Report on Compliance with the Fiscal Responsibility and Budget Transparency Rules for the Year 2012

June 2013

The English version of the report is abridged. The full version is available in Slovak only.

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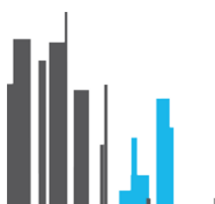


Summary

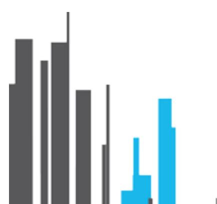
This report evaluates compliance with the fiscal responsibility and budget transparency rules, enshrined in the constitutional Fiscal Responsibility Act, in the fiscal year 2012. It is submitted to the Parliament outside the standard reporting cycle[1], within 12 months of the election of all Council members. All subsequent reports will be published by the standard deadline, i.e. 31 August.

The Council notes that the 2012 general government gross debt reached 52.1% of GDP, which is **above the first threshold defined by the constitutional Act.** The finance minister was thus obliged to deliver to the Parliament his written substantiation of the debt amount, along with the measures proposed to reduce the debt. The Council is of the view that the adoption of effectively functioning expenditure ceilings (including correction mechanisms) represents an important step towards meeting the medium-term budget objectives. **The legislative framework for the calculation of expenditure ceilings has not yet been introduced. The Council views positively the progress achieved in the publication of information compared with the years before.** Given the fact that the Act has been in force for one year only, there is understandably further room for improvement in terms of the quality of information provided. Both in the budget and in the Summary Annual Report, the information on general government's consolidated balance should be presented in a more detailed structure, one-off impacts should be presented in a better arranged manner, and information on the fiscal performance of corporations with capital participation of the state and the National Property Fund should improve. **Nevertheless, the failure to publish the June Tax Revenue Forecast by the deadline set in Article 9(3) of the Act must be viewed negatively.**

The constitutional debt limit represents the most important fiscal responsibility rule. **Under the current Eurostat methodology, the 2012 general government debt reached 52.1% of GDP, overshooting the first threshold (50% of GDP) and obliging the finance minister to deliver explanation to the Parliament.** The minister sent his letter on 18 June 2013. The proposed debt-reduction measures were not specified sufficiently enough to assess whether they will lead to debt reduction. **It would be desirable, from the CBR's perspective, for the finance minister to send his reaction to the debt limit overrun no later than by the deadline for the submission of the General Government Budget Proposal the Cabinet**, i.e. by **15 August**. This will give the Government sufficient time to assess the measures proposed and, where appropriate, incorporate them into the budget proposal submitted to the Parliament.

As for the rules applicable to municipalities and self-governing regions, the Council notes that the state did not cover their financial losses and that no new competencies requiring financial coverage have been devolved to the local government level. Nevertheless, municipalities indicate a slight increase in the financially uncovered administrative burden connected with the performance of the already devolved competencies. A more detailed evaluation will only be possible following the completion of this year's audit of the

[1] The deadline is set in the transitional provisions of the Act.



competencies vested in municipalities and self-governing regions. The provisions of the constitutional Act that impose sanctions for the overrun of the local government debt limit will enter into force in 2015.

The expenditure ceilings represent an important operational budget-management tool. Presently, Slovakia does not have its own operational rule for budget policy implementation. Although the constitutional Act foresees the introduction of public expenditure ceilings, the **legislative framework laying down the rules for their calculation has not been introduced yet.** Despite the fact that the constitutional Act does not set a deadline for their introduction, the Council is of the view that the adoption of effectively functioning expenditure ceilings (including correction mechanisms) is an important step towards meeting the medium-term budget objectives. The quality of budgetary policy implementation would benefit if the system of expenditure ceilings followed the principles defined by the European Commission for national correction mechanisms, in particular 1) the correction mechanism should be of a permanent nature and its provisions should not be altered by an ordinary budgetary law 2) its philosophy and construction should be consistent with the preventive arm of the Stability and Growth Pact and it should lay down precisely defined circumstances when the rules do not apply, 3) it should contain a clearly defined way in which the breaches are identified, plus a semi-automatic process of correction consistent with achieving the medium-term objective by the set time horizon, 4) it should contain a provision obligating the government to publicly explain their departure from recommendations formulated by independent surveillance bodies (the “comply or explain” system). The introduction of expenditure ceilings is also in line with the Commission’s recommendations.

In formal terms, the 2013-2015 General Government Budget Proposal contained all the required data categories, which largely enhances budget transparency and facilitates comprehensive evaluation of how realistic it is to meet the main budgetary objectives. **In order to make the new information more transparent and accessible to the public, the publication of the consolidated balance and fiscal performance of state corporations with capital participation of the National Property Fund need to be analytically elaborated on.** In addition, it would also be appropriate to present a well-arranged list of the one-off budgetary impacts, provide a greater level of detail for tax expenditures, and expand the monitoring of contingent and implicit liabilities.

The first Summary Annual Report of the Slovak Republic was prepared last year for the year 2011. Since the Act entered into force in March 2012, a full-fledged and correct evaluation can only be done in 2014 when evaluating the 2013 Summary Annual Report. There are certain objective reasons relating to the process of data gathering[2] due to which certain requirements of the Fiscal Responsibility Act could not be met. Nevertheless, the Council recommends that the Summary Annual Report contain information on the government’s net worth and, as in the budget, detailed information on the general government’s consolidated balance, evaluation of the debt management strategy implementation, and the list of one-off measures. Last, but not least, the Council expects detailed information on the fiscal performance of state corporations as opposed to the summary information provided thus far.

[2] Data reporting forms are defined before the beginning of each fiscal year, i.e. in 2010 for the year 2011.

Introduction

The main CBR deliverables are defined in the constitutional Fiscal Responsibility Act.[3] Apart from the Report on the Long-term Sustainability of Public Finances, evaluation of the general government budget and other opinions on draft laws submitted to the Parliament, the Council prepares, annually, its evaluation of compliance with the fiscal responsibility and budget transparency rules. Unlike other reports, this report is submitted to the Parliament because it represents an account of compliance with what the Parliament legislated through this Act.[3] Apart from evaluating compliance with the most important rule – the constitutional debt limit – the report also looks at how other obligations enshrined in the law have been respected, particularly in the area of information disclosure.

The Council is required to submit the report to the Parliament by 31 August each year; and the report evaluates the previous fiscal year, 2012 in this case. The transitional provisions of the Act (namely Article 10, paragraph 5) require the Council to submit the compliance report to the Parliament within 12 months of the election of all members of the Council for Budget Responsibility ("the Council"). With all members of the Council elected on 27 June 2012, the Council is submitting this report by 26 June 2013.

The report is based on the applicable legislation and the ESA95 methodology employed by Eurostat as of the date of its approval by the Council. Retrospective revisions of the data, if any, due to the application of the new ESA2010 methodology[4], may have a significant impact on the indicators which are subject to evaluation under the Act (e.g. the debt level).

