

Parliamentary dimension

5<sup>TH</sup> MEETING

OF THE COMMITTEES ON PUBLIC ADMINISTRATION AND REGIONAL POLICY  
OF THE PARLIAMENTS OF THE **VISEGRÁD GROUP** COUNTRIES

WITH THE PARTICIPATION OF THE RELEVANT COMMITTEES  
OF THE **SLOVENIAN** AND **CROATIAN** PARLIAMENTS

**WARSAW, 28 - 29 JANUARY 2013**

**Anna Czyż**, PhD, University of Silesia, Institute of Political Science and Journalism

EXPERT OPINION on

*Government and local government administration during the financial crisis:  
a Central European perspective*

In Central European countries, government and local government administration has in recent years been subject to a number of significant changes in its organisation and functioning. From the moment of re-introducing local government in the states of the region, which was a significant component of the political system reform in the 1980s and 1990s, until now, the structure and scope of responsibilities vested in government and local government administration units has been influenced by various political and economic factors. The present-day financial crisis also leaves its mark on the shape and functioning of local government and government administration units in the countries under discussion, i.e. Visegrad Group countries (Czech Republic, Poland, Slovakia, Hungary) and two republics that emerged from the former Yugoslavia (Croatia and Slovenia). That being said, this part of Europe was admittedly less exposed to such a violent hit of the crisis as was the case of Southern Europe or the Baltic states.

From the group of countries under discussion, one could distinguish those which chose to restore their local government on one level only, i.e. of commune, and those which decided to establish also one tier above communes. At present, a one-tier local government functions in Slovenia. Slovenia is an example of a country where from the early 1990s the commune has been the sole and basic unit of local government, although in recent years the country has engaged in a lively discussion on introducing another tier above communes (adequate legal measures have even been undertaken in order to provide for such changes, including amendment of the Constitution, but eventually the establishment of an upper tier of local government has been postponed, not least because of the financial crisis). Nowadays, a two-tier structure of local government exists in Croatia, the Czech Republic, Slovakia and Hungary. Ever since the institution of local government was reinstated in Hungary (since 1990) and in Croatia (since 1992), its two-tier structure was determined. The Czech Republic and Slovakia, in turn, are countries where upper-tier local government units were only instituted with some delay: the reform of local government introducing new local governments was introduced in 2000 in the Czech Republic and in 2001 in Slovakia. Among the countries under discussion, only Poland has a three-tier division of state with local government units being *gmina* (commune), *powiat* (district) and *województwo* (voivodeship). It must be emphasised, however, that initially only the commune level of local government was introduced in Poland, and it was only in 1998, in the wake of the administrative reform, that the two upper tiers of local government, district and voivodeship, were added.

**Table 1: Number of local government units in states of Central Europe<sup>1</sup>**

| Country            | Number of communes                   | Number of districts                                                                        | Number of voivodeships                                                         |
|--------------------|--------------------------------------|--------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| Croatia            | 429 rural communes,<br>126 towns     |                                                                                            | 20 voivodeships and<br>the capital Zagreb<br>(which enjoys a double<br>status) |
| The Czech Republic | 6250                                 |                                                                                            | 13 regions and the<br>capital Prague (which<br>enjoys a double status)         |
| Poland             | 2479                                 | 379 districts (314 rural<br>districts and 65 towns<br>enjoying the rights of<br>districts) | 16 voivodeships                                                                |
| Slovakia           | 2792 rural communes<br>and 138 towns |                                                                                            | 8 regions                                                                      |
| Slovenia           | 211                                  |                                                                                            |                                                                                |
| Hungary            | 3177                                 |                                                                                            | 19 voivodeships                                                                |

