

Bratislava Slovakia

Construction of a highway bypass has been underway in Bratislava since 2016

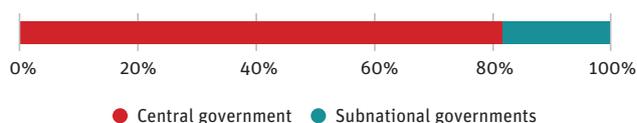
● **CITY:**
0,4 mil. obyvatel

● **METROPOLITAN AREA**
0.6 mil.
(+0.7% pop. change /5 years)

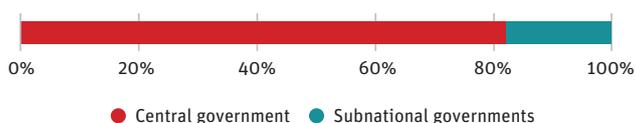
GDP: 195 % of the average EU28 GDP
(+2.3% average annual change in GDP /5 years)

How local public finance systems work in Slovakia

PUBLIC REVENUE



CAPITAL EXPENDITURE



Slovakia has a **two-tier system of subnational governments** (SNG); it is comprised of 8 self-governing regions and 2,930 municipalities. The legal framework of fiscal decentralization consists of several legal acts from 2004 pertaining to regional and municipal budgets. Despite the major fiscal decentralization reforms of 2005, Slovakia is one of the most centralized OECD countries with respect to expenditures and tax revenues. The ability of municipalities to influence their incomes and expenditures is often limited by their small size and the lack of cooperation in providing public services. **Due to their low fiscal autonomy, SNGs are primarily dependent on government transfers.**

Public investments in Slovakia are funded primarily by the central government and SNGs are responsible for only 20% of investment (OECD 51%). The country is heavily dependent on European structural and investment funds. **Municipalities are the most significant SNG investors, accounting for 80% of SNG investment.** Capital expenditures of SNGs are most frequently invested in housing and civic amenities (as well as transportation, education and the environment).

Compared to the OECD average, SNG revenue represents a relatively small portion of the GDP. Revenues mainly come from 3 sources: taxes, non-tax revenue (fees and property income) and transfers from the central government and the EU. **Transfers and grants make up 74% of the SNG revenue** (OECD unitary countries 49%). **The share of taxes in the total SNG revenue is 7%** (OECD unitary countries 39%).

Since 2014 (and the implementation of the 2008 System of National Accounts), **personal income tax** redistributed by the state is no longer counted as tax Revenue, **but as a transfer from the central government**; this is the reason for the major drop in SNG tax revenue after 2013.

SNG tax revenue represents 3% of the total public tax revenue and 0.5% of GDP (compared to OECD figures of 20% and 5%). Meanwhile, municipalities are the only level of SNG with the power to collect their own taxes.

The main municipal tax is the property tax, collected regularly from the owners of land, buildings and apartments. Municipalities can adjust the property tax rate according to local conditions. In 2016, this tax represented 83% of the municipal tax revenue and 6% of the total SNG revenue; yet the income from this tax represents only 0.4% of the GDP (OECD 1%). One reason for the low income share is the failure to take into account the market value of the land when establishing the basic tax rate. Work is currently underway for reform, but the question remains just how long this will take. Municipalities are also obliged to levy a waste collection tax. Other (voluntary) taxes include a tax on motor vehicles in the historic part of cities, accommodation tax and a tax on vending machines. Municipalities determine whether to collect the particular tax and set the rate.

Transfers are divided into earmarked and non-earmarked. From a revenue perspective, major non-earmarked transfers represent a share of SNGs in personal income tax. **In 2016, the formula for allocating taxes was modified; regions now receive 30% and municipalities 70% of the total revenue from personal income**

taxes. Transfers are set up to balance the ability of local governments to finance necessary expenditures – depending on the size of the population, age structure, area etc.