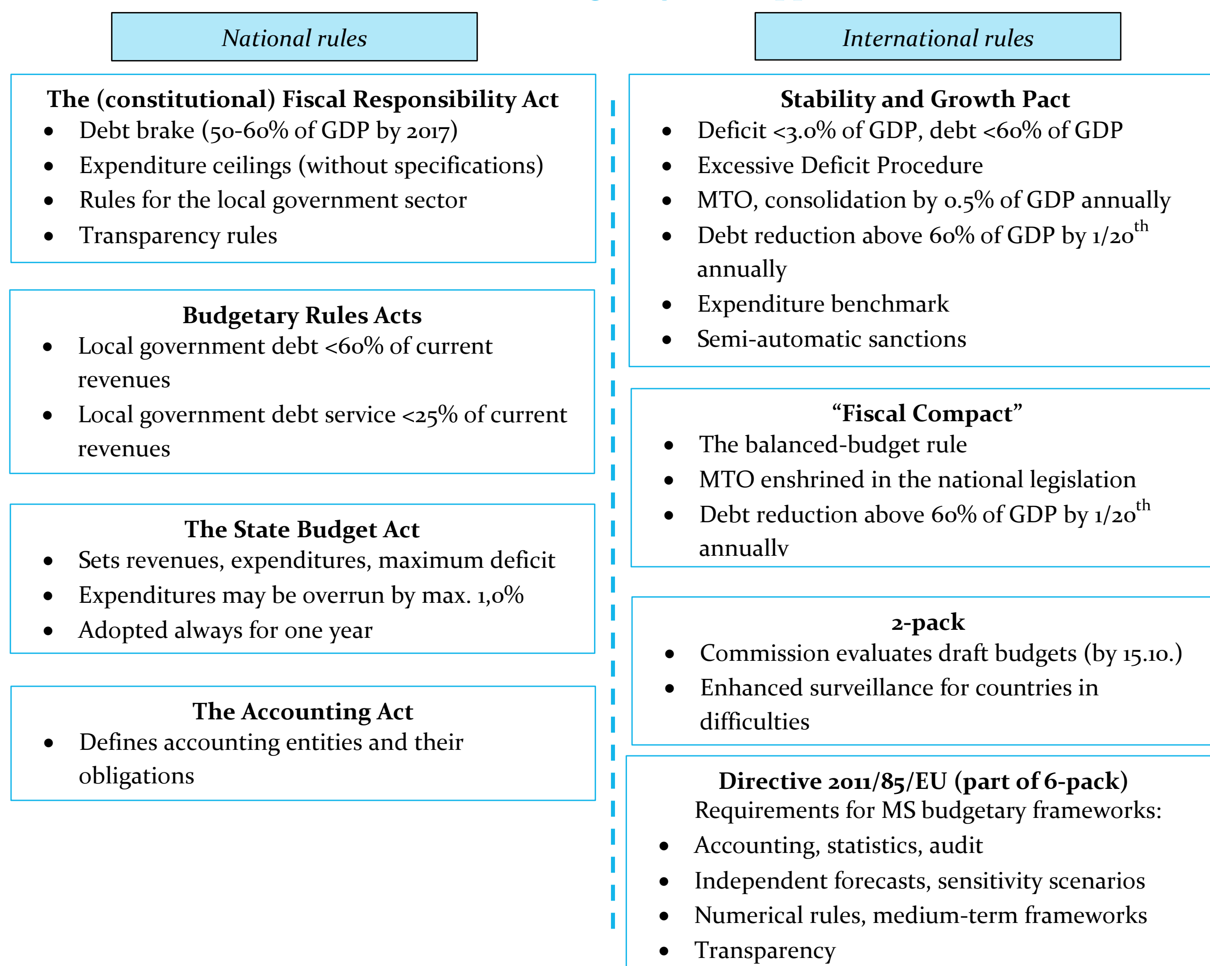
[3] Constitutional Act No. 493/2011 on Fiscal Responsibility
[4] Eurostat is expected to publish data on general government fiscal performance under ESA2010 in October 2014.

1 Overview of the rules applicable to Slovakia

The Slovak Republic currently operates within the framework of standard fiscal rules defined by the national legislation and/or EU legislation. Despite differing approaches to the definition of rules, their common objective is, in particular, to prevent governments from running high deficits which lead to unsustainable public debt levels, foster the credibility of budgetary processes and, reduce information asymmetry through the disclosure of relevant indicators.

Hence the constitutional Fiscal Responsibility Act is not the only source of fiscal rules that must be applied and monitored in Slovakia. Equally important are the rules laid down in the standard legislation: budgetary rules for general government and budgetary rules for municipalities and self-governing regions. In addition to the rules defined at the national level, Slovakia is also bound by the rules of the European Community based on international treaties.

Scheme 1: Overview of the budgetary rules applicable to Slovakia



Source: CBR

1.1 Rules of Constitutional Act No. 493/2011

The rules defined in constitutional Act No. 493/2011 are divided into two groups. The first group includes the **rules of fiscal responsibility** and the second includes **the budget transparency rules.**

The objective of the fiscal responsibility rules is make sure that the general government's fiscal management provides for a sustainable level of public debt in both short- and medium-term. Various numerically expressed indicators are used to identify fiscal policy deviations from the desired development and a set of automatic sanction and correction mechanisms is triggered to reduce excessive debt levels. The reaction of the government to unsustainable public finance developments should thus come well ahead any problems with debt financing on financial markets occur.

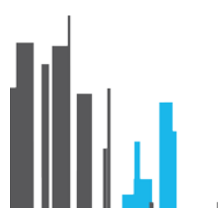
The budget transparency rules represent an equally important part of the fiscal framework as the numerical rules themselves. Increased transparency facilitates understanding of the implemented fiscal policy and the measures adopted. The detection of non-standard transactions makes it possible to identify irresponsible fiscal policies much earlier than they become visible through numerical indicators. Equally importantly, it increases the awareness of both general and professional public and thus makes the feedback from citizens to the government's budgetary policy more effective.

1.1.1 Fiscal responsibility rules

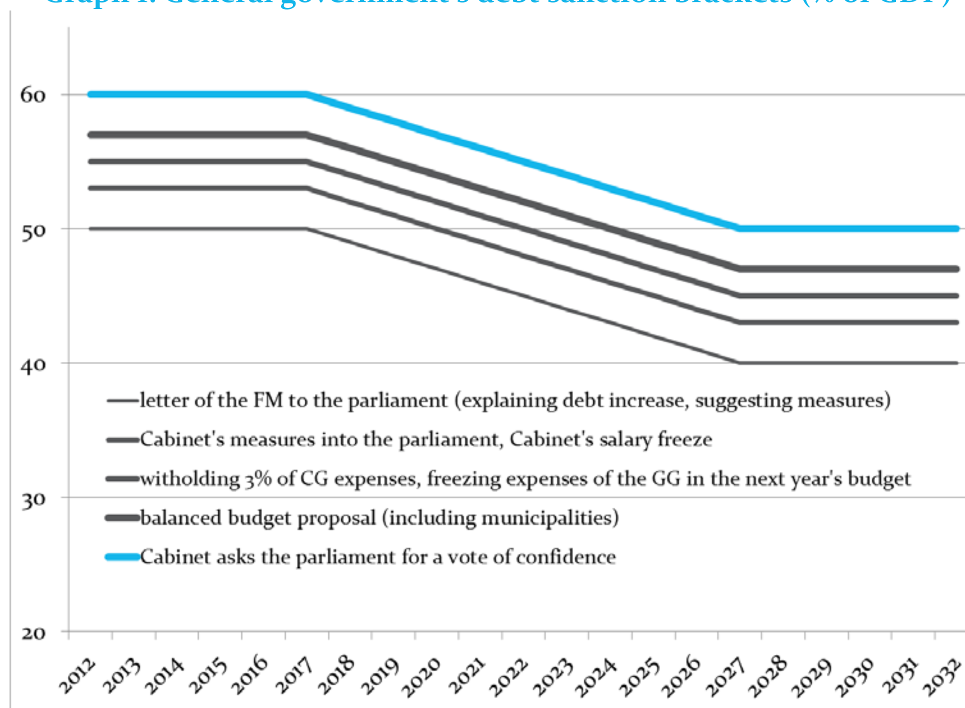
The constitutional Fiscal Responsibility Act specifies fiscal responsibility through the numerical rule for the amount of general government gross debt, specific rules for municipalities and self-governing regions, the long-term sustainability indicator and the public expenditures ceiling (Article 5 to 7 of the Act).

The **general government debt limit** is the .most important rule specified in the Act. The limit is set at 50% of GDP. The debt definition is identical with the debt definition used by Eurostat (the Maastricht debt). The debt limit is tied to 'sanction brackets' which are activated as soon as the debt reaches a level 10% of GDP below the limit, i.e. 40% of GDP. The sanctions begin symbolically – by the finance minister's justification letter which includes proposed debt-reduction measures – and end with the requirement for a balanced budget and, in an extreme case, a vote of confidence in the Government. The purpose of the so-called "debt brake", as a measure of last resort, is to prevent a complete breakdown of public finances and avert the loss of the country's solvency on financial markets. It should not serve as a operative tool for public finance management.

Under the transitional provisions of the Act, the above-mentioned debt limits apply until 2027. During the transitional period until 2017, the upper debt limit is set at 60% of GDP. As of 2018, the limits which trigger sanction mechanisms and the upper debt limit will be reduced by 1 p.p. each year until the upper limit reaches 50% of GDP.



Graph 1: General government's debt sanction brackets (% of GDP)



Source: CBR

BOX 1: General government gross debt limits as a percentage of GDP, along with sanction mechanisms, applicable in 2012 – 2017

- **Debt amounting to 50–53% of GDP** – the Ministry of Finance must deliver to the Parliament a written justification of the debt amount, including the measures proposed for debt reduction.
- **Debt amounting to 53–55% of GDP** – the Government will submit to the Parliament a proposal for debt-reduction measures and reduce the salaries of Cabinet members to the previous fiscal year's level.
- **Debt amounting to 55–57% of GDP** – the Ministry of Finance must block 3% of total state budget expenditures (without expenditures on government debt service, EU funds, transfers to EU budget and transfers to the Social Insurance Agency); at the same time, the Government may not submit to the Parliament any budget proposal that would entail a year-on-year nominal growth in total government expenditures (except for expenditures on government debt service, EU funds, transfers to EU budget, co-financing in addition to EU funds, and expenditures to remedy damages caused by natural disasters); local governments shall be obliged to approve their budget expenditures at a level no higher than in the previous year.
- **Debt amounting to 57–60% of GDP** – the Government may not submit to the Parliament any general government budget proposal with budgeted deficit, and local governments may adopt only a balanced or surplus budgets for the next fiscal year.

