CHANGES IN THE LOCAL SELF-GOVERNMENT IN THE CONDITIONS OF SLOVAK REPUBLIC PER 25 YEARS

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Abstract

Changes in socio-economic conditions in countries create changes in the management of their economic and social processes, which results are also in the reform processes in the public administration. At the same time, with that also the concepts of its rational organization and effective management are looking for. The rebuilding of existing systems of public administration and the definition of its new roles in society was a very complex task because on the one hand don't existed coherent theory of public administration and on the other hand existed barrier of the political centralized management of public administration. The aim of the paper is to evaluate the most significant changes of the local self-government in the period 25 years on the example of the Slovak Republic. The analysis has shown that local self-government has undergone significant changes over the last 25 years, particularly in the area of financing. Although the aim of the changes was primarily to reduce the financial dependence of local self-government on the state budget, but this could not be achieved in its entirety. However, it should be added that the reform of public administration in Slovak Republic is not yet complete.

Keywords: local self-government, public administration, decentralization of competencies, financing of local self-government

Introduction

The idea of building a local public administration on the principle of self-government was crucial in terms of strengthening the political status of a citizen in the development of democracy. The first democratic elections to the self-governing bodies, which took place on 23 and 24 November 1990, created a new space and conditions for the restoration of civic activities and the development of local democracy. Law about the municipal establishment were defined self-governing functions of the municipality and the municipality started to act as a legal person. Instead of the centralist principle and the top-level directives, it has begun to apply the principle of subsidiarity. In accordance with this principle, it is necessary to manage public affairs and perform them at the level closest to the encountered problems (Klus, Kováčová, 2010). But it is important to deliver that any partial change in public administration cannot be called a reform. Changes in the organizational structure or the use of new management methods, if not

implemented in the context of changes to the whole system, cannot be considered as a reform.

Theoretical-methodological bases

A key instrument for changes in the organization of the state and public administration has become decentralization at all levels - political decentralization, decentralization of competencies and decentralization of finance (Nižňanský, 2005).

Decentralization of competencies

Decentralization in generally means the process of redistributing responsibility and relevant decision-making power from a higher level to a lower level of public administration or organizational unit. Solving the problem of decentralization of public administration and creating and strengthening territorial self-government has been and is one of the most important tasks in the process of building new political and administrative systems not only in Slovak Republic but also in other Central and Eastern European countries (Hamalová et al., 2014). Decentralization linked to the division of power is the result of falling credibility towards to the centralized state (Hornýák Gregáňová et al., 2015). Decentralization as part of the reform of the public administration strengthens the position of regional and local self-government.

In the conditions of Slovak Republic at the beginning of the reform the municipalities and the cities they acquired only the original competencies and the related property. Creation of property was done on a territorial principle. In practical terms it means that if the National Committee had the right to handle with real estate that were located in the cadastral territory of several municipalities and not only the one where it had its seat, has been applied the principle for the division of real estate into ownership of all those municipalities in which the objects were located. However, the process of property creation was also significantly affected by the processes of transformation of the economy through privatization and restitution.

Only in 2001 on the basis of the accepted concept of decentralization of public administration, whose main objective was the change of the territorial division of the Slovak Republic, the transition of many competences from the state to the self-government, the establishment of regional self-government and the strengthening of the financial autonomy of self-government, municipalities and cities began to gain competencies from the state. The first competence was the register that the municipalities and cities gained into their competencies in 2001. The following year the municipalities and cities gained competence of regional education. The transfer of this competence was accompanied by problems with

property. Together with the competencies they also gained property for the performance of these competencies. However, the state and also self-government did not depreciate property until 2003, which meant in practice that they were always registered the property at the acquisition value. When taking over the property of schools and school facilities however, this proved to be the biggest problem. The real value of the property did not correspond to the acquisition price and many municipalities refused to sign the delimitation protocols for taking over the property. The consequence was the fact that municipalities began to depreciate their property since 2003 and so the municipal property has earned real value.

