

Separate Existences Above All
Else—Local Self-Governments and
Service Delivery in Slovakia

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Separate Existences Above All Else —Local Self-Governments and Service Delivery in Slovakia

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1. INTRODUCTION

1.1 Development of Public Management Since 1989¹

Prior to 1990, public administration in Slovakia was managed through a three-level network of the *národný výbor* (national committees)—*miestny* (local), *okresný* (district) and *krajský* (regional). These committees represented the state's power; they were the bodies of state administration as well as of economic management. The lower level depended upon both the higher level and the central government. In 1990, these committees were abolished and the reform of public administration in Slovakia had begun.

With the acceptance of Municipal law no. 369/1990, public management in Slovakia split into elected local self-governments and state administration. At this time, a dual model of public management was introduced with one, municipal, level of territorial self-government.

Until 2001, further developments in public administration reform were purely related to reform of the state administration, with some amendments to Municipal law. Firstly, in 1990, the *kraje* level of state administration was canceled and a new level, subordinated to *okres* (district) level, was created called *obvod* (sub district). The territorial units of state administration in Slovakia from 1990 to 1996 included 38 districts and 121 sub districts.

Secondly, in 1996, the territorial structure of state administration changed. The sub districts were revoked and the number of districts increased to 79. An interim tier of local state administration was created. Eight regions (*kraj*) were then established. Political pressure during creation of new districts resulted in disproportionably large districts. During this period, the difference between the largest and the smallest districts was 150,000 inhabitants (the Nitra district—163,419 inhabitants vs. the Medzilaborce district—12,597 inhabitants in 2001). Although the number of district offices increased in comparison to the previous division, they did not cover the

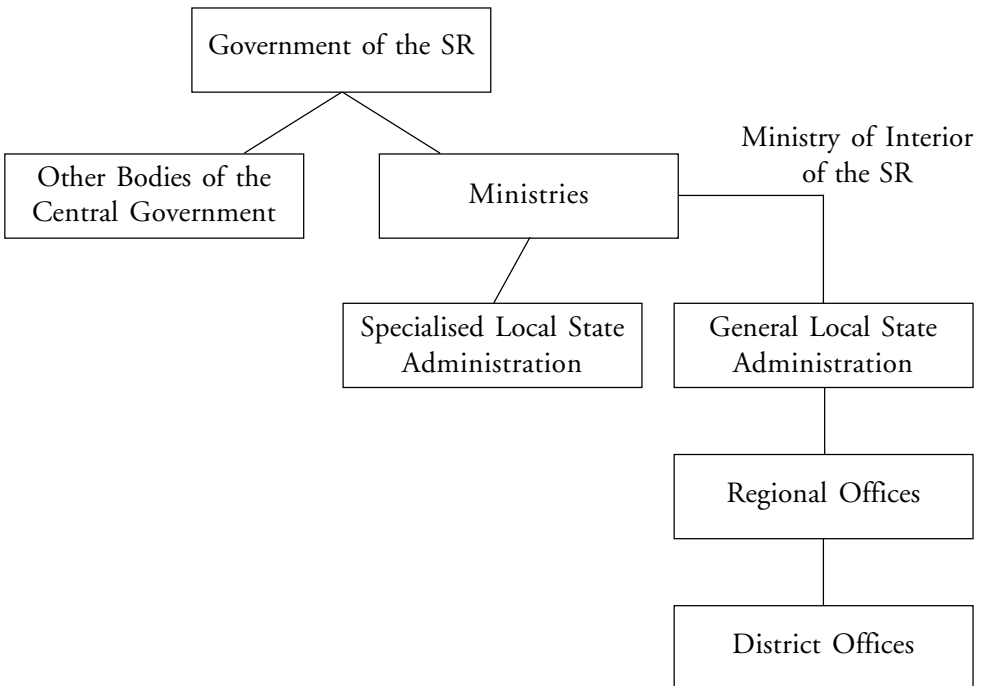
entire territory of Slovakia proportionally. Besides the district office seat, another 43 permanent and temporary district offices were created.

After the 1998 elections, the attention to public administration reform turned towards territorial self-government. In 1999, a government Plenipotentiary for the task of decentralization and reform of public administration was appointed. The group of experts elaborated upon the concept of decentralization of public administration. After several obstructions and delays in the launch of the decentralization project, due to the lack of consensus amongst politicians within the wider government coalition, the necessary laws were only approved in 2001. Since January 1, 2002, there are eight self-governmental regions (*samosprávny kraj*) in Slovakia.² In September 2001, the Parliament adopted the act that defines the scope and timeline for competencies to transfer to territorial self-government.

1.2 The Current Form of Public Management in Slovakia

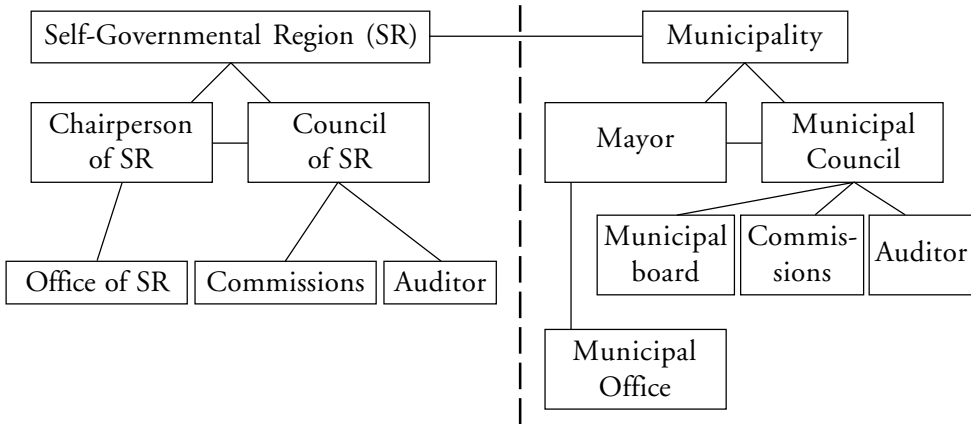
1.2.1 State Administration

Figure 3.1
Structure of State Administration in Slovakia



1.2.2 Territorial Self-Government

Figure 3.2
Structure of Territorial Self-Government in Slovakia



Municipality is the foundation of territorial self-government in Slovakia. In compliance to the Slovak Constitution (Art. 64), the two basic self-governmental territorial units are: municipalities³ and higher territorial units (self-governmental regions). In Slovakia, all municipalities are technically equal. The scope of competencies is the same for any size of local self-government. The law specifies the certain conditions when a village may be declared a town. The only municipal size-category regulated by the special law is over 200,000 inhabitants (i.e. the Act on the capital of Slovakia, Bratislava, and the Act on Košice). These two cities have special systems of local self-government. Bratislava consists of 16 sections (*mestská časť*), all with the status of local self-government and there is also an entire local city self-government body (*magistrát*) above them. The structure in Košice is similar to that of Bratislava. There are 22 city sections in Košice.

Table 3.1
Structure of Local Public Administration in 2000

		Number of Units	Population		Average Territory [km ²]
			Average	Range	
Local Self-Government	Municipalities	2,883	1,874	2–447,345	17
	Self-Governmental Regions	8	675,318	551,441–787,483	6,129
Local state Administration	Districts	79	68,387	12,597–163,419	621
	Regions	8	675,318	551,441–787,483	6,129

SOURCE: Statistical Office of the SR.

1.3 Division of Competencies Within Public Management

1.3.1 State Administration

The *regional offices* and *district offices* exercise state administration at the regional and district levels. These offices deliver services provided by the state. In Slovakia, state administration delivers a vast majority of services in the categories of education, health-care, social welfare, environmental issues, cadastre, registry of enterprises and business licenses, etc. These services are administered in the district and regional offices. Individual branches, responsible for the state administration exercised by these offices, are methodologically run by the respective ministries. The Ministry of Interior plays a coordinating role in local state administration and other ministries related work. District and regional offices are appealing bodies for the administrative issues of territorial self-governments. They can also assist territorial self-governments in delivery of their services. The networks for special offices in individual branches of state administration (tax offices, military offices, fire departments, etc.) are further bodies of local state administration.

1.3.2 Territorial Self-Government

Municipality

The major purpose of a municipality is to take care of the municipal territory's development and the needs of the citizenry. A municipality's territory can consist of one or several cadastral territories. The central government can found, cancel, divide or join municipalities. Such an act can be performed only upon agreement by the municipality and the respective regional office. Along with exercising other self-governmental functions, the municipality carries out activities related to proper management of municipal property and state property left for the municipality's use. The range of competency for local self-governments is not very wide. Practically, the services that are fully, and exclusively, provided by local self-government include; municipal road management, municipal waste management, development of municipal territory (construction of municipal facilities and development of municipal property), territory management and green areas, local public transportation and public lighting. The services which may be, or may in part be, delivered by local self-governments include; water works, gas works, sewage systems, environmental issues, culture, sport, other leisure time activities, healthcare, social welfare and education. Generally, these services are delivered by the state administration. Local self-governments also deliver some services delegated to them by the state administration (such as residential registry, building permits, etc. Local self-governments can issue ordinances and have their own municipal police to secure

public safety.⁴ In reality, not every municipality carries out all the services listed due to lack of capacity (the smallest municipality consists of only two people, see section 2).

Municipalities also carry out founding and some economic and managerial functions in some areas decentralized in 2001, from the state administration level down to local self-government. The areas are as follows: water management, social services, education, culture, healthcare, regional development and tourism.

Self-Governmental Region

Beginning in 2002, an interim tier of territorial self-government functions in Slovakia. The self-governmental region individually manages its own property and own revenues. The territory of the self-governmental region is identical with the territory of the region (*kraj*), a state administrative unit. It cooperates with other state bodies, other self-governmental regions, municipalities and other legal entities. The relationship between the self-governmental region and municipalities is not based on the principle of subordination, but partnership. The self-governmental regions have competencies primarily in the area of conceptualizing and planning projects for individual branches of social life. Firstly, the competence transferred to them concerns regional development. The self-governmental regions mainly create the conditions for development of environmental protection, education, healthcare, social welfare and culture. They are allowed to issue ordinances on the matters concerning local self-government. The relationship between regional self-government and state administration is based on partnership, not subordination. Self-governmental regions also carry out founding economic and managerial functions for some areas decentralized in 2001 (Act no. 416/2001) from the state administration level to the local self-government. The areas are as follows: road management, transportation, social services, education, culture, healthcare, regional development and tourism.

1.4 Political Mechanisms for Public Management Operation

Concerning the political mechanisms within public administration, the two divisions of public administration, state administration and local self-government, must be differentiated. Basically, state administration is appointed and local self-government is elected.

1.4.1 State Administration

The operation of all state administration bodies depends upon the results of the parliamentary elections. The elected political parties then appoint leadership for the

central bodies as well as the leadership of local state administrative bodies. This principle creates low accountability on the part of state administration bureaucrats, who are basically only responsible to their nominating political party. In the summer of 2001, the Slovak Parliament adopted an Act on state service that specifies the legal parameters for state administrative positions, the qualification requirements and the terms of state administration employment. It hoped to eliminate the present strong influence of political affiliation in the process of accepting candidates for state administrative positions.

1.4.2 Territorial Self-Government

Political mechanisms, for the operation of local self-government, stem from the Constitution. The determining factor is the principle of election.

Municipality

The municipal council and the mayor are the two municipal bodies. The *municipal council* (*obecné zastupiteľstvo*) consists of the councilors, elected for four years in direct elections by the residents of municipality. Prior to this date, the municipal council specifies the number of councilors elected for the next elections. There are a maximum of three councilors in municipalities up to 40 inhabitants. Municipalities over 100,000 inhabitants have usually 23 to 41 councilors. In Slovakia, municipal elections are based upon the majority electoral system. There are multiple mandate election districts, within each municipality, for municipal councilors elections. The number of mandates for each particular district depends on its population. The maximum number of councilors elected in one election district is 12. The municipal council is a decision-making body seeing to the basic areas of the municipal life.

The *mayor* (*starosta/primátor*), elected in direct elections every four years, is a highest executive body of a municipality. For mayoral elections, each municipality forms one a one-mandate election district. The majority electoral system also applies to mayoral elections. The Municipal law also specifies the terms and conditions for removing the mayor from office before the end of his/her term.

Political mechanisms at the local self-government level are almost exclusively ruled by the principles of the electoral process. Certainly, the political orientation of the elected representatives is important at this level too. At the municipal level, political influence is significantly lower than at the national level. The municipal issues being addressed very often yield to political interests.

The local self-government is managed by its elected representatives. The options for removal of a mayor are quite clearly stated in the Municipal law. Incidentally, the

municipal councilors cannot be removed due to low quality of his/her work prior to the end of their term.

Self-Governmental Regions

The council of the self-governmental region and the chairperson of the self-governmental region are the bodies of the regional self-government.

The *council of the self-governmental region (zastupiteľstvo samosprávneho kraja)* specifies the number of councilors to be elected in the next elections, based on the specifications of 12,000 to 15,000 inhabitants per one councilor. Elections to this body have the same rules as municipal elections.

The *chairperson of the self-governmental region (predseda samosprávneho kraja)* represents it. He/she is its statutory body. Act no. 302/2001 specifies the conditions of his/her removal prior to the end of the term. The election of the chairperson is different than election of the mayor. The candidate who receives plus 50% of the votes in the direct elections becomes the chairperson. If none of the candidates pools this number of votes, the two most successful candidates advance to the second round. In the second round, the candidate with majority of votes becomes the chairperson. The regional self-government body's terms are four years.

1.5 Financial Mechanisms for Public Management Operation

1.5.1 State Administration

The state budget is the funding source for the state administration's central bodies and the regional and district offices. Individual branches within the district and regional offices are financed through the budget chapter of the respective regional office. In 2001, the government came to the decision to decrease the number of budget chapters. The regional offices chapters will be abandoned. The local state administration was to be financed through the chapter of respective ministry or the Ministry of Interior of the SR. Later on, the entire system shall be revised by the Act on the state treasury.

1.5.2 Territorial Self-Government

Municipality

The municipality funds its needs primarily through its own revenues, state subsidies and other sources. Major sources of municipal revenue are:

- a) Share in the state tax revenue: The funds from the state tax revenue (personal income tax, corporate tax and road tax) are distributed to the municipalities in compliance with the given rules. These rules changed during the 1991–2000 period. Revenue from the personal income tax are distributed according to the population (of the municipality). Distribution of corporate tax revenue reflects the localization of the corporation. Sixty percent of revenues are distributed proportionally by population and another forty percent according to the residence of the taxpayer. Municipalities receive 40% of road tax revenues. These funds are distributed proportionally according to the population. The overall portion of state tax monies allotted to the municipalities is annually determined by the state budget (except for the share in the road tax revenues).
- b) Revenue from local taxes and local fees: The real estate tax is an exclusive municipal tax. It is calculated as a multiple of the rate for individual types of real estate given by the notice of the Ministry of Finance of the SR. The maximum multiple is as follows:
 - 1.0 In municipalities up to 1,000 inhabitants
 - 1.4 In municipalities from 1,001 to 6,000 inhabitants
 - 1.6 In municipalities from 6,001 to 10,000 inhabitants
 - 2.0 In municipalities from 10,001 to 25,000 inhabitants
 - 2.5 In municipalities over 25,000 inhabitants
 - 3.5 In the seats of the district and spa municipalities
 - 4.0 In the seats of the region
 - 4.5 In Bratislava

Local fees (taxes) include fines/licenses for: dogs; alcohol and tobacco products sale; gambling and slot machines; cash registers; car entry into the historical center of the city; taxes for lodging; advertisement; public entrance; spa and recreation; non-residential use of an apartment; public property use; air pollution; waste disposal as well as other fees.

- c) Revenues of enterprise and property ownership.
- d) Administrative and other fees and payments.
- e) Capital assets sale revenues.
- f) Revenues from provided loans.
- g) Revenues from rental of buildings and facilities, transfers from contributory organizations and transfers from the financial funds of the municipality.
- h) Donations and voluntary fundraising for municipality revenues. Besides these revenues, municipalities can have also the following revenues.
- i) Transfers and other subsidies from the state budget: Subsidies to municipalities for the provision of self-governmental services belong under this category. Until 1995, all municipalities under 5,000 inhabitants were eli-

gible for this subsidy. The subsidy was given based upon the quality of soil in the territory, as defined by the Ministry of Agriculture of the SR and the size of the municipality. Since 1996, the population stipulation dropped to 3,000 inhabitants. Further subsidies include: subsidies for local public transportation in Bratislava, Košice, Prešov, Žilina and Banská Bystrica; subsidies for completion of complex housing construction; subsidies for regional development; and other specific transfers and subsidies provided by individual chapters of the state budget.

