

Fragmentation and Consolidation Reform in Slovakia

[Fragmentácia a konsolidačná reforma na Slovensku]

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Abstract: Local government reform is a long-standing topic that appears in regular four-year election cycles. In general, the systems of connecting municipalities are presented in the form of voluntary - bottom-up approach or central - top-down approach. The aim of this paper is to assess the views of mayors elected in the 8th election cycle on merging current municipalities and consolidation reform. On a sample of 448 mayors across Slovakia, we focused on the impact of current events and views on the feasibility of measures that would lead to the consolidation of the number and more efficient self-government in Slovakia. The results of the research indicate a persistent reluctance to merge, the representatives do not find significant advantages in merging, on the contrary, in smaller municipalities with less than 500 inhabitants, there is a fear of losing investments in favor of a larger municipality.

Keywords: amalgamation, consolidation reform, fragmentation, local governments, Slovakia.

JEL classification: H7, R50

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Introduction

Fragmentation is a topic of concern in slovakian society once per election cycle. Usually it is before election itself. What should self-government look like? Is the current structure satisfactory? If so, for whom? The central government left relatively large freedom to the municipalities in matters of merging and inter-municipal cooperation. Although consolidation would represent considerable savings in financial resources and would open up space for greater fiscal autonomy of local governments, trends suggest it is not popular solution among elected representatives. It could bring significant benefits in the area of regional development and equal conditions. Equality of conditions is guaranteed by law and means that a municipality, regardless of its size, should provide services of the same quality as in a district or regional city or smallest village. Current structure is failing in achieving this goal.

The main research question of our research is to find out how municipalities perceive consolidation, to answer the questions of the optimal region, the current services they provide. In our analysis, we used our own created questionnaire. We contacted all municipalities in Slovakia via the email address provided by the Ministry of the Interior of the Slovak Republic.

1 Literature review

The question of fragmentation and defragmentation has been the subject of many studies and continues to be one of the most discussed reforms in public administration. The area of investigation of this issue falls into the theory of fiscal federalism. It is related to the need for decentralization of public power. Decentralization involves the transfer of competences, responsibilities and resources from a higher level, as close as possible to the voter. This principle is called the principle of subsidiarity and is described in more detail by Nižnanský (2009). Decentralization of public administration not only brings with it guaranteed benefits, but also risks. The Slovak Republic carried out reforms after the change of regime in the early 1990s, and the process itself stopped around 2004.

The fragmentation of the municipal structure itself began to be solved in Europe in the 60s and 70s of the 19th century. Brix and Šmatlánek (2021) state that the number of municipalities decreased the most in Lithuania (by -90%), Sweden (by -87%), Denmark (by -80%), Belgium (by -78%), the United Kingdom (by -77%) or in the Federal Republic of Germany (by -51%). Currently, it is a problem especially in post-communist countries in Central Europe, such as Hungary, the Czech Republic, and Slovakia. Within Europe, there are also countries such as Albania, North Macedonia, Ukraine, Moldova, Latvia, Estonia.

Maličková (2019) perceives the problem of fragmentation of local governments as a significant problem when changing the tax system, which would be set in favour of greater fiscal autonomy of local governments. Fragmentation reduces the ability of smaller municipalities to develop, to use various available tax instruments. Neubauerová and Dubovina (2010) observe the problem of not solving the issue of consolidation as a significant risk with the perspective of securing competences that are given to local governments by law. Klimovský (2009) assumes that in order to achieve decentralization reforms, it will be necessary to deal with issues of territorial fragmentation. Papcunová (2017, p.140) says that "in case of consolidation of the settlement structure, a change in the financing of local self-government will certainly follow." Klimovský (2013) further states that these countries had experience with an undemocratic way of governing by the central government. Therefore, the reform is more difficult to enforce on the part of the central government. Any changes are considered an attack on the independence of local governments.

In Slovakia, from the point of view of legislation, Jakubíková (2014) dealt with the merging of municipalities. It was mainly about the process of transformation during the creation of a new joint municipality and the dissolution of the original smaller municipalities in terms of obligations - accounting closing following Majorová and Kašiarová (2009) and Stašová Hudáková (2010).

Brix (2020) introduces the concept of optimal size of municipalities. He states that not only fragmentation, but also excessive consolidation can be a problem. From the point of view of optimal size, a municipality is presented that would cover at least 3,000 inhabitants, some literature puts this figure at 5,000 citizens (Nižňanský 2014). This number, according to Belajová et al. (2014) was to ensure optimal financing and efficient operation of the municipality. Kráľová (2020) states that small municipalities have problems with the limitation of their tax capacity, tax base. Kráľová (2020, p.115) *"Municipalities have at their disposal a considerably limited amount of tax revenue, which serves mainly to cover personnel expenses and, to a lesser extent, to provide for the needs of residents. These incomes do not create sufficient space for the implementation of development activities in small municipalities, and municipalities have to search for and use alternative sources and financing options, which, however, are also associated with certain obstacles in small municipalities."* Kráľová (2020) mentions bank loans as financing alternatives, which, however, for smaller municipalities, they bring liquidity and solvency risks. Another possibility, especially from the point of view of investments, are the European Structural and Investment Funds, but with a 5% co-financing participation, they prevent smaller municipalities from participating in them. Small municipalities are mostly accompanied by other unfavourable economic conditions that prevent their further development, such as, according to Brix (2020), a lack of job opportunities associated with a low rate of employment, an unfavourable age (demographic) structure of the population, poor availability of school and social facilities. Small municipalities do not have to have a municipal economic development plan or a territorial plan (Kráľová 2020).