The earliest act on local government was adopted in Poland: on 8 March 1990.<sup>2</sup> When the upper-tier units of local government, districts and voivodeships were introduced, the title of the above-mentioned legal act was changed: since 1998 it has been referred to as the Act on commune local government to differentiate it from the Acts of 5 June 1998 on district government<sup>3</sup> and on voivodeship government<sup>4</sup>. On 4 September 1990, the Czech Parliament adopted an Act on communes<sup>5</sup>, which underpinned the local government system. The above legal act, subjected to many amendments, was then replaced by a new Act on communes of 12 April 2000.<sup>6</sup> On the same day, another law was passed in the Czech Republic: the Act on regions,<sup>7</sup> to lay down the rules of functioning of the upper tiers of local government. Similar changes were carried out in Slovakia on 6 September 1990 with the adoption of the Act on the system of communes<sup>8</sup>, whereas on 4 July 2001, the Act on upper-tier local units was passed (the Act on self-governing regions),<sup>9</sup> which governed the matter of functioning of Slovak self-governing regions. Hungary adopted its law on local government on 2 August 1990,<sup>10</sup> whereas in 2011, a new act on local government was passed.<sup>11</sup> In Croatia, the Act on local government

---

<sup>1</sup> Local and regional government in Europe. Structures and competences. Council of European Municipalities and Regions, <http://www.ccre.org/docs/publication-structures-2012-en.pdf> (21.12.2012)

<sup>2</sup> Dz. U. z 2001 r. Nr 142, poz. 1591, z późn. zm.

<sup>3</sup> Dz. U. z 2001 r. Nr 142, poz. 1592, z późn. zm.

<sup>4</sup> Dz. U. z 2001 r. Nr 142, poz. 1590, z późn. zm.

<sup>5</sup> Zákon České národní rady č. 367/1990 Sb. ze dne 4. září 1990 o obcích (obecní zřízení).

<sup>6</sup> Zákon č. 128/2000 Sb. ze dne 12. dubna 2000 o obcích (obecní zřízení).

<sup>7</sup> Zákon č. 129/2000 Sb. ze dne 12. dubna 2000 o krajích (krajské zřízení).

<sup>8</sup> Zákon č. 369/1990 Zb. zo 6 septembra 1990 o obecnom zriadení v znení neskorších predpisov.

<sup>9</sup> Zákon č. 302/2001 Z.z. zo 4. júla 2001 o samospráve vyšších územných celkov (zákon o samosprávnych krajoch).

<sup>10</sup> Act LXV of 1990 on Local Self-Governments.

<sup>11</sup> Act No. CLXXXIX of 2011 on local governments.

and administration was adopted in 1992, instituting a two-tier structure of communes and voivodeships (*županija*).<sup>12</sup> Slovenia has decided to provide for local government in its legal act on local government of 1993.<sup>13</sup> In countries where the restoration of local government in the early 1990s was accompanied by laying down its structure, there exists one legal act to provide for the functioning of local government units, no matter how many tiers there are in the country's territorial division. Elsewhere, where administrative reforms were carried out at a later stage, the status on newly created units has been provided for in separate legal acts, as was the case in Poland, the Czech Republic and Slovakia.

In all countries under discussion, local government is a part of the public (state) administration system, next to the government administration which is usually hierarchically represented on each level of the country's territorial division. Government administration operates on the central level including the government, ministries, central offices, as well as on the grass-roots level in individual tiers of the territorial division: it operates as offices of central and specialised state administration but it can also operate in another format, not locally compatible with division into communes and upper tiers structures. In Slovenia, based on its Act on public administration,<sup>14</sup> state administration covers the government, ministries,<sup>15</sup> organisational units of ministries, agencies, locally organised offices which cover the area of one or more communes: there are 58 units of this kind supervised by the head of the unit.<sup>16</sup> In Croatia, public administration covers state administration organised on the central and local level as well as local governments. The tasks of state administration are carried out by the government, ministries,<sup>17</sup> state offices and voivodeship offices<sup>17</sup> on the level of 20 voivodeships and the capital. In Poland, public administration covers government administration organised on the central level (Council of Ministers, ministries,<sup>18</sup> central offices, inspections and guards) as well as on the local level, including also local government. Local government units operate in communes, districts and voivodeships. The voivodeship is at the same time a local government operational unit and a local unit of government administration headed by a voivode who is appointed by the President of the Council of Ministers. A similar administrative dualism (where local government structures existed together with government structures) used to exist in Hungary (offices of state administration on the level of 19 voivodeships, and in the capital). On the central level in Hungary there is the government, ministries<sup>19</sup> as well as state offices and

---

<sup>12</sup> Act on Local Self-Government and Administration (1992).