- **Debt exceeding 60% of GDP** – in addition to the steps outlined above, the Government shall ask the Parliament for a vote of confidence.

Once the debt level exceeds 53% of GDP, the sanctions are cumulative, i.e. if the debt exceeds 60% the Government must, apart from requesting a vote of confidence, take the steps described in the previous sanction brackets. The only exception is the blocking of budget expenditures in the amount of 3% which is applied always only in the first year of the debt overrun above 55%.

The important feature of these rules is that the sanctions, even those that are symbolic, are triggered well in advance. The first phase of the sanction mechanisms gives the Government room to prepare its own measures designed to reduce the debt level. If the measures are not sufficient and the debt reaches the level of 5% of GDP below the upper limit, the Act defines harsher sanctions with direct impact on budgeting, particularly on the expenditure side. Since the objective is to stabilize the entire general government debt, the sanctions in this phase also apply to local governments.

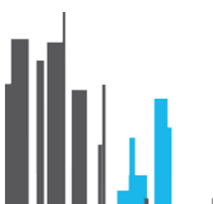
The rules also cater for specific circumstances when sanctions are not applied. During the first two years of a new election term, those sanctions which are normally activated at 5% below the upper debt limit are not applied to make sure that the Government is not penalised for the decisions of the previous one. These sanctions also do apply (temporarily, for 36 months) in the event of an exceptionally fierce and sudden recession or if public expenditures provided to remedy the consequences of a natural disaster, banking sector recapitalisation or discharge of obligations arising from international treaties in the same year reach 3% of GDP. No sanctions apply during a state of war.

BOX 2: Escape clauses

- The sanctions triggered at 5% of GDP below the upper debt limit (blockage of expenditures in the current budget and a freeze on expenditures in the new budget) are not applied for a period of 24 months starting on the day following the approval of the Government's Manifesto and a vote of confidence in the Government.

- The sanctions triggered at 5% of GDP below the upper debt limit are not applied for a period of 36 calendar months as of the first day of the calendar month following the calendar month in which:

    The Statistical Office of the Slovak Republic finds out that the year-on-year percentage change of gross domestic product for the previous fiscal year and the fiscal year preceding the previous fiscal year, established in the current fiscal year, against the year-on-year percentage change of gross domestic product for the fiscal year preceding the previous fiscal year and the second fiscal year preceding the previous fiscal year, established in the previous fiscal year, declined by at least 12



percentage points;

The Ministry of Finance finds out that public expenditures incurred to restore the proper functioning of the banking sector affected by a financial crisis, public expenditures incurred to remedy the consequences of natural disasters and catastrophes in the Slovak Republic, and public expenditures incurred in connection with commitments arising from international treaties have cumulatively exceeded 3% of gross domestic product.

- The obligation to invoke debt-correction sanctions does not apply to periods between the declaration of war or a state of war and the end of war or a state of war.

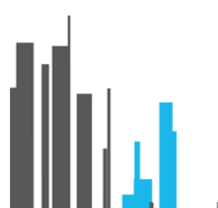
Apart from the debt brake itself, the fiscal responsibility rules contain **specific provisions for municipalities and self-governing regions.** Under these provisions, the central government shall not financially cover or be otherwise liable for the solvency of local governments; the Act thus makes local governments independent and solely responsible for the consequences of their decisions. On the other hand, whenever the state chooses to devolve new competencies to local governments, the state must ensure adequate funding. This provision is there to protect local governments against potential transfers of deficits from the central level to the local level.

Notwithstanding their decision-making independence, local governments constitute a part of the general government's public finances. For this reason, they are subject to the above-mentioned sanctions which come into play whenever the general government debt limits are exceeded. However, the debt must also be monitored at the local government level and, where necessary, sanctions must be applied. If the debt of a municipality or a self-governing region exceeds 60% of its actual current revenues, the Act imposes a penalty amounting 5% of the difference between the total debt amount and 60% of its actual current revenues in the preceding year.

However, also in this case an escape clause exists. The penalty shall not be imposed within 24 months of the constituent session of the local council, unless the same person has been re-elected to the post of mayor or chairman of the self-governing region. Under the transitional provisions of the Act, the provisions on financial sanctions for local governments will enter into force in 2015.

And finally, the fiscal responsibility rules also contain **public expenditure ceilings**. It is a tool for operational management of the budget (unlike the debt limit) designed to safeguard the balance development in the medium term. The Act does not specify the way in which the ceilings are calculated, nor does it set any deadline by which the calculation methodology should be published. It should be specified in a separate legislative act.

The long-term sustainability indicator is one of possible indicators to which the expenditure ceilings could be tied. The constitutional Act defines the basic assumptions for the calculation of the indicator, which have been further elaborated on and published in the methodology of



the Council for Budget Responsibility . The long-term sustainability indicator is part of the regular reports which the Council for Budget Responsibility must publish under the provisions of the Act.

1.1.2 Budget transparency rules

Apart from the fiscal responsibility rules, the constitutional Act also defines the rules of transparency in public finances.

The Act establishes two **independent committees for macroeconomic and tax forecasting** which operate as advisory bodies to the finance minister and assess the Ministry's macroeconomic and tax forecasts by 15 June and 30 June each year.

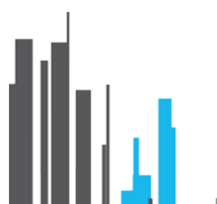
In the context of transparency, the Act furthermore requires that all general government entities prepare their **budgets for at least three years; each budget proposal must be accompanied by the data on the approved budget for the current year, data on projected budget execution for the current year, and data on the actual budget execution for the past two years.** The data must be published within 30 days of the budget approval. Due account must also be taken of the macroeconomic and tax forecasts published by the Ministry. The macroeconomic and tax forecasts are published twice a year, by 15 February and 30 June.

The Act also specifies **requirements for the publication of data in the budget itself and in the Summary Annual Report.** Beyond the framework of applicable legislation (Budgetary Rules Act), the constitutional Act requires the disclosure of the general government's consolidated balance and the debt management strategy, as well as information on tax expenditures, and information on the implicit and contingent liabilities, one-off effects and fiscal performance of state corporations. The Summary Annual Report should, beyond what is required under the Act on Budgetary Rules, contain information on the amount of the net worth of the Slovak Republic, balance of the general government budget, evaluation how the government's debt management strategy targets have been met, as well as information on one-off effects and fiscal performance of state corporations.

1.2 Rules of the European Community

The foundations of the current fiscal surveillance at the EU level were laid before the formation of the Economic and Monetary Union (EMU) through the adoption of the Maastricht criteria, which set the conditions of accession to the EMU. They include the condition of fiscal discipline expressed through the reference value of 3% of GDP for deficit and 60% of GDP for general government debt.

Overtime, as the integration deepened and the need to improve surveillance arose, Member States adopted the Stability and Growth Pact (SGP), which was amended in 2005. The next significant change in the rules of fiscal surveillance occurred in December 2011 when the so-called "six-pack" (package of six legislative acts designed to improve economic governance)



entered into force. The SGP amendment included sanctions for the eurozone members. At the same time, it defined the minimum standards for the budgetary frameworks of Member States and extended surveillance to other economic policy areas through the introduction of the Macroeconomic Imbalance Procedure.

The SGP consist of the preventive arm and corrective arm:

- The objective of the preventive arm is to prevent, through regular surveillance, budget deficit overruns above 3% of GDP. Apart from setting out numerical rules, the SGP also describes the surveillance procedure, including the obligation of Member States to submit, on an annual basis, documents on the medium-term fiscal policy strategy and their evaluation (stability programmes). The preventive arm of the SGP also includes the European Semester designed to facilitate the coordination of economic policies of EU Member States. The basis of the preventive arm is to define the medium-term objective (MTO) and monitor the trajectory of its attainment through the consolidation effort concept (year-on-year change in structural balance of at least 0.5% of GDP annually) and the expenditure benchmark[5].
- The corrective arm of the Pact defines a procedure (known as the Excessive Deficit Procedure), including sanctions, if the deficit exceeds 3% of GDP and debt 60% of GDP. If the deficit exceeds 60% of GDP, its development is further assessed against the reference value based on the debt criterion (decrease in its difference against the reference value on average by one twentieth annually during the three preceding years).

In addition to the existing rules governing the fiscal and economic surveillance in the EU, Slovakia acceded to the international **Treaty on Stability, Coordination and Governance in the Economic and Monetary Union**[6]. The treaty includes an **obligation to introduce a rule on the structural balance of general government** (MTO) **into the national legislation**. Each country will define its specific medium-term objective in compliance with the provisions of the Stability and Growth Pact; the maximum admissible value of the structural deficit has been generally defined at 0.5% of GDP. The deficit of those countries which have their general government debt significantly below 60% of GDP and are exposed to low risk[7] in terms of long-term sustainability may reach up to 1% of GDP. Those Member States whose **general government debt exceeds 60% of GDP** are under **obligation to reduce excessive debt on average by one twentieth annually** (already enshrined in the Pact).

