SLOVENIA

UNITARY COUNTRY

BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: HIGH INCOME

LOCAL CURRENCY: EURO (EUR)

POPULATION AND GEOGRAPHY

Area: 20 145 km^2
Population: 2.066 million inhabitants (2017), an increase of 0.3% per year (2010-2015)
Density: 103 inhabitants / km^2
Urban population: 54.3% of national population
Urban population growth: 0.5% (2017)
Capital city: Ljubljana (13.9% of national population)

ECONOMIC DATA

GDP: 72.1 billion (current PPP international dollars), i.e. 34 886 dollars per inhabitant (2017)
Real GDP growth: 5.0% (2017 vs 2016)
Unemployment rate: 6.6% (2017)
Foreign direct investment, net inflows (FDI): 1 082 (BoP, current USD millions, 2017)
Gross Fixed Capital Formation (GFCF): 18.5% of GDP (2017)
HDI: 0.896 (very high), rank 25 (2017)

MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

The Republic of Slovenia is a parliamentary republic, with a President as Head of State, and a Prime Minister as Head of Government. The President is elected for a maximum of two, five-year terms by direct elections. The country declared its independence from Yugoslavia in 1991, and the present constitution was adopted on 23 December 1991. Slovenia has a bicameral Parliament which comprises the National Assembly (*Državni zbor*), composed of 90 deputies with legislative and electoral powers, and the National Council (*Državni svet*), which plays an advisory role (40 members who represent local interest groups).

The country has a unitary system with a single-tier of subnational government, composed of municipalities and urban municipalities. The local self-government principle is enshrined in the 1991 Political Constitution (Art. 9 and Art. 138 to 144). In 1993, the Local Self-Government Act was adopted providing a new territorial organisation, based on self-governing municipalities, accompanied by the Local Elections Act and Local Finance Act. Each municipality has a mayor and a municipal council, normally elected by proportional representation for a four-year mandate.

Slovenia has been a member of the European Union since 2004. With the adoption of the Local Self-Government Development Strategy 2020, the Republic of Slovenia has committed further to abiding by the principles of financial autonomy for local communities. In September 2016, the government adopted a new "Development Strategy for Local Self-Government in the Republic of Slovenia until 2020". The basic objective of this strategy is to strengthen local government and improve the quality of life of citizens through increased efficiency and enhanced citizen engagement at the local level. It addresses the issues of regionalisation and inter-municipal cooperation.

TERRITORIAL ORGANISATION

2018	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	212 municipalities *(Občine)* including 11 urban municipalities *(Mestne občine)*			
	Average municipal size: 9 744 inhabitants			
	212			212

OVERALL DESCRIPTION. Slovenia has a single tier of local government consisting of 212 municipalities (*Občine*). Among municipalities, 11 municipalities have the special status of urban municipality (*Mestne občine*). They have more than 20 000 inhabitants, and are characterised as economic, cultural and administrative centres. They have a number of special features, such as vocational and secondary schools, a hospital, a local radio and television, local press, etc.

MUNICIPAL LEVEL. While the municipal average size is close to the OECD average (9 700 inhabitants in the OECD) and the median average size is 4 730 inhabitants, half of Slovenian municipalities have fewer than 5 000 inhabitants and 12% less than 2 000 inhabitants.
According to the Capital City of the Republic of Slovenia Act, the City of Ljubljana has special status with specificities regarding its public finances and has 17 sub-municipal units (neighbourhoods) with neighbourhood councils as the main bodies.

In contrast to the pattern observed in many OECD countries, the number of municipalities in Slovenia has increased progressively from 147 in 1994 to 212 in 2015 over the last 25 years, and has remained stable since. In June 2010, an amendment to the Local Self-Government Act limited the fragmentation of municipalities by setting a threshold of 5 000 inhabitants. In 2013, the Ministry of the Interior proposed a territorial reform that would have reduced the number of municipalities from 212 to 122 but the reform faced strong opposition and the proposal was abandoned. Instead, the government is preparing a more strategic approach to territorial reform that is expected to be completed by 2018-2019.