<sup>13</sup> Zakon o lokalni samoupravi št. 94/2007, K. Krysienieł, J. Wojnicki: Samorząd terytorialny w Republice Słowenii. W: Samorząd terytorialny w Europie Środkowej i Wschodniej. Red. M. Barański. Toruń 2009, s. 242.

<sup>14</sup> Public Administration Act 2002, <http://unpan1.un.org/intradoc/groups/public/documents/untc/unpan015728.pdf> (16.01.2013).

<sup>15</sup> The following ministries are currently in operation: of Economic Development and Technology, Foreign Affairs, Finance, the Interior, Labour, Family and Social Affairs, Agriculture and Environment, Defence, Infrastructure and Spatial Planning, Justice and Public Administration, Education, Science, Culture and Sport and Health, [http://www.vlada.si/en/about\\_the\\_government/](http://www.vlada.si/en/about_the_government/) (16.01.2013).

<sup>16</sup> <http://www.upravneenote.gov.si/> (16.01.2013).

<sup>17</sup> The following ministries are currently in operation: of Foreign and European Affairs, Social Welfare and Youth, Regional Development and European Funds, Finance, Defence, the Interior, Justice, Administration, Economy, Enterprise and Trade, Labour and Pension System, Maritime Affairs, Transportation and Infrastructure, Agriculture, Tourism, Environment and Nature Conservation, Construction and Physical Planning, War Veterans, Health, Culture, Science, Education and Sport, [http://www.vlada.hr/en/naslovnica/o\\_vladi\\_rh](http://www.vlada.hr/en/naslovnica/o_vladi_rh) (16.01.2013).

<sup>18</sup> The following ministries are currently in operation: of Economy, Health, Regional Development, Administration and Digitalization, State Treasury, the Interior, Justice, Agriculture and Rural Development, Environment, Labour and Social Policy, Science and Higher Learning, Sport and Tourism, Transportation, Construction and Maritime Economy, Finance, National Defence, Foreign Affairs, National Education, Culture and National Heritage, <http://www.kprm.gov.pl/> (16.01.2013).

<sup>19</sup> The following ministries are currently in operation: Defence, Foreign Affairs, the Interior, National Development, National Economy, Human Resources, Public Administration and Justice, Rural Development, <http://www.kormany.hu/en/ministries> (16.01.2013).

agencies. Since 2007, for NUTS statistical purposes, regions started functioning. On the NUTS2 level, 7 regions were set up with their regional development councils. In connection with the administration reform enforced by the adoption of a new Hungarian constitution in 2011, 168 micro-regions are to be introduced on 1 January 2013, which previously operated as unions of communes.<sup>20</sup> Since 1990, the basic local government unit in Slovakia has been the commune. Then, as of 1 January 2002, the new two-tier division into communes and regions was made binding – the latter being an upper unit of local government (there are 8 of them). Following the public administration reform, as of 1 January 2004, general and specialised government administration offices appeared on the local government level, operating hand in hand with local government regional offices. A new stage of administration reform in Slovakia meant the abolition, as of 1 October 2007, of government administration offices on the regional level. The central level features the government, ministries<sup>21</sup> as well as various state offices. In the Czech Republic, self-governing regions were introduced in January 2001, but unlike in the above countries, there is no dualism on the level of the 14 self-governing regions of the Czech Republic: the tasks of state administration are carried out by communes (depending on the scope of tasks allocated to them they were divided into special categories). State administration on the central level includes the government, ministries<sup>22</sup> and state offices which have their local equivalents (e.g. customs offices, financial ones, labour inspectorates).<sup>23</sup>