- j) Subsidies from state funds: This category consists mainly of transfers from the State environmental fund for construction of technical infrastructure facilities (sewage, wastewater treatment facilities, etc.) Also, Pro Slovakia, the State fund for funding cultural activities, the State water management fund for supporting the construction of water supply systems and the State fund for housing development and construction.
- k) Received credits and revenue from municipal bonds.

Self-Governmental Region

The self-governmental regions mostly use the revenues from their share in state tax collections, surcharges to personal income taxes they create, and funds of horizontal leveling of self-governmental regions. In addition to these sources, self-governmental regions can use financial sources similar to municipalities. As of the time of this study, exact mechanisms for the finance of self-governmental regions do not exist.

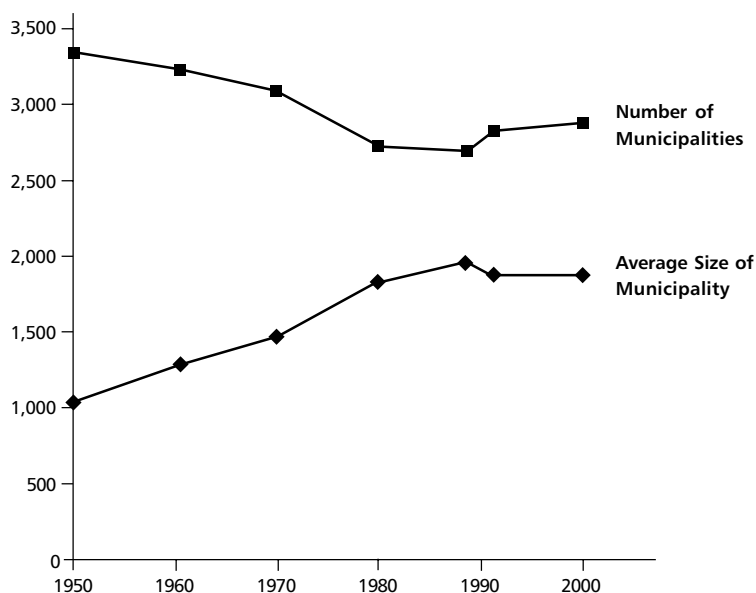
2. MUNICIPAL GOVERNMENT STRUCTURE IN SLOVAKIA

The municipal structure of Slovakia features instability and a large number of small municipalities (fragmentation). In 1950, there were 3,344 municipalities in Slovakia averaging 1,029 residents. In 1989, there were only 2,694 municipalities with an average population of 1,963. After the changes in 1989, the number of municipalities rocketed to 2,825 in 1991 (Figure 3.3).

In 2000, Slovakia had 2,883 municipalities. Of this number, 138 had the statute of city. More than two thirds of the municipalities were under 1,000 inhabitants. Over 42% had less than 500 inhabitants. A total of 123 municipalities (4.3%) had fewer than 100 inhabitants. Príkra, the smallest municipality (two inhabitants) is located in the Svidník district in northeast Slovakia.

Smížany was the village with the highest number of inhabitants (7,367 people). Besides this village, another seven villages exceeded the threshold of 5,000 inhabitants. On the other hand, Modrý Kameň was the smallest town, with a population of 1,441 people. A total of 22 towns fell into the size category of under 5,000 people.

Figure 3.3
Development of the Number of Municipalities in Slovakia Since 1950



SOURCE: Sčítanie ľudu, domov a bytov 1993, Štatistický lexikón obcí 1961, 1970 a 1980; calculations and figure: M.E.S.A. 10.

Historically, the decrease in the number of the smallest municipalities (less than 499 people) could be observed until 1989 (Table 3.2).

Table 3.2
Development of the Size Structure of Municipalities in Slovakia [%]

Size Category	The Share of Municipalities in Given Size Categories				
	1950	1961	1980	1991	2000
Under 500	44.6	35.8	35.3	41.2	41.5
500–999	30.6	31.5	29.2	27.6	27.0
1,000–1,999	16.7	20.1	20.8	18.5	18.6
2,000–4,999	6.2	9.9	10.3	8.4	8.7
5,000–9,999	1.2	1.7	2.0	1.8	1.8
10,000–49,999	0.7	0.9	2.0	2.2	2.1
Over 50,000	0.06	0.06	0.3	0.4	0.4

SOURCE: Sčítanie ľudu, domov a bytov 1993, Štatistický lexikón obcí 1961, 1970 a 1980; calculations: M.E.S.A. 10.

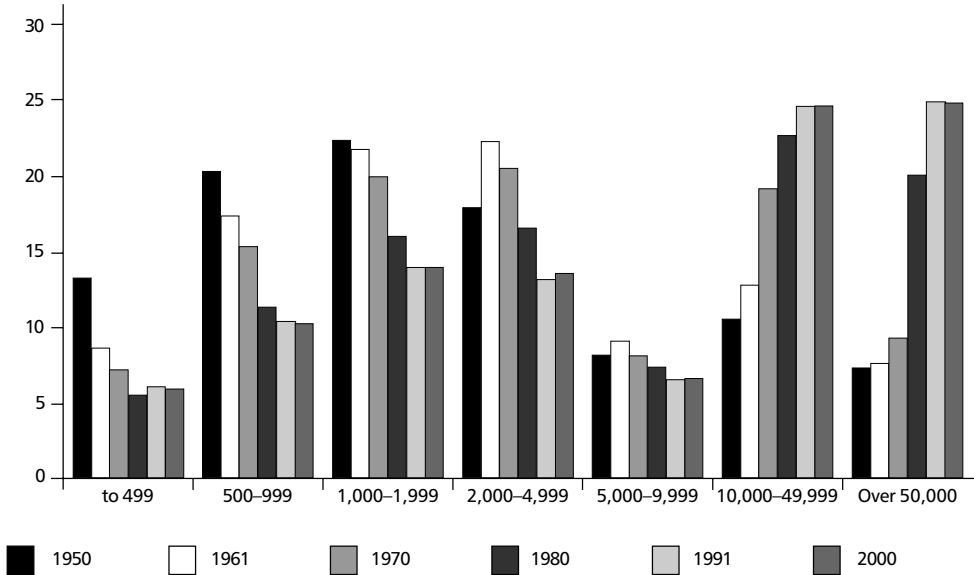
In the first post-1989 Census, conducted in 1991, the number of the smaller municipalities rose again. The process of integration can explain the rapid growth of the towns over 10,000 inhabitants since 1970. This process took place mainly during the 1970s and the 1980s in Slovakia. Similar explanations may be used for the continual decline of the smallest municipalities up until 1991. These municipalities were annexed either to neighboring towns or villages. The joint municipalities then shifted into a higher size category.

In 1950, 13.3% of the Slovak population resided in municipalities with less than 499 inhabitants (the proportion of this size category on the total number of municipalities was 44.6%). In 2000, when these municipalities accounted for 41.5% of all municipalities in the country, only 6% of population lived there. The population proportion from municipalities with less than 999 people decreased with a similarly high rate (from 20.3% in 1950 to 10.3% in 2000). All municipalities with less than 999 inhabitants represented as much as 68.5% of the total municipalities in the Slovak Republic in 2000. However, only 16.3% of population actually lived there. To the contrary, in the case of the largest size categories, the proportion of inhabitants grew more than twofold, in some cases as much as threefold (cities over 50,000 people). The municipalities in the size category 5,000–9,999 inhabitants have maintained relatively stable proportions over the last 50 years (Figure 3.4). Based upon development in the number of municipalities and municipal population, this size category seems to be the most stable element of the settlement structure of Slovakia.

Regarding the spatial aspect, several remarks can be made as to the settlement structure of Slovakia. The largest concentration of small municipalities can be found in the northeastern part of Slovakia. This part of the country is the continuous economic periphery of Slovakia. This explains also the low population within these municipalities. Another area with a large number of small municipalities is situated in the Juhoslovenská kotlina (Southern Slovak Lowlands located in the southern part of Central Slovakia). The western part of Slovakia is the opposite. Primarily medium-sized large villages and towns are concentrated here. The areas in the Vah River Valley, the Orava River Valley and central part of Slovakia have similar concentrations.

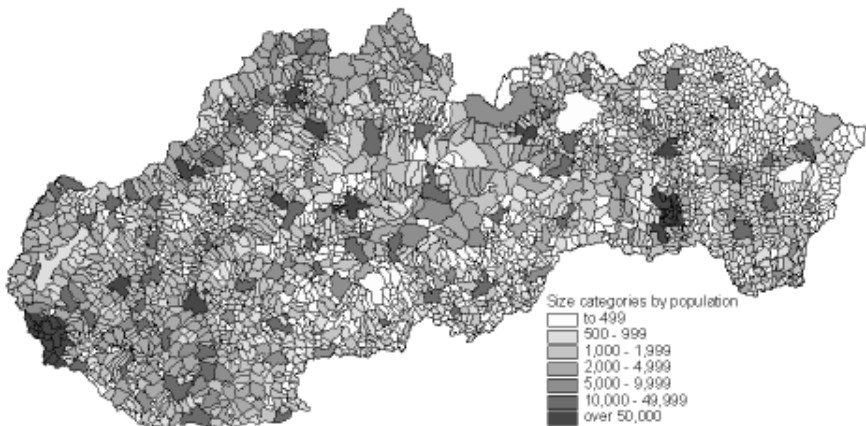
The recent shape of settlement structure in Slovakia is influenced by several factors. Firstly, it is the difficult vertical segmentation of Slovakia's terrain. Secondly, it is the historical patterns of settlement in Slovakia—various settling of the wild terrain (colonization). Later on, it was the development of economic activities and their concentration in select locations. In the second half of the 20th century, there were two contradicting processes taking place in two different societal systems in Slovakia. The integration of municipalities, during the period of state socialism was the first process. The disintegration caused by the implementation of democratic elements into management and administration of the state after 1990 was the second process.

Figure 3.4
Population Distribution Amongst Municipalities by
the Size Categories Since 1950



SOURCE: Sčítanie ľudu domov a bytov 1993, Štatistický lexikón obcí 1961, 1970 a 1980; calculations and figure: M.E.S.A. 10.

Figure 3.5
Size Structure for Municipalities in Slovakia as of December 31, 2000



SOURCE: Statistical Office of the SR 2000; map: M.E.S.A. 10

2.1 Integration of Municipalities Prior to 1990

As part of Czechoslovakia, the Slovak Republic was the agriculturally oriented section with a great deal of rural settlements. After 1948, the process of balancing the differences (inadequacy) between Czech and Slovak lands had begun. Slovakia's fragmented settlement structure was considered one of its barriers to rational development of its society. Amalgamation of villages and urbanization of Slovakia was believed to be the solution to this problem. In the 1950s and the 1960s, urbanization lagged behind industrialization. In 1970, those who lived in municipalities⁵ with populations under 1,999 inhabitants made up as much as 42.7% of the population. This situation, more or less, activated forced integration processes within cities as well as formation of the central municipalities system (*strediskové obce*). In 1972, the proposal for long-term settlement development in Slovakia was approved. It contained the list of municipalities appointed to provide central functions. Based upon this plan, 77 of municipalities with sub district status and 624 municipalities functioning as local centers (a hierarchical structure) were established. The central municipalities were to concentrate on investment activities. They were to be the gravitation points for issues of employment and education as well as the cultural and social centers for these catchment areas. Each catchment area was to contain about 3,000 inhabitants. The municipalities not appointed to be central municipalities were sentenced to a gradual decay. No development at all was allowed in these municipalities. The settlement structure continued to develop in accordance with the directives of the Project for Urbanization in the Slovak Socialist Republic, until the changes in 1989.

The two primary types of integration processes in Slovakia at this time (according to Buček, 1997) were:

- a) Via merging of villages;
- b) Via creating joint national committees for several villages.

Municipality mergers were not undertaken voluntarily. Their decision-making bodies were district national committees. Such integration exceeded all reasonable rates and the dangers of this were pointed out. Shortly after the changes in 1989, this prophesy ended up coming true as a rapid fragmentation process began. Integration via mergers meant that those municipalities that merged, or incorporated, with other municipalities basically ceased to exist as legal entities. Creation of joint national committees was considered to be a more favorable solution since then the village, as a legal entity, would not cease to exist.

Buček(1997) provides a parallel between municipal integrations and the integration of JRD (agricultural cooperatives). A system including 624 central municipalities was the final result of the municipal integrations. The JRD integration resulted in 638 organizations in 1989 as compared to 2,683 JRDs in 1960.

Overall, during those 40 years, almost 800 administrative changes within the Slovak municipalities took place. A vast majority of these changes were integration changes. Compared to 1950, the number of municipalities decreased by 650 in 1989. The most frequent type of integration process was the merger of villages, neighboring cities or larger villages. Andrlé argues that such integration accounted for as much as 33% of the overall population increase within Slovakian cities during this period. The integration processes of the 1970s and the 1980s were the largest interventions into the settlement structure in 20th century Slovakia [Matula, 1986 in Slavík, 1998]. These processes had tremendous impact on the size structure of municipalities and city growth dynamics. They caused a significant decrease in citizen participation in the process of governing and decision-making in municipalities [Slavík, 1994].

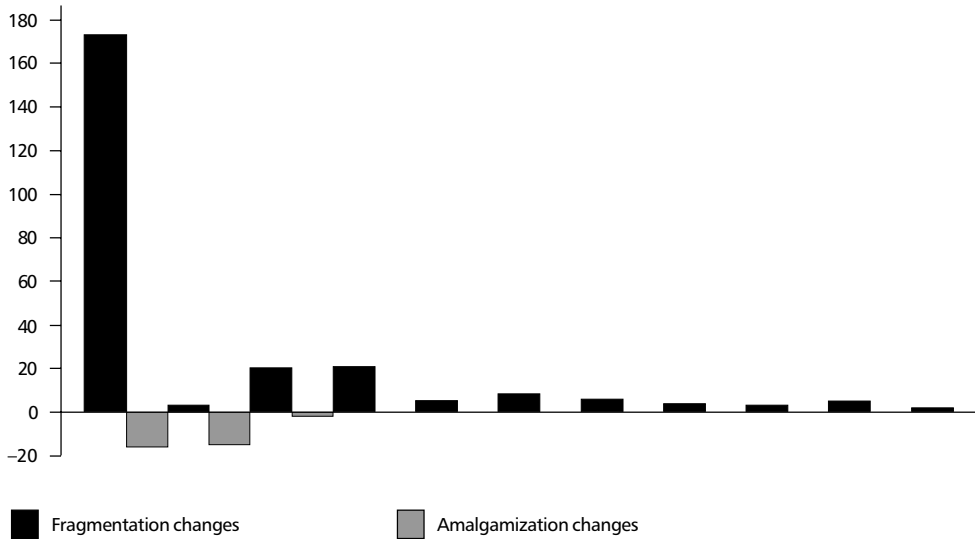
2.2 Fragmentation After 1990

The forced behavior and often irrational reasoning behind integration policies during the period of state socialism was confirmed soon after the Municipal law was approved in 1990 and the process of local fragmentation began. Still, before the Census of 1991, 173 new municipalities were created (Figure 3.6). At the same time, integration took place as well with 16 villages ceasing to exist, many attaching to other villages. Integration changes from 1991 can also be observed, with 15 municipalities that ceased to exist. At the same time, this year was the last one that integration changes exceeded the fragmentation changes. Beginning in 1993, no municipality ceased to exist (in 1992, two municipalities ceased to exist). Out of 283 municipal territorial changes in last decade, 250 were fragmentation changes and 33 were integration changes (Table 3.3).

The highest number of municipalities was created by the separation from other villages (132). A total of 95 municipalities were created via the separation of originally rural villages from cities. Cities between 50,000 and 100,000 inhabitants recorded these activities after 1990 the most often. Even in the case of Bratislava, both the capital and the largest city, the tendency to separate rural parts was noted. However, the citizens of the respected areas did not support the separation efforts in local referendums. The voices that called for separation probably did not consider several of the advantages formerly rural villages had gained through being the part of Bratislava (mass transportation system, a fire department, municipal road maintenance, etc.).

By the end of the 1990s, following the territorial changes boom of the early 1990s, the creation and extinction of municipalities (as legal entities) tuned down. In 1999, only five fragmentation changes occurred and in 2000, only two. Yet, before the law limiting the size of municipality became effective on January 1, 2002, three more villages with less than 3,000 inhabitants successfully separated and gained independent legal status during 2001.