2 Data and methodology

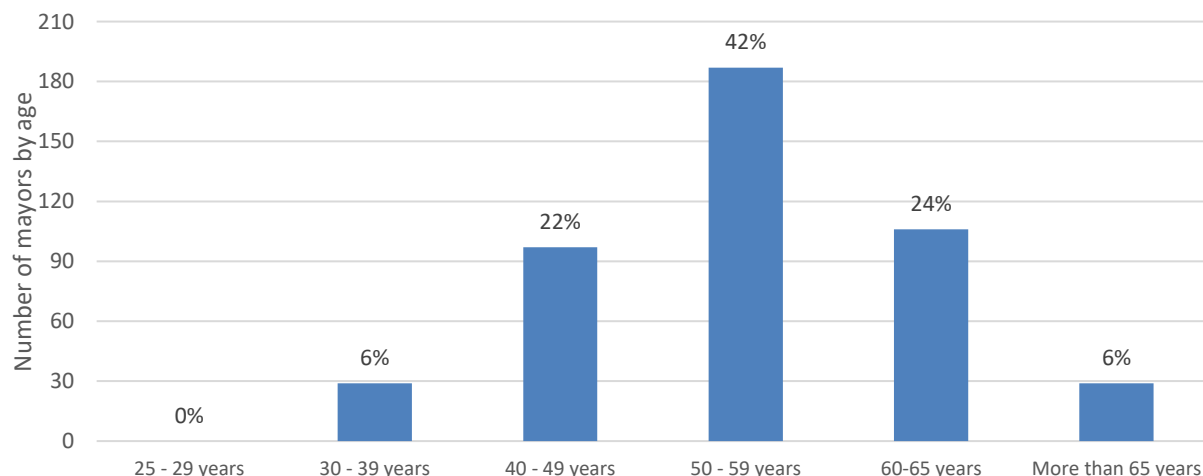
This chapter contains a specification of the relevant data collection process, a description of our sample. The aim of the work was to bring views and opinions of elected representatives on the possibilities of joining municipalities into larger self-governing units. We looked for the most common reasons for the current situation and the perception of benefits that the consolidation reform would bring.

In terms of methodology, we compiled a questionnaire with 11 questions, which were intended to categorize our sample and on the basis of which we could differentiate the opinions of smaller, medium and large municipalities on consolidation. We included questions regarding age, gender, education, profession before election, mayor's/mayor's term of office, political affiliation in other elections, political ideology of the mayor, as well as the size of the municipality, region (region) and the presence of a marginalized Roma community. The questionnaire was conducted via the website click4survey.cz. Main part was about consolidation reform and opinions of local government representatives of the 8th election cycle, which lasted during period 2018-2022. Part of questionnaire was to measure the impact of the pandemic on local governments, on the extent of revenue shortfalls caused by crises, which is not part of this research (Solej 2023).

Out of a total of over 2900 e-mails sent, we managed to contact 1082 mayors, of which 448 filled out the questionnaire completely, 136 elaborated the questionnaire, but did not finish it. The return rate of the questionnaire was 41%. The data was collected in the period from September 28, 2022, to November 21, 2022.

Out of the total number of 448 mayors, 67.41% were men (302 responses) and 32.59% were women (146 responses). Figure 1 we observe the distribution of mayors by age. Almost half (42%) of the mayors are aged 50-59, about a third are over 60, 21.65% are aged 40-49 and only 6.47% are younger than 40. It suggests that voters prefer candidates who are men over 50 years of age.

Figure 1: Distribution of mayors by age category as of November 2022

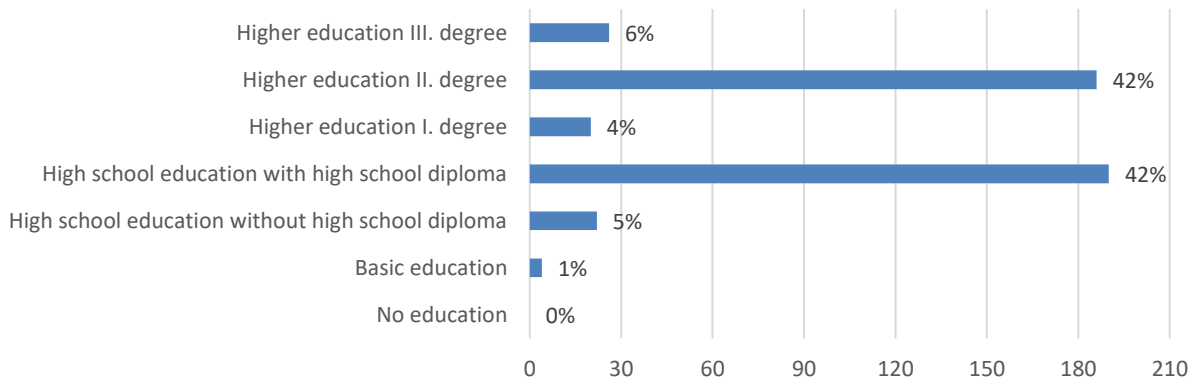


Source: own research

From the point of view of the highest level of education, we can see that half of the respondents had a university education - bachelor's degree (20 mayors – 4.5 percent), master's degree (186 mayors – 41.5%) and doctoral degree (26 respondents – 6 percent). The remaining half are mayors with secondary education - 42% with a high school diploma (190 responses) and 5%

without a high school diploma (22 answers). Less than one percent of mayors have only basic education as their highest level of education.