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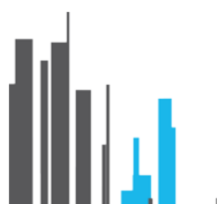
5 Expenditure growth should not be higher than the growth in medium-term economic potential (if the budget does not contain a measure permanently increasing tax revenues). The dynamics of expenditure growth should lag behind the potential growth at a rate ensuring sufficient progress towards achieving MTOs (at least by 0,5% of GDP per year).

6 The provisions concerning the fiscal performance of public finances are also referred to as “fiscal compact”).

7 The Commission classifies countries according to the risk of long-term sustainability of public finances into three groups: low, medium and high risk. This evaluation is linked to the publication of updates forecasts on the impacts of population ageing on public finances in MS within the Sustainability Report. The latest report was published in 2012 and forecasts presented are updated every three years.



Another substantial change came with two regulations in the field of fiscal surveillance and the rules for countries in financial difficulties (known as the “2-pack”). Under these rules, each Member State must send its budget proposal to the Commission by 15 October. After having verified its consistency with the SGP rules, the Commission may request corrections. If the financial stability of the country is put at risk and/or the country becomes the recipient of financial aid from one or more Member State, the EFSF, ESM or other international institutions (such as the IMF), the regulation formalizes the procedures for such Eurozone members (enhanced monitoring, reporting, adoption of an adjustment programme, etc.). The wording of these legislative acts is currently being finalised.

The 6-pack also includes Directive 2011/85/EU which lays down detailed requirements for the budgetary frameworks of Member States. These rules should also contribute towards avoiding excessive deficits in Member States. The directive requires continuous publication of fiscal data, realistic macroeconomic forecasts, consistency between the multiannual budget and the medium-term objective, and improved fiscal rules in the national legislation.

Slovakia is currently **under the Excessive Deficit Procedure** in connection with which the Council adopted recommendations aimed at reducing the excessive deficit by 2013. The **Commission suggested that the medium-term objective (MTO) be set at 0.5% GDP and achieved no later than in 2017**[8]. Annex 3 contains the latest evaluation by the Commission from May 2013.

[8] The Commission has presented its evaluation and draft recommendations to the Council for approval.

1.3 Other national rules

The other national rules include those enshrined in ordinary laws (as opposed to constitutional) of Slovakia. These are four important acts, namely Act No. 523/2004 on General Government Budgetary Rules, Act No. 583/2004 on Local Government Budgetary Rules, Act No. 431/2002 on Accounting and the State Budget Act.

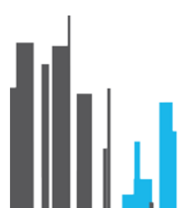
The General Government Budgetary Rules Act represents the basic tool for the preparation, management and evaluation of the general government budget. In its essence, it is a tool for operational management of the budget, because it largely focuses on procedural details. One of its parts contains a relatively detailed description for the compilation of the general government budget, including the deadlines for its submission to the Government and the Parliament. The act also defines the rules of budgetary management, with particular emphasis on how to record certain revenue and expenditure items (e.g., EU funds and its co-financing). The act defines the classification of revenues and expenditures, including the need to prepare financial statements. It also contains provisions on how the budget execution in the current year is evaluated. The act contains no rules limiting the Government in the process of budget preparation and imposes no sanctions for deviations from the fiscal position.

In terms of content and rules, the **Local Government Budgetary Rules Act** is similar to the rules for general government. Its adoption was prompted by the independent position of local governments in Slovakia and the need to specify the relations between the central and local government sectors. However, apart from the general rules governing the preparation and evaluation of the budget, the recovery regime and receivership, the act also contains rules designed to curb local government indebtedness. Under these rules, local governments may not take loans if their **debt exceeds 60% of the actual current revenues** in the preceding year[9], or their **annual debt service exceeds 25% of revenues**. The monitoring and evaluation of compliance with these rules falls under the ambit of Ministry of Finance of the Slovak Republic.

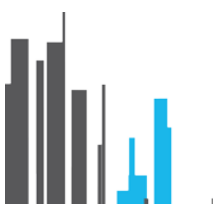
The Act on Accounting defines the accounting entities and specifies their obligations. These include, in particular, the obligation to keep accounting books and prepare financial statements. In their books, accounting entities record their assets, liabilities, revenues and expenses in a manner necessary to obtain information on their fiscal performance and financial soundness. The revenue/expenditure perspective, which prevails in the general government sector, is thus complemented by the information obtained from balance sheets and profit and loss accounts. The consolidation of financial statements represents a significant element. The act provides the necessary ground for the quantification of Slovakia's net worth in line with the requirements of the constitutional Act.

The State Budget Act is presently the only legally binding legislative act governing the budget enacted by the Parliament. The act sets explicitly cash revenues, expenditures and the maximum state budget deficit for the upcoming fiscal year – hence it does not include the local

[9] Similarly as Article 6(3) of the Fiscal Responsibility Act. However, it will enter into force as of 1 January 2015.



government sector, Social Insurance Company and other general government entities. It also does not cover the three-year horizon, which is thus taken mostly indicatively. Article 2(2) of the 2002 State Budget Act provides that the **Government may exceed budgeted expenditures by a maximum of 1 percent, but only if such overrun does not increase the state budget deficit.** This rule remained in the act as a remnant from the past, which has been gradually tightened to its current form. Since the rule applies only to the state budget, it opens up possibilities to be circumvented through non-standard transactions involving other general government entities (e.g. state financial assets).



2 Compliance with the fiscal responsibility rules

Under Article 4(1) o the Act, the Council prepares and submits to the Parliament its annual Report on Compliance with the Fiscal Responsibility and Budget Transparency Rules for the previous fiscal year. The Act entered into force in March 2012, but the effect of some transitional provisions concerning, in particular, the general government debt limit, as well as specific provisions applicable to local governments, has been postponed. **This report evaluates the fiscal year of 2012.**

2.1 General government debt limit (Article 12)

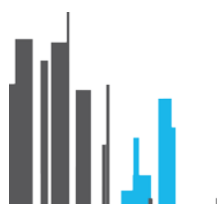
The amount of the 2012 gross debt of general government was published by Eurostat on 22 April 2013[10]. **The debt, expressed as a percentage of gross domestic product, reached 52.1%**, which is its highest value in the history of independent Slovakia**.** This debt level is above the first constitutional threshold of 50% of GDP and below the second threshold of 53% of GDP. This has activated a procedure designed to bring the debt level below 50% of GDP.

If the first debt limit is exceeded, the Ministry of Finance must send to the Parliament a written justification of the overrun, explain the reasons behind the debt increase, and propose measures aimed at reducing the debt level. The Act does not explicitly specify the deadline by which the finance minister is obliged to deliver his written justification. **The Ministry of Finance sent its letter to the Parliament on 18 June 2013.**

The Ministry explains the year-on-year debt increase by 8.8% of GDP particularly by the negative impact of guarantees and contributions under the European stabilisation mechanisms (EFSF and ESM) and increased liquidity of the state. Without these factors, the debt would have risen by 3% of GDP. The proposed debt-reducing measures include, in particular, progressive reduction in the general government's deficit from 4.3% of GDP in 2012 to 1.3% of GDP by 2016. In addition to the measures already incorporated into the Medium-term Budget Outline (freeze on expenditures on wages and on the goods and services, or the sale of oil stocks), changes in other areas have also been proposed. They mainly include measures designed to make the functioning of public administration, healthcare provision and public procurement more efficient, as well as measures to prevent tax evasions. **However, the measures are formulated in general terms only, without going into detail. This is why it is not possible to assess whether or not the adoption of these measures will effectively reduce the debt.** At the same time, the Council notes that the Ministry itself expects that the debt will continue to rise until 2015 when it will peak at 56.7% of GDP, which is above the third constitutional threshold.