Figure 3.6
Territorial Changes of Municipalities After 1990



SOURCE: Slavík, 1998, Directives of the Slovak government 1999, 2000; figure: M.E.S.A. 10.

Table 3.3
Types of Territorial Changes After 1990

Type of Territorial Change	1990	1991	1992	1993	1990–2000
Creation of Rural Village Via Separation From City	49	2	13	11	95
Creation of City Via Separation From Other City	1	0	0	0	1
Creation of Village Via Separation From Other Village	107	0	6	7	132
Creation of Villages Via Breaking Away From a Municipality	16	1	1	3	22
Total Fragmentation Changes	173	3	20	21	250
Incorporation of Rural Village to a City	-2	-1	-1	0	-4
Incorporation of Smaller Village to Other Village	-13	-12	-1	0	-26
Equal Merger of Villages	0	-2	0	0	-2
Physical Extinction of Rural Village	-1	0	0	0	-1
Amalgamation Changes Total	-16	-15	-2	0	-33
Total Increase/Decrease of Municipalities	157	-12	18	21	217

NOTE: Data is not provided for every year of the 1990s due to substantially lower intensity of changes in the period of 1994–2000.

SOURCE: Slavík, 1998, Directives of the Slovak government 1999, 2000.

2.3 Conditions of Settlement Structure Stabilization

Municipal law no. 369/1990 did not originally set up any preconditions for municipalities that intend to separate from other municipalities or municipalities that intend to split into several new municipalities. In accordance to this law, a local referendum and the agreement of all participating municipalities were sufficient to separate or join municipalities. Yet, the Fall 2001 amendment to this law determined some conditions for the creation of new municipalities via separation from other municipalities. Effective January 1, 2002, a municipality may break away only if: The territories of the new municipalities create a coherent territorial unit; and the new municipalities have at least 3,000 inhabitants and new municipalities had not created an urbanite unit with the mother municipality before the change. The municipality cannot be broken up when the extricating part has been given an investment that is of importance to the entire municipality (such as a waste water treatment facility). These provisions are the contribution to stabilization of the settlement structure in Slovakia, since it prevents the creation of further small municipalities.

The stabilization and optimization of the settlement system through amalgamation of municipalities is not acceptable for the representatives of local self-governments [ZMOS, 1999]. The experience of forced amalgamation remains a major barrier to it. The support for the central village in an amalgamated municipality and the contrary, shutdowns of any development in the non-central villages, during state socialism caused voluntary amalgamation to be unacceptable. Another barrier to amalgamation is that municipalities are not willing to give up any of their control to another municipality once they have gained their independence. There is a widely held opinion among citizens than if the municipality consists of several parts (villages), the home of the mayor will be developed the most. It is also perceived that smaller villages in such municipalities are not decently developed. The later opinion prevails among the citizens from the rural parts of the cities. These citizens sense they are being shortchanged in some way. According to their complaints, the city council does not pay appropriate attention to development of rural city sections and it only deals with development of non-rural parts.⁶

Amalgamation, however, is not an exclusive solution for fragmented settlement structure in Slovakia and is an unfavorable structure for municipalities as administrative units. Inter-municipal cooperation, actually one type of it, joint municipal offices, is an alternative solution (see section 4). Creation of joint offices, however, runs into a from all participating municipalities [PHARE, 1998].

Stabilization of the size structure of municipalities must take place in Slovakia so that municipalities can provide to their full capabilities. Discussion on the proper size of a municipality, as the smallest administrative unit, has existed in Slovakia for 50

years, beginning in the period of state socialism. As we have already mentioned, the system of central municipalities operated with a catchment area of about 3,000 inhabitants. This number is often used as a threshold for self-governing municipalities, even today. Populations of 5,000 inhabitants are being discussed as a minimum population for a municipality as well. This number enables municipalities to create own administrative capacities with various expertise and financial coverage (The Concept of Decentralization and Modernization of Public Administration, 2001). In Slovak legislation, 5,000 inhabitants is the threshold for a village upgrading to a city (Act no. 369/1990).

In 1999, ZMOS⁷ turned to its regional associations of municipalities for their comments on the optimum size of local self-governing units. The opinions differed. The most widely accepted limit was 3,000 inhabitants. However, limits such as 5,000 and 8,000 appeared as well. The exact limitation for the minimum and maximum size of municipality was absolutely unacceptable for all the regional associations [ZMOS, 1999].

The issue of self-governmental unit size was also elaborated within work upon decentralization of public administration in Slovakia. Even though the exact size for local self-governments was not set up, 169 nodal municipalities were recommended as the center of a basic administrative unit of territorial self-government, in comparison to 2,883 current local self-governments (The Concept of Decentralization and Modernization of Public Administration, 2001). These centers would provide administrative services for local self-governments. The delivery of economic services would not be limited to their nodal region. The catchment area for these services would be based upon the economic efficiency of delivery.

2.4 Conclusion

The process of decentralization of public administration in Slovakia decidedly needs to have the issue of settlement system fragmentation solved. If the current situation persists, full provision of decentralized services to local self-governments is impossible. The necessity of it is multiplied by the reality that municipalities are to provide, not only their original tasks, but also tasks delegated by the state administration. These delegated tasks are mainly provisions from decisions of individual-legal matters.

The optimal size of municipalities cannot be developed solely on economic principals. The volume of direct costs of public services in individual size categories of municipalities is important, but not crucial. Other assets can balance the higher costs. As we have already mentioned, the amalgamation was not realistic. Perhaps inter-municipal cooperation is the more acceptable and realistic solution (see section 4).

3. SERVICE DELIVERY

3.1 Economy of Local Self-Governments

Unlike the public sector as a whole, the performance of local self-government is permanently in surplus (Table 3.4).

Table 3.4
Public Budgets and GDP

	1994	1995	1996	1997	1998	1999	2000
Local Budget Revenues [SKK bill.]	20.1	22.2	25.4	28.8	28.9	27.3	33.7
Local Budget Expenditures [SKK bill.]	19.1	18.9	23.2	26.6	27.4	26.1	31.2
State Budget Expenditures [SKK bill.]	162.0	171.4	191.9	192.8	199.5	234.9	241.1
GDP in Current Prices [SKK bill.]	466	546	606	686	751	815	887
Revenues of Local Budgets/GDP	4.3%	4.1%	4.2%	4.2%	3.8%	3.4%	3.8%
Expenditures of Local Budgets/GDP	4.1%	3.5%	3.8%	3.9%	3.4%	3.2%	3.5%

SOURCE: State financial statements, Statistical Office of the SR.

The Slovak republic has not ratified the supplement to Article 9 of the European Charter of Local Self-governments, on financing local self-governments, because the current system does not enable its fulfillment. The right of local bodies to have appropriate own financial resources, fair financial leveling, provision of free subsidies and consultation of the drafts of law within local self-governments, are the major problematic areas.

Every year, self-governments fight for an increase of state budget funds directed towards them. They are not completely successful every year. The share of revenues municipalities receive from the annual state budget accounts for about 1/3 of local budget revenues (Table 3.5).

Table 3.5
The Local Self-Governments' Share of State Budget Expenditures

	1996	1997	1998	1999	2000
Subsidies and Other Transfers [SKK bill.]	1.75	1.75	2.08	1.9	2.11
State Taxes [SKK bill.]	6.28	6.47	7.41	7.37	8.29
Transfers to Municipalities Total [SKK bill.]	8.03	8.22	9.49	9.27	10.40
Share in State Budget Expenditures [%]	4.2	4.3	4.8	3.9	4.3

SOURCE: State financial statements.

Local self-governments uncertainty, of the volume of funds from state budget, results in problems with approving local budgets. Until the final days of each year, local self-governments do not know what funds will be available for them and often local budgets are approved at last moment or corrected immediately after the new budgetary year starts.

3.1.1 Structure of Local Budgets Revenues

Development of local budgets revenues is documented in Table 6. Beginning in 1993, tax revenues have accounted for the largest portion of revenues within local budgets. This situation corresponds to the fact that tax revenues should be a principal revenue item of local self-governments. Tax revenues are the basis of a local budget's autonomy. Tax revenues then reached their maximum in 1993, when they accounted for 52.2% of total revenues. Since this year, their share persists at around 40% of total local budget revenues.

Table 3.6
Development of Local Budget Revenues in 1991–2000 [SKK Million]

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
1. Tax Revenues	3,564.5	7,541.8	10,945.0	9,576.3	8,544.9	10,163.1	10,569.4	11,402.2	11,608.5	12,799.2
Income Taxes Total:	2,683.5	5,656.3	5,647.4	5,583.3	5,089.8	5,857.3	6,070.5	6,817.1	6,855.1	7,666.9
– Personal Income Tax	n. a.	n. a.	n. a.	3,946.1	3,525.4	4,656.0	5,284.2	5,459.2	5,875.1	6,440.2
– Corporate Tax	n. a.	n. a.	n. a.	1,637.2	1,564.4	1,200.4	786.3	1,357.9	980.0	1,226.7
Real Estate Tax	n. a.	n. a.	1,610.9	2,032.0	2,051.8	2,861.0	3,124.1	3,199.5	3,352.6	3,606.2
2. Non-Tax Revenues	4,649.4	6,450.9	5,999.5	7,774.2	8,965.5	8,992.6	10,294.8	10,646.6	9,116.6	10,691.6
3. Grants (Subsidies)	7,960.8	6,634.1	3,017.8	1,795.3	1,494.5	3,608.7	5,026.3	3,784.6	3,362.3	3,739.4
– Current	2,275.4	1,587.6	1,149.5	840.1	883.3	1,377.4	2,155.9	1,950.0	1,859.6	1,843.7
– Capital	5,685.4	5,046.5	1,868.3	955.2	611.2	2,231.3	2,870.4	1,834.6	1,502.6	1,895.7
4. Credits Received	404.0	n. a.	1,003.7	926.8	3,231.0	2,565.7	2,733.2	2,942.7	3,162.9	6,302.8
5. Other Revenues	n. a.	n. a.	n. a.	n. a.	n. a.	93.8	161.9	96.5	93.4	124.3
Total Revenues	16,578.7	20,626.8	20,966.0	20,072.6	22,236.0	25,423.9	28,785.5	28,872.6	27,343.5	33,657.4

SOURCE: Berčík 1999, State Financial Statement 1997, 1998, 1999 and 2000.

The portion of individual source revenues within the total revenues differs by the municipalities' size category (Table 3.7).

Table 3.7
Major Sources of Revenues in Municipalities in 2000 [%]

	Under 500	501–1,000	1,001–2,000	2,001–3,000	3,001–4,000	4,001–5,000	5,001–10,000	10,001–20,000	20,001–50,000	50,001–100,000	Over 100,001
Income Tax and Corporate Tax Revenues	26.9	29.1	30.2	31.9	32.2	28.0	29.9	27.3	28.8	22.8	11.3
Real Estate Tax Revenues	13.5	12.3	13.6	13.1	12.3	23.3	12.1	11.5	14.4	11.3	5.5
Non-Tax Revenues	36.2	36.1	34.2	31.8	39.5	33.2	31.6	35.7	41.0	44.5	19.0
Transfers	17.7	15.5	14.8	14.4	7.1	8.8	12.5	6.9	3.9	9.1	12.3
Loans	1.3	2.2	1.9	3.3	4.1	1.3	6.9	9.5	5.7	7.9	48.6

SOURCE: Ministry of Finance of the SR 2001; note: data for local fees by the size category were not available.

In Slovakia, municipalities' tax revenues are formed primarily by *state taxes* (personal income tax, corporate tax and road tax). Local self-governments have no direct impact on the revenues from these taxes. Distribution of the income tax revenues among the local budgets shows that the revenues of municipalities above 5,001 inhabitants and primarily of towns above 100,001 inhabitants began increasing in 1996. This increase resulted from the change of rules for corporate tax revenue distribution within the current system. Since companies are primarily registered in the towns, the towns receive a higher portion of the corporate tax revenues. The 2000 figures show the municipalities over 100,001 inhabitants, Bratislava and Košice had the largest revenues per capita. The smallest municipalities, under 500 inhabitants, received only 73% of the revenues per capita of these two municipalities in 2000.

Real estate tax is solely a municipal tax. Since 1993, it has become a stable element of the revenues side of local budgets. In 1993, it accounted for 14.7% of tax revenues, corresponding to 7.7% of total revenues. Starting from 1996, it has permanently accounted for about 28% of local self-governments' tax revenues (about 11% of total revenues). Differentiation of real estate tax revenues in individual size categories of municipalities is larger than in the case of personal income tax and corporate tax revenues (Table 3.14). Municipalities with 4,001–5,000 inhabitants have permanently had their highest revenues from this tax. Even the two largest cities in Slovakia collected only 78% of their revenues per capita in 2000. High real estate tax revenues in municipalities with

4,001–5,000 inhabitants stem from the fact there are prevailing family houses and production facilities located here. In 2000, this size category comprised of 37 municipalities, with 161,313 inhabitants. There are several reasons why municipalities over 5,001 inhabitants collect fewer taxes. In the 1990s, the municipal privatization of apartments had taken place. The real estate tax on these apartments was waived for five years for the new owners. Next, there are large plots and numbers of buildings that are not taxed because they are the location of schools, hospitals, parks, state administration institutions, and spas in renovated areas of towns. Further, there are small pockets of agricultural land inside the townships' territories for which land ownership has not yet been settled. The most significant feature influencing revenue differentiation is the fact that real estate tax rates do not reflect the market value of real estate. Due to a coefficient respecting the soil quality in the territory of given municipality, real estate tax revenues in smallest municipalities are comparable, in some cases even higher, to revenues collected in larger villages or towns. In 2000, only municipalities over 20,001 inhabitants (besides municipalities with 4,001–5,000 inhabitants) collected higher revenues per capita than the smallest municipalities. Small municipalities have a low portion of tax-waived land in the investment areas and there are large plots of agricultural land in their territory.

Table 3.8
Real Estate Tax Revenues Per Capita [SKK]

Size Category	Under 500	501–1,000	1,001–2,000	2,001–3,000	3,001–4,000	4,001–5,000	Over 5,001	5,001–10,000	10,001–20,000	20,001–50,000	50,001–100,000	Over 100,001
1993	448	451	439	442	407	607	322					
1995	509	472	463	429	417	642	314					
1996	549	483	506	511	462	750	505					
1997	515	447	506	442	430	947	535					
2000	507	428	462	417	403	855	531	417	440	526	520	671

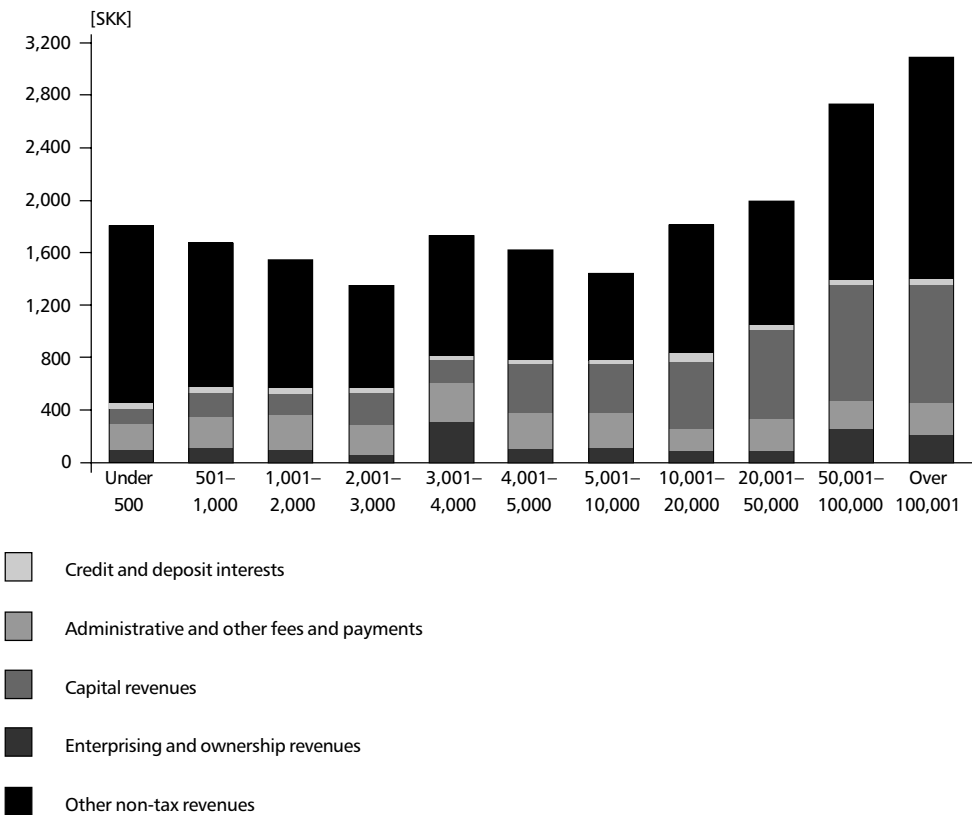
SOURCE: Berčík 1999, Ministry of Finance of the SR 2001; note: figures in 1995 constant prices, calculated through the gross domestic product prices deflators, as published by the Statistical Office of the SR 2001.