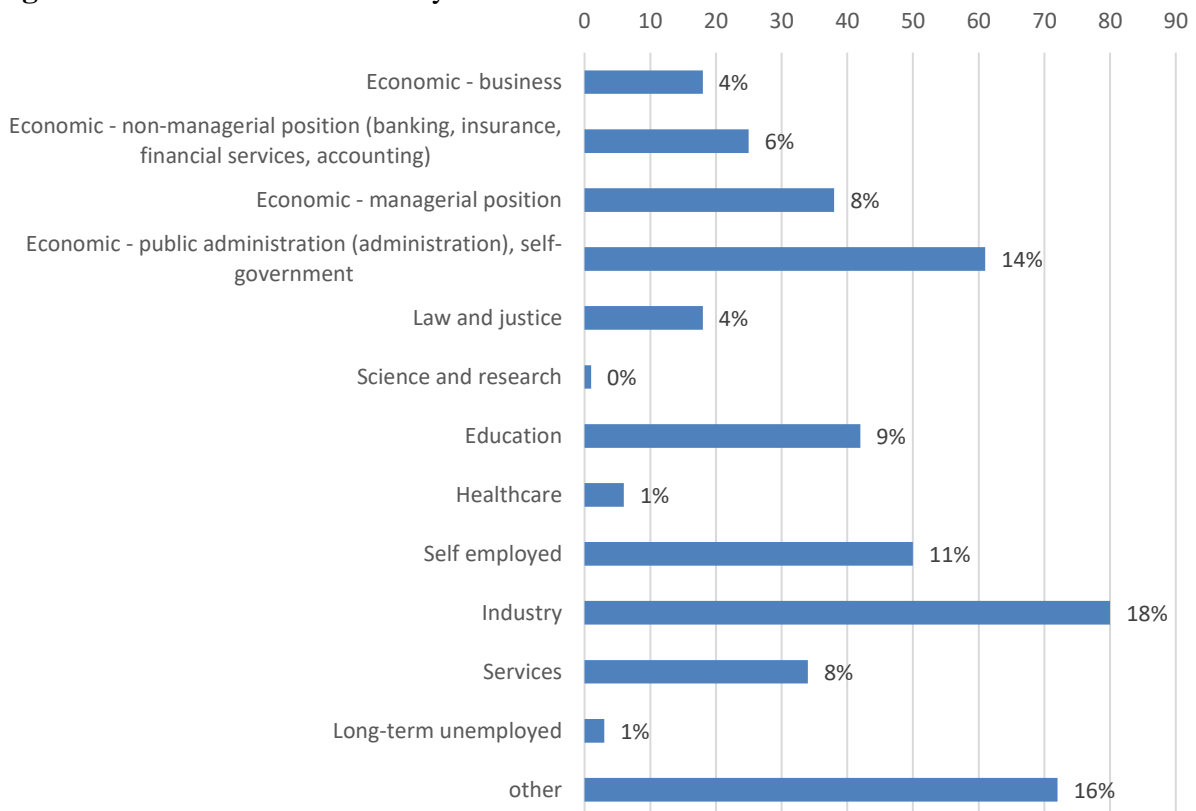
Figure 2: Distribution of mayors according to highest level of education



Source: own research

Figure 3 shows the origin of mayors of cities and municipalities in terms of their previous profession before taking office. 32% of mayors worked in the economic field, approximately one third of them in self-government (14% of the total sample). The second largest group worked before in industry 18% (80 responses) and in other professions 16%. Here we mainly included agriculture, army, police, state administration and IT workers.

Figure 3: Area / Profession of mayors before election to office

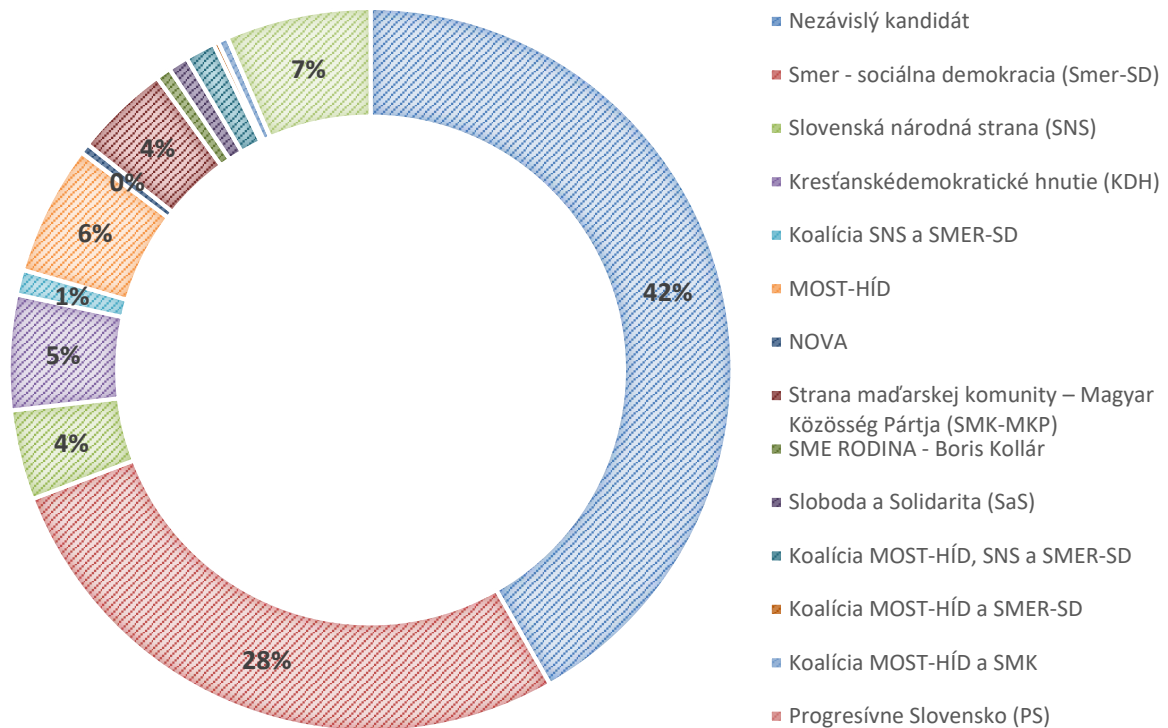


Source: own research

Figure 4 shows the representation of mayors in our sample based on the party or movement they ran for in 2018. Candidates without party support, the so-called independent candidates, made up approximately 42% of all respondents (187 mayors). SMER-SD representatives had

the largest representation in the research, up to 27% (123 mayors). After socialists there are three regional parties with similar representation – Christian democrats - KDH (5%). Slovak national party - SNS (4%) and hungarian minority party Most-híd (6%)