The financing of the local government is an extremely important aspect in the functioning of local government units in the discussed countries. In those countries, local government units were legally given a measure of independence in managing funds through setting aside their local budgets. Each local government unit has the right to draft and adopt its own budget as an annual revenue and expenditure plan. On the revenue side of such units, there are own resources coming from various origins, like local taxes and fees or income gained from own property, but there are also external revenues in the form of subsidies from the state budget. The share of own revenues in the total revenues made available to local government units appears particularly important, since its increase would give them greater independence and freedom of operation and would thus render them financially self-governing. The latter would only be possible if they had an adequate share of their own resources to be independently managed and spent. The discussed countries do not yet fully observe the provisions of the European Charter of Local Governments in terms of local finance. This includes the principles of subsidiarity, i.e. the right of the local community to have its own resources necessary for it to carry out its tasks or the principle of adequacy that is adjusting the level of funds in local government units to their competences or finally the principles of tax autonomy in acts of law.<sup>24</sup> The rules for local government units to finance public tasks in the discussed countries have been laid down in laws on local governments and in dedicated laws on local finance. They list the catalogue of revenue sources for local government units breaking them down into own resources, including various types of taxation and local levies, and external sources in the form of allocations and subsidies from the state budget, as well as EU funds. In the Czech Republic, the structure of revenues of communes and self-governing regions has been laid down in the

---

<sup>20</sup> Act No XCIII of 2012 on the formation of districts.

<sup>21</sup> The following ministries are currently in operation: the Interior, Finance, Foreign Affairs, Economy, Transportation, Construction and Regional Development, Defence, Justice, Labour, Social Affairs and Family, Environment, Culture, Health, Education, Science, Research and Sport, <http://www.vlada.gov.sk/members-of-the-government/> (16.01.2013).

<sup>22</sup> The following ministries are currently in operation: the Interior, Finance, Foreign Affairs, Justice, Industry and Trade, Labour and Social Affairs, Transport, Agriculture, Health, Environment, Education, Youth and Sport, Culture, and Regional Development, <http://www.vlada.cz/en/vlada/> (16.01.2013).

<sup>23</sup> <http://seznam.gov.cz/ovm/ossList.do?ref=ovm> (16.01.2013).

<sup>24</sup> *Władza i finanse lokalne w Polsce i krajach ościennych*. Red. B. Dolnicki, E. Ruśkowski. Bydgoszcz- Białystok-Katowice 2007, s. 34.

legal act of 29 June 2000, on the division of receipts from certain taxes between local government units and certain state funds,<sup>25</sup> whereas in Slovakia there are detailed legal provisions on local finance, including the rules for adoption of budgets, financial management rules, financial relations between the state budget and commune budgets. They have been included in the Act of 23 September 2004 on budgeting principles of certain local government units amending and supplementing certain other provisions.<sup>26</sup> In Slovenia, local finance has been provided for in the 1994 Act on financing communes,<sup>27</sup> and in Hungary the 1990 Act on local taxation and the 1992 Act on public finance.<sup>28</sup> In Croatia, local finance is stipulated for in the law on financing of commune and regional local government units.<sup>29</sup> The principles and financial competence of Polish local government bodies have been laid down, among others, in the Act of 13 November 2003 on revenues of local government units.<sup>30</sup>

\* \* \*

The global financial crisis, which has weighted heavily on global finance, has also influenced the functioning of national economies in the discussed countries and the condition of private enterprises, limiting their investment potential and increasing unemployment, although its impact has been felt differently in individual European states. Redundancies affected a large group of government administration employees, whereas the remaining part of public sector employees was exposed to cost-cutting in administration: frozen salaries, temporary suspension of premiums (e.g. no 13<sup>th</sup> salary in Hungary). Economic slow-down as a result of problems experienced by the banking sector has also naturally influenced the financial condition of local government units in the said group of countries, not least because of their multilateral financial interrelations. Due to the financial crisis and deteriorating economic situation in the above countries, local governments, which provide a wide range of social services and play an important role in the implementation of public investments, were faced with a serious challenge of changing their financial policy and local budgets. Since the discussed countries exhibit substantial differences between individual local government units in terms of their respective economic and development potential and also offer different conditions for taking up and pursuing business activity, the impact of the economic slowdown is not spread evenly among local government units. This applies in particular to larger units whose budgetary revenues are more dependent on the economic cycle, and to a lesser degree to small units which depend more heavily on subsidies and allocations from the central budget. The units for whom own resources, especially tax receipts, represent a substantial source of financing, must verify the level of planned, current and operational investment expenditures in the face of declining receipts.