During the last decade, *non-tax revenues* have reached 28–41% of total revenues annually. Municipalities over 5,001 inhabitants collect the highest non-tax revenues. The 2000 figures show that municipalities over 50,001 inhabitants account for a majority of non-tax revenues in the category of municipalities over 5,001 inhabitants (Figure 3.7).

The transfers from budgetary and contributory organizations, transfers of funds from previous year, and building renting revenues are major sources of non-tax revenues for all size categories of municipalities. Non-tax revenues contain also capital assets revenues. Local self-governments that cannot cover their investment plans due to their insufficient tax revenues try to counter this with the sale of their property.

Revenues coming from the sale of municipal property increase with the size of the municipality. The smallest municipalities reach the lowest revenues because they do not have suitable property to sell. Contrary to this, municipalities over 10,001 and especially those over 20,001 use the sale of property for the sake of improvement of the local budget revenues.

Figure 3.7
Non-Tax Revenues Per Capita in 2000 [SKK]



SOURCE: Ministry of Finance of the SR 2001.

Transfers from state budget accounted for a significant portion of local budget revenues primarily in the first years of the local budget’s existence. In 1995, they accounted

for 6.7% of total revenues, the lowest portion ever. After their increase to 17.5% in 1997, they dropped to 11.1% of total revenues in 2000. Capital (investment) transfers clearly prevailed in 1991 and 1992. In the following years, however, investment and current transfers were approximately balanced. Municipalities over 100,001 inhabitants recorded the highest revenues per capita (Table 3.9), mainly due to subsidies for the operation of mass public transportation in selected cities accounting for SKK 1,325 million in 2000 (3.9% of total revenues). Fairly high municipal revenues, for those up to 3,000 inhabitants, stemmed from the subsidy for provision of self-governmental services (SKK 450 million in 2000). Further sources of these revenues were contributions by the state funds to investment activities in these municipalities (utilities construction).

Table 3.9
Transfers Per Capita in 2000 [SKK million]

Size Category	Under 500	501–1,000	1,001–2,000	2,001–3,000	3,001–4,000	4,001–5,000	5,001–10,000	10,001–20,000	20,001–50,000	50,001–100,000	Over 100,001
– Current Transfers	593.5	418.8	292.9	222.8	166.8	123.1	140.6	37.7	33.5	241.3	1230.1
– Capital Transfers	289.9	297.2	375.1	385.9	144.3	303.1	429.5	313.5	154.3	315.6	769.1
Total Transfers	883.4	716.0	668.0	608.7	311.0	426.1	570.1	351.2	187.8	556.9	1999.2

SOURCE: Ministry of Finance of the SR, 2001.

State subsidies for local public transportation have been provided since 1991. The objective of this subsidy is to partially cover the building of technical facilities for local public transportation and its operation in selected cities—Bratislava, Košice, Prešov, Žilina and Banská Bystrica.

Subsidies for provision of self-governmental services and subsidies for local public transportation are two principal elements of this chapter of local budgets. The primary objective of the subsidy for provision of self-governmental services is to support the provision of basic administrative services in small municipalities. Especially for those not able to cover elementary operation of the municipality with their tax and non-tax revenues. These subsidies have strict distribution rules and cannot be used for construction projects.

Continuous shortage of tax and non-tax revenue funds and the acute need for local self-governments to finance their municipal investment projects (mostly construction of the infrastructure) force them to look for additional financial sources that might be used immediately, i.e. loans and municipal bonds. If credit burdens for municipalities

had increased only moderately in 1996–1999, the volume of received credits was almost two times higher in 2000 by comparison (Table 3.10).

Until 1998, the revenues from credits and municipal bonds accounted permanently for about 10% of the total revenues for local budgets. This portion has risen since 1999. It reached 18.7% in 2000. This increase was primarily due to the loan provided by the Deutsche Bank Luxemburg S.A. to Bratislava in the amount of SKK 4.7 billion. Differences among the size categories of municipalities and the volume of received credits per capita are shown in Table 3.11.

Table 3.10
Credit Burdens of Municipalities [SKK Million]

	1993	1994	1995	1996	1997	1998	1999	2000
Total Revenues	26,172	22,026	22,236	24,325	25,840	24,655	21,910	25,331
Received Credits	1,253	1,017	3,231	2,455	2,453	2,513	2,534	4,744
% Total Revenues	4.8	4.6	14.5	10.1	9.5	10.2	11.6	18.7

SOURCE: State financial statement 1993–2000; note: figures in constant prices of 1995.

Table 3.11
Received Credits Per Capita [SKK]

	Under 500	501–1,000	1,001–2,000	2,001–3,000	3,001–4,000	4,001–5,000	Over 5,001	5,001–10,000	10,001–20,000	20,001–50,000	50,001–100,000	Over 100,001
1995	63	139	178	243	134	55	368					
1996	101	166	194	321	295	124	665					
1997	64	164	178	244	206	167	686					
2000	50	76	64	105	135	47	1,521	238	362	208	367	5,931
% of Total Revenues Per Capita in 2000	1.3	2.2	1.9	3.3	4.1	1.3	26.5	6.9	9.5	5.7	7.9	48.6

SOURCE: Berčík, 1999, Ministry of Finance of the SR 2001; note: figures in constant prices of 1995

The largest debts are recorded in the largest cities. In 2000, the overall debt owed by municipalities in Slovakia was SKK 12,965 million (4.4% of the total public sector debt). The three most indebted cities accounted for 67% (Bratislava SKK 5 billion, Košice—SKK 2.2 billion and Banská Bystrica—SKK 1.5 billion). Table 3.10 shows

that small municipalities, up to 500 inhabitants and municipalities with 4,001–5,000 inhabitants, engage in loan taking least often. This relates to the capacity of a given municipality to be accepted for a loan as well as from the fact large cities are the seats of state administration facilities and other important institutions and naturally appear to be more “good looking”. Local self-governments do not perform favorable financial (credit) policies that are sure not to jeopardize the municipal finances for the next election term. Many local politicians do not think past the time period of their term in office. In 2000, credit revenues accounted for over a quarter of total revenues in municipalities over 5,001 inhabitants. The majority of this debt was created by the aforementioned cities. In municipalities over 100,001 inhabitants, credits revenues accounted for as much as 48.6% of total revenues of local budgets.

The often unreasonable creation of debt by some municipalities finally resulted in the legislative action of 2001. The resulting amendment to Act no. 303/1995, on budgeting rules, specifies that the Slovakian Ministry of Finance must authorize all credits given to municipalities over SKK 75 million. At the same time, further provisions preventing excessive creation of debt will come into effect January 1, 2005. Certain municipalities can use returnable funds or credits in order to provide their services. They may do so only if the total debt of municipality at the end of the budgetary year does not exceed 60% of the current real revenues for the previous year. Another condition is that annual repayment installments (including interest) for the debt cannot exceed 25% of the real current revenues for the previous budgetary year. Overall, debts incurred by local self-governments equaled about SKK 12,965 million in 2000. This year, it was 56.6% of current revenues (SKK 22,909.1 million). Total expenditures related to indebtedness were SKK 6,204.9 million in 2000, corresponding to 27.1% of current revenues of municipalities in 2000.

3.1.2 Structure of Local Self-Governments' Expenditures

Budgetary expenditures may be broken into current (operational) and capital expenditures. Provision of loans, property shares, and debt installments are registered separately. The ratio of current expenditures (plus debt related expenditures⁸), and capital expenditures, oscillated from 58.6%: 41.4% to 76.7%: 23.3% during the last ten years. Starting in 1997, the ratio had increased, in favor of operational expenditures, to 76.7%: 23.3% in 2000.

In 2000, the overall ratio of current and capital expenditures was more or less identical for all municipal size categories (Table 3.12). Municipalities with 2,001 to 3,000 inhabitants achieved the lowest ratio. Capital expenditures accounted for 29% of total expenditures. Municipalities over 100,001 inhabitants experienced a different ratio. Capital expenditures were only 19%. We have to point out that this percentage

also originated from high debt related expenditures (Bratislava municipal bonds were due in 2000). The increase of operational expenditures at the expense of capital expenditures results in a shortage of funds for municipal economic development and other capital expenditures related to the provision of municipal services. The increasing operational expenditures force municipalities to borrow funds to realize their development projects.

Table 3.12
Structure of Local Budget Expenditures in 2000

	Under 500	501-1,000	1,001-2,000	2,001-3,000	3,001-4,000	4,001-5,000	5,001-10,000	10,001-20,000	20,001-50,000	50,001-100,000	Over 100,000
Operational Expenditures + Credit Related Expenditures [%]	79.0	75.5	71.6	71.0	73.7	74.5	73.3	74.0	76.1	75.3	81.0
Capital Expenditures [%]	21.0	24.5	28.4	29.0	26.3	25.5	26.7	26.0	23.9	24.7	19.0

SOURCE: Ministry of Finance of the SR, 2001.

Personnel expenditures within local budgets are the second most significant item of operational expenditures (after expenditures on procurement of goods and services). Local self-governments employ about 50,000 people.

Table 3.13
Personnel Expenditures of Local Self-Governments Per Capita [SKK]

	Under 500	501-1,000	1,001-2,000	2,001-3,000	3,001-4,000	4,001-5,000	Over 5,001	5,001-10,000	10,001-20,000	20,001-50,000	50,001-100,000	Over 100,000
1996	1,028	868	700	634	697	731	575					
1997	1,015	879	715	638	700	690	612					
2000	1,245	993	805	681	792	728	624	714	599	539	483	848

SOURCE: Berčík 1999, Ministry of Finance of the SR, 2001; note: figures in constant prices of 1995.

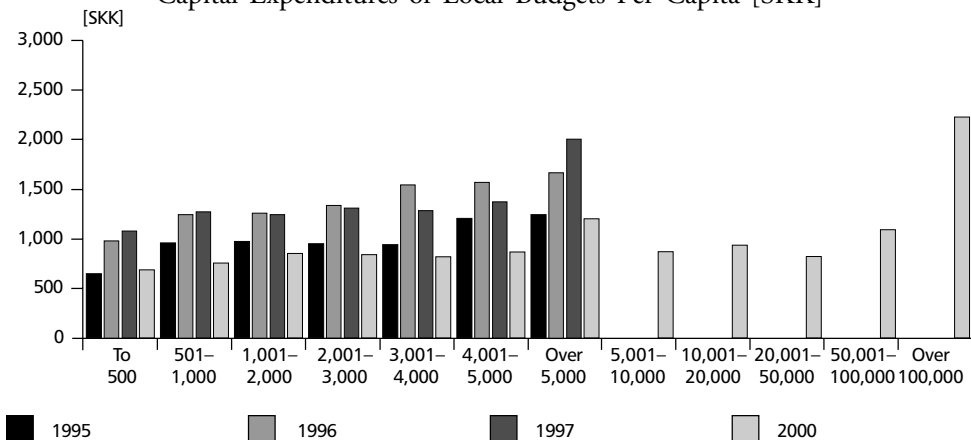
Smaller municipalities, under 500 or 1,000 inhabitants, have the highest expenditures per capita for salaries and social security payments (Table 3.13). These expenditures

decrease with increasing size of municipality. Expenditures in municipalities over 5,001 inhabitants are lowest. This fact is often used as an argument for amalgamation of municipalities. Breaking up the category over 5,001 inhabitants, we can see the personnel expenditures decrease up to 100,001 inhabitants. In two largest municipalities, expenditures rapidly increase to almost double the figure for the previous size category. The wages are highest in these two cities, Bratislava and Košice, in general. The wages for the self-governments only reflect them. The number of employees in local self-government is also much higher in these cities than in other cities due to the two-level organization of local self-government.

The share of *capital expenditures* decreased from 37.6%, in 1997, to 23.3%, in 2000. This decrease was due to the decay of investment activities by local self-governments in the last few years. The decrease of capital expenditures was recorded by all size categories of municipalities (Figure 3.8). The smallest municipalities registered the lowest capital expenditures mainly due to their financial capacity.

Capital expenditures were highest in municipalities over 5,001 inhabitants. We can see the differentiation within this broad group of municipalities. The highest expenditures per capita were achieved in municipalities over 100,001 inhabitants: Bratislava and Košice. Bratislava accounted for the majority of these expenditures because Košice struggled with its debts during 2000. Investment activities in 1996, and mostly in 1997, probably resulted from the construction of a technical infrastructure. The local self-governments wanted to carry out as many investment plans as possible before the end of their term. By the end of their term, 1997–1998, the local self-governments had renovated the central squares in their cities. Slovakia witnessed the unveiling of many renewed squares, just before the parliamentary and municipal elections of 1998.

Figure 3.8
Capital Expenditures of Local Budgets Per Capita [SKK]



SOURCE: Berčík 1999, Ministry of Finance of the SR, 2001. Note: figures in constant prices of 1995.

We have already pointed out the increase in municipal debts. Comparing the received credits in 1993–2000 (Table 3.10) and expenditures related to debts during this period (Table 3.14), we see that debt related expenditures in 1994 and 1999 exceeded the revenues from received credits and issued municipal bonds.

Table 3.14
Debt Related Expenditures for Local Budgets

	1993	1994	1995	1996	1997	1998	1999	2000
Credit related expenditures [SKK million]	829.4	1,018.8	1,136.4	1,717.5	1,809.4	2,148.3	2,560.7	4,710.2
% Total expenditures	3.4	4.9	6.0	7.8	7.6	9.2	12.3	19.8
% Operational expenditures	5.2	7.2	8.8	12.2	12.1	14.2	16.8	25.8

SOURCE: Berčík 1999, State financial statement 1997–2000. Note: figures in constant prices of 1995.

In 2000, expenditures increased to 25.8% of operational expenditures. Such a high share of debt related expenditure is dangerous for a local self-government. The share is differentiated also according to the size of the municipality. In 2000, the largest financial funds for debt settlement per capita were spent in municipalities over 100,001 (Table 3.15). The aforementioned municipal bonds for Bratislava, due in 2000, accounted for a majority of these expenditures.

Contrarily, the lowest expenditures were achieved in smallest municipalities. Low expenditures related to debt were due to the fact these municipalities were simply not getting into as much debt as large municipalities. Small municipalities do not have a suitable property to be used as collateral for bank loans.

Table 3.15
Debt Related Expenditures Per Capita in 2000 [SKK]

	Under 500	501–1,000	1,001–2,000	2,001–3,000	3,001–4,000	4,001–5,000	5,001–10,000	10,001–20,000	20,001–50,000	50,001–100,000	Over 100,000
Debt Related Expenditures	102.6	211.6	128.4	284.1	262.1	208.2	421.7	781.8	544.9	1,232.9	6,071.3
[%] Total Expenditures	2.3	5.2	3.2	7.4	6.4	4.6	9.8	16.4	12.0	21.0	39.0

SOURCE: Ministry of Finance of the SR, 2001.

3.2 Economy of Services Delivered

In 2000, the highest expenditures were in the category of municipal administration. Operation of municipal offices and wages for the elected local representatives accounted for 21.4% of local expenditures (Table 3.16). The situation was similar in 1999, when they accounted for 25.7%. In 1996 and 1997, the share was about the same as in 2000 but the expenditures for housing and construction were higher for these two years. These expenditures accounted for the second largest portion of total expenditures for local budgets also in 1999 and 2000.⁹

Further significant types of expenditures in 2000 were for transportation and the local economy. The first type, transportation, comprises of such services as local public transportation and construction and maintenance of local roads. Services for the local economy contains mainly public lighting, funeral services, and public services. In 2000, the next rank of expenditure is filled by protection of the environment. This group of expenditures consists of such services as public green care, cleaning and winter maintenance of local roads and waste management.