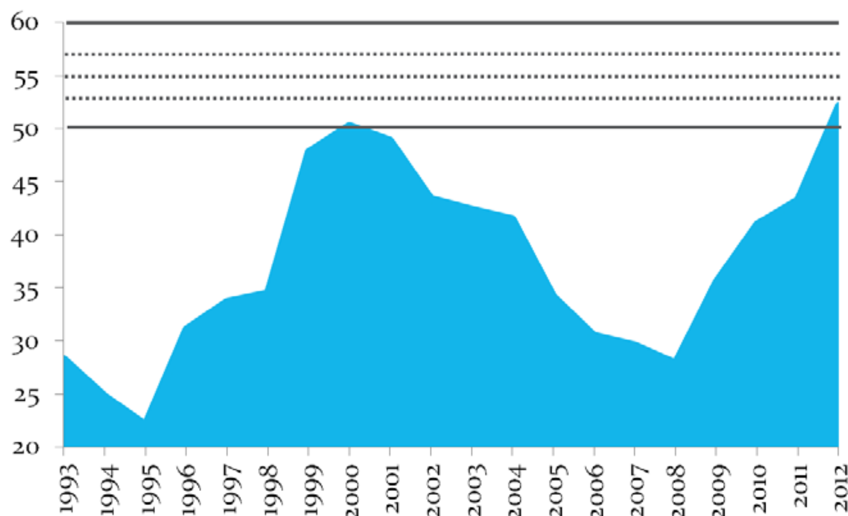
From the perspective of competencies in the budgeting process, **it would be desirable if the finance minister sent his reaction to the debt limit overrun no later than by the**

[10] Eurostat press release, 22 April 2013: Provision of deficit and debt data for 2012 - first notification



deadline for the submission of the General Government Budget Proposal the Cabinet, i.e. by the **15th August**. This will give the Cabinet sufficient time to assess the measures proposed and, where appropriate, incorporate them into the budget proposal submitted to the Parliament.

Graph 2: General government debt and constitutional thresholds (% of GDP)



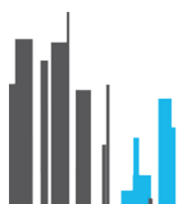
Source: Eurostat, CBR

2.2 Specific provisions for municipalities and self-governing regions (Article 6)

In order to assess compliance with these provisions, the Council sent a letter to the Ministry of Finance of the Slovak Republic, Association of Towns and Municipalities of Slovakia (ZMOS), Union of Towns of Slovakia and the Association of Self-governing Regions (SK8). Based on the documents and data received, the Council concludes that, **in the course of 2012, the state had not intervened to safeguard the solvency of local governments, not did it devolve any new competencies** which would have required the allocation of additional funds to the local government level.

Nevertheless, municipalities indicate a slight increase in the financially uncovered administrative burden connected with the performance of the already devolved competencies. For example, the recent amendment to the Social Services Act (Act No. 50/2012, effective as of 1 March 2012) increased the administrative burden related to the provision of subsidies to the non-government providers of social services. Moreover, the Supreme Court of the Slovak Republic has handed down a number of rulings based on which municipalities act in the role of an administrative authority in handling administrative misdemeanours.

A more detailed evaluation of the provisions on the devolved competencies will only be possible following the audit of local government competencies which will take place later this year.



The provisions of the constitutional Act which impose sanctions for the overrun of the local government debt limit enter into force as of 2015. Annex 5 provides an overview of compliance and the sanctions that would have applied had the rule been in force in 2012.

2.3 Public expenditure ceiling (Article 7)

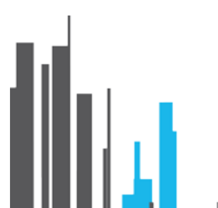
The expenditure ceiling is considered one of the most effective tools available to ensure compliance with the budgeted trajectory of the general government balance in the medium term. Also international institutions underscore the importance of binding expenditure ceilings. For example, the European Commission recommended to reinforce the binding nature of three-year budgets through expenditure ceilings back in 2004 (more in BOX 3).

Also the constitutional Act sets ceilings on public expenditures. **However, there is no legislative framework in place yet to regulate the ceiling calculation.** The Act is silent about the deadline by which such framework should be enacted. The Council is of the view that now, when a credible trajectory of fiscal consolidation needs to be presented – be it due to the debt limit overrun or the need to meet the MTO by 2017 – the adoption of effectively functioning expenditure ceilings (including correction mechanisms) represents an important step towards meeting these objectives.

The Council believes that the system of expenditure ceilings should follow the principles defined by the European Commission for national correction mechanisms of the fiscal compact[11], in particular 1) the correction mechanism should be of a permanent nature and its provisions should not be altered by an ordinary budgetary law 2) its philosophy and construction should be consistent with the preventive arm of the Stability and Growth Pact and it should contain precisely defined circumstances when the rules do not apply, 3) it should contain a clearly defined way in which the breaches are identified, plus a semi-automatic process of correction consistent with achieving the medium-term objective by the set time horizon, 4) it should contain a provision obligating the government to publicly explain their departure from recommendations formulated by independent surveillance bodies (the "comply or explain" system).

The debt rule enshrined in the constitutional Act was has been defined as the ultimate rule – the debt brake – which should prevent inadequate debt increase from occurring. The economic policy itself should ideally steer clear of trespassing these limits, despite the fact that the sanctions and correction mechanisms are activated gradually. This is oftentimes due to impacts outside the government's economic policy which may inflate (or deflate) the debt beyond the original expectations of the government. The activation of sanction mechanisms also narrows room for manoeuvre because the government lacks the necessary flexibility to react to the economic situation. Hence the debt rule should not be perceived as an operative tool for budget management aimed at ensuring public finance sustainability.

[11] European Commission (2012c): Common principles on national fiscal correction mechanisms.



BOX 3: Expenditures ceilings – recommendations of the European Commission

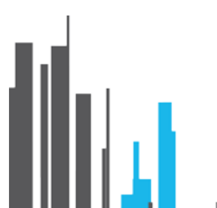
In the case of Slovakia, expenditure ceilings are also mentioned by the European Commission in the country-specific recommendations in reaction to the Stability Programme (or "Convergence Programme" before accession to the eurozone) and the National Reform Programme. What follows are excerpts from the Commission's recommendations:

- 2004: "The Council urges the Slovak authorities to reinforce the binding nature of the three-year budgetary framework by adopting detailed medium-term expenditure ceilings".
- 2011: "However, the authorities will have to ensure that the envisaged multiannual expenditure ceilings are well-designed and enforceable and encompass the central government level and the social security system".
- 2013: „**However, the rules on expenditure ceilings have not yet been adopted.** While Slovakia sets multiannual budgetary objectives, these are not binding, except for the first year. This weakens the overall set-up of the fiscal framework and could be remedied by adopting binding multiannual expenditure ceilings. There is a legislative proposal to amend the Budgetary Rules Act to determine the procedures for setting such ceilings for general government, excluding local government, but its adoption has been postponed to September 2013. Member States are encouraged to ensure that any adopted expenditure rule is consistent with the expenditure benchmark set in the revised Stability and Growth Pact, in terms of definition and coverage. The authorities plan to adopt legislation addressing the requirements of the Fiscal Compact[12], that was ratified by the Parliament in December 2012."

The absence of expenditure ceilings in most Member States was the main reason for the introduction of the public expenditure benchmark in the 2011 revision of the Stability and Growth Pact. Under the new rules, these expenditure ceilings are evaluated together with the change in the structural balance of public finances in order to meet the medium-term objective (MTO). Hence they do not replace expenditure ceilings, which should be defined, along with correction mechanisms, at the national level.

Article 7 of the Act also obliges the Council to publish, on its website, the methodology of calculations and the assumptions used in determining the long-term sustainability indicator. The Council has fulfilled this obligation (see BOX 4).

[12] Title III of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union.



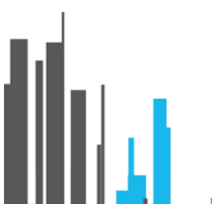
BOX 4: Methodology and calculation of the long-term sustainability indicator

The methodology for the calculation of the **long-term sustainability indicator** was published in November 2012 on the website of the Council for Budget Responsibility in the form of a discussion paper under the title How to evaluate long-term sustainability of public finances? Apart from methodology, the paper also describes the sustainability indicator concept, views on its evaluation in other countries, and possible methodology improvements for the future.

The long-term sustainability indicator is a standard component of the Reports on the Long-term Sustainability of Public Finances . The Council has so far prepared and published two such reports, one in December 2012[13] and the updated version in April 2013.The sustainability indicator decreased from 7.0% of GDP in 2011 to 4.3% in 2012. In other words, in order to make the debt of Slovakia sustainable in the long term according to the definition contained in the Fiscal Responsibility Act, the public finance balance must yet improve by 4.3% of GDP on a permanent basis.

In order to calculate the indicator, it was necessary to develop a baseline scenario for public finance development, which shows the development of the balance and debt assuming no changes in legislation and taking into account various demographic and macroeconomic assumptions. For the medium-term horizon, the Council used up-to-date forecasts prepared by the committees for tax revenue and macroeconomic forecasting. The long-term horizon is based on the demographic and macroeconomic forecasts prepared by the European Commission. In the case of the revenues and expenditures sensitive to population ageing, the Council used the Commission's projections, except for the pension system and healthcare projections. The justification for the use of the Council's models, comparison of the results with the Commission, including the explanation of differences, are presented in the Report on the Long-term Sustainability of Public Finances .

[13] Extraordinary report due to the transitional provisions of the Act.



3 Compliance with the budget transparency rules

The budget transparency rules are laid down in Articles 8 and 9 of the Act. They apply to the committees for macroeconomic and tax revenue forecasting, as well as to the publication of important public-finance information and data.