Therefore, the impact of the crisis on local government units is mainly manifested by the general tendency to show declining receipts from such sources as taxation, especially corporate income tax and income on commune property. The amount of subsidies and budgetary allocations is in turn dependent on the condition of the state budget and the macroeconomic

---

<sup>25</sup> Zákon č. 243/2000 Sb.ze dne 29. června 2000 o rozpočtovém určení výnosů některých daní územním samosprávným celkům a některým státním fondům (zákon o rozpočtovém určení daní).

<sup>26</sup> Zákon č. 583/2004 Z.z. o rozpočtových pravidlách územnej samosprávy a o zmene a doplnení niektorých zákonov.

<sup>27</sup> Uradni list Republike Slovenije, št. 80/94,, K. Krysienieł, J. Wojnicki: Samorząd terytorialny w Republice Słowenii. W: Samorząd terytorialny w Europie Środkowej I Wschodniej. Red. M. Barański, Toruń-Katowice, 2009, s. 251.

<sup>28</sup> Act No. C of 1990 on Local Taxes, Act No. XXXVIII of 1992 on Public Finance, I. Temesi: Local government in Hungary. W: T. M. Horváth: Decentralization: experiments and reforms, Budapest 2000, s. 381.

<sup>29</sup> Law about the Financing of the Units of Local and Regional Self-Government, Nr. 150/02 and 147/03.

<sup>30</sup> Dz. U. 2003 Nr 203, poz. 1966.

situation. During an economic downturn, which means decreasing budgetary receipts, the state starts cutting expenditure, and by the same token local governments reduce their own expenditure, especially investment expenditure, or decide to raise local taxation.<sup>31</sup> In the face of the financial crisis, the affected countries have been trying various responses and measures in order to curb its negative impact on local government units. As a response to the crisis, many countries have initially and temporarily decided to compensate local government units for their revenue losses (e.g. Poland, the Czech Republic, Slovakia and Slovenia),<sup>32</sup> in order to minimize the damage done to them by the crisis. On the other hand, one could also see the tendencies to delay financial transfers from central budgets to local ones.<sup>33</sup>

In most recent years, especially since the entry of above-mentioned countries into the European Union in 2004 (with Croatia becoming an EU member in 2013), due to a greater use of EU structural funds, the driving force of development, local government units have become increasingly active on the financial market but on the other hand, they are more and more in debt in order to carry out investments with EU support. In the Czech Republic, a decline in the level of EU funds has been recorded which may induce the government to introduce even further budgetary cuts, which in turn would also affect the financial standing of Czech local governments.<sup>34</sup> In the most recent past, Hungary was threatened with partial freezing of funds coming from the Cohesion Fund.<sup>35</sup>

### **The impact of the financial crisis on the situation of government administration and local government units:**

- Both the government and local government sector have seen a decline in expenditure

**Table 2 Public sector expenditure (in GDP %)**<sup>36</sup>

| Country            | 2009 | 2010 | 2011 |
|--------------------|------|------|------|
| The Czech Republic | 44.7 | 43.7 | 43.0 |
| Poland             | 44.6 | 45.4 | 43.6 |
| Slovakia           | 41.5 | 40.0 | 38.2 |
| Slovenia           | 49.1 | 50.3 | 50.7 |
| Hungary            | 51.4 | 49.8 | 49.6 |

- The crisis has also affected tax receipts of the entire public sector,

---

<sup>31</sup> Local government in critical times: policies for crisis, recovery and a sustainable future. Council of Europe. K. Davey. 2011, [http://www.ccre.org/docs/Local\\_Government\\_in\\_critical\\_times.EN.pdf](http://www.ccre.org/docs/Local_Government_in_critical_times.EN.pdf) (21.12.2012).