Table 3.16
Expenditures for Services Delivered in 2000

[SKK]	[%]	Per Capita
Water Management	2.57	150.6
Transportation	10.13	594.0
Bank Operation	20.06	1,176.1
Physical Activities and Sport	1.87	109.4
Culture	4.18	244.9
Social Care	1.45	84.9
Housing	13.74	805.5
Services of Local Economy	9.74	570.9
Protection of Environment	6.52	382.4
Security	1.92	112.4
Administration of Municipalities	21.38	1,253.7
Other Financial Measures	2.98	174.9
TOTAL	100	5,863.6

NOTE: Only areas accounting for over 1% of total expenditures are included. Source: Ministry of Finance of the SR, 2001.

All the aforementioned services, together with water management services (water supply and sewage), which accounted for 2.6%, fall under the basic responsibilities of local self-governments. Culture, social welfare, physical education, healthcare, schooling and education accounted for a portion of local budget expenditures proportional to the scope of competencies given to local self-governments in these areas.¹⁰

The following section deals with select examples of services delivery by local self-governments, diverging by size category.

3.2.1 Road Management

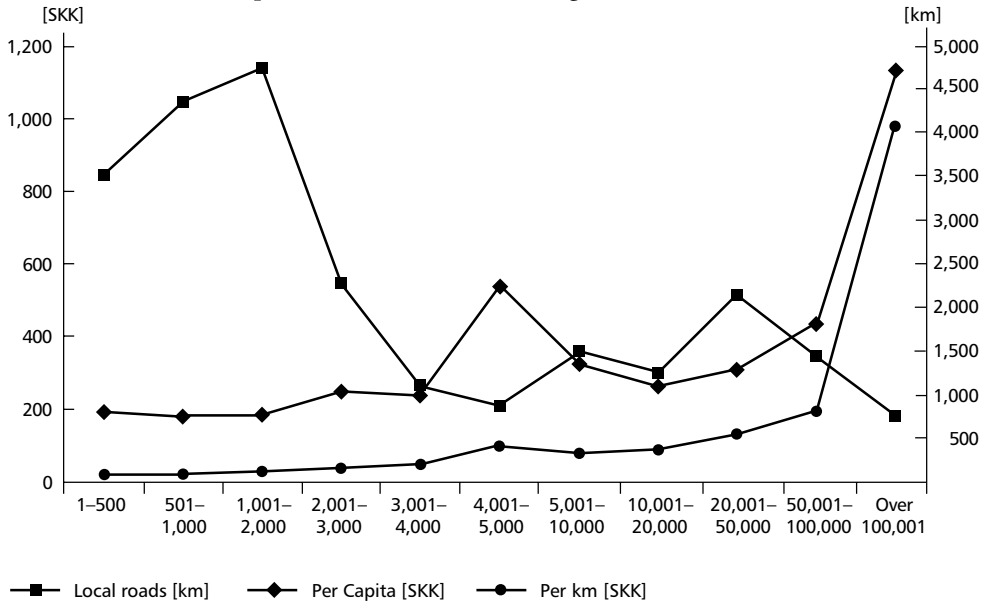
The municipality is the owner of the local roads. It is obliged to provide for their maintenance and function. The municipality carries out construction of local roads as well. In 1997, a total of 24,978.7 km of roadways were under municipal ownership. Besides these, municipalities owned 11,347 km of sidewalks, 1,022 city squares, 9,172 parking lots, 127 transportation-training playgrounds, 9,080 bridges, 3,490 pedestrian bridges, 1,094 railroad crossings and 258 traffic lights.

Local self-governments provide these services differently, depending on the size of the municipality. The cities have their municipal organizations to take care of road management. Such organization is called the *Technické služby* (technical services) and it often also provides waste management, public green care, management of cemeteries, etc. If the municipality does not have such an organization, it contracts either the state company taking care of state roads or another private provider. This is usually the case in small towns and villages.

In 1997, expenditures for road management reached SKK 1,640.9 million (excluding winter maintenance) corresponding to 6.2% of the total expenditures for the local budget. It then increased to SKK 1,993.5 million (7.6%) in 1999 and to SKK 2,063.9 million (6.6%) in 2000. Differentiation among the different size categories of municipalities can be observed (Figure 3.9).

The largest expenditures per capita were made in municipalities with 4,001 to 5,000 inhabitants. These municipalities have fairly large territories and a respective length of local roads. Road management expenditures accounted for 11.9% of total expenditures in these municipalities (2000). High expenditures in this category were reached also in municipalities over 100,001 inhabitants (the highest per capita expenditures). The expenditures for local roads' winter maintenance played a substantial role in these municipalities (52%). In 2000, this accounted for more expenditures than for construction and maintenance of local roads (42%). In the other size categories, the expenditures for construction and repairs of local roads prevailed. The highest expenditures of this nature were reached in municipalities with 4,001 to 5,000 inhabitants and over 100,001 inhabitants.

Figure 3.9
Expenditures for Road Management in 2000



SOURCE: Ministry of Finance of the SR, 2001, Statistical Office of the SR 2002.

Per capita expenditures show the capacity of municipalities to deliver road management. The expenditures per one km of served roads, however, indicate a similar situation as with expenditures per capita. The expenditures increase with the increasing size of a municipality. Contrary, the length of local roads decreases with the increasing size category of municipalities. This fact primarily stems from the rules of distribution of road tax revenues to individual municipalities. These revenues are distributed proportionally to the population. Figure 3.5 shows small municipalities up to 2,000 inhabitants account for only 30.4% of total population of Slovakia. At the same time, these municipalities account for 53% of local roads length (Figure 3.9). Therefore, the current system of road tax revenues distribution, as the primary funds for road management at municipal level, is not correct and does not reflect the needs of municipalities in this area.

3.2.2 Municipal Waste Management

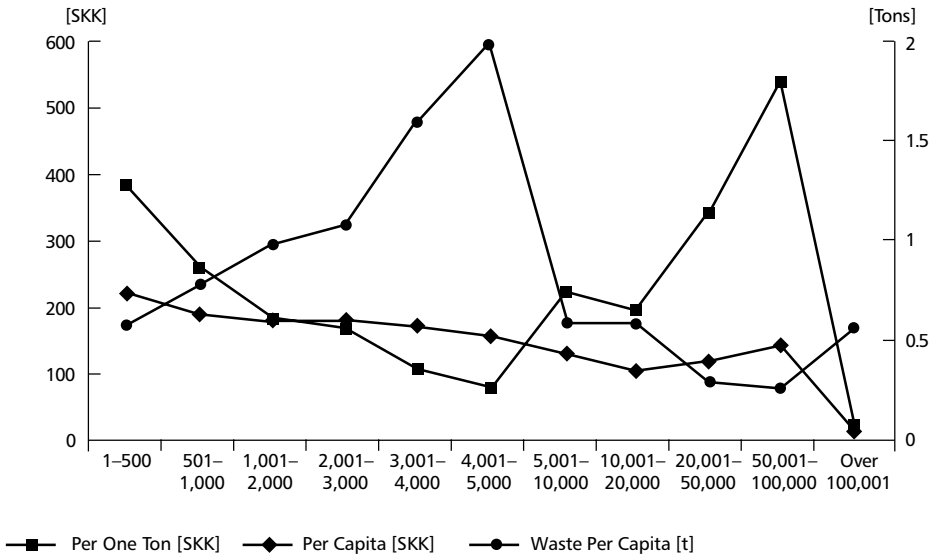
During socialism, the state did not pay proper attention to the issues of the environment and disposal of municipal waste. The towns and larger villages had collection and disposal systems; however, the monitoring of landfills did not exist. In smaller villages, an organized system of waste collection did not exist and the citizens disposed of their

waste individually in so-called “illegal” landfills. After 1989, the law delegated that environmental care, including collection and disposal of municipal waste, were service responsibilities of the local self-government. In accordance with Act no. 238/1991 on waste, municipalities are the producers of waste and, therefore, responsible for its disposal.¹¹

In 2000, municipalities produced 3.7 million tons of waste, 690 kilograms of waste, per capita, per year. Only 10% of municipal waste in Slovakia was recycled (1999). The rest of municipal waste was land filled or burned. All municipalities in Slovakia use landfills for disposal. Municipalities either dispose the waste in their cadastre or in the territory of other municipalities, upon contract. Waste disposal in the territory of another municipality can be considered a certain form of inter-municipal cooperation. The expanding trend toward such cooperation can be supported by the fact that only 612 municipalities had a landfill in their cadastre. The rest of the municipalities (78.7%) used the landfills of other municipalities.

Waste management expenditures within local budgets have been increasing, they reached SKK 619.7 million in 1997 (SKK 304.8 million in 1992, SKK 569.3 million in 1996). In 1999, these expenditures were SKK 664.7 million and SKK 748 million in 2000. Municipalities under 500 inhabitants recorded the highest expenditures per capita, as well as per one ton of municipal waste (Figure 3.10).

Figure 3.10
Expenditures for Waste Management in 2000



SOURCE: Ministry of Finance of the SR 2001, Statistical Office of the SR 2002.

Even though this size category maintained a low volume of municipal waste production in comparison to the other size categories, the expenditures are higher than in other categories. The expenditures of local self-governments per capita decreased with increasing population. The expenditures per one ton feature almost U-shape distribution throughout the size categories. This distribution pattern is interrupted only by the largest cities (above 100,001 people). Contrary to expenditures distribution per ton of waste, the volume of waste per capita reached inverse distribution with a maximum in the 4,001–5,000 inhabitants size category. In the largest municipalities, which contract special companies to carry out waste management, the transfers to such companies to cover potential losses account for a majority of the total municipal expenditures for waste management (analyzed here). Further targets of municipal spending in this area are the expenditures for construction of monitored landfills and to support progressive methods of separation.

3.2.3 Municipal Office Administration

Municipalities' administration expenditures are the major item on local budgets' expenditure agenda. These expenditures comprise of the expenditure on elected local self-government representatives and for administration of the municipal offices.

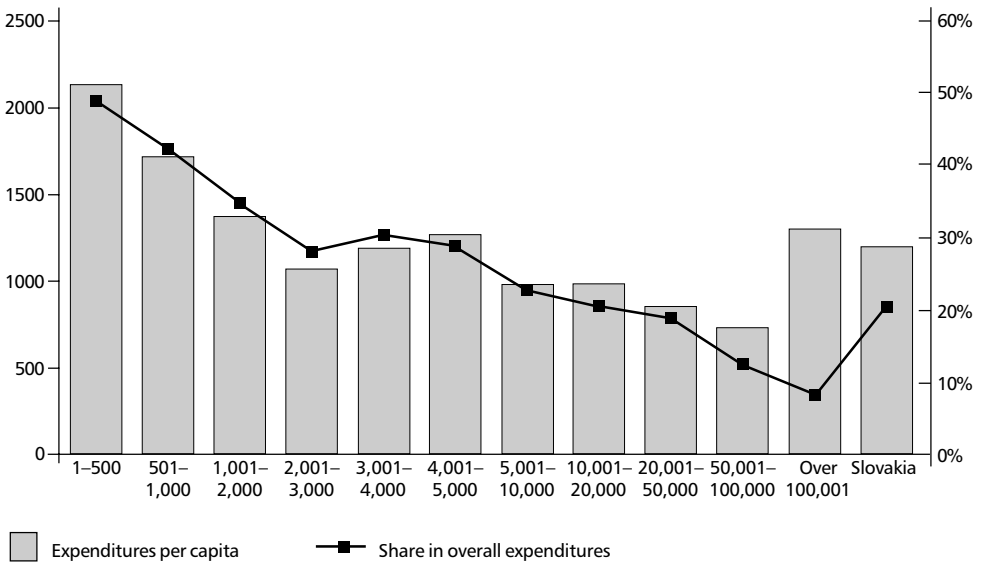
The mayor's financial allowances are provided by Act no. 253/1994. The minimum wage for the mayor is a multiple of the average monthly wage within the economy for the previous year. The multiple differentiates according to the population of the municipality. For example, in municipalities up to 500 inhabitants the multiple equals 1.35 and in municipalities with 50,001–100,000 inhabitants the multiple equals 3.06. The municipal council can grant the mayor bonuses up to 50% of his/her minimum wage. The municipal councilors receive small financial rewards (as approved by the council) for every meeting.

In 2000, the expenditures for municipal offices operation totaled SKK 6.4 billion, what accounted for 20.5% of local self-governments' total expenditures. In 1999, the amount was the same, but it accounted for 24.6% of total expenditures. The expenditures were SKK 4.8 billion in 1996 (20.7%) and SKK 5.4 billion in 1997 (20.3%). Personnel expenditures (wages and social security) accounted for a majority of these expenditures. As for the size categories of municipalities, the expenditures per capita are highest in municipalities up to 2,000 inhabitants. In 1999, the expenditures were also comparably high in the two largest Slovakian cities.

Information on the expenditures of individual size categories of municipalities for administration of municipal offices is provided in Figure 3.11. Municipalities under 500 inhabitants had the highest expenditures in 2000. These expenditures accounted for almost 50% of the total expenditures for these municipalities. If we consider that

municipality administration (municipal office administration and expenditures of the municipal council) spends over a half of the local budget, the funds for delivery of other services assigned to municipalities are not big. Similar situations occur in the next few size categories of municipalities (up to 2,000 inhabitants). However, none of their municipality administration expenditures exceeded 50% of their total expenditures. In the size categories of 1,001 to 2,000 inhabitants, range 4,001 to 5,000 inhabitants, and ranging over 100,001 inhabitants, the expenditures have comparable levels. However, in the last two size categories, they account for only 28.9% and 8.4% of total expenditures respectively.

Figure 3.11
Municipal Office Administration Expenditures in 2000



SOURCE: Ministry of Finance of the SR 2000; graph and calculations: M.E.S.A. 10.

Differentiation in the municipal offices administration expenditures shows the administrative costs of local self-governments in smaller municipalities are high. These expenditures stem from the fragmentation of settlement structure in Slovakia. There is a large number of municipalities in the smallest size categories, and the same number of municipal offices. In many cases, the municipal office has only one full time employee besides the mayor. Respecting these facts, the current size of the self-governmental unit should be questioned. Can such small units spend over a half their funds for the municipal office operation and still deliver all the services assigned to local self-governments properly? With all due respect to the personal qualities of the mayors in these

small municipalities, one person cannot manage delivery of all those services. Concerning expertise, as well as the mere physical potential, it is just not possible for one person to do. Establishment of joint municipal offices or defining the minimum size of an administrative unit of local self-government by the law can be solutions to this problem (see section 6). Both alternatives, however, bring some negatives that are discussed in settlement structure chapter and the inter-municipal cooperation chapter.

3.2.4 Economic Development

Municipal law no. 369/1990 obliges a municipality to administer and appreciate its property and form suitable conditions for living in the municipality. Municipalities in Slovakia are also allowed to carry out entrepreneurial activities. The revenues of such activities can be used for development of the municipality.

Local self-governments are allowed to support economic development in their territory indirectly through creation of appropriate environments for development of enterprise activity. The only direct support they can provide for potential enterprise is the provision of waivers or reduction of real estate taxes or other local fees. Municipalities use this option quite often and we can see this from the municipal revenues of real estate taxes in municipalities over 5,000 inhabitants. These municipalities have the largest concentrations of business activities (section 3.1.1). A further tool for directly supporting economic development is favorable fees for rental of municipal property for the sake of performing some economic activity in it. Municipalities can enhance economic development through direct participation in a commercial company. Local self-governments often participate by putting its property (building, land) forth to such companies.

The municipalities create conditions for economic activities in their territory through physical planning activities, investment into building of water works and sewage systems, assisting in building of energy distribution lines. Since 2001, municipalities can use the creation of industrial parks to attract economic activities to their territory. However, the construction of industrial parks is not funded solely by municipal sources. The state budget can grant a subsidy worth up to 70% of the expenditures for construction of an industrial park. The subsidized investments are mainly for construction of the technical infrastructure in areas appointed for industrial parks.

The capacity of individual municipalities to engage in activities towards economic development differs according to their size. Small municipalities have smaller budgets. We have already shown before that these municipalities spent substantial portions of their budget for delivery of basic administrative tasks and for financing the operation of municipal offices. Small municipalities have consequently little funds left for investment into economically enhancing development in their territory. Small municipalities

do not even have an updated Master Plan, since there are no funds left for it. The Master Plans of many small villages have not been elaborated since Socialist days. Large portions of municipalities use amendments to still existing (yet outdated) Master Plans instead of elaborating new ones. The development of municipalities is therefore, to a large extent, not systemic. Large municipalities, and larger villages and towns, have lower expenditures for municipal offices operation and their capacity to gain returnable funds is much higher than in the case of small municipalities. These municipalities can focus on almost any kind of plan supporting economic development in their territory.