Transfers from the central government earmarked for funding certain services represent roughly one-third of the municipal budgets. These transfers serve in particular to fund education (teacher's salaries), to provide public services, construction and transportation, regional development and tourism. **In 2016, current transfers accounted for 93% of all transfers and grants.**

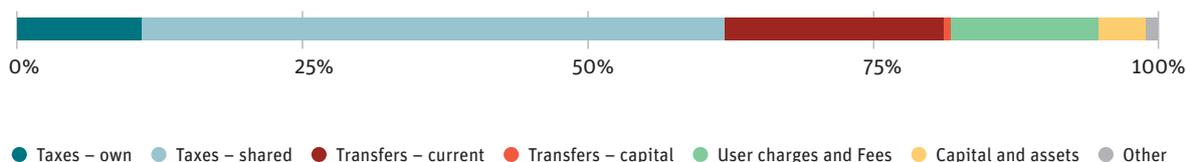
Annually, fees represent 17% of total SNG revenue (10% in OECD unitary countries). Other income includes operating surpluses of public companies, business income, property income, gifts received, interest on deposits and the collection of fines. In 2015, a fee was also introduced for the issue of building permits within the municipality. This is paid by both individuals and legal entities. Together, however, these other revenues account for less than 1% of SNG revenue.

Source: <http://www.oecd.org/cfe/regional-policy/Observatory-on-Subnational-Government-Finance-and-Investment.htm>

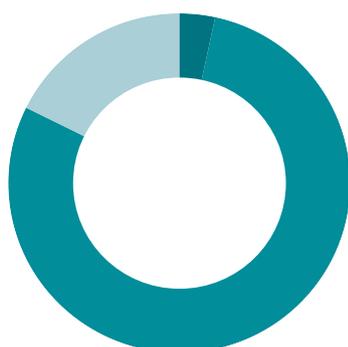
Finances of the City of Bratislava

REVENUE SOURCES

Economic classification of revenue

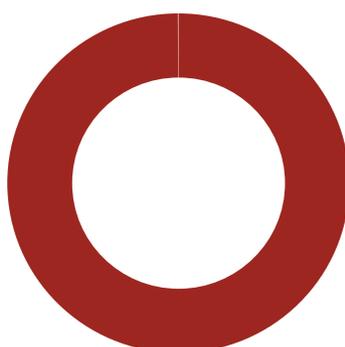


Tax base



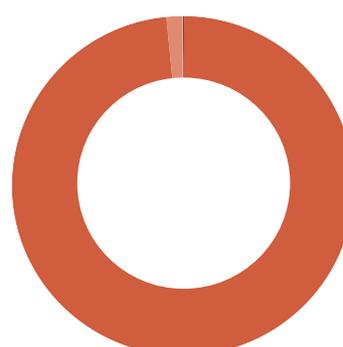
● Production ● Income and wealth
● Assets