<sup>32</sup> Local government in critical times: policies for crisis, recovery and a sustainable future. Council of Europe. K. Davey. 2011, s. 52, [http://www.ccre.org/docs/Local\\_Government\\_in\\_critical\\_times.EN.pdf](http://www.ccre.org/docs/Local_Government_in_critical_times.EN.pdf) (07.01.2013).

<sup>33</sup> K. Davey, The impact of the economic downturn on local government in Europe, s. 4 i 25, <https://wcd.coe.int/com.instranet.InstraServlet?command=com.instranet.CmdBlobGet&InstranetImage=1863733&SecMode=1&DocId=1637216&Usage=2> (07.01.2013).

<sup>34</sup> <http://www.osw.waw.pl/pl/publikacje/best/2012-03-21/czeskie-problemy-z-funduszami-europejskimi> (19.12.2012).

<sup>35</sup> <http://www.osw.waw.pl/pl/publikacje/best/2012-02-29/wegrom-grozi-czesciowe-zamrozenie-srodkow-z-funduszu-spojnosci> (19.12.2012)

<sup>36</sup> [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-EK-12-002/EN/KS-EK-12-002-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-EK-12-002/EN/KS-EK-12-002-EN.PDF) (17.01.2013).

**Table 3 Total tax receipts (including social security contributions) in GDP%<sup>37</sup>**

| Country            | 2008 | 2009 | 2010 |
|--------------------|------|------|------|
| The Czech Republic | 34.4 | 33.6 | 33.8 |
| Poland             | 34.3 | 31.8 | 31.8 |
| Slovakia           | 29.2 | 28.8 | 28.1 |
| Slovenia           | 37.2 | 37.6 | 38.0 |
| Hungary            | 40.3 | 40.1 | 37.7 |

- Receipts from local taxation have been decreasing and the share in PIT and CIT taxes has dropped due to stagnation on the property market, financial problems faced by enterprises or much slower growth rate than ever before<sup>38</sup>,
- There are problems with selling municipal property and income from that source,
- There are problems with taking out bank loans, not least due to increased interest rates and growing instalments to be repaid,
- The level of debt related to the implementation of investments planned under EU funds is growing, with the exception of the Czech Republic and Croatia.<sup>39</sup>

**Table 4 Gross debt of government and local government institutions, 2008-2011<sup>40</sup>**

| Country            | 2008 | 2009 | 2010 | 2011 |
|--------------------|------|------|------|------|
| Croatia            | 28.9 | 35.3 |      |      |
| The Czech Republic | 28.7 | 34.2 | 37.8 | 40.8 |
| Poland             | 47.1 | 50.9 | 54.8 | 56.4 |
| Slovakia           | 27.9 | 35.6 | 41.0 | 43.3 |
| Slovenia           | 22.0 | 35.0 | 38.6 | 46.9 |
| Hungary            | 73.0 | 79.8 | 81.8 | 81.4 |

Source: Local government in critical times: policies for crisis, recovery and a sustainable future. Council of Europe. K. Davey. 2011, s. 53, [http://www.ccre.org/docs/Local\\_Government\\_in\\_critical\\_times.EN.pdf](http://www.ccre.org/docs/Local_Government_in_critical_times.EN.pdf) (21.12.2012).

<sup>37</sup> Taxation trends in the European Union. Main results, s. 28, [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-EU-12-001/EN/KS-EU-12-001-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-EU-12-001/EN/KS-EU-12-001-EN.PDF) (07.01.2013).

<sup>38</sup> K. Davey, The impact of the economic downturn on local government in Europe, s. 41, <https://wcd.coe.int/com.instranet.InstraServlet?command=com.instranet.CmdBlobGet&InstranetImage=1863733&SecMode=1&DocId=1637216&Usage=2> (07.01.2013).