4. INTER-MUNICIPAL COOPERATION AND SERVICES PROVISION

4.1 Legal Settings for Inter-Municipal Cooperation

In Slovakia, municipalities can associate with other municipalities for the sake of providing services of common interest. The framework contained in the Constitution of the Slovak Republic is further elaborated in the Municipal Law.

There are three basic groups of inter-municipal cooperation:

- 1) Provision of administrative tasks—there are several legal forms for executing administrative competencies of local self-governments through inter-municipal cooperation:
 - Joint municipal offices—Art. 16a of the Municipal law namely allows creation of joint municipal offices. This provision was added in 1992. The municipalities have not often used this option given by the law. They argue the law did not set up details for creation and operation of the joint municipal offices.¹² According to the law, joint municipal offices are established upon voluntary principles. Individual municipalities participate financially in the operation of the joint office in accordance to their agreement. The control of the tasks' fulfillment and the funds' use can be carried out via individual municipal councils or in the joint meeting of all founders of the joint office;
 - Delegation of delivery to the bodies of other municipalities;
 - Delegation of delivery to other public entities.
- 2) Provision of social and economic development and services—inter-municipal cooperation that carries out social and economic development, utilities and entrepreneurial activities can be realized, in accordance to the Slovak legislation and practice, via several legal forms such as interest associations, private enterprise with the municipal share, non-profit organization and cross-border cooperation.

- 3) Other cooperation—there are other forms of inter-municipal cooperation, which do not fit into the previous two groups such as country, regional, and municipal interest associations, municipal conferences and cooperation of the partner cities and villages.

The legal system in Slovakia enables all entities (except the bodies of state administration) to carry out any activity the law does not forbid and does not collide with good manners. Based upon this specification within Slovak legislation, municipalities willing to engage in inter-municipal cooperation have found legal support in laws other than the Municipal law. The existing examples of inter-municipal cooperation are the best proof of such a statement. The following sections provide some examples of inter-municipal cooperation in Slovakia.

4.2 Areas of Inter-Municipal Cooperation

Local self-governments' limited financial sources and limited personnel capacity, as well as the scope of services they have to provide within the public administration in Slovakia, are the main reasons municipalities associate their funds and provide some services together. Basically, there are two main groups of local self-government competencies: administrative and economic-social. So far, the municipalities have used inter-municipal cooperation prevalingly for provision of their economic-social competencies. These competencies expect fairly high investments and a number of municipalities, mostly small ones, do not have them.

In the section about local self-government financing, we pointed out the increase of operational expenditures of local self-governments as an expense of investment expenditures. This fact is the main reason for municipalities to engage in inter-municipal cooperation. Further reasons are the fact that provision of economic-social services is more economically efficient as the joint activity of more municipalities and the lack of qualified personnel to provide administrative competencies for local self-governments.

Out of the forms of inter-municipal cooperation allowed by Slovak legislation, the following two are the most common:

- 1) *Regional associations of universal character.* In Slovakia, an Association of Cities and Villages in Slovakia (ZMOS) exists. It associates 2,719 cities and villages in order to articulate the joint interest of local self-governments.¹³ There are 57 regional associations operating within ZMOS. The scope of their activities is very universal. They focus on the creation of conditions for the different forms of above-mentioned municipal relations, formulation of joint comments and organization of joint steps in issues concerning local self-government. ZMOS transfers information within local self-governments; it negotiates needed laws

with ministries and deputies of Parliament; it is the commenting body within the law-approving process; it organizes the education of the elected representatives and employees of local self-governments.

The Union of Cities of Slovakia, the interest association for Slovak cities, follows a similar goal. It comprises of 43 member cities and 8 rural municipalities. This association was created due to specific city problems resulting from the structure of local self-governments. According to the founders, these specificities were not sufficiently articulated via ZMOS.

- 2) *Specific purpose associations of municipalities* are being created in order to provide greater competencies in economic and social development. The majority of such cooperation is a one-purpose cooperation of municipalities. Complex research into such cooperative activities has not yet been done in Slovakia. Even ZMOS, as an association of local self-governments, does not follow such activities by its member municipalities.

Inter-municipal cooperation in Slovakia is developed mostly in the areas of: municipal waste management; waste water treatment, tourism, protection of the environment, regional education, culture, education, social issues, coordination and planning of development activities, joint projects of technical infrastructure (gas and water supply), organization of regional advisory and information centers, regional development agencies, healthcare and joint enterprise (in cooperation with the private sector).

Act no. 416/2001 covers the transfer of some competencies from the bodies of state administration to municipalities and self-governmental regions. It also sets up potential areas of inter-municipal cooperation: social help, local and regional culture, elementary and specialized education and retraining, primary and secondary contact healthcare, Construction Act implementations, and water management.

4.3 Examples of Inter-Municipal Cooperation

4.3.1 Economic and Social Services

Municipal Waste Management

Inter-municipal cooperation mostly focuses on finding solutions to the issues of municipal waste management. Perhaps the best-elaborated scheme is offered through the example of the Komplex association of Sered'. In this association, the city of Sered' and ten surrounding rural municipalities joined together to address the issue of localization of a landfill and organization of waste management. Similar associations exist among surrounding municipalities of Malacky. Six municipalities, including the city of Malacky, and four private companies joined to address the waste management issue. The

association of 48 municipalities, and the city of Sobrance, focuses on construction and management of landfills too. There is cooperation between 15 municipalities in the regional association of Podunajsko on a project of municipal waste, including its separation and use. The landfill issues are the purpose of the regional association of municipalities for the 23 municipalities of the Laborec area. There are several associations of municipalities for the separation of waste in Slovakia, for example, the Association of municipalities for the waste separation—SPIŠ—and the Association of Municipalities for Waste Separation in Javorina-Bezovec.

Komplex-Lobbe s.r.o., Sered'

In 1992, the interest association Komplex was established in Sered'. Its main objective was the preparatory works for, and operation of, the landfill in Pusté Sady. The membership comprises of ten neighboring villages of Sered' and the city of Sered'. Basic capital for the association consists of financial contributions by the founders, subsidies, credits and operational profits. The founders funded the association with financial assets totaling Sk 5.56 million, proportional to their population. Pusté Sady did not have to contribute financially since the landfill was to be built on its territory. New members must be approved by 3/5 of the members and have to pay a fee in the amount of Sk 40 per capita. At the same time, every member shares the obligations of the association proportional to the volume of contribution made to the association. The bodies of the association are: general assembly, board of directors and supervisory board. Every participating village has a representative in the general assembly (the mayor or an appointed person). The general assembly elects the members of the board of directors and supervisory board for four year terms. The membership in these two bodies cannot be combined. In 1994, Komplex-Lobbe s.r.o. was founded to carry out collection and disposal of waste and operation of the landfill in Pusté Sady. The Komplex association contributed to the landfill in Pusté Sady. Lobbe Slovakia s.r.o., a private company, contributed by financial deposit. Both parts have a representative in the general assembly of the company that secures they have to come to an agreement on every issue. The catchment area for the operating landfills is about 105,000 people. The contractors of the company are: 29 villages, 3 towns and 215 private enterprises. Three of the contract towns, Šála, Sered' and Hlohovec, contribute the largest shares to the landfill disposal. The members of the Komplex association pay special, discounted fees for the municipal waste disposal. The landfill complies with the European ecological standards and it should be in operation for 30–40 years.

Lobbe Slovakia engages in five more similar companies projects (in cooperation with other municipalities) dealing with municipal waste, special waste management, and landfill disposal.

Water Supply and Sewage Management

Based on the Civil Code, there are seven municipalities associated in order to construct the sewage collection via Varín—Terchová. Five member municipalities, of the regional association Podunajsko, cooperate in the sewage and water treatment facility issue in Hamuliakovo. Since 1997, Trenčianske vodárne a kanalizácie (Trenčín water supply

and sewage system company) has operated a joint action by 48 municipalities in the Trenčín district. Two municipalities, Studienka and Lakšárska Nová Ves, joined their funds for the construction of a mutual drinking water reservoir.

Tourism

Development of tourism is the third area of frequent inter-municipal cooperation. Such activities are primarily connected to development of rural municipalities, ecology, and protection of the environment. The interest association of nine municipalities, Slovenský raj, is one example of such cooperation. The main mission of the association is to coordinate tourism development activities and to provide maintenance and repair for technological facilities located in the national park belonging to the municipalities. The funds for its activities are provided by the contributions of the participating municipalities, the State environmental fund, and other commercial entities. There are associations similar to this one, such as the association of municipalities in the Detvianska Huta area (joint development of agritourism), the association of ten municipalities in the Nitra area, the garden of Europe, the association of municipalities in the Maríková valley for rural tourism and agritourism Zomda (five municipalities), Ivamoza (three municipalities by Ivánka pri Dunaji), etc.

Agency for Development of Tourism in the Tatras Region

The Regional Association of the Tatras and by-Tatras Municipalities has been operating since 1993, when the Association of Historical Tatras and by-Tatras Municipalities changed its name. This Association founded several companies as a direct outcome of the inter-municipal cooperation. In 1993, four towns and 11 villages, together with further private companies, established a publishing company called Marmota Press. This publishing company deals with the publication of periodicals and non-periodicals, promotion materials and promotional activities. Even though Marmota Press's connection to tourism is more than obvious, the original idea was actually to rescue the publisher of regional weekly. The municipalities' share in Marmota Press is 29%.

Marmota Press deals only partially with the tourism issue. More complex cooperation in the area of tourism is dealt with in the region through the Agency for Development of Tourism in the Tatras Region, established in 1996. The founders consisted of 18 municipalities, 34 private companies and five non-governmental organizations. The Agency registered as a non-profit organization and later on changed its legal status into association of legal and physical entities.

The bodies of the Agency are: the general assembly, board of directors and supervisory board. Every member has one vote in the general assembly with no relation to the volume of its contribution. The board of directors consists of nine members. Four members represent public sector (municipalities), three members represent private sector and two, non-governmental organizations. The supervisory board consists of three members. One member represents the public sector and two, the private sector. In 1998, the Association had 130 members, when new members from the Liptov and Orava regions joined the Agency.

Originally, the funding was intended to be multi-source funding. Besides regional sources (members' contributions), they also intended to finance from the existing tourism projects taking place in the region. Since these projects ended in 1998, members' contributions became the primary financial source. Municipalities contribute Sk 3 per capita. Private companies contribute proportional to their turnover. The annual member fee for individual private person (not as a citizen of municipality or enterprise) is about Sk 300.

The main purpose of the Agency is marketing and promotion of tourism products within the territory of member municipalities; collection, analysis and provision of information for the members and contractors; organization of trainings and conferences oriented to exchange experiences within the Agency; special consultancies; search for financial sources for the regional tourism development funds; and strategic planning for sustainable development of tourism within the territory of member municipalities.

Healthcare

Inter-municipal cooperation has also developed in less traditional areas, such as healthcare. This is especially the case if healthcare is not the responsibility of the local self-government and is fully provided by the state administration.¹⁴ The accumulation of funds in four municipalities by Šárovce, to be able to purchase special medical equipment for the local doctor, is an example of short-term inter-municipal cooperation. The cooperation of seven municipalities on the left bank of the Váh River is an example of long-term inter-municipal cooperation. These municipalities accumulated their funds to build a dental clinic for their citizens to be located in one of the municipalities, Trenčianska Turná. The 23 municipal members of the Laborecký regional association of towns and villages established a foundation to finish one section of the hospital in Medzilaborce. Six municipalities near Gemerská Poloma worked in partnership with the local doctor in providing healthcare services for the citizens.

Social Welfare

Partially, social welfare belongs among the responsibilities of local self-government. For example, the Social care center Podhorie, and the Service center of social care in Krásna Ves, created by the regional association of municipalities located in upper Bebrava River Valley. Another example is the social taxi for the five municipalities of the Pridunajsko region by Dunajská Lužná.

Podhorie

The distance to the district seat (Bánovce nad Bebravou) and location in the upper Bebrava River Valley inspired several citizens in the area to establish the civic association Podhorie. Initiation and support of developmental programs and realization of this, in the territory, were the main objectives of the association. Its activities developed in the areas of development of

local self-government, economy, ecology, social welfare, spiritual activities, culture, tourism, education, and publishing activities.

Based upon this civic activity, the local self-governments in this micro-region joined the Association of Municipalities for the Podhorie micro-region. The main goal of the association is the unification of efforts towards development of micro-region, and the strengthening of democratic governance and public administration. The eight participating municipalities total only something above 3,000 inhabitants. Individual municipalities delegated some responsibilities to Association and rationalized the operation of their administration.

The joint project in the area of social welfare is being realized in Krásna Vés. The former fire station was renovated and a facility for 15 citizens was created. The Center of Social Welfare, Podhorie, provides care for elderly citizens, including immobile citizens. The facility also provides care for citizens who need only part-time assistance, regular health care from a specialist, rehabilitation and catering for non-residents. It serves as a spiritual and cultural center for elderly citizens as well. The Agency of Domestic Nursing Services operates via the center as well. It provides nursing and rehabilitation, doctor's examinations and transportation by ambulance.

The financing of such facilities is a problem for municipalities. There are limited funds in municipal budgets and the individual patients' relatives are not willing to participate financially in social care.

Regional Development—Local Economy

Regional development agencies and information centers are an interesting area of inter-municipal cooperation. The municipalities engage in such cooperation directly or through the regional associations. The regional innovation center, Rovinka, is an example of a development agency. It aims at development of entrepreneurial activities in the Podunajsko region. It comprises of 24 municipalities. The society of the topolčiansko-duchonsky micro-region municipalities is a similar form of cooperation. Its primary goal is development and maintenance of tourism, activation of enterprising and overall development of the micro-region. It comprises of eight rural municipalities and the city of Topolčany. Workshops for entrepreneurs is just one of its activities. The association also built a bike trail and educational trail near the historical mountain railway and succeeded in getting its member, Podhradie municipality, ownership rights to the medieval castle, Topolčany. The regional advisory and information center established by the Regional association of the Tatry region municipalities in 1992 is another example of the second type of cooperation in this area.

4.3.2 Administrative Services

Although Slovak legislation enables local self-governments to create joint municipal offices, this form of inter-municipal cooperation is not common. Primarily, provision

of administrative competencies is the main area of such cooperation. Cooperation will probably develop more after 2002, when local self-governments start getting more competencies and small municipalities will no longer be able to carry them out (financial and personnel reasons). Despite the previous statement, it is not uncommon in Slovakia that the municipal offices of larger municipalities carry out payroll agendas or entire financial agendas for their smaller neighboring municipalities. The financial and payroll offices of the association of municipalities of Humenné, are such an example. The municipal office in Humenné provides these services for 68 municipalities. Individual municipalities proportionally contribute to the operation of the financial and payroll office in Humenne.

4.4 Evaluation of Existing Examples of Inter-Municipal Cooperation

Although, after 1989, identity of the municipality, its independence, autonomy and accountability for management of local affairs (see settlement structure analysis) are considered to be the basic spirit of the local community, there are some reasons for inter-municipal cooperation:

- Similar issues can be addressed more economically effective without losing autonomy;
- Resources necessary, for addressing existing issues sufficiently, exceed the expert and material availabilities of any of the individual municipalities;
- The nature of the provided service—drinking water supply, wastewater treatment facility, waste collection and waste disposal, etc.;
- Cultural, social or economic orientation of several municipalities creates the need for specific articulation of joint manifestations and joint activities;
- Communication and brainstorming support creative ideas, an atmosphere of solidarity and cohesion creates a good base for political and social stability in the given territories.

Examples offered suggest that service area for inter-municipal cooperation differs depending on the services provided. These service areas are most different in the provision of the economic-social services. Drawing a universal service area is easier in the area of administrative services. Mainly, regional and historical relations among participating municipalities influence the size of service area for joint municipal offices. Natural landscape is an important factor as well. Municipalities all located in one valley are more willing to join. However, they are willing to join, merely for provision of certain administrative tasks, without losing their law status.¹⁵

In some cases, inter-municipal cooperation is the only viable option for public service provision at the local level. Otherwise, it can be absent from a particular territory,

the municipality will have to merge with other municipalities, or a higher level of local self-government will provide the service.