3.1 Committees (Article 8)

The Macroeconomic Forecasting Committee and the Tax Revenue Forecasting Committee have been established as advisory bodies to the finance minister for the purpose of enhancing the objectiveness of macroeconomic, and tax revenue forecasts by the Ministry and fostering transparency in the process of compiling the general government budget. Under the Fiscal Responsibility Act, the Committees are obliged to prepare and publish their forecasts no later than by 15 February and 30 June of the respective fiscal year. The Committees may convene also more frequently than prescribed by the Act. Since the Act entered into force as of 1 March 2012, only the June deadline for the publication of the forecast is relevant for the evaluation purposes.

In 2012, the **Macroeconomic Forecasting Committee** met three times: on 7 February, 11 June and 12 September. The updated medium-term macroeconomic forecasts of the Ministry were officially presented on 9 February, 15 June and 14 September. The June forecast was published in line with the constitutional Act.

In addition to its three regular meetings of the **Tax Revenue Forecasting Committee** on 13 February, 15 June and 20 September, the Committee held an extraordinary meeting at the close of 2012 (3 December). The updated forecasts of revenues from taxes and social contributions were published on 16 February, 31 July, 27 September and 5 December. The June forecast was officially presented one month after the deadline set by the Act, which constitutes a **breach of Article 9 (3) of the Fiscal Responsibility Act**.

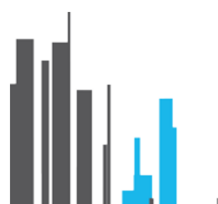
3.2 Publication of data (Article 9)

The draft budgets of general government entities should contain data on the actual execution of the budget for previous fiscal years, data on projected budget execution for the current year and data on budgeted items for the coming three years. The Council notes that, save for some exceptions, the 2013-2015 budget proposal contained all important tables in the prescribed structure.

3.2.1 General government budget

The Fiscal Responsibility Act directly lists the information which should be contained in the general government budget beyond the data already presented. These include:

- Consolidated balance of the general government budget;



- Government debt management strategy;
- Tax expenditures;
- Implicit liabilities;
- Contingent liabilities;
- One-off impacts;
- Fiscal performance of state corporations.

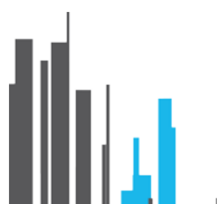
The Council sees the biggest room for improvement in the provision of more detailed information for the entire (consolidated) general government sector. The consolidated balance of the general government revenues and expenditures is broken down only into revenues, expenditures and balance. It was therefore not possible to assess the structure and changes in the main categories on the revenue and expenditure sides on a year-on-year basis across the public finance system.

On the other hand, the **government debt management strategy** was described relatively well in terms of the level of detail, including the main objectives and developments in the recent past. The strategy also quantifies the net refinancing need, i.e. the amount of funds which need to be raised during the year beyond the repayment of existing bonds and loans. Also the main text of the budget contains information on debt financing.

The 2013-2015 budget proposal presented three basic approaches towards the **quantification of tax expenditures**, including the quantification of their main items. The Council views positively the quantification of the negative tax expenditures arising from additional selective taxation. This information provides a more accurate picture on the existence of various rebates, special regimes and other advantages made available through taxes and social contributions. In the future, the definition of tax expenditures should be made more precise and consideration should also be given to presenting smaller expenditure items (even without impact quantification). It will then be possible to compare tax expenditures with the expenditure side of the budget. Tax expenditures should become an important concept in setting expenditure ceilings. However, in order to compare tax expenditures and items within expenditures categories, it will be necessary to properly define the methodology for their calculation.

Implicit liabilities represent hidden future debts of the general government beyond the official debt statistics. The publication of their estimates in the budget is thus an important part of enhancing its transparency. Implicit debts arise, in particular, on account of population ageing and occur in those expenditure categories that are sensitive to demographic changes: pension systems, healthcare, long-term care and education. The budget proposal contains a detailed structure of projections for these expenditures categories under two scenarios: without and with the pension system reform approved in August 2012. In the future, the analysis should be expanded to cover also other types of liabilities (for example, PPP projects or the cost of nuclear decommissioning).

Contingent liabilities are oftentimes very difficult to quantify and are, for the most part, described only in qualitative terms. The annex to the budget features mainly information on



pending litigations; the data for municipalities are not included. In the years to come, it will be necessary to broaden the circle of the reporting entities and expand the thematic coverage.

For **one-off impacts** it would be appropriate (for the sake of clarity) to present a single summary table containing all revenue and expenditure items. Currently, the only detailed overview covers the revenues from taxes and social contributions, with the other items presented in the main texts.

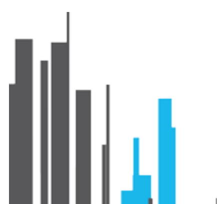
The constitutional Fiscal Responsibility Act also prescribes the publication of information on the fiscal performance of state corporations. The budget meets this requirement formally, **yet to a very limited degree and without an adequate commentary**, which makes it then difficult to evaluate an important component of the country's net worth: aggregate equity of state corporations. Moreover, the list does not contain information on corporations with capital participation of the National Property Fund.

BOX 5: CBR recommendations to enhance transparency of the general government budget

- More detailed data for the entire (consolidated) balance of general government;
- More specific definition of tax expenditures, presentation of smaller items (even without impact quantification)
- Broaden implicit liabilities to include, for example, PPP projects or the cost of decommissioning of nuclear plants;
- Broaden the circle of entities reporting contingent liabilities (to also include, for example, municipalities, the Parliament) and expand the thematic coverage;
- Present a summary overview of one-off impacts on the budget in a single table (not only in revenues from taxes and social contributions)
- Extend the reporting obligation for state corporations to also include corporations with capital participation of the National Property Fund.

3.2.2 Summary Annual Report

The first Summary Annual Report of the Slovak Republic was prepared by the Ministry of Finance of the Slovak Republic last year for the year 2011. The report presents a view on the state and development of public finances in the country. When evaluating compliance with the obligations laid down in the constitutional Act, it should be borne in mind that the constitutional Act entered into force in March 2012, i.e. after the end of 2011 for which the summary report was prepared. The constitutional Act does not contain any explicit provision, e.g. a transitional provision, which would clarify as to whether the obligations also apply to the 2011 summary report. One possible interpretation is that the provisions of the Act will apply for the first time to the 2012 summary report to be published in 2013. However, interpretation of the legislation aside, there are objective reasons in connection with the process of data



gathering[14] due to which certain requirements of the constitutional Act could not have been met in the 2011 Summary Annual Report.

Under the theme "**government's net worth**" in 2011, the report presents and quantifies only some of its components. The total is not quantified. In this particular case, certain objective reasons disabled the presentation of the first net worth estimate. The Council appreciates the effort put into presenting the net worth concept in the report and quantify a number of items: equity of general government entities, equity of the National Bank of Slovakia, equity of state corporations, equity of corporations controlled by municipalities and self-governing regions, and other liabilities.

The Council for Budget Responsibility quantified the net worth of the Slovak Republic for the year 2011 for the first time in its April Report on the Long-term Sustainability of Public Finances at -198.5 billion EUR, i.e., approximately -287 percent of GDP.

The 2011 general government budget balance is presented in Annex 1 to the summary report. Apart from the consolidated balance for the entire general government, it also contains balances for individual general government entities under the ESA 95 methodology. For the sake of better understanding, the balance should be accompanied by the approved budget and the currently aggregated revenue and expenditure items should be broken down to lower tiers of detail.

The **government debt** theme is covered in Part 2 of the report under the heading "Final Data on Fiscal Performance and Debt of the General Government under the ESA 95 Methodology". The chapter describes the state and development of the so-called Maastricht debt, as well as its structure. In addition, the chapter contains relatively detailed information on the financing and structure of the debt. The debt structure is broken down to government bonds, treasury bills and loans, along with other liabilities, at the year-end. The report also breaks the debt down by the original maturity and territorial structure of lenders. The information on the change of liabilities on account of the issued government securities is presented in Part 3 under the heading "Commentary on the Summary Financial Statement of the Slovak Republic" and breaks down to bonds issues placed domestically and internationally. The overview of outstanding loan balances is presented by individual lending institutions.

The Summary Annual Report fails to evaluate how goals of the government debt management strategy have been met. The Government Debt Management Strategy for 2011 to 2014 specifies the targeting of numerical risk indicators (refinancing risk, revaluation risk and currency risk)[15]. According to the information presented in the Summary Annual Report, the currency risk objective (open unsecured foreign-currency position below 5% of the total debt) was met because almost the entire public debt (99.7 percent) in 2011 was denominated in EUR.

[14] Data reporting forms are defined before the beginning of each fiscal year, i.e. in 2010 for the year 2011.