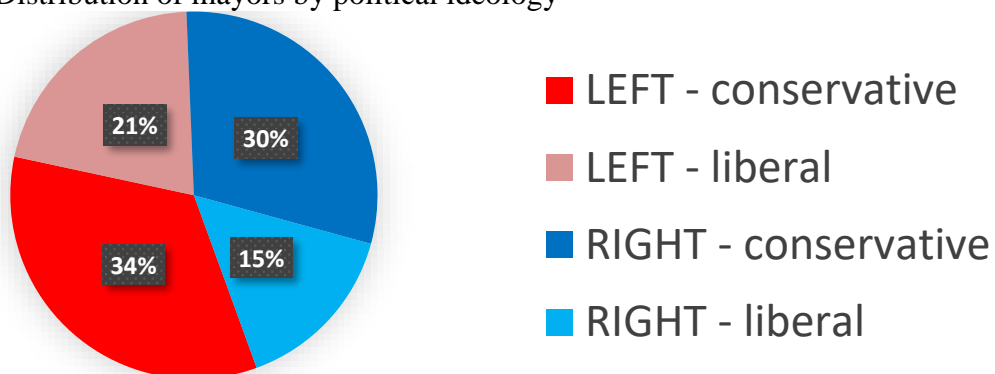
Figure 4: Distribution of mayors by political party or movement for which they ran in 2018



Source: own research

In the past, the status of an independent candidate was mainly used by candidates of one of the ruling parties who did not want to be associated with the political party at the national level. Therefore, the questionnaire included the possibility to mark the preferred political ideology. When comparing with Figure 5, we can see that ideologically our sample is divided into 56% Left-oriented mayors and 44% Right-oriented representatives of local governments. When divided into conservatism and liberalism, this ratio is 64:36 (see Fig.5).

Figure 5: Distribution of mayors by political ideology

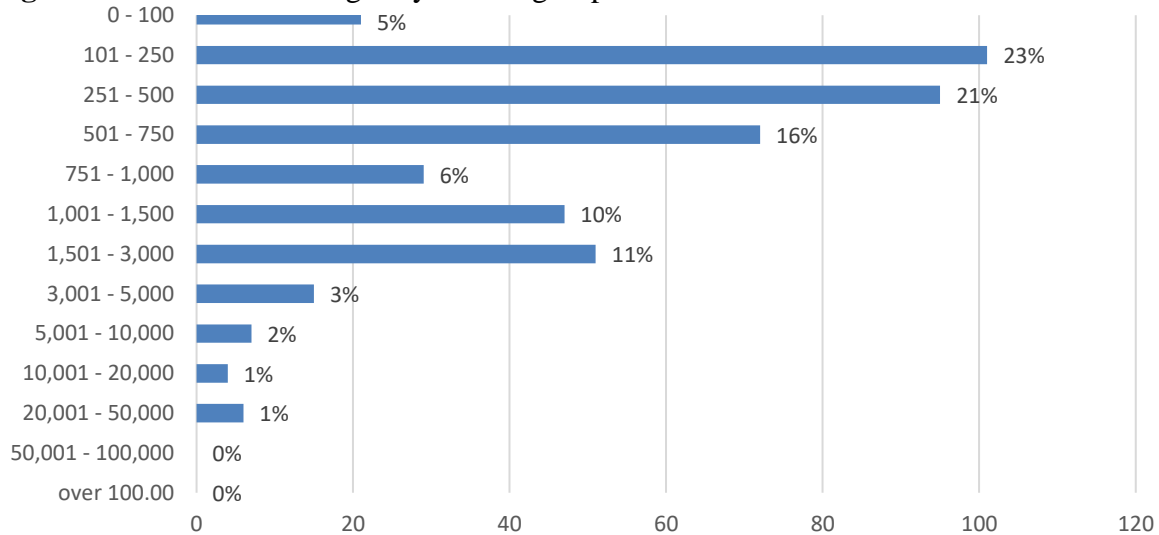


Source: own research

Figure 6 shows the number of municipalities according to the size groups that we have in our sample. Up to 48% of the municipalities we have are from the category of under 500 inhabitants, a quarter are in the range of 101-250 inhabitants. Another 21% of municipalities were in the

range of 500-1000 inhabitants. The largest representation by region was the municipalities from the Prešov region (23%) and Banská Bystrica region (22%). Two biggest regions in Slovakia. Another regions followed – Košice (19%), Žilina (13%), Nitra (11%) and around 4-5% had Bratislava, Trnava Trenčín region. A third of the municipalities involved in the survey had a marginalized Roma community in the municipality. In smaller villages it was only a quarter and in bigger municipalities it was 41%.