<sup>39</sup> Local government in critical times: policies for crisis, recovery and a sustainable future. Council of Europe. K. Davey. 2011, p. 52 and 55, [http://www.ccre.org/docs/Local\\_Government\\_in\\_critical\\_times.EN.pdf](http://www.ccre.org/docs/Local_Government_in_critical_times.EN.pdf) (07.01.2013).

<sup>40</sup> [http://epp.eurostat.ec.europa.eu/statistics\\_explained/images/8/84/Public\\_balance\\_and\\_general\\_government\\_debt%2C\\_2008-2011\\_%28%29\\_%28%25\\_of\\_GDP%29.png](http://epp.eurostat.ec.europa.eu/statistics_explained/images/8/84/Public_balance_and_general_government_debt%2C_2008-2011_%28%29_%28%25_of_GDP%29.png) (03.01.2013).

**Table 5 Local government debt as a per cent of all revenues**

| Country            | 2008 | 2009 | 2010 |
|--------------------|------|------|------|
| Croatia            | 29.1 | 32.2 | 30.2 |
| The Czech Republic | 24.5 | 26.2 | 24.7 |
| Poland             | 20.3 | 26.0 | 33.8 |
| Slovakia           | 26.7 | 31.8 | 38.4 |
| Slovenia           | 15.9 | 22.4 | 25.4 |
| Hungary            | 32.2 | 36.6 | 43.3 |

Source: Local government in critical times: policies for crisis, recovery and a sustainable future. Council of Europe. K. Davey. 2011, s. 53, [http://www.ccre.org/docs/Local\\_Government\\_in\\_critical\\_times.EN.pdf](http://www.ccre.org/docs/Local_Government_in_critical_times.EN.pdf) (21.12.2012).

**Table 6 Local government debt (in GDP%)**

| Country            | 2008 | 2009 | 2010 |
|--------------------|------|------|------|
| Croatia            | 0.6  | 0.6  |      |
| The Czech Republic | 2.5  | 2.7  | 2.6  |
| Poland             | 2.3  | 3.0  | 3.9  |
| Slovakia           | 1.9  | 2.4  | 2.7  |
| Slovenia           | 0.9  | 1.5  | 1.7  |
| Hungary            | 3.9  | 4.1  | 4.6  |

Source: Local government in critical times: policies for crisis, recovery and a sustainable future. Council of Europe. K. Davey. 2011, s. 54, [http://www.ccre.org/docs/Local\\_Government\\_in\\_critical\\_times.EN.pdf](http://www.ccre.org/docs/Local_Government_in_critical_times.EN.pdf) (21.12.2012) (data acc. to Eurostat).

- Investment expenditure financed from local budgets is reduced, which results in slowing down of the economic growth rate and hampers regional development,<sup>41</sup>
- Collapse of the property market has adversely affected the construction sector, the automotive industry has also been affected by the slowdown (in Slovakia, production of new cars declined by almost 50%),<sup>42</sup>
- Social problems are exacerbated: rising unemployment, spreading poverty, increasing costs of providing for and taking care of the growing number of the elderly,<sup>43</sup>

---

<sup>41</sup> The economic and financial crisis. Impact on local and regional authorities. Council of European Communes and Regions, s. 62-63, <http://urbact.eu/fileadmin/corporate/doc/News/CEMR%20CCRE.pdf> (03.01.2013).

<sup>42</sup> K. Davey, The impact of the economic downturn on local government in Europe, s. 22, <https://wcd.coe.int/com.instranet.InstraServlet?command=com.instranet.CmdBlobGet&InstranetImage=1863733&SecMode=1&DocId=1637216&Usage=2> (07.01.2013).

<sup>43</sup> Local government in critical times: policies for crisis, recovery and a sustainable future. Council of Europe. K. Davey. 2011, s. 78, [http://www.ccre.org/docs/Local\\_Government\\_in\\_critical\\_times.EN.pdf](http://www.ccre.org/docs/Local_Government_in_critical_times.EN.pdf) (21.12.2012).