Municipalities engage in inter-municipal cooperation mainly because they are short on the financial funds and personnel to carry out their tasks, as well as general inefficiency of their execution. Inter-municipal cooperation enables municipalities to accumulate financial and human resources. However, such accumulation can be insufficient too. Therefore, it is favorable to involve the private sector in cooperation (see Marmota Press and Komplex Lobbe examples).

Based upon inter-municipal cooperation in waste management, we can determine that the provision of economic tasks of local self-governments is more favorable through creation of a commercial company (Komplex–Lobbe). Participation in such a company can take various forms. Respecting the fact it provides public services, municipalities should have sufficient control rights included in the contract. Municipalities should be able to direct the activities of the company through their representatives in its bodies. Commercial companies not only allow private enterprises to participate in inter-municipal cooperation, but also foreign enterprises. The easing financial burden, otherwise put solely on municipalities, is the advantage to inter-municipal cooperation via commercial companies. Commercial companies enable production of new resources, for the further operation of the inter-municipal cooperation, without burdening municipal budgets.

Inter-municipal cooperation in tourism needs greater funds.¹⁶ Solution to this problem is often to engage more private companies in the tourism business. Then, these companies bear a significant share of financial costs for the operation of inter-municipal cooperation.

The results of existing projects in inter-municipal cooperation suggest that establishing simple and uncomplicated structures for inter-municipal cooperation is the best. Management, financial, and control (including accountability) relations must be highly transparent and spending on newly created administration and material needs cannot be inadequate. The one-task orientation of inter-municipal cooperation should be sustained, because associations for more general orientation (orientation to provision of more tasks) can disrupt the nature of territorial self-government itself.

The provision of services delegated by state administration bodies to the local self-governmental bodies is a significant influencing factor concerning the lack of funds for fulfillment of local self-governments' original tasks. Local self-governments are often delegated to provide state administration tasks and delegations that are not followed by the respective funds, however. In compliance to Slovak legislation, municipalities cannot refuse to provide any of the tasks delegated to them by the law approved by the National Council of the Slovak Republic. At the same time, the Constitution of the Slovak Republic and the Municipal law state that a municipality must carry out the task only if the funds to cover it are delegated by the law too. Therefore, if municipal-

ities do finance the tasks of state administration, provided by them from the municipal budgets, they act in conflict with the rules of the municipal property management, financing of municipalities, and creation and respect for the municipal budget. The ambiguity of the legal provisions, and various interpretations of the respective laws, has resulted in illegality of some municipal activities. Local self-government contributes to provision of tasks assigned by state administration under public pressure. Such activities occur mainly in the areas of education, healthcare, public transportation, culture, gas supply construction and energy facility construction. Through such activities, municipalities break their duty to exclusively appreciate the property of municipality [Nížňanský, 1998].

4.5 The Willingness of Municipalities to Engage in Inter-Municipal Cooperation

Self-government representatives' attitudes towards participation in inter-municipal cooperation can be derived only from partial surveys. In Slovakia, general surveys on this issue do not exist. The Ministry of Interior for the Slovak Republic carried out a survey on the willingness of municipalities to provide services in the area of education and social care after decentralization from state administration (Ministry of Interior of the SR 2000). In the sample municipalities under 5,000 inhabitants³, 76% of the municipalities intended to provide administrative tasks for these services after their decentralization, individually through their municipal office. Only 17% of municipalities intended to use inter-municipal cooperation. The largest support for inter-municipal cooperation was expressed in the smallest municipalities, up to 200 inhabitants (61%), and in municipalities with 200–499 inhabitants (30%). This fact supports our argument about fragmentation of settlement structure in Slovakia and the consequent inability of smaller municipalities to provide all the services assigned to local self-government. The intentions differ according to the type of facility as well. Only a slight majority of municipalities, up to 200 inhabitants (53%), intended to use inter-municipal cooperation in the area of daycare. As for elementary schools and facilities of social care, a clear majority of smallest municipalities (77–88%) intended to use inter-municipal cooperation. As for elementary schools, support for inter-municipal cooperation prevailed also in municipalities with 500–999 inhabitants.

Mayors in the Podhorie micro region municipalities support our argument about the greater willingness of small municipalities to engage in inter-municipal cooperation [PHARE, 1998]. While the mayors of smaller municipal members of the Association of municipalities of the Podhorie microregion praised existing inter-municipal cooperation, the mayors of larger municipalities were more reserved. Basically, the mayors who did not have any social case in their municipality did not see any reason to engage

in inter-municipal cooperation in the area of social services. From this, we can derive that municipalities engage in inter-municipal cooperation only after they get into problems with public services delivery themselves.

As for legal forms of inter-municipal cooperation for provision of these services, the mayors preferred the legal entity upon the agreement of public character (38.1%). Two further forms favored by the mayors were inter-municipal cooperation upon agreement for the taking over of competencies and tasks by one of the participating municipalities and creation of a specific association of municipalities for the sake of joint provision of tasks.

The way the mayors expected the tasks, decentralized to municipalities and provided through inter-municipal cooperation, to be financed suggests a strong sense of autonomy amongst local self-governments' representatives and distrust in other municipalities. Over a half of the mayors preferred the transfer of state funds to the budget of the municipality, where the facility is located. Basically, it is the way it works now. Today, the funds are transferred to a particular facility and not to an individual receiver of a given service. Only a quarter of municipalities favored the transfer of funds to each participating municipality and these municipalities would, consequently, contribute proportionally to the joint delivery of service (Ministry of Interior of the SR 2000).

4.6 Conclusion

There are basically two ways for territorial self-government to provide public services under the financial limitations of local self-governments:

a) Through mandatory cooperation.

The minimal size and service area for a basic unit of local self-government is defined by the law. Such cooperation is inevitable, mainly for service provision delegated to local self-governments by the state administration.

For example, a local self-government carries out the tasks of state administration in the area of Construction Act provisions. Not every municipality has the personnel capacities to do so. Therefore, the municipality that would carry out these tasks for other municipalities must be appointed to the defined criteria. Similar situations also exist in other areas. Designation of service areas can be the basis for defining the lowest administrative units of local self-government.

b) Through voluntary cooperation.

This type of cooperation can mainly be developed with the provision of original competencies of municipalities (economic-social competencies). Inter-municipal cooperation creates respective service areas for individual services provided by local self-governments. Historical development of the settlement structure in Slovakia, popular attitudes and local self-governments'

attitudes suggest that the voluntary nature of service provision through inter-municipal cooperation should persist. Recognizing fragmentation of settlement structure (as one of the main causes of municipalities' inability to carry out their tasks), the system of economic motivation of municipalities leading towards inter-municipal cooperation must then be thoroughly elaborated. In compliance with democratic principals, it is more appropriate to let citizens decide (through their elected representatives—local self-government), which way of service provision they would prefer. The first way of inter-municipal cooperation makes public services provision in municipality more effective. The second path is an individual provision of public services and citizens may have to bear the negative side effects, like local self-governments' financial shortage and consequent inability to properly address the problems of the municipality. This decision should not be left for bureaucrats in state administration. There are several problems connected to their decision-making, mostly reflecting the level of their responsibility and the level of their knowledge about the particular local problems.

Mayors' opinions suggest that they are apprehensive about loss of municipal identity and independence when some forms of inter-municipal cooperation are used [Ministry of Interior of the SR, 2000]. At the same time, the fear of small municipalities lagging in the system of central municipalities can be noted. Another source of fear is belief that the deficit, of financial funds for provision of economic and administrative tasks, would increase. Municipalities, therefore, prefer looser forms of cooperation and put emphasize on the voluntary principle of cooperation (in the selection of the type of cooperation as well). Based upon their opinions, the joint municipal offices should be created within micro regions, territories smaller than the former sub districts or recent districts.

5. SERVICES DELIVERED AND LOCAL DEMOCRACY

5.1 Citizens Participation in Local Self-Government

Creation of local self-government in 1990 restituted citizens' options for direct participation in development and management of municipalities. The Municipal Law provides the following options:

- Municipal elections;
- Local referendum;
- Participation in public citizen meetings;

- Participation in the municipal council meetings;
- Submission of petitions, proposals or complaints to the local self-government;
- Questioning the representative of the local self-government.

Through these initiatives, the citizenry can control the local self-government. Local self-government has to inform citizens about the municipal budget proposal as well as the municipal financial statement. It must allow the public to comment on the changes of physical plan of municipality.

Municipal elections are generally considered the most important right citizens have to participate in local self-government. A public survey undertaken by FOCUS agency in March 1997 demonstrated that popular engagement in public affairs mainly begins and ends with their participation in the elections [Nižňanský, 1998]. In November 1990, 64% of eligible voters participated in the first municipal elections. Turnout in another municipal election, in November 1994, was only 52.2%. Four years later, in 1998, the turnout slightly increased to 53.9%. Contrary to this development of turnout in municipal elections, the turnout in parliamentary elections permanently exceeds 75% (1994–75.6% and 1998–84.2%). Fairly low turnout in the 1998 municipal elections does not correspond to polls that indicated about 75% of eligible population intended to vote in municipal elections [FOCUS, 2000].¹⁸ Intended participation in elections was highest in municipalities up to 1,000 inhabitants (84.4%). This decreased according to the size of municipality. In two largest cities of Slovakia, Bratislava and Košice, only 64% of eligible voters intended to vote in January 2000.

Citizens' participation in municipal elections is derived from the interest of citizens in solving the problems of their municipality. From 1997 to 2000, only 26.1–28.7% of population in Slovakia attempted to solve the problems of their municipality [FOCUS, 2000]. In 2001, it was only 19% [IVO, 2001]. Similar to the election turnout, the citizens of smaller municipalities, under 2,000 inhabitants, were engaged the most by trying to solve the problems of their municipality (35.9%). The greatest rate of citizen passivity was recorded among the people living in municipalities between 50,000–100,000 inhabitants (only 14.4% attempted to participate in addressing the municipal problems). Out of those who attempted to address the problems, 60% have experience the problem solved. This suggests that municipal problems can be solved when the public questions the local self-government. It also increases the perception of a meaningful existence for self-government. Even though self-government is fairly successful in addressing the issues after dialogue with the citizenry, citizens do not engage in solving municipal problems. The main reason for this is that citizens do not know how to contribute to addressing municipal problems (26.1%). Another reason is the lack of time the citizens are willing to spend in order to help the municipality (20.1%). The third reason, identified by the survey, is that citizens are not interested in helping to solve municipal problems (12.6%) [FOCUS, 2000].

The use of particular forms of citizen involvement on local issues depends on the size of municipality (Table 3.17). In smaller municipalities, under 2,000 inhabitants, the people use mainly personal contact with representatives of the local self-government and public presentation of opinions during public meetings. Influence through indirect contact with the local self-government through influential acquaintances, non-governmental organizations, political parties or letters are more often used in larger municipalities. The public does not use the church when attempting to question local self-government, even though the church is one of three poles of power in municipalities, as identified by citizens [IVO, 2000].

Table 3.17
The Forms Citizens Use to Make Local Self-Government
Solve Local Problems [%]

	Under 2,000	2,000 – 5,000	5,000 – 20,000	20,000 – 50,000	50,000 – 100,000	Bratislava, Košice	Slovakia Total
Addressing the Mayor or the Municipal Councilor in Person	96.3	92.9	86.5	88.8	75.7	76.0	90.3
Presentation During Public Meeting	46.8	49.4	30.5	40.3	42.8	40.8	43.1
Influential Acquaintances	30.8	28.9	39.6	57.6	42.6	40.8	36.9
Letter to a Representative of the Local Self-Government	26.2	42.5	37.3	42.6	55.4	46.9	36.1
Presentation During the Municipal Council Meeting	27.0	29.5	27.0	19.1	39.8	16.1	26.4
Community Organization, NGO, Social Club	21.2	34.8	27.1	22.4	47.1	28.1	26.6
Political Party	13.9	16.6	27.6	30.3	22.0	10.6	18.8
Church	9.6	9.6	10.9	2.6	3.3	0.0	7.7

SOURCE: FOCUS, 2000.

5.2 Public Attitudes Towards Local Self-Government

When the citizens of Slovakia were asked to express which territorial unit they have the closest relationship to, they identified the municipality they lived in [Tiburg University, 2000]. Two thirds of Slovakian inhabitants are proud of their municipality [IVO, 2000]. Local self-government has also been continually evaluated as one of the institutions with the highest level of public trust. In 1998, local self-governments had the trust of 59% of inhabitants. In 1999, the trust increased to 62%. In 2000, 56% of inhabitants

trusted local self-government [UVVM, 1999; FOCUS, 2000]. The highest level of trust is in the smallest municipalities, under 2,000 inhabitants. As many as 70% of their citizens trust in the activities of their local self-governments. The level of trust decreases with the increasing size of municipalities. The lowest level of trust is among the citizens of the two largest cities, Bratislava and Košice, at only 47.8%. As for distrust, the highest level of distrust can be found among the citizens of municipalities between 20,000–50,000 inhabitants, at 47% [FOCUS, 2000].

The amount of information available to the public about the activities and decisions of local self-government is an important factor in the trust/distrust issue. Citizens, who have sufficient information about these, express the highest levels of confidence in the local self-government (78%). The people with no information equally trust and distrust in activities of local self-government. The survey shows an interesting situation. Amongst people who are not at all interested in the activities of local self-government, more trust in it than distrust it (45% vs. 38%) [FOCUS, 2000]. Overall, fairly low levels of public information about local self-government activities exist. In 1997–2000, only 26–31% of citizens were informed sufficiently. Contrarily, about 42% of people did not have information about local self-government activities. About the same portion of people who are sufficiently informed, are not interested in any information about the activities of local self-government. The previous statement supports the argument about low citizen interest in the municipal life. Again, citizens living in the municipalities under 2,000 inhabitants are the best informed. In contrast, the citizens of municipalities with 20,000–50,000 inhabitants had the lowest level of information about local self-government activities. The percentage of uninformed citizens exceeds the percentage of informed citizens in all municipal size categories. As for sources of information, they rely mainly on neighbors and family (59%), local/regional radio stations and local/regional newspapers (39%). The following methods are used for getting information as well: announcements in the public places, various materials from municipal offices and public meetings with representatives of the local self-government.

Citizens perceive the mayor as the most influential person in the municipality (63%) [IVO, 2000]. On one hand, this finding can support the credentials of local self-government. On the other hand, it can also reflect the existence of the extreme authority of one person and the passivity of citizens (identified in previous analysis). The primacy of mayor is highlighted by the fact that the second most influential institution in municipalities, are the municipal councils, identified by only half of those who identified the mayor (31%). Further groups, according to their influence, are: local entrepreneur/s (26%), local state administration (23%) and church (18%). The perception of importance of local state administration in municipalities is often overestimated. The influence of the political parties is at about the same level as perceived by the mayors (14% vs. 10%). The distribution of power, according to individual poles, differs upon the size of municipality (Table 3.18).

Table 3.18
Poles of Power/Influence in Municipalities in the Slovak Republic

Size of Municipality	Major Poles of Influence/Power in Municipalities		
Under 1,000	Mayor	Local council deputies	Church, church representatives
1,000–2,000	Mayor	Local council deputies	Church, church representatives
2,000–5,000	Mayor	Local council deputies	Church, church representatives
5,000–20,000	Mayor	Local council deputies	Local businessmen
20,000–50,000	Mayor	Local businessmen	State administration
50,000–100,000	Mayor	State administration	Local businessmen
Bratislava, Košice	Mayor	State administration	Local council deputies

SOURCE: IVO, 2001.

From this table, the basic division of Slovakia is visible. In villages (generally up to 5,000 inhabitants), the mayor, the municipal councilors and the church are the major poles of power. In towns, the poles of power are distributed among the mayor, the entrepreneurs and state administration. The perceived influence of the mayor decreases with the increasing size of municipality. In contrast, the power of entrepreneurs and the state administration increases with the increase of the size of municipality.

These facts confirm all the previous findings. The level of local democracy and the citizens' participation decreases with increasing size of municipality. The differences in the poles of power between rural and urban areas are related to rural areas remaining more traditional while urban areas are more modern. The question deriving from our analysis pops up: What is the proper size of a municipality? In regards to citizens' participation in local self-government, and their participation in addressing the municipal issues, a small size municipality is certainly more favorable. As the size of municipality increases, the interest of citizens in municipal issues, and local self-government as such, decreases.