Since, in the context of decentralization of public administration, municipalities gained many new competencies, with which many municipalities have not had the experience so they to start generating common offices, respectively joint municipal offices in accordance with the Law No. 369/1990 Coll. on the municipal establishment. This law allows municipalities to set up common offices respectively joint municipal offices on a voluntary and mutually beneficial basis. The purpose of setting up joint municipal offices is to improve the quality, rationalization and efficiency of the fulfilment of the transferred competencies of the state administration in accordance with the Law No. 416/2001 Coll. on the passage of some powers from state administration bodies to municipalities and higher territorial units. The joint municipal office, according to the valid legislation in the Slovak Republic, does not have legal personality, it is only a joint office in matters strictly stated in the contract for a joint municipal office for the contracting municipalities. There is no limitation of the identity of the municipalities and their legal status is not changed. The employees of the joint municipal office are not in the employment relationship with the general office, but are in the employment relationship with the municipality in which the joint municipal office is located. Belajová, Balážová (2004) note that the main tasks of the joint municipal offices include in particular:

- professional preparation of documents for the decision-making activity of the particular mayors in the administrative procedure,
- training of proposals for normative competencies of municipalities (preparation of proposals for generally binding municipal regulations),
- preparation of documents for the decision-making of the municipal councils of the particular municipalities and the bodies established by them,
- other functions, for example: Joint Registry

According to Neubauerová (2010), the choice of relevant criteria is very important when deciding on the creation of a joint authority, on the basis of which individual representatives of municipalities considering mergers of their municipal authorities decide on the merits of such inter-communal cooperation: in particular they decide about the choice and assessment of economic advantage, expertise and other criteria for determining the module of financial participation of individual

municipalities. In addition, according to the author, it is necessary to take into account the number and also the frequency of the activities carried out in the municipality and in the served territory, their administration, the professional and material requirements and the qualification requirements for the workers. Vavrek (2015) notes that while management of business entities can be controlled at various levels and it is possible to modify their control mechanism, the municipalities are evaluated only on the basis of legal regulation of their activities.

Changes in the process of local self-government funding

A very important factor determining the municipal economy is the financial system of local self-government, which can be defined as a balanced, compact system of financial resources through which the self-government bodies can achieve the aims of socio-economic development and realize their competencies (Švantnerová, Kožiak, 2005). This is also confirmed by Tetřevová (2008), who states that fiscal decentralization has changed the financing of territorial self-government, and incomes mainly related with the reallocation the tax of the personal income and the choice of local taxes form, which they represent an important part of the incomes of territorial self-government budgets. The income side of the budget is also represent limit for spending of self-government budgets expenditures that should be spent in terms of efficiency and economy. Andrejovská, Puliková (2018), Urbaníková (2013), Maroš, Rybanský (2016) note that taxes are in general considered as a relevant policy tool, which significantly influences macroeconomic outcomes of tax policies braked by some limits and those are tax rates. Tax rates are an important segmentation criterion that indirectly affects tax revenues and the economic performance of countries. The new system of financing of municipalities and higher territorial units, valid from 1st January 2005, strengthens the financial autonomy, transparency, stability and responsibility of the territorial self-government when deciding on the use of public resources to provide services to the inhabitants. The base of this process is the transition from the provision of subsidies from the state budget on the financing of competences through tax incomes, thus increasing the share of self-incomes.

The most important criterion for reallocation of this tax at the level of municipalities is the number of inhabitants with permanent residence in the municipality, which means that municipalities are able to roughly predict the amount of the funds that the state will make to the municipalities from the tax of the personal income.

Financing of municipalities until 2004 was determined annually by the law on the state budget. The share taxes consisted of 3 taxes – the tax of the personal income, corporation tax and road tax, however the percentage of two taxes changed annually, with the fact that the total volume of tax incomes of municipalities on central taxes was defined in advance. In 2002, in the third stage