Slovenia also has a structured sub-municipal level of 6 035 settlements (districts, villages and urban communities) that can be established within municipalities. They can have elected councils and specific responsibilities and funding delegated by the municipality. There were almost 1 200 sub-municipal units in 212 municipalities (out of 212, 138 municipalities have implemented them in 2013), with population ranging from 9 inhabitants to around 34 000.

In 2005 and 2018, amendments to the Financing of Municipalities Act provided financial incentives for voluntary joint municipal administration (internal audit, spatial planning, inspection, etc.), through reimbursing 30-55% of the joint management bodies' staff costs (if at least three municipalities join). The number of joint bodies grew from five in 2005 to 52 in 2017 (concerning all municipalities but 10). New legislation adopted in October 2017 envisages regional spatial plans to improve the coordination between the municipalities and improve the use of resources.

Regionalisation reforms have been discussed for a long time as the Constitution provides for the establishment of self-governing regions by law (Art. 143). Several attempts and bills were prepared throughout the 1990s and 2000s. In particular, a draft bill creating 13 regions was rejected by referendum in 2008; however, voter turnout was low (10.9%). In 2009, the Prime Minister appointed a "Strategic Council for Regionalisation and Decentralisation". In response to the council's proposals, a new bill creating six regions was prepared but the project was abandoned in 2011 due to disagreements about the number, size, competences and financing of the regions. Establishing a second tier of local self-government with a bottom-up scenario is not currently on the political agenda. The current trend is more to encourage inter-municipal cooperation as a mechanism for more effective and efficient local service system and as an intermediate step towards regionalisation.

Finally, the country is divided into 58 administrative districts representing the State at territorial level in charge of supervising municipalities. Slovenia does not have a national urban policy, but the development of the country's urban system is an important feature of the Spatial Development Strategy of Slovenia (SDSS), adopted in 2004 by the National Parliament.

SUBNATIONAL GOVERNMENT RESPONSIBILITIES

The 1993 Local Self-Government Act, which has been amended more than 30 times since, determines the principles of municipal regulation. Municipalities can have three types of tasks: local issues or issues of local importance; local issues delegated to municipalities by the central government via laws; transferred tasks of state administration, carried out by municipalities under State supervision and financed by State resources (Art. 140).

Urban municipalities have more competences than other municipalities, mainly in the fields of urban development (as per constitutional provisions, art. 141), responsibility for urban transport and housing. In practice, urban municipalities provide a range of services of wider regional importance (sports, parks and recreation, libraries, cultural institutions and services, etc.).

The Capital City of the Republic of Slovenia Act, amended in 2010, sets a framework for cooperation between the central government and the city of Ljubljana, and for implementing common tasks and special "Capital City" tasks related to spatial planning and development.

MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

	MUNICIPAL LEVEL
1. General public services	Internal administration; Managing the municipality's property
2. Public order and safety	Firefighting; Local police; Local public order
3. Economic affairs/transports	Local roads; Local public transport; Local economic development; Tourism; Promotion of agriculture; Urban transport (urban municipalities); Trade and industry
4. Environmental protection	Sewerage; Waste management; Protection of natural resources; Protection of the environment
5. Housing and community amenities	Social housing; Urban and spatial planning; Utilities (water and power supply); Cemeteries; Urban development (for urban municipalities)
6. Health	Primary health care and pharmacies
7. Recreation, culture & religion	Libraries and sports facilities; Preservation of cultural heritage
8. Education	Pre-school and primary school buildings and facilities; Grammar schools; Secondary, vocational and higher schools (urban municipalities); Secondary-level public health services (for urban municipalities)
9. Social protection	Elderly care, Rest homes; Social welfare for children and family, and for disabled people

SUBNATIONAL GOVERNMENT FINANCE

Scope of fiscal data: 211 municipalities and around 1 010 other local government institutions.	SNA 2008	Availability of fiscal data: **High**	Quality/reliability of fiscal data : **High**

GENERAL INTRODUCTION. The Financing of Municipalities Act (2007), which was a substitute for the Act on Financing Municipalities (1998), sets the municipal financial framework. It introduced a general legal framework and a financial system in which financial resources of local authorities must be proportional to the "eligible expenditure" of a municipality. Costs that are taken into account when determining a municipality's eligible expenditure include spending that is directly related to carrying out the tasks that municipalities are required to perform according to the Constitution and relevant acts. Article 142 of the Slovenia Constitution states that municipalities must raise their own revenue, and the Act on Local Self Government stipulates that local matters of public interest are to be financed by the municipality's own resources, state budget and loans.