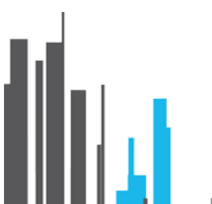
[15] "For the refinancing risk and revaluation risk, the strategic objective will be to maintain the value of due and revaluated financial liabilities of the state in the first year near the level of 25% of total financial liabilities of the state, and maintain the value of due and revaluated financial liabilities of the state, for five years cumulatively, near the level of 65% of total financial liabilities" the Strategy says.

The report does not yet contain an overview of the one-off impacts on the fiscal performance of general government. The text mentions only one such case, namely the imputation of a claim towards the Granvia company as a consequence of VAT payment in connection with a PPP project for the R1 motorway in the amount of € 173.639m. The 2011 deficit was affected by this one-off operation positively.

The Summary Annual Report also **does not contain information on the fiscal performance of state corporations**. Although state corporations were included in the aggregate account of assets and liabilities of general government (and probably also in the profit and loss account), information on their 2011 performance (profit or loss) is not provided, neither in aggregate nor by individual companies.

BOX 6: CBR recommendations to enhance transparency of the Summary Annual Report

- Publish the total government's net worth;
- General government balance should be accompanied by the approved budget and the revenue and expenditure items should be broken down;
- Include the evaluation of how the government debt management strategy objectives have been met;
- Include an overview of one-off impacts on the fiscal performance of general government;
- Include information on the fiscal performance of state corporations



Annex 5 – Compliance with numerical fiscal rules by local governments

Article 6(3) of the constitutional Fiscal Responsibility Act defines sanctions for the breach of the debt rule applicable to municipalities and self-governing regions, doing so in conjunction with Article 17 of Act No. 583/2004 on Budgetary Rules for Municipalities and Self-governing Regions. The latter Act defines the following conditions under which a municipality or self-governing region (SGR) may borrow funds to perform their tasks:

- if the total amount of the debt of a municipality or SGR does not exceed 60% of the actual current revenues in the preceding fiscal year, and
- if the sum of annual debt instalments, including interest, does not exceed 25% of the actual current revenues in the preceding fiscal year.

The Budgetary Rules Act further defines the total debt amount as the aggregate of liabilities arising from the payment of debt principals at the year-end and the sum of guarantees provided by a municipality or self-governing region. The thus calculated total debt amount is adjusted for liabilities under loans received to pre-finance joint EU-SK programmes and, in the case of municipalities, also loans received from the State Fund for Housing Development. The purpose of linking both rules to the actual current revenues was to make sure that municipalities and SGRs are able to realistically cover their liabilities.

Since Article 6(3) enter into force as of 1 January 2015, the main text of the report does not contain the evaluation of compliance. In order to illustrate the current situation, the annex contains data for both the SGRs and municipalities.

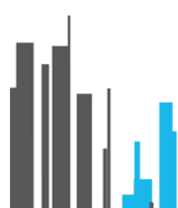
Self-Governing Regions

The average SGR debt ratio at the end of 2012 reached 35.5% of the 2011 current revenues. In the year 2012, the Trnava and Trenčín Regions stood closest to the 60-percent limit. The average debt service ratio (payment of principal and interest) to revenues reaches only 3.5%, which is well below the limit (25%). All self-governing regions complied with both rules in 2012. If Article 6(3) of the Act were in force, they would not be subject to any penalties.

Table 4: Evaluation of compliance for the SGRs (Year 2012, '000 EU

SGR name	Total debt amount	Interest payments	Payments of principal	Current revenues	Debt ratio	Debt service
Bratislavský	42 011	764	855	108 573	**38,7%**	**1,5%**
Trnavský	55 300	1 659	2 489	102 545	**53,9%**	**4,0%**
Trenčiansky	55 417	1 405	2 668	112 655	**49,2%**	**3,6%**
Nitriansky	37 390	887	2 595	135 086	**27,7%**	**2,6%**
Žilinský	40 687	1 163	5 071	138 394	**29,4%**	**4,5%**
Banskobystrický	32 893	891	3 007	131 185	**25,1%**	**3,0%**
Prešovský	44 072	451	7 958	150 156	**29,4%**	**5,6%**
Košický	42 081	1 173	2 362	138 134	**30,5%**	**2,6%**

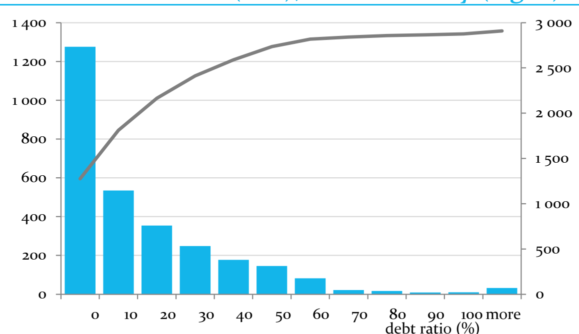
Source: MF SR



Municipalities

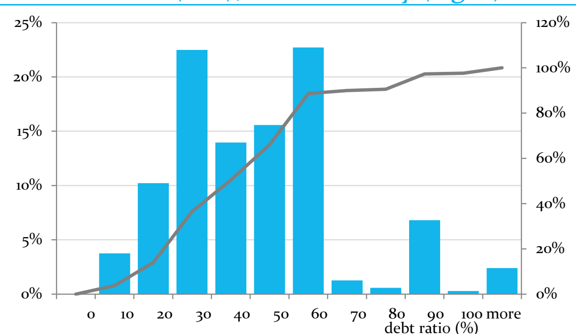
From the total number of 2908[16] municipalities under evaluation, 90 failed to comply with the debt rule. If Article 6(3) of the Act were in force, they would face penalties amounting to 5% of the difference between the total debt amount and 60% of actual current revenues in the preceding fiscal year[17] (totally 1 294,0 thousand EUR). According to available data, the debt service rule was breached by 342 municipalities, of which 14 breached both rules. The total amount of the debt service presented in the evaluation includes all instalments under loans taken for the implementation of joint EU-SK projects; according to the act on budgetary rules, one-off early loan repayments are not included in the total amount of annual instalments[18]. Unlike for the breach of the first limit, the debt service limit overrun does not trigger penalties.

Graph 4: Numbers of municipalities by debt to revenues ratio (left), cumulatively (right)



Source: MF SR, CBR

Graph 5: Individual debt brackets as a share of total debt (left), cumulatively (right)



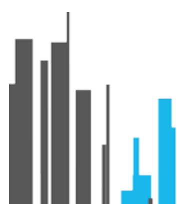
Source: MF SR, CBR

Graph 4 shows that the numbers of municipalities in individual relative debt brackets decline. The ratio of nominal debt to the total nominal debt of all municipalities (€615m, Graph 5) is the highest in the 50-60% brackets. The high value of this indicator in the 80-90% brackets is due to the fact, that they include the city of Žilina with total debt amount of almost €40m.

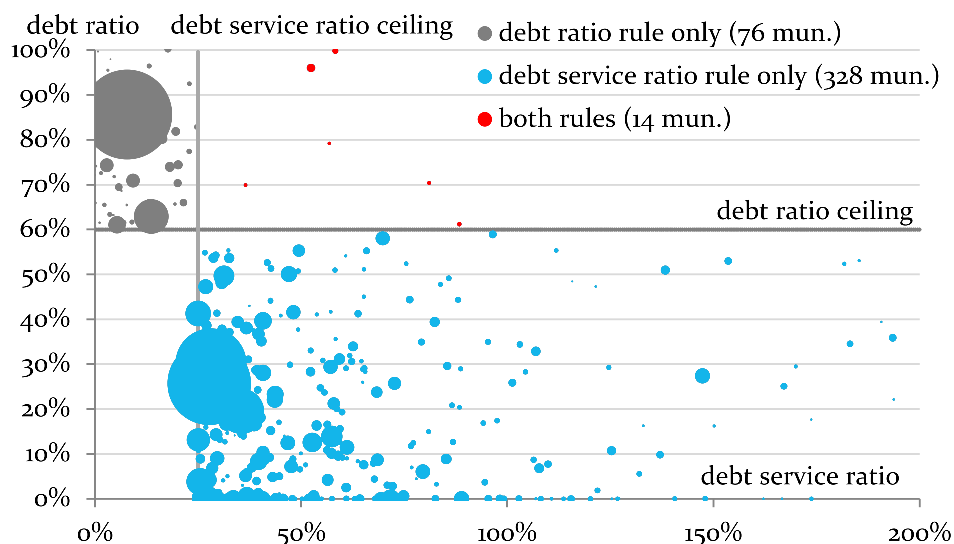
[16] The CBR had at its disposal complete data for 2,908 municipalities from the total number of 2,926.

[17] Also taking Article 6(4) into consideration

[18] The data available in statements do not make it possible to distinguish which payments relate to the early repaid loans earmarked for the implementation of EU projects.