of decentralization, the process of transferring competences from the state to territorial self-government began. This transfer of competences also meant growth of municipal expenditures, but the system of financing of municipalities and cities not changing. The inadequate own incomes of municipalities were therefore supplemented annually by the state budget with targeted subsidies, the amount of these subsidies was centrally decided by the Parliament. Negative of this financing of municipal self-government was also its political subordination and also the fact that the law about the state budget was in principle always accepted by the Parliament only in December. After the fiscal decentralization in 2005 the government to decide by the regulation about the division of the personal tax income between municipalities. A positive aspect of this process is also that municipalities not received less funding than before fiscal decentralization. This is also confirmed by Graph 1, which shows that during the period 1991 - 2017, with the exception of 2008 and 2009, we are seeing the annually increasing of the share taxes. From the implementation of fiscal decentralization to the present time, we are seeing more than a 2.5 times increasing of the volume of funds for municipalities in the form of share taxes. The change occurred in 2009 with the onset of the financial crisis, when the Slovak economy slowed down so the state chose less taxes, which was also reflected in lower incomes for municipalities. Tej (2010), Korenková (2014) note that in the institutions of self-government is essential to apply a risk management framework because of the removal or elimination of risk, increase quality of services for the population and sustainable development. So in 2009, even by Government Resolution No. 868, dated 2 December 2009, was provided to the municipalities an extraordinary subsidy from the state budget of the Slovak Republic in the amount of 100 million. € to cover the loss of tax of personal income for improving their situation in 2010. This subsidy was sent to all cities and municipalities in amount of about 8.56% of the tax income for the each municipality in December 2009. Municipalities used it for current expenditures in 2009 and for current expenditures until 31 March 2010, but they could not use them to pay wages, salaries, services income and other personal settlements. This fact also revealed the negative aspect of fiscal decentralization, namely the high dependency of municipalities from the state budget, although the aim of fiscal decentralization was to increase the financial autonomy of municipalities. This is confirmed by the development of total tax incomes of municipalities (Graph 1), which is a copying of the development of the share taxes, because the share taxes represent the vast majority of tax incomes of municipalities.

This is confirmed the share of the share taxes on total tax incomes of municipalities, which has increased from 21.29% since 1991 to 76.72% (Graph 2).

It follows from this that the consolidation of public finances brought to the municipalities, on the one hand, a change in financing through the fiscal decentralization carried out and increased the incomes they receive from the state,

but on the other hand, it has not achieved its aim of increasing the financial autonomy of the municipalities. The incomes from tax of personal income account for 70% of the tax incomes of municipalities, which ultimately affects the financial management of municipalities in the event of unfavourable development of this tax. The municipalities are primarily used these incomes for securing of original competencies. Balážová et al. (2012), Lněnička (2014) state that municipalities, as separate economic and legal entities, have the opportunity to perform tasks beyond their competencies, provided they have the resources and the necessary level of professional and active human potential.

Graph 1: Development of tax incomes of the municipalities in Slovak Republic

Source: Ministry of Finance of Slovak Republic, own processing

Graph 2: Development of the share taxes of the municipalities in Slovak Republic

Source: Ministry of Finance of Slovak Republic, own processing

In Slovak Republic is applied the vertical model of self-local government financing combined with more centralizing elements - based on fiscal federalism, if we take into account that own municipal incomes are only local taxes because their share in total incomes is only around 11%. In addition, the share tax represents a significant part of the incomes of the local self-government (Graph 3), and right here the state decides how much percentage of this income will receive the municipalities. Since the fiscal decentralization, the state has changed the amount of this tax that the municipalities receive four times. Last time in 2016 and since then municipalities receive 70% of the total income from the tax of personal income, which will be collected by the state. In the same way, the state may also intervene in tax legislation on local taxes. However, it should be noted that for some local taxes the state sets minimum or maximum rates, but it is up to the municipality to decide what rate of local taxes will be collect within the set limits.

Graph 3: Development of the tax of the personal income of the municipalities in Slovak Republic

Source: Ministry of Finance of Slovak Republic, own processing

Conclusion

The reform of the public administration is not yet complete. At present Slovak Republic is undergoing state administration reform under the program ERO (Effective - Reliable - Open State Government), which should result will be restructuring, improvement and optimization of services provided by state administration to citizens. After the reform of the state administration, it is assumed that the reform will continue at the level of the territorial self-government. Since 2004, there has been a debate on the issue of reform of municipalities, which should

result will be in the consolidation of the settlement structure of the municipalities. From the total number of municipalities (2 890 municipalities), more than 40% of municipalities fall into category where they live up to 500 citizens. However, many representatives of local self-government are disagree with this process because they are afraid of losing identity of their municipality. However, with the decreasing number of citizens of Slovak Republic and especially by the downfall of the number of citizens in small municipalities (up to 500 citizens), the consolidation of settlements can be one of the solution of the fragmented settlement structure of local self-government in the conditions of Slovak Republic.

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