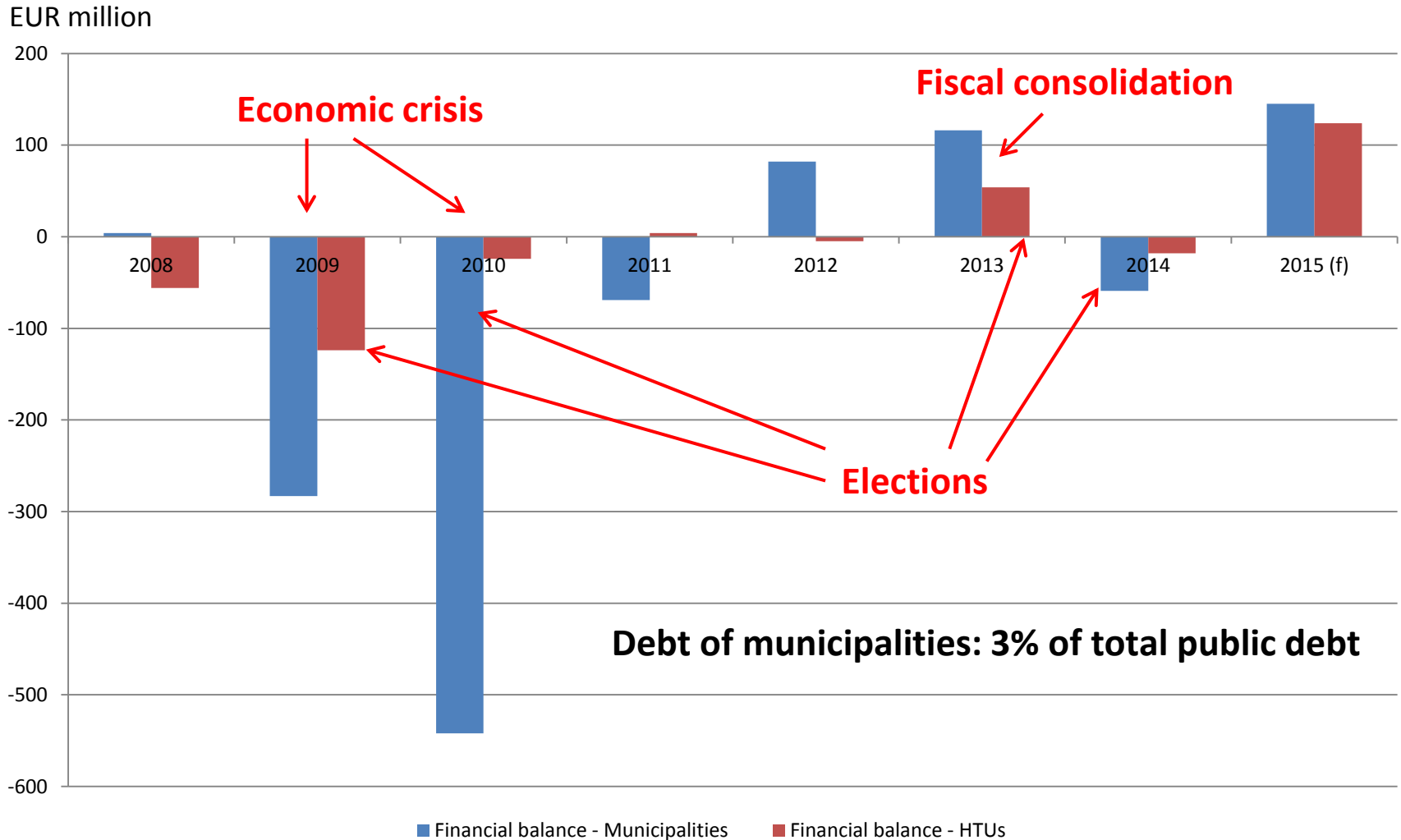
Source: Ministry of Finance of the SR

Revenues of 8 HTUs

	2015 (EUR million)	2015 (%)
Tax revenues	625	50%
Non-tax revenues	123	10%
Grants and transfers	421	34%
- Subsidies to fund secondary schools	412	33%
- Subsidies to (co)fund Eurofunds projects (Education)	7	0.6%
- Subsidies to fund emergency repair of schools	3	0.2%
Other (transfers from previous years, loans, etc.)	85	7%
Total	1,254	100%

Source: Ministry of Finance of the SR

Financial balance



Source: Ministry of Finance of the SR

Division of PIT

- Municipalities' share on personal income tax revenues:
 - 2011: 70.3%
 - 2012: 65.4% (fiscal consolidation)
 - 2013: 65.4%
 - 2014: 67.0%
 - 2015: 68.5% (EUR1.44 billion)
 - 2016: 70.3% (EUR1.54 billion)
- HTUs' share on personal income tax revenues:
 - Until 2014: 21.9%
 - 2015: 29.2% (compensation for diverting revenues from tax on motor vehicles from HTU to state budget)

Computing PIT revenues

Criteria	Share on total revenues
Municipalities	
Number of citizens	23% (57% is adjusted for the munic. altitude)
Number of citizens adjusted for the size	32%
Number of pupils	40%
Number of citizens of the age 62+	5%
HTUs	
Number of citizens	15%
Number of citizens of the age 15-18	15%
Number of citizens of the age 62+	32%
Population density	9%
Length of 2nd and 3rd class roads	20%
Surface area	9%

... plus special coefficients for HTUs and school facilities

Further reforms?