Figure 6: Distribution villages by its size group



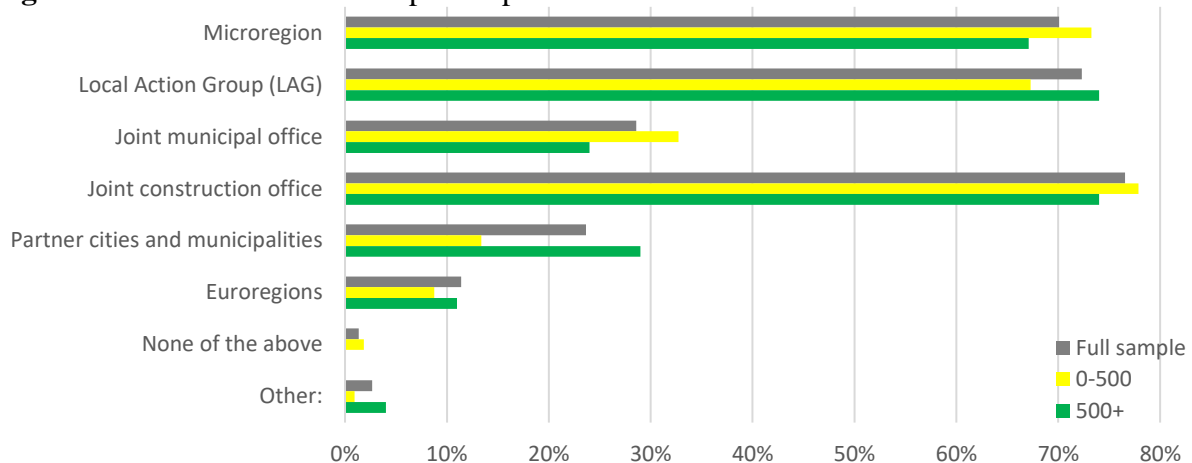
Source: own research

3 Results

The fragmented municipal structure in Slovakia represents a long-term problem that municipalities are trying to solve through inter-municipal cooperation. Nowadays, it is a matter of course, for all municipalities. Either in a more intensive form within the sharing of services, which are more difficult to finance in smaller municipalities. Small municipalities can provide, to a very similar extent as bigger municipalities, mainly classic services such as public lighting (98% of municipalities with a population of up to 500 inhabitants) or public radio (95% of municipalities with a population of up to 500 inhabitants).

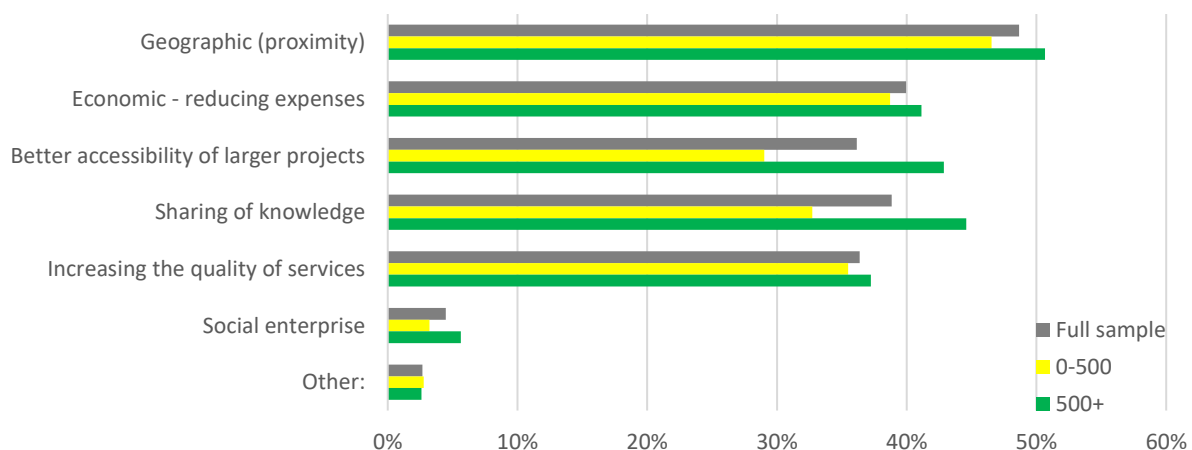
What smaller municipalities with up to 500 inhabitants, must share is the service of school districts, kindergartens (availability only in 26% of them), elementary schools (10%), registry office (13%), construction office. Smaller municipalities are behind in infrastructure investments such as sidewalks (only 41% - compared to 83% for municipalities with 500 inhabitants), sewerage (7% versus 49% for municipalities with 500 inhabitants), or water supply (55% against 85%). This presents a problem in the future development of all regions, cities and municipalities and ensuring equal conditions for citizens.

Among the most frequent collaborations, as can be seen in Figure 7, is the joint construction office (77%). Local Action Group (72%) Microregion (70%). Cooperation abroad is not so widespread among municipalities. Only a quarter of municipalities have cooperation with partner cities and municipalities and Euroregions. For smaller municipalities, this number of cross-border cooperation is even lower.

Figure 7: Forms of inter-municipal cooperation

Source: own research

The most common reasons presented in Figure 8 include geographical distance (49% of respondents) and the second reason are economic reasons (40%). Sharing information (39% of responses) and increasing the quality of services and better quality of larger projects (36%). Among larger municipalities, these numbers are higher and they value more knowledge sharing.