Transfers conditionality



● Earmarked
● Unknown

Transfers origin



● Other SNGs ● Central
● International ● Private

Balance sheet and debt

-3%

BUDGET BALANCE

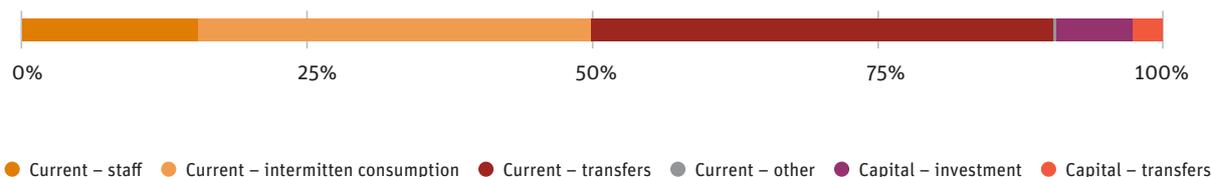
47%

DEBT AS A PERCENTAGE OF ANNUAL REVENUE

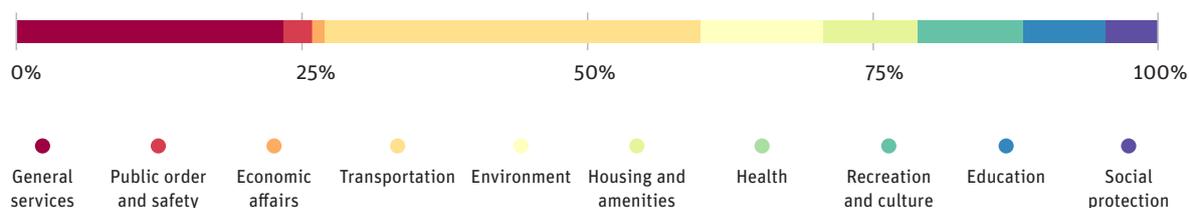
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EXPENDITURE COMPOSITION

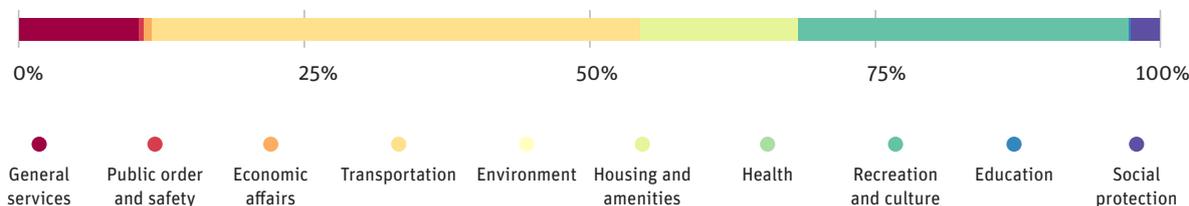
Economic classification of expenditure



Functional classification of expenditure



Functional classification of capital expenditure



Source: Own questionnaire survey (2019)

Highway ring road (since 2016)

The D4 highway in the south and southeast of the city is 27 km long and the R7 feeder is 6 km long. Together they cost EUR 1.4 billion

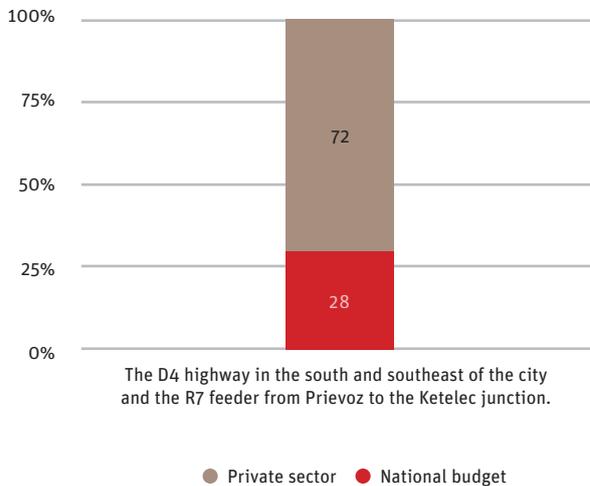
The D4 highway from Jarovce – Ivanka-north – Rača measures a total of 27 km and includes a new bridge over the Danube and the R7 feeder from Prievoz – to the Ketelec highway junction.

This road will serve as an outer bypass of Bratislava and will connect Bratislava to the southern parts of the Trnava region. Construction on the R7 begun in the fall of 2016, work on the D4 begun in the summer of 2017; construction went into full swing in the spring of 2018. The original date for opening the highway was 2020, but the project is 1–2 years behind schedule.

The project was funded through public-private partnerships, since EU funds cannot be drawn in the Bratislava Region and the state does not have the money for such construction (the state financed the purchase of the land). The concessionaires are Cintra, Macquarie Capital and Porr. Within the concession, a consortium arranges for the design work, complete realization, funding and the actual operation and maintenance of the project. The concession contract was signed in 2016, the concessionaires will administer the road for a period of 30 years.



Bratislava highway ring road



Source: www.d4r7.com, www.ceskedalnice.cz