- Reducing the number of municipalities?
 - Slovakia: 2926 municipalities (including 17 districts in Bratislava and 22 districts in Košice)
 - Two thirds below 1000 citizens
 - Finland: 320 municipalities, plan to decrease to 100 (just like in Denmark)
- In/de-creasing the tax-collection independence?
 - 2015: Diverting revenues from tax on motor vehicles from HTUs to state budget
 - December 2015: Introduction of limits on taxes for agricultural (1.25%) and forest (2.5%) land

Transparency

- 2000: Freedom of Information Act
- 2011: All contracts, invoices and orders have to be published on internet, otherwise contracts are not valid
- „Open municipality“ project run by Transparency International Slovakia monitors above-the-law transparency:
 - Computing transparency rating for 100 biggest municipalities based on a set of 102 indicators grouped in following areas:
 - Access to information (documents from city board meetings, information about board members, evidence of dogs, etc.)
 - Public participation in decision making
 - Public procurement; Sale and rent of property
 - Budget; Grants & Subsidies; Flats & Social facilities
 - Human resource management
 - Ethics & Conflicts of interests (incl. accessibility of property declarations)
 - Land planning & Construction authority; Firms co-owned by municipality

Financial transparency

- INEKO portal computing financial health of all municipalities and HTUs (to be transferred to Moldova): <http://www.obce.ineko.sk/>

Problems

- Weak control & violation of law
 - Unpublished contracts (especially in small villages)
 - 5% of mayors active in business, etc.
- Low above-the-law transparency:
 - Average „Open municipality“ rating in 2014: 47 points of 100; the best city: 72; the worst: 23
 - The worst results in sale and rent of property
 - Minimum accessibility of property declarations of both mayors and deputies
- Hidden debts: PPP projects, subsidiaries

Project in Moldova

- Title: Improving Oversight of Local Governments in Moldova
- Supported by the National Endowment for Democracy (NED)
- Timeframe: May 2015 – January 2016
- Partners: INEKO & IDIS
- Goal: To increase the financial accountability of local governments in 50 municipalities in Moldova
- Tools:
 - Transfer of INEKO knowledge on computing financial health of municipalities
 - Creating a portal/dataset of financial indicators of at least 50 Moldovan biggest cities

Activities

- May 2015:
 - Opening seminar
- May – June 2015:
 - Data identification
 - Creating a methodology for assessing the financial health of local governments in Moldova
- July – September 2015:
 - Data collection and processing
 - Creating the dataset/portal
- November 2015 – January 2016:
 - Analysis of the financial health of the biggest towns and municipalities of Moldova
- January 2016:
 - Seminar and press conference in *Chişinău*; project conclusion

INEKO portal

Main page:

HOSPODÁRENIE MIEST, OBCÍ A VÚC PODPORTE NÁS **INEKO** používateľ: petergolias
Profil Odhlásiť sa

Úvod Údaje o hospodárení Nástroje Viac o projekte Recommend 448

Zadajte názov obce, mesta alebo VÚC

Registrácia Aké výhody ponúka registrácia?

NAJLEPŠIE HOSPODÁRIACE MESTÁ

1	Kysucké Nové Mesto ★★★★★ 5,6 <small>☰ Základná bilancia</small>
2	Strážske ★★★★★ 5,5
3	Nová Baňa ★★★★★ 5,5 <small>☰ Základná bilancia</small>
4	Leopoldov ★★★★★ 5,4
5	Svätý Jur ★★★★★ 5,4 <small>☰ Základná bilancia</small>

Zobrazíť celý rebríček

NAJHORŠIE HOSPODÁRIACE MESTÁ

1	Myjava ★★★☆☆ 2,5 <small>☉ Dlhová služba ☰ Závazky aspoň 60 dní po splatnosti</small>
2	Spišské Vlachy ★★★★★ 2,8
3	Veľký Šariš ★★★★★ 2,9 <small>☉ Celkový dlh ☰ Závazky aspoň 60 dní po splatnosti</small>
4	Gelnica ★★★★★ 3,1 <small>☉ Dlhová služba ☰ Okamžitá likvidita</small>
5	Nové Zámky ★★★★★ 3,1 <small>☉ Celkový dlh ☰ Závazky aspoň 60 dní po splatnosti</small>