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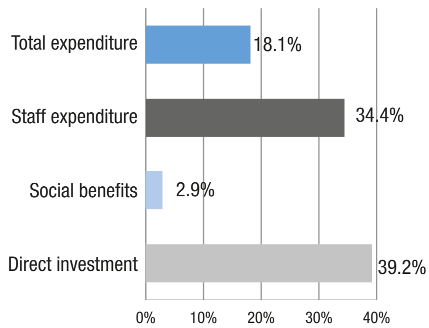
UNITARY COUNTRY

SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION

2016	DOLLARS PPP / INH.	% GDP	% SNG EXPENDITURE
Total expenditure	**2 681**	**8.2%**	**100%**
Inc. current expenditure	2 257	6.9%	84.2%
Staff expenditure	1 277	3.9%	47.6%
Intermediate consumption	621	1.9%	23.2%
Social expenditure	168	0.5%	6.3%
Subsidies and current transfers	173	0.5%	6.4%
Financial charges	15	0.0%	0.5%
Others	3	0.0%	0.1%
Incl. capital expenditure	425	1.3%	15.8%
Capital transfers	10	0.0%	0.4%
Direct investment (or GFCF)	414	1.3%	15.4%

% GENERAL GOVERNMENT EXPENDITURE (SAME EXPENDITURE CATEGORY)

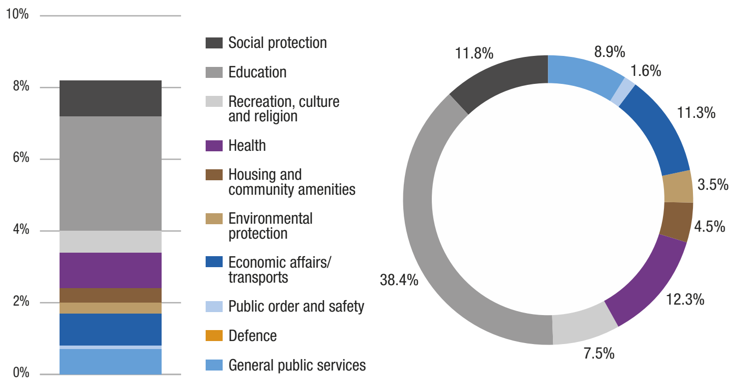


EXPENDITURE. Slovenia ranks below the OECD average for unitary countries in terms of SNG share in GDP and total public spending (9.2% of GDP and 28.7% of total public spending in 2016). These ratios are also below the EU28 average (15.3% of GDP and 33.5 of public expenditure), including for EU unitary countries only (12.4% of GDP and 26.5% of public expenditure). This reflects the relatively low level of decentralisation in Slovenia where municipalities carry out few responsibilities. However, the share of municipalities in public staff spending and SNG expenditure is significant, given their level of decentralisation.

DIRECT INVESTMENT. The municipal share in public investment in Slovenia is below the averages of OECD unitary countries (50.7% of public investment in 2016) as well as the EU28 average (51.6%). In this country as in Poland, Czech Republic and the Slovak Republic, subnational investment dropped by 35% between 2015 and 2016, partly due to the country's heavy dependency on EU Structural and Investment Funds (ESIF). In Slovenia, most subnational investments are dedicated to environmental protection, housing/community amenities and economic affairs. SNG investments comprise construction of housing, waste and sewage, acquisition of land, potable water supply, and infrastructure for community development. Other major categories of investment spending include education and recreation/culture/religion. In contrast, SNGs invest very little in healthcare or social protection.

SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOG

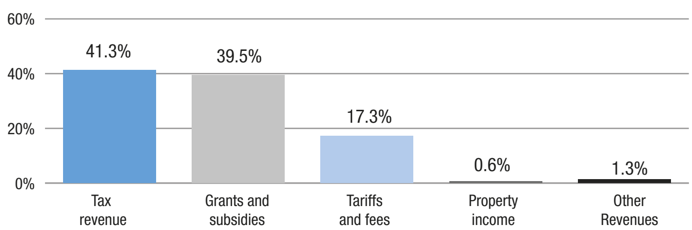
The largest SNG expenditure category is by far education, municipalities mainly provide resources for operational expenditure, student transport, infrastructure and facilities. SNGs also play a major role in community development and are responsible for more than 90% of total public expenditure in housing and community amenities. In fact, they are in charge of housing, urban and spatial planning and water infrastructure. Social protection, heath and economic affairs/transport are other important spending items, with a similar weight in municipal expenditure, whereas the sector of economic affairs and transport is under-represented in SNG expenditure compared to other OECD countries.



SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY

2016	DOLLARS PPP / INH.	% GDP	% GENERAL GOVERMENT REVENUE (SAME REVENUE CATEGORY)
Total revenue	**2 742**	**8.4%**	**19.3%**
Tax revenue	1 134	3.5%	15.7%
Grants and subsidies	1 082	3.3%	
Tariffs and fees	473	1.4%	
Property income	17	0.1%	
Other revenues	35	0.1%	

% SNG REVENUE



OVERALL DESCRIPTION. The 2007 Financing of Municipalities Act introduced additional resources for municipalities in order to enlarge their financial autonomy and consolidate the system of vertical equalisation. SNG revenue remained below the OECD average for unitary countries in 2016 as a share of GDP (12.3%) and as a percentage of total public revenue (48.6%). To finance its eligible expenditure, a municipality is entitled to 70% of the revenues deriving from the PIT share paid in the year before last (i.e. two years ago). Income from the remaining 30% of municipal revenues deriving from the PIT share are funds used for solidarity equalisation of municipal revenues that derive from income tax. Overall, urban municipalities rely more on their own resources than other municipalities, which are more dependent on transfers and in particular EU funds.

The Capital City Act was passed in 2004 and is a special agreement between central government and the capital city that defines additional responsibilities for Ljubljana and additional resources with which it can carry out those tasks.

TAX REVENUE. Municipal taxes comprise both shared taxation and own-source taxes. The most important source of municipal financing comes from the sharing of the Personal Income Tax (PIT), which represented 75.3% of local tax revenue in 2016, 31.1% of total municipal revenue and 2.6% of GDP. Until it was reformed in 2007, the PIT share corresponded to 35% of the total PIT revenue. The reform strengthened vertical tax equalisation and in 2016, around 50% of total PIT revenues were allocated to municipalities. The new system is based on current expenditure needs (without investment), in the form of a per capita amount required to finance municipalities' statutory functions. It is implemented over a five-year transitional period. The per capita amount is negotiated annually between the central government and the municipalities. In addition, with the amendment of the Capital City Act in 2009, it was decided that 0.73% of the PIT would go to the budget of the capital city to finance its specific functions.

Municipal own taxes include a property tax, a tax on inheritance and gifts (1% of tax revenue), compensation for the use of building land (4%), a local tourist tax, a tax on gambling, etc. The property tax amounted to 15% of local tax revenue, 6.2% of total local revenue and 0.5% of GDP in 2016, well below the OECD average (1.1% of GDP). The attempts to introduce a market value-based real estate tax, were held to be unconstitutional in 2014. A new reform was however introduced through the Property Tax Act in 2017 in order to improve its efficiency and to provide for greater fiscal autonomy. The reform broadened the tax base through a new system of valuation of properties. The Act on mass property valuation, entered into force in January 2019, will be effective in 2020. The property tax has two components: 1/ a duty called "the charge for the use of building land" levied on vacant and constructed building land owned by legal persons and individuals. The charge is set by municipalities based on the area. 2/ A property tax on buildings owned by individuals. The tax is levied at different progressive rates depending on the type and value of the premises. They ranges from 0.10% to 1%. Rates for properties used for business or recreational purposes are higher, at up to 1.5% of value.

GRANTS AND SUBSIDIES. Municipal financing is based on the principles of "adequate spending" and "adequate funding" that aims at equalising financial resources with the level of spending. In addition to a share of the PIT and to their own taxes, fiscal equalisation was developed in 2015 in the form of general grants to the municipalities. Municipalities can receive additional funds from central authorities in the form of equalisation transfers, and from EU cohesion funds. Transfers from EU cohesion funds have enabled Slovenian municipalities to carry out infrastructure projects that contributed to improving the economic conditions at the country levels in 2014 and 2015 and to a much lesser extent in 2016. EU resources account for approximately 17% of local resources of urban municipalities, against around 27% for municipalities with fewer than 5 000 inhabitants. Overall, current grants made up 93% of total grants while capital grants accounted for 7%.