**Table 7 Unemployment**<sup>44</sup>

| Country            | 2008 | 2009 | 2010 | 2011 |
|--------------------|------|------|------|------|
| Croatia            | 8.4  | 9.1  | 11.8 | 13.2 |
| The Czech Republic | 4.4  | 6.7  | 7.3  | 6.7  |
| Poland             | 7.1  | 8.2  | 9.6  | 9.7  |
| Slovakia           | 9.5  | 12.0 | 14.4 | 13.5 |
| Slovenia           | 4.4  | 5.9  | 7.3  | 8.2  |
| Hungary            | 7.8  | 10.0 | 11.2 | 10.9 |

Source: Local government in critical times: policies for crisis, recovery and a sustainable future. Council of Europe. K. Davey. 2011, s. 53, [http://www.ccre.org/docs/Local\\_Government\\_in\\_critical\\_times.EN.pdf](http://www.ccre.org/docs/Local_Government_in_critical_times.EN.pdf) (21.12.2012).

- Increasing unemployment entails a rise in the number of people applying for social assistance, which is a responsibility of local government units. This in turn results in higher expenditure on services provided to citizens, though individual countries differ from each other in this respect due to the varying scope of tasks and services provided by local governments,
- Redundancies are made in government administration and in local governments, salaries of local government administration and civil servants are cut or the availability of social benefits is reduced as a result of cost cutting<sup>45</sup> (e.g. in Hungary, Slovenia and in Poland), greater control over expenditure has been introduced (electronic auctions in Slovakia),<sup>46</sup>
- Further development of e-Government is a way to improve availability, quality and effectiveness of administration,<sup>47</sup>
- Interest in cooperation on the public-private partnership basis is declining (e.g. in Slovakia and in Poland),<sup>48</sup>
- Joint companies are set up to secure the construction and management of infrastructure investment projects (e.g. landfills, waste treatment plants) in order to cut operating costs of such utilities (this tendency can be observed in Hungary, Slovakia or in Croatia),<sup>49</sup>
- There is an increased interest in cooperation between communes.

---

<sup>44</sup> [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php?title=File:Unemployment\\_rate,\\_2000-2011\\_%28%25%29.png&filetimestamp=20120502100338](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php?title=File:Unemployment_rate,_2000-2011_%28%25%29.png&filetimestamp=20120502100338) (17.01.2013).

<sup>45</sup> V. Glassner, The public sector in the crisis, s. 28-31, <http://library.fes.de/pdf-files/gurn/00389.pdf> (17.01.2013).

<sup>46</sup> Local government in critical times: policies for crisis, recovery and a sustainable future. Council of Europe. K. Davey. 2011, s. 71 i 76, [http://www.ccre.org/docs/Local\\_Government\\_in\\_critical\\_times.EN.pdf](http://www.ccre.org/docs/Local_Government_in_critical_times.EN.pdf) (21.12.2012), M. Onofrei, D. Lupu, The dimension of public administration in Central and Eastern European countries in the current financial crisis, s. 112-115, <http://www.rtsa.ro/en/files/RTSA%2029%20E%20-%2010%20-%20ONOFREI,%20LUPU.pdf>

<sup>47</sup> Public administration reform for the post-crisis period, s. 31, <http://www.balcannet.eu/materiale/Public%20Administration%20Reform.pdf> (17.01.2013).

<sup>48</sup> K. Davey, The impact of the economic downturn on local government in Europe, s. 27, <https://wcd.coe.int/com.instranet.InstraServlet?command=com.instranet.CmdBlobGet&InstranetImage=1863733&SecMode=1&DocId=1637216&Usage=2> (07.01.2013).

<sup>49</sup> Local government in critical times: policies for crisis, recovery and a sustainable future. Council of Europe. K. Davey. 2011, s. 69 i 84, [http://www.ccre.org/docs/Local\\_Government\\_in\\_critical\\_times.EN.pdf](http://www.ccre.org/docs/Local_Government_in_critical_times.EN.pdf) (02.01.2013).