5.3 Satisfaction with Local Self-Government Operation¹⁹

We have already mentioned there was a 56% confidence vote in favor of the local self-government in 2000. The percentage of people trusting in local self-government results from its success in addressing municipal problems and citizens satisfaction with its operation. The municipal problems, as identified by citizens, tightly correlate with the overall economic situation in Slovakia in 2000. When breaking down the sample by the size of municipality, there are differences in the prioritized problems. A shortage of jobs is the most important local issue in all the size categories, except for the two largest

cities, Bratislava and Košice. In these cities, employment ranked fourth in the order of importance behind crime, housing, and corruption in local self-government. In some regions, the unemployment rate exceeds 30% and, not surprisingly, employment was problem number one. The municipalities, however, have almost no tools for influencing employment in their territory because they do not have power over the necessary competencies to boost local economy. In municipalities under 2,000 inhabitants, the order of problems was as follows: sewage, access to sport and cultural activities, health-care and social welfare, transportation and road management, and education. Out of these areas, the local self-government has some competencies, but only in the areas of technical infrastructure. Even though municipalities have no competencies for delivery of healthcare, and broad range of social services, they engage in addressing these problems anyway and participate in addressing the problems with local elementary schools too. Following these issues, crime and corruption in local self-government were identified as the other problems. In municipalities between 2,000 to 5,000 inhabitants, the order of the issues were very similar. In these municipalities, housing was perceived as more important problem than sewage, and transportation and road management was identified as less important issue than crime and corruption in local self-government. The order of problems in the rest of the size categories was almost identical. This analysis suggests the inhabitants of smaller municipalities see more problems in the area of infrastructure (technical and social). While citizens living in large municipalities see more problems rather in the areas related to ethics (crime and corruption).

Satisfaction with the local self-government activities in addressing local issues is an inversed function of the importance of individual problems. Citizens are most satisfied with addressing the technical and social infrastructure. Contrarily, they are unsatisfied with addressing the issues of job shortage, housing, and crime. When looking at satisfaction in individual municipal size categories, the relationship between satisfaction and importance, outlined above, is preserved. The most important issues are addressed least successfully and vice versa.

Generally, the main reasons of why municipalities cannot address local problems are: the lack of funds, lack of competencies, and the lack of quality in the local self-government operation. Citizens of all size categories identified financial shortage being their reason for failure. For the rest of the reasons, we can see the differentiation. In municipalities under 2,000 inhabitants, lack of competencies was identified as a primary reason. Then, it was low quality of local self-governmental operation, insufficient participation by citizens, and political differences amongst the representatives of the local self-government. In municipalities above 2,000 inhabitants, low quality of local self-governmental operation was the major reason. Lack of competencies was one of the least influential reasons. Fairly high importance was attributed to the unwillingness of citizens to participate in the local issues addressed in municipalities between 2,000 to 5,000 inhabitants and 50,000 to 100,000 inhabitants (50% and 52.7% respectively).

6. CONCLUSIONS AND POSSIBLE POLITICAL RECOMMENDATIONS

6.1 Conclusions

Territorial Self-Government

Until 2002, territorial self-government operated only at a municipal level. The Slovak Constitution treats all municipalities as equal, with no differentiation based upon size. The size of municipalities ranges from population 2 (Príkra) to 447,345 (Bratislava). The scope of services delivered by any given municipality is the same, except for Bratislava and Košice. These two cities also provide some services, which in other cases would be provided by state administration (road network management, firefighters). By 2002, a majority of services was delivered by the state administration. In 2002, regional level of territorial self-government was established and a gradual transfer of competencies to territorial self-government had begun.

Settlement Structure

The settlement structure in Slovakia features high fragmentation (2883 municipalities) and a large portion of small municipalities (municipalities up to 1,000 people account for 69% of all municipalities and 16% of the total population of Slovakia). Such a fragmented structure stems from two major processes taking place in Slovakia in the second half of the 20th century. During state socialism, integration of municipalities reduced their numbers from 3,344 in 1950 to 2,694 in 1989. After 1990, rapid fragmentation started and continued on up to 2001 when the law began regulating the minimum size for newly created/separated municipality. Expert discussions on optimum size of municipality took place in Slovakia throughout the 1990s. Minimum sizes of municipalities between 3,000 and 5,000 inhabitants resulted from these discussions. The experiences in the small villages, during the period of state socialism system of central villages, restrained their higher amalgamation.

Economic Performance

The financial stance of local budgets is better than the financial situation of the public sector as a whole. In total, local budgets have been permanently in surplus throughout the last decade. Major sources of local budgets' revenues are shared in state taxes revenues, real estate tax, local fees, municipality property ownership and enterprise revenues, transfers from public budgets and loans. State tax revenues are distributed proportionally by the population, therefore, the revenues of municipalities do not differ by the size (per capita revenues). Real estate tax revenues account for 5.5% (over 100,001 people) to 23.3% (4,001–5,000 people) of local budget revenues. It peaks in the 4,001–5,000 inhabitants size category of municipalities. Non-tax revenues account for more than the

revenues from state taxes. They range from 19% (over 100,001 inhabitants) to 44.5% (50,001–100,000 inhabitants). Smaller municipalities depend on transfers from public budgets more than larger municipalities. These transfers consist primarily of subsidies to support provision of self-governmental functions in municipalities fewer than 3,000 inhabitants. Contrarily, smaller municipalities do not gain funds from loans to the extent larger municipalities do. Bratislava is the most indebted municipality in Slovakia.

As for expenditures, operational expenditures increase on expense of capital expenditures and credits related expenditures. The personnel expenditures are primary items of the operational expenditures of local budgets. They account for 25.2% of the operational expenditures and 16.1% of total expenditures. The highest expenditures are in municipalities with under 1,000 inhabitants and over 100,001 inhabitants. In the two largest cities, Bratislava and Košice, the expenditures stem from a two-level organization of local self-government in these cities. Capital expenditures per capita decrease with the increasing size of municipality. Debt related expenditures rise with the size of municipalities, culminating at 39% of total expenditures for municipalities over 100,001 inhabitants (2000).

Economy of Services Delivery

Administration of municipalities, the operation of municipal offices, and costs for the accounts of the elected local representatives total 21.4% of local expenditures. Expenditures for housing and construction account for 13.7% of total expenditures. Further significant categories of expenditures are transportation expenditures (10.7%) and local economy expenditures (9.7%). In 2000, ranking just after was protection of environment (6.5%). These expenditures consist of such services as public green care, cleaning and winter maintenance of local roads, and waste management. Analysis of local budgets expenditures in selected areas shows that smaller municipalities (up to 1,000 people) have significantly higher expenditures per service unit than municipalities with higher populations. Road transportation is an exemption from this statement. The expenditures of local roads per km increase with increasing size of municipality mainly due to the system of road tax revenue distribution as a primary source of funds in this area. The administration of municipal offices clearly shows the lack of economical sustainability, for municipalities with less than 1,000 people, when the operation of municipal offices accounts for as much as 42–49 percent of their total expenditures. Municipal activities towards economic development in their territory are limited to planning, construction of technical infrastructure, participation in commercial projects, and competencies in the area of real estate tax rates.

Inter-Municipal Cooperation

Legal settings for inter-municipal cooperation have existed in Slovakia since 1990. Major areas of inter-municipal cooperation are: municipal waste management; waste

water treatment, tourism, environmental protection, regional education, culture, education, social issues, coordination and planning of development activities, joint projects for technical infrastructure (gas and water supply), organization of regional advisory and information centers, regional development agencies, healthcare and joint enterprise (in cooperation with the private sector). The provided examples confirm these are reasonable ways to address the problems related to the size vs. capacity issue in delivery of some services. The municipalities are willing to engage in cooperation for delivery of economic and social services, but less willing in the area of administrative services. Geographical location, tradition of cooperation and size of municipalities are major factors that make municipalities conditioned to engage in inter-municipal cooperation.

Citizens Participation and Satisfaction

The options for citizen's participation in local self-government are defined in the Municipal law. The level of popular interest is best reflected in the local election turnout (about 54% in 1998). The public interest in local matters declines with the increasing size of municipalities. Active participation has a similar trend. Local self-governments enjoy quite a high level of public trust in comparison to other public institutes in Slovakia. The mayors are major poles of power and influence in municipalities of all sizes. In cities over 50,001 people, the influence of local council and church decreases in favor of state administration and the local business community. Local problems identified by citizens differ from the problems often publicized by the representatives of local self-governments. The public identified insufficient funds and competencies of local self-governments as being the major reasons for municipalities' failure to address the issues.

6.2 Recommendations

Due to the transfer of further competencies to local self-governments, the Slovak Republic must deal in more precise manner with the relationship between efficient size of local self-governmental administrative units and the impact of citizens on the scope and structure of provided services. It is impossible that all 2,883 municipalities would provide newly transferred tasks individually without respecting their different size and capacity (Příkra vs. Bratislava).

A document that deals with this issue does exist. It is the Concept of Decentralization (2001) and it has already been approved by the Government. It addressed the issue of the relationship between the size of administrative unit, the scope of delivered services and the influence of citizenry in deciding on the structure and quality of delivered services.

This document and our analysis of services delivery through inter-municipal cooperation (section 4) show the type of provided service does influence the decisions on the size of administrative units. The criteria, for defining an administrative unit's optimal size, differ by the type of service. Creating maximum efficiency and reflecting the influence of citizens on the service delivery are generally valid criteria, mainly for delivery of economic and social services. Further criteria must be included when delivering administrative services (decision making in personal areas), such as accessibility and number of decisions. Until recently, accessibility was measured through conventional means of transportation. Development of IT and electronic signature will decrease the importance of distance. At the same time, however, the necessity of knowing the specifics of a local environment by the public service provider will persist. Particularly, the administrative tasks that require knowledge of the local environment are those most requested (construction permits, social help, cadastral office, enterprises registering, etc.).

Our analyses showed small municipalities operated with financial severity and personnel, as well as a low overall capacity to carry out the necessary tasks. Based upon the recent experiences of local state administration offices operation, the financial and personnel severity of operation of the given services providers (current departments of district offices) becomes efficient at the size of 40,000 inhabitants. The financial analysis of municipal expenditures shows expenditures per capita decrease with the increasing size of the municipality (section 3.1.2).

For provision of administrative tasks of local self-governments, the Concept of Decentralization (2001) suggested that 169 municipalities should be administrative centers. In this network, the distance of citizens to the administrative office would not exceed 15 km and the size of unit would not be less than 5,000 inhabitants (extreme cases). The average size of the administrative unit for provision of administrative tasks of local self-government would be 32,000 inhabitants. The legal status of every municipality would be preserved and, consequently, the impact of citizens on the service delivery through elected representatives and through contracts between municipalities included in administrative unit.

However, the reform of public administration proposed by the Concept of Decentralization is not to be carried out after the Parliament's decision on self-governmental regions. The solution used today defines inter-municipal cooperation as the exclusively voluntary activity of municipalities. Municipalities can freely decide to provide services individually or in cooperation with other municipalities. However, all mandatory tasks of local self-governments must be delivered, with no exceptions for small municipalities with limited capacities.

The current size differentiation of local self-governments and the way it is addressed by law is not optimal for several reasons:

- It will not enable further significant decentralization of competencies to municipalities, mainly due to their fragmentation and the low capacities of the smaller ones;

- Direct connection between public service provision and the citizen's influence on it directly, or through elected representatives, will not exist in several areas;
- Fragmentation of local levels complicates territorial economic development;
- Fragmented local levels make administration more expensive (see 3.2.3).

Even though, in recent phases of public administration reform, the voluntary principle in inter-municipal cooperation rules, and our analysis of the municipalities' will engage in the inter-municipal cooperation confirmed by this, territorial reform of local self-government at municipal level must be prepared. The reason is basic and it is shown in our analyses. Small municipalities have no sufficient capacity to carry out their tasks while they must spend almost half their budgets on operation. Despite the fact that municipalities do not like mandatory cooperation, the increase of efficiency of local self-governmental operation is impossible if it is left to free will of the municipalities. Certain regulations must be implemented (mainly the small municipalities, with a few hundreds of inhabitants, that greatly value their separate existence above their financial severity).

Territorial reform of local self-government at the municipal level should be phased out. The settlement structure in Slovakia, and the requested quality of services, require a compromising solution between amalgamation (absolutely mandatory act) and inter-municipal cooperation (voluntary cooperation) as well as differentiation between these in individual regions. The compromise for the first phase could be based on the following:

- Mandatory amalgamation of municipalities under 200 inhabitants (about 382 municipalities with 49,000 inhabitants) or their mergers to larger municipalities. Their identity would be preserved through their status of local section; they would still have their councilors in the municipal council.
- Voluntary unification of municipalities into administrative units through amalgamation or inter-municipal cooperation associations to provide administrative tasks so that they create administrative units of more than 5,000 inhabitants.
- State administration bodies would oblige the municipalities that did not join the aforementioned associations, whose size is less than 5,000 inhabitants, to join it (then voluntary unification from previous item becomes voluntary only until it is realized by municipalities themselves).

Even though a 5,000 inhabitant threshold is not sufficient for establishing full administrative and financial capacity for local self-governments, it was selected as the first phase because this size enables creation of local government's own administrative capacities with different expertise, as well as their financial coverage. The process of amalgamation or association would affect about 96% of municipalities. The aforementioned steps would reduce the number of municipalities by 382 (from 2,883 to 2,501), reduce the number of administrative units, reduce the number of elect-

ed bodies while preserving democratic control over public service delivery. We can also assume that service delivery quality would improve.

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NOTES

- ¹ For a more detailed account of public administration development in Slovakia, see Horváth 2000.
- ² The adopted acts (302/2001 and 303/2001) changed the drafts, approved by the Government, for the number of self-governmental regions. Through this decision, the socio-spatial organization of Slovakia was broken. The borders of natural regions were not respected. The original proposal considered 12 regions ranging from 266,332 to 725,018 inhabitants. Such a division also respected the results of a public survey, that stated 66% of population in Slovakia identified a natural region with the territorial unit with the closest relation. Such an attitude by the population does have an impact on their participation in public affairs.
- ³ A municipality is called, in Slovak terminology, *obec*. Every municipality is a local self-government. Municipalities in Slovakia can be towns (*mesto*) or villages (*dedina*). Towns and villages can consist of several settlement units. In this study, towns/cities and villages are used as local self-governments. When the term municipality is used, both types are the subject.
- ⁴ A more detailed list of the local self-government competencies can be found in Horvath 1999, Municipal Law no. 369/1990 and Act no. 416/2001.
- ⁵ Even though under state socialism there was no local self-government, today's municipalities existed as statistical units of settlement structure. Therefore, when referring to municipalities in this subsection, we are referring to similar units as recent municipalities.
- ⁶ This is the personal experience of the authors taken from city council meetings, attitudes of representatives of its rural sections, as well as experience drawn during public meetings undertaken during work on the Concept of Decentralization and Modernization of Public Administration in 1999–2001.
- ⁷ ZMOS—the Association of towns and villages of Slovakia, an association representing the interests of local self-governments.
- ⁸ Debt related expenditures comprise of credit interest and principal payment and fees for credit administration.
- ⁹ We excluded bank operation expenditures that accounted for 20% of expenditures in 2000. These expenditures included mainly debt related expenditures—the aforementioned redemption of municipal bonds for Bratislava.
- ¹⁰ Until 2001. The scope of competencies of local self-governments expanded after 2002.

- ¹¹ The New Act on waste no. 223/2001 was approved in 2001. Starting January 1, 2002, every individual inhabitant of a municipality became the personal producer of municipal waste, not the municipality as a whole. Municipalities specify the fee for waste management per capita in compliance with local conditions.
- ¹² These provisions were incorporated by an amendment to Act no. 369/1990, Fall 2001.
- ¹³ The overall number of municipalities in Slovakia was 2,883 in 2001. ZMOS associates 94.3% of them.
- ¹⁴ Act no. 416/2001, concerning the transfer of some competencies from state administration bodies to municipalities and regional self-governments, changed this situation. Effective July 1, 2002, more tasks in healthcare and social care will become the responsibility of municipalities and regional self-government.
- ¹⁵ In 2001, the Open Society Foundation provided support funds for creation of joint municipal offices and these conclusions drew upon the submitted projects.
- ¹⁶ In 2001, the draft law on creation and financing of the tourism association was elaborated upon.
- ¹⁷ Only municipalities which had daycare, elementary school or social welfare facilities within its territory have been taken into account.
- ¹⁸ In February 1998, 69% of eligible population intended to vote in municipal elections [FOCUS, 2000].
- ¹⁹ This section elaborated upon the surveys undertaken by the FOCUS agency in 1997–2000.