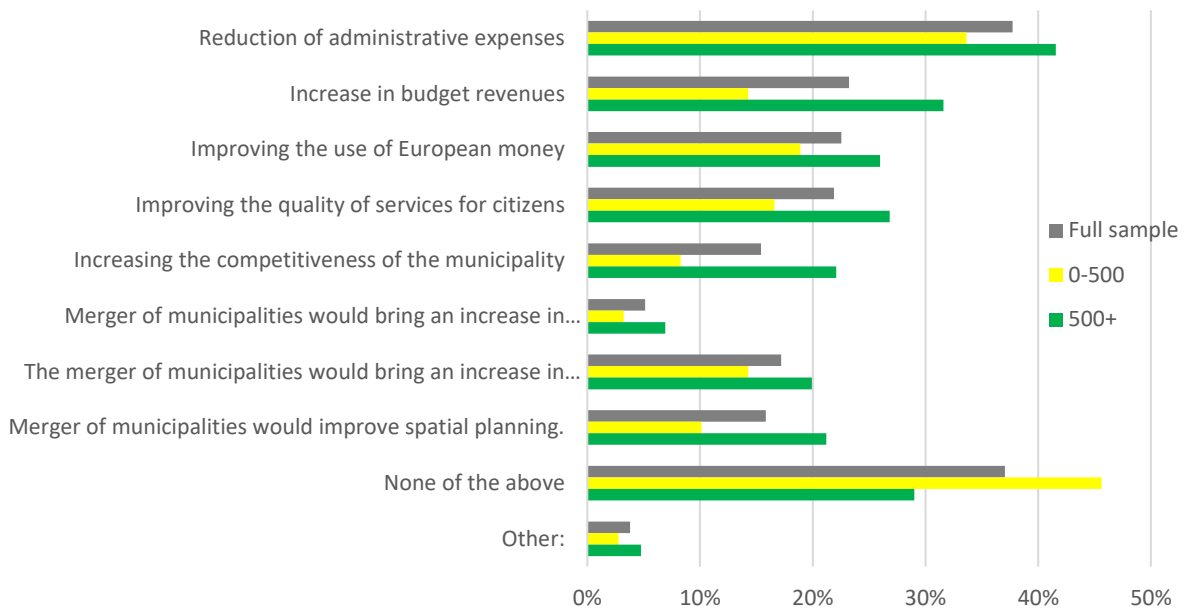
Figure 8: Reasons for existing inter-municipal cooperation

Source: own research

If the mayors were exposed to the question of merging, their most common reasons for a possible merger to be a reduction in the administrative costs of municipalities (34% for smaller municipalities, 42% for representatives of municipalities over 500 inhabitants), a possible increase in income is seen only by a few respondents, as well as an increase in the quality of services and the use of European resources. About a quarter of all respondents see the benefits of increasing budget revenues, improving the use of European money, improving services for citizens.

However, in municipalities with up to 500 inhabitants, scepticism prevails and up to 46% do not see the benefits of a possible merger. Almost third of municipalities with 500 inhabitants do not see any benefits. In all categories, there is a difference between smaller and larger municipalities. (see Figure 9)

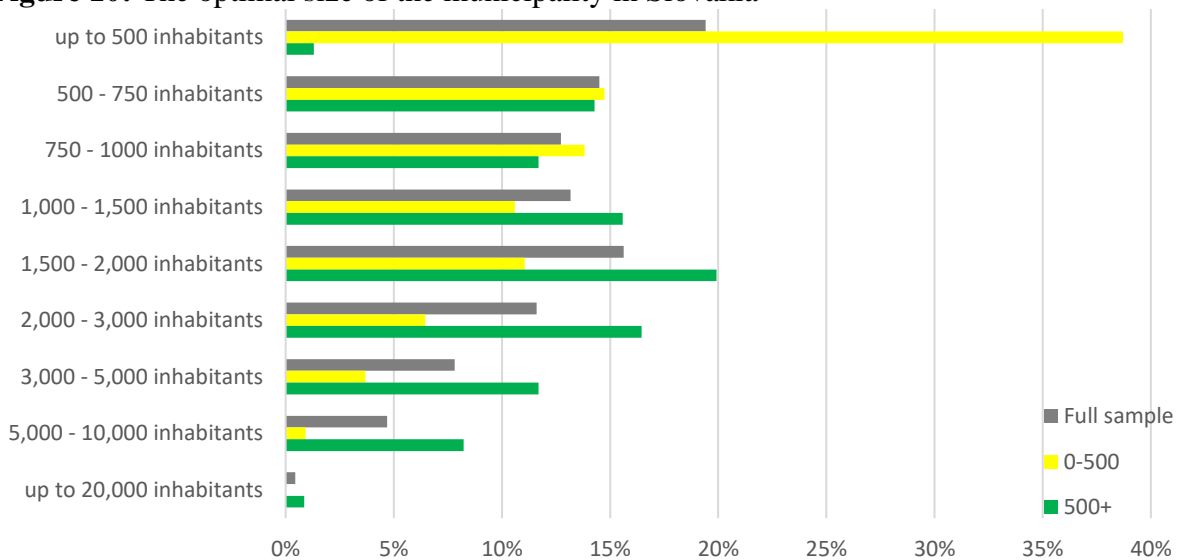
Figure 9: Possible benefits resulting from the merging of municipalities



Source: own research

When it comes to the question of the optimal size of a municipality, small villages remain relatively conservative, up to 40% of respondents see the optimal size as up to 500 inhabitants. Moreover, half of the mayors are open to village sizes from 500 to a maximum of 2,000 inhabitants. Conversely, municipalities with 500 inhabitants have their interquartile range for optimal size from 1,000 inhabitants to 3,000 inhabitants (see Figure 10). Which is closest to Brix (2020) findings.