Zobrazíť celý rebríček

HOSPODÁRENIE VYŠŠÍCH ÚZEMNOSPŔÁVNÝCH CELKOV (VÚC)

 Banskobystrický ★★★★★ 3,3	 Bratislavský ★★★★★ 4,6	 Košický ★★★★★ 3,9	 Nitriansky ★★★★★ 5,0
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INEKO portal

Profiles of municipalities and HTUs:

HOSPODÁRENIE MIEST, OBCÍ A VÚC PODPORTE NÁS **INEKO** používateľ: petergolas
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Kysucké Nové Mesto

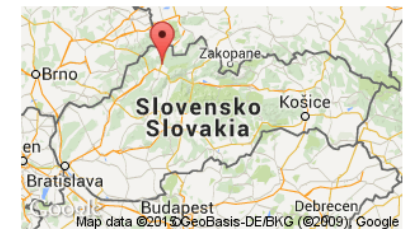


HODNOTENIE FINANČNÉHO ZDRAVIA (2010 - 2013)



ZÁKLADNÉ ÚDAJE

Štatút: mesto
 Počet obyvateľov: 16 264
 Okres: Kysucké Nové Mesto
 Kraj: Žilinský
 E-mail: primator@kysuckenovemesto.sk



HLAVNÉ INDIKÁTORY (2013)

			priemer obcí SR
+	Základná bilancia	3,1 %	★★★★☆ 3,0 %
+	Dlhová služba	0,6 %	★★★★★ 6,5 %
+	Celkový dlh	0,0 %	★★★★★ 25,0 %
+	Závazky aspoň 60 dní po splatnosti	0,0 %	★★★★★ 0,7 %
+	Okamžitá likvidita	588,5 %	★★★★★ 141,7 %

OSTATNÉ INDIKÁTORY (2013)

priemer obcí SR

HOSPODÁRENIE NAJBLIŽŠÍCH OBCÍ

1	Radoľa	★★★★☆
2	Povina	★★★★★
3	Rudinka	★★★★★
4	Nesluša	★★★★☆

INEKO portal

Financial
health
rankings:

HOSPODÁRENIE MIEST, OBCÍ A VÚC PODPORTE NÁS **INEKO** používateľ: petergolas
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SAMOSPRÁVY
 VÚC
 mestá
 obce

FINANČNÉ ZDRAVIE
 Celkové finančné zdravie ⓘ
 Základná bilancia ⓘ
 Dlhová služba ⓘ
 Celkový dlh ⓘ
 Závazky aspoň 60 dní po splatnosti ⓘ
 Okamžitá likvidita ⓘ

ROK
2013

ĎALŠIE NASTAVENIA REBRÍČKA
Ďalšie ukazovatele o hospodárení
Špecifický výber okresov a krajov
 Ukotvíť tento panel

	samospráva	Celkové finančné zdravie	Základná bilancia	Dlhová služba	Celkový dlh	Závazky aspoň 60 dní po splatnosti	Okamžitá likvidita
1	Kysucké Nové Mesto Žilinský kraj	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
2	Strážske okres Michalovce, kraj: KE	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
3	Nová Baňa okres Žarnovica, kraj: BB	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
4	Leopoldov okres Hlohovec, kraj: TT	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
5	Svätý Jur okres Pezínok, kraj: BA	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
6	Topoľčany Nitriansky kraj	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
7	Hlohovec Trenčiansky kraj	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
8	Modra okres Pezínok, kraj: BA	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
9	Poprad Prešovský kraj	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
10	Sereď okres Galanta, kraj: TT	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★

Financial health indicators

Indicators entering final rating	Weight
Overall debt over current revenues	2
Debt service (interest plus principle) over current revenues	1
Current and capital account balance over current and capital revenues	1
Liabilities overdue at least 60 days over current revenues	1
Immediate liquidity on financial accounts over short-term liabilities	1

- All indicators are transformed to the scale {0, 6}
- Overall debt is computed based on data from the most recent year
- Other four indicators are computed based on data from the 4 most recent years with following weights:
 - Year t: 4
 - Year t-1: 3
 - Year t-2: 2
 - Year t-1: 1

Underlying data

1. Current account revenues
2. Current account expenditures
3. Capital account revenues
4. Capital account expenditures
5. Debt service – principal
6. Debt service – interest
7. Short-term liabilities
8. Long-term liabilities
9. Bank loans
10. Loans from the state
11. Overdue liabilities
12. Liabilities overdue at least 60 days
13. Short-term receivables
14. Financial assets (e.g. cash, bank deposits)
15. Number of citizens

Thank you for your attention!

<http://ineko.sk/>; <http://www.obce.ineko.sk/>