OTHER REVENUES. User charges and fees accounted for 17.3% of the local revenue in 2016, above the OECD average for unitary countries (10.1%). Municipalities may levy various fees as provided by law, including fees for the use of public spaces such as organising exhibitions and entertainment events, advertising in public places, parking on public land, use of public space for camping and other matters as may be provided for by law. A limited share of local revenue (less than 1%) comes from property income(i.e., deposits, rents for apartments and business premises, sale of assets, etc.).

SUBNATIONAL GOVERNMENT FISCAL RULES AND DEBT

2016	DOLLARS PPP/INH.	% GDP	% GENERAL GOVERNMENT DEBT	% SNG DEBT
Total outstanding debt	**623**	**3.0%**	**3.1%**	**100%**
Financial debt*	400	1.9%	2.1%	64.3%

* Currency and deposits, loans and bonds

FISCAL RULES. The Parliament approved in 2013 a balanced budget amendment to the constitution applying to municipalities that came into force in 2015. In 2012, the Fiscal Balance Act introduced several measures to reduce the general governments' debt and deficit. In particular, limits were set in order to limit labour-related costs for public employees including at the local level.

DEBT. Local government borrowing rights are regulated by the Public Finance Act (1999) and the Financing of Municipalities Act (2006). Municipalities have the right to borrow to finance certain types of investment projects ("Golden Rule"), such as housing, water networks, and sewerage. However, they must obtain prior consent from the Ministry of Finance. Amendments introduced in 2008 strengthened existing restrictions on debt service and outstanding debt. SNG indebtedness leves may not exceed 8% of the revenue generated by the municipality in the year prior to the year of borrowing. Municipalities incur debt mainly to finance schools and electricity-related projects. Until 2018, there were no special laws or guidance in the event of a municipality's insolvency.
Municipal borrowing reached 3% of GDP in 2016, against 1.5% in 2010. This remains low compared to the OECD average of OECD unitary countries (14.5% of GDP and 11.8% of public debt in 2016) and EU28 average (11.9% of GDP and 14.6% of public debt). Outstanding debt includes financial debt for 64.3% (exclusively composed of loans) and other accounts payable for 36%. At the end of 2017, all municipalities except 16 (among the smallest ones) were indebted. Even though Ljubljana had the highest debt at the end of the year 2017, it is one of the least indebted in terms of debt per capita.

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World Observatory on Subnational Government Finance and Investment

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Socio-economic indicators: OECD // Eurostat // World Bank // UNDP // UN Desa // ILO // Statistical Office of the Republic of Slovenia.
Fiscal data: OECD National Accounts Statistics // OECD Revenue Statistics // OECD (2018) Subnational Government in OECD countries: key data (brochure and database) // Eurostat // Statistical Office of the Republic of Slovenia
Other sources of information: OECD (2018) Regulatory Policy in Slovenia: Oversight Matters, OECD Reviews of Regulatory Reform // OECD (2018) OECD Regions and Cities at a Glance 2018 // Republic of Slovenia Ministry of Public Administration (2018) Local self-government in Slovenia // European Commission (2018) Country Report Slovenia 2017 // Irena Bacl ija-Brajnik (2018) Inter-municipal Cooperation in Slovenia: An Intermediate Step Towards Regionalisation // Irena Ba lija Brajnik and Roman Lavtar (2018) Sub-Municipal Units in Slovenia: Experiences from the Past and Policy Advice for the Future In book: Sub-Municipal Governance in Europe // Centre of Expertise for Local Government Reform of the Council of Europe (2017) Development Strategy for Local Self-Government in the Republic of Slovenia until 2020 Peer Review Report // Brezovšek, B. (2016) Fiscal decentralisation in Slovenia // NALAs, Fiscal Decentralisation Indicators Report (2006-2015) // OECD (2015) The State of Public Finances 2015: Strategies for Budgetary Consolidation and Reform in OECD Countries // OECD (2011) Territorial review of Slovenia.