Figure 10: The optimal size of the municipality in Slovakia



Source: own research

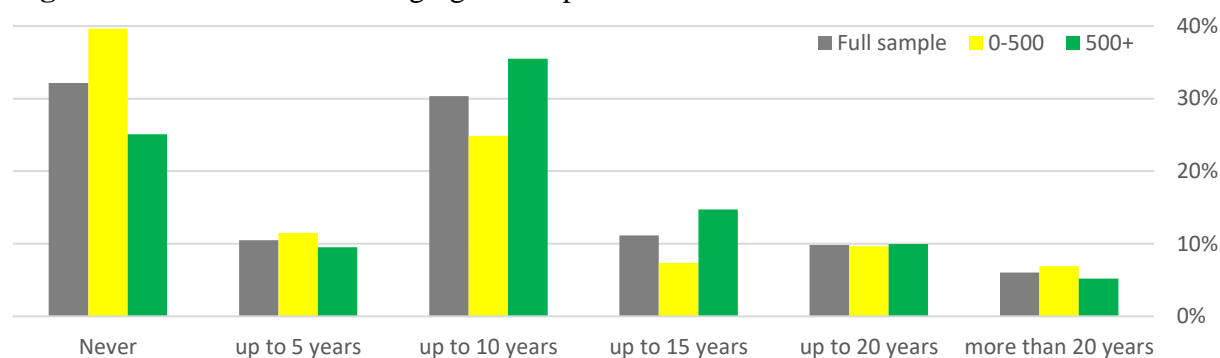
In table 1 are presented answers to the questions of whether consolidation reform will occur in Slovakia. Opinions are divided almost in half. 41% of respondents are convinced in smaller municipalities and 53% in municipalities with more than 500 inhabitants. Only a small part of the elected representatives were absolutely convinced of the future merger. The results suggest that smaller villages are more skeptical.

Table 1: Probability of future consolidation reform

| | Full sample | 0 – 500 inhabitants | 500 + inhabitants |
|----------------|-------------|---------------------|-------------------|
| No, certainly | 51 (11%) | 33 (15%) | 18 (8%) |
| Rather not | 186 (42%) | 95 (44%) | 91 (39%) |
| Rather yes | 182 (41%) | 80 (37%) | 102 (44%) |
| Yes, certainly | 29 (6%) | 9 (4%) | 20 (9%) |

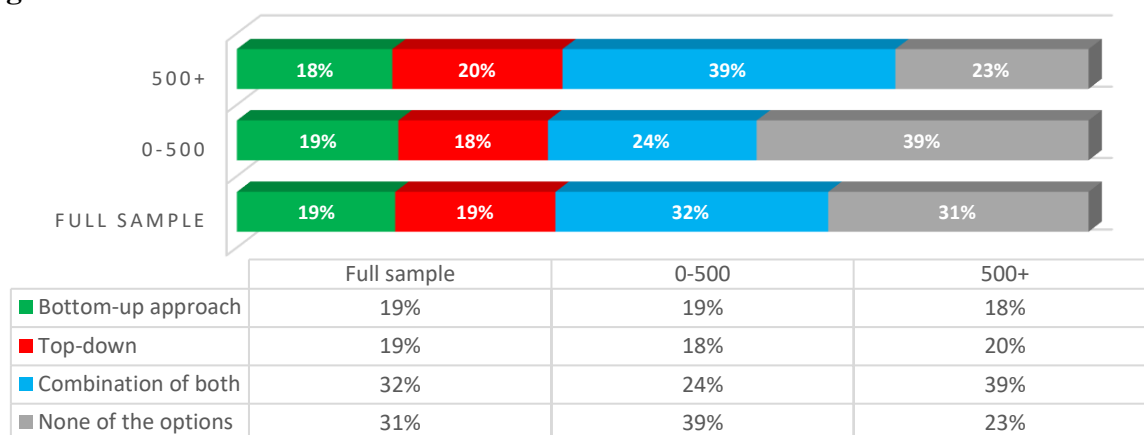
Source: own research

In response to the time horizon of the potential merger (see Figure 11.), Almost 40% of the respondents stated that, in their opinion, the possible reform will take place within 10 years. Within five years, a tenth of the mayors are convinced of a possible merger, and the same also with a time horizon of up to 15 years and up to 20 years. There is no clear answer to the question of how many municipalities the mayors can imagine merging with. Again chart shows that 40% of mayors of smaller municipalities cannot imagine future reform. A quarter of larger municipalities and cities do not believe in reform in the foreseeable future.

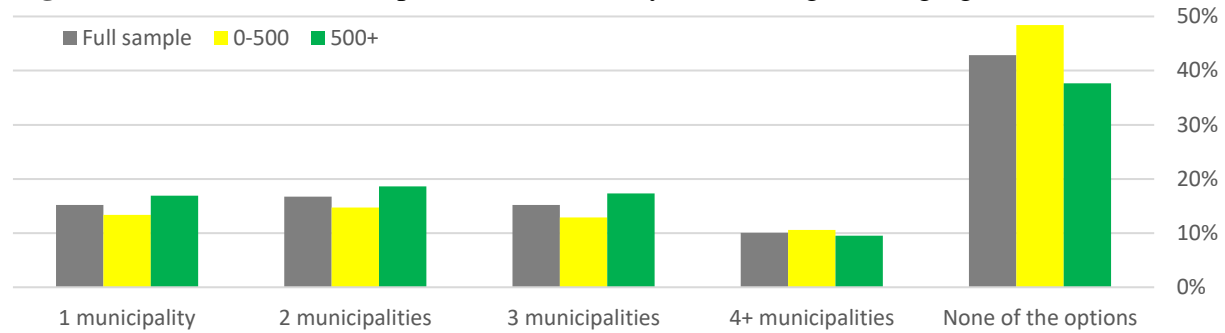
Figure 11: The horizon of merging municipalities and consolidation reform

Source: own research

Respondents were also consistent with other answers, as can be seen in Figure 12. Between the choices between the top-down approach and the bottom-up approach, the research participants could choose between their combination or none of the methods. Regardless of the size of their municipality, the respondents were evenly divided between the approach of voluntary association from the mine and the directive approach from the central government. Up to 40 percent of the mayors of larger municipalities believe that the reform will take place in the future in a combination of the central government and municipalities.

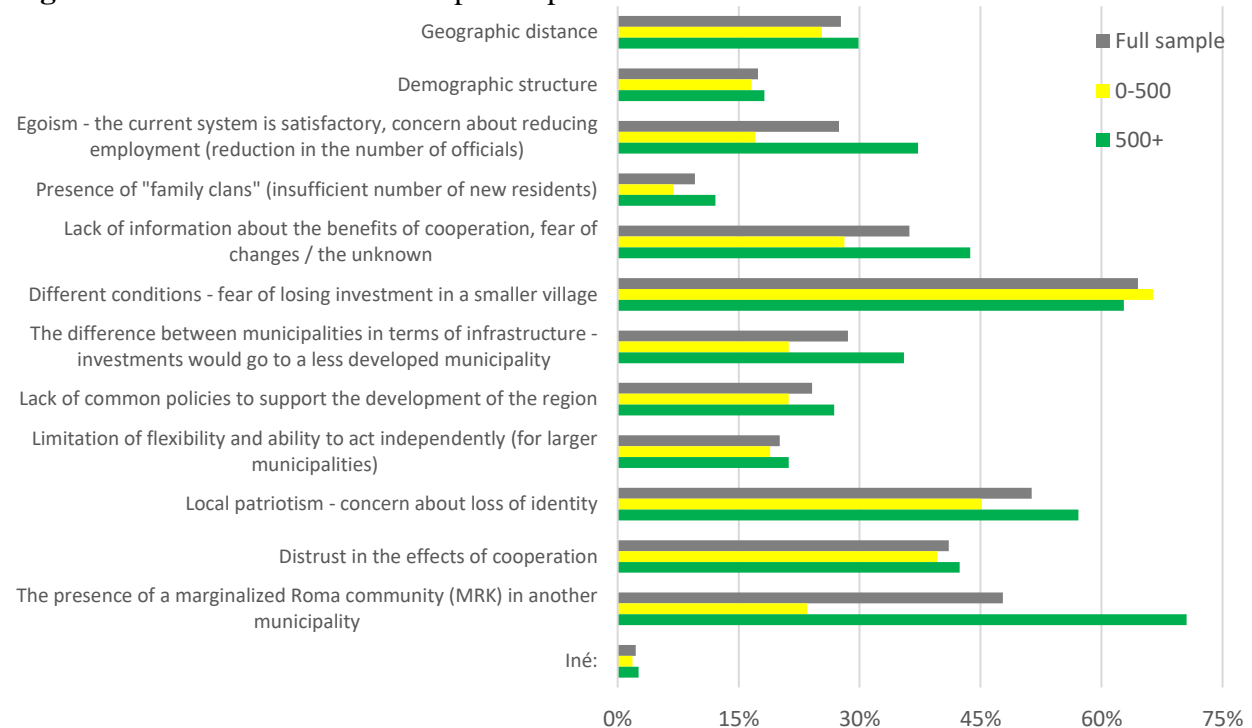
Figure 12: What form will consolidation reform take?

Source: own research

Figure 13: Number of municipalities with which you can imagine merging

Source: own research

Figure 13 describes the optimal number and willingness of elected politicians to join. The smallest group can imagine merging 4 or more municipalities. There are approximately 10% in this group. 43% indicated none of the options, and about half of the responses were evenly split between merging with one other municipality or the other two or three.

Figure 14: Barriers of intermunicipal cooperation and consolidation

Source: own research

The most basic question that we tried to answer is the possible causes of the failure of the reforms so far. We asked them to imagine point of view of negative aspects and possible risks associated with consolidation reform. Up to two-thirds of all participants confirmed that the biggest obstacle is the fear of different conditions in municipalities, smaller municipalities are worried about the loss of investments. The second most common reason identified by half of the respondents was the fear of losing the built identity and local patriotism. Surprisingly, this concern is identified especially in municipalities with over 500 inhabitants (68%). In smaller municipalities, 43% of mayors expressed this concern. Other reasons include mistrust in cooperation and unclear benefits (38%), the presence of a marginalized Roma community in a neighboring municipality (30%) or the geographical distance between municipalities (27%).

Conclusion

The results of our analysis confirm the persistent reluctance of representatives to consolidate. The survey questionnaire was sent to 1082 respondents with a 41% return rate. We divided the sample into municipalities with up to 500 inhabitants (48%) and municipalities with over 500 inhabitants (52%). Based on the data, it is clear that the majority of municipalities operate in some form of inter-municipal cooperation (Microregion – 70%, Local Action Group – 72%). The most common reasons for cooperation are geographical distance and cost reduction.

When it comes to merging and consolidation, there is a significant reluctance to merge in smaller municipalities (48%) compared to 33% in municipalities with over 500 inhabitants. Opinions therefore also differed regarding the optimal size of municipalities. For smaller municipalities, up to 40% of respondents insisted on a size of up to 500 inhabitants, and another approximately 50% saw an optimal size of up to 2,000 inhabitants. Larger municipalities had this limit shifted from 1,000 inhabitants to 3,000 inhabitants.

Municipalities are most concerned about the loss of investments to the benefit of a larger municipality or the municipality where the mayor of the new joint municipality would come from. Another argument for non-unification was local patriotism, fear of loss of identity and the presence of a marginalized Roma community.

Up to a third of the respondents expect that there will be no consolidation and merger in the future. Of course, there is reluctance in smaller municipalities. In larger municipalities, the prevailing opinion was that consolidation will occur within 5 or 10 years (47%). Opinions on the number of municipalities with which it is possible to connect differed, and therefore it is more up to the individual assessment of individual municipalities. The results based on a questionnaire survey are always highly debatable, and not only because of their returns. The relevance of the established facts apparently corresponds to the majority opinion in society. In the future, it would be necessary to compare these answers after the next election cycle in 2026 or to look at the solution to the problem in neighboring countries through a similar questionnaire.

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