Graph 6: Municipalities not meeting the requirements of §17 of Act No. 583/2004



Source: MF SR, CBR

Graph 6 illustrates the municipalities not meeting at least one condition. The position of the bubble representing a municipality depends on the debt and debt service ratio to revenues. Its size is given by actual current revenues in 2011.

Table 5 shows the top-10 municipal debts and potential penalties in relation to the revenues of the municipality. The second part of the table lists the municipalities facing the highest penalties in nominal terms.

Table 5: Municipalities by debt ratio and penalty ratio (%), penalty ('000 EUR)

Municipality	Debt ratio	Penalty ratio	Municipality	Penalty
Bratislava - Devín	1224,5	58,2	Žilina	594,9
Panické Dravce	343,2	14,2	Bratislava - Devín	332,0
Malá Tŕňa	334,5	13,7	Bzenica	46,2
Luhyňa	320,0	13,0	Pakostov	26,5
Bzenica	313,8	12,7	Panické Dravce	20,7
Pakostov	297,5	11,9	Malá Tŕňa	17,0
Chrastince	288,7	11,4	Hruboňovo	15,8
Bohunice	275,1	10,8	Bohunice	14,5
Hruboňovo	228,7	8,4	Kojšov	12,9
Štefanov nad Oravou	198,7	6,9	Štefanov nad Oravou	10,5

Source: MF SR, CBR

Given the high number of municipalities under evaluation, the following list contains the results only for those which breached at least one of the rules. The table also contains potential penalties for the debt rule breach – expressed in nominal terms and in relative terms (to actual current revenues of the preceding year).

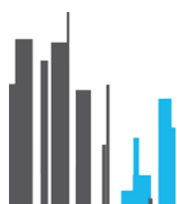
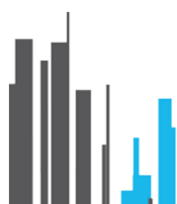
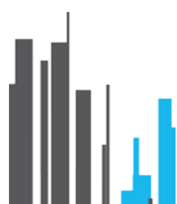


Table 6: Evaluation of compliance for municipalities (year 2012, %)

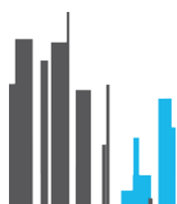
Municipality	Debt ratio	Debt service	Penalty ('000 EUR)	Penalty ratio	Municipality	Debt ratio	Debt service	Penalty ('000 EUR)	Penalty ratio
Abovce	52,6	**41,9**	-	-	Bystrička	**101,7**	4,4	8,2	2,1
Abranovce	0,0	**64,6**	-	-	Bzenica	**313,8**	5,1	46,2	12,7
Adamovské Kochanovce	28,7	**25,7**	-	-	Čab	54,3	**29,4**	-	-
Andovce	6,8	**38,1**	-	-	Častkov	25,9	**101,2**	-	-
Arnutovce	17,1	**44,7**	-	-	Čavoj	**107,7**	3,2	6,2	2,4
Babie	**71,8**	4,7	0,5	0,6	Čechynce	5,0	**44,7**	-	-
Babiná	17,6	**32,0**	-	-	Čeľadice	**74,0**	18,2	4,0	0,7
Babindol	0,0	**57,5**	-	-	Čelkova Lehota	39,4	**190,8**	-	-
Bačkov	39,3	**34,8**	-	-	Čerenčany	21,9	**28,2**	-	-
Baka	50,9	**138,3**	-	-	Černina	**80,4**	13,1	0,3	1,0
Bánov	47,3	**26,9**	-	-	Černochov	16,2	**150,2**	-	-
Banská Bystrica	25,7	**27,8**	-	-	Červený Kláštor	0,0	**28,2**	-	-
Bara	0,0	**64,9**	-	-	České Brezovo	4,0	**25,6**	-	-
Baška	35,6	**58,4**	-	-	Čierne	0,0	**71,7**	-	-
Baškovce	0,0	**54,7**	-	-	Čierne Pole	**60,6**	11,8	0,0	0,0
Beckov	55,3	**49,5**	-	-	Čirč	11,5	**61,2**	-	-
Belá	39,7	**40,8**	-	-	Danišovce	34,1	**32,4**	-	-
Belince	**131,5**	**37,6**	1,9	3,6	Dargov	30,6	**62,3**	-	-
Bellova Ves	0,0	**48,6**	-	-	Davidov	34,5	**183,1**	-	-
Benkovce	**100,2**	17,7	6,3	2,0	Devičany	0,0	**126,7**	-	-
Bešeňová	34,6	**26,5**	-	-	Dlhá	0,0	**29,9**	-	-
Blatná na Ostrove	41,3	**29,6**	-	-	Dlhá nad Kysucou	10,9	**25,1**	-	-
Blažice	23,9	**44,1**	-	-	Dlhé Klčovo	37,8	**30,9**	-	-
Blhovce	**91,8**	5,1	3,7	1,6	Dolinka	**92,5**	22,9	2,2	1,6
Bohunice	**275,1**	15,6	14,5	10,8	Dolná Breznica	**61,5**	6,9	0,2	0,1
Borčice	**127,6**	1,4	3,0	3,4	Dolná Lehota	0,0	**32,0**	-	-
Borša	8,9	**85,2**	-	-	Dolná Streda	6,8	**107,8**	-	-
Bratislava - Devín	**1224,5**	0,0	332,0	58,2	Dolná Súča	22,1	**43,6**	-	-
Bratislava - Rusovce	16,8	**38,6**	-	-	Dolné Naštice	0,0	**34,9**	-	-
Breza	14,3	**29,4**	-	-	Dolné Obdokovce	17,8	**33,4**	-	-
Brezina	8,7	**106,4**	-	-	Dolný Bar	16,4	**53,8**	-	-
Brezovica	0,0	**30,2**	-	-	Dolný Chotár	8,9	**48,0**	-	-
Bukovec	9,0	**61,1**	-	-	Dravce	7,0	**37,8**	-	-
Bulhary	8,4	**63,8**	-	-	Drnava	0,0	**52,0**	-	-
Bunkovce	**156,7**	5,6	6,3	4,8	Dubnica nad Váhom	19,5	**35,6**	-	-



Municipality	Debt ratio	Debt service	Penalty ('ooo EUR)	Penalty ratio
Dubovec	12,5	**77,2**	-	-
Dubovica	0,0	**41,2**	-	-
Dúbrava	0,0	**43,5**	-	-
Dunajský Klátov	30,7	**36,3**	-	-
Dvorianky	**77,6**	11,6	1,3	0,9
Farná	19,8	**33,6**	-	-
Fekišovce	**63,2**	4,5	0,1	0,2
Forbasy	9,6	**59,0**	-	-
Frička	16,3	**133,0**	-	-
Gbeľany	0,0	**69,4**	-	-
Gerlachov	**93,7**	4,0	5,4	1,7
Golianovo	25,1	**25,7**	-	-
Gruzovce	**60,0**	13,6	0,0	0,0
Habura	31,1	**37,3**	-	-
Hačava	**191,7**	**222,3**	3,1	6,6
Haniska	0,0	**74,0**	-	-
Hankovce	29,1	**60,9**	-	-
Hatalov	34,4	**103,1**	-	-
Havaj	21,9	**26,3**	-	-
Hertník	29,3	**31,2**	-	-
Hnilčík	29,3	**124,6**	-	-
Horná Mičiná	**65,9**	0,0	0,3	0,3
Horná Potôň	36,7	**39,7**	-	-
Horná Súča	0,0	**89,0**	-	-
Horné Lefantovce	20,1	**58,7**	-	-
Horné Mýto	35,9	**193,5**	-	-
Horné Srnie	27,4	**147,3**	-	-
Horný Bar	2,5	**61,0**	-	-
Horný Tisovník	5,0	**32,2**	-	-
Hrabovčík	16,5	**32,7**	-	-
Hraň	**70,3**	20,1	2,0	0,5
Hriadky	**70,4**	**81,1**	0,5	0,5
Hrišovce	0,0	**41,5**	-	-
Hrkovce	0,0	**39,0**	-	-
Hruboňovo	**228,7**	5,9	15,8	8,4
Hrušovo	**79,3**	0,5	0,4	1,0
Hubovo	**61,5**	1,2	0,0	0,1
Chmeľnica	**69,4**	5,8	1,7	0,5
Choča	**96,4**	13,2	2,8	1,8
Chrasť nad Hornádom	24,2	**39,5**	-	-
Chrastince	**288,7**	1,2	5,1	11,4
Chvalová	**95,5**	3,2	1,0	1,8
Ihľany	0,7	**53,1**	-	-
Iňačovce	9,8	**137,1**	-	-
Inovce	54,1	**60,9**	-	-
Iža	11,8	**52,5**	-	-
Jablonov	23,5	**27,6**	-	-
Jaklovce	**60,8**	11,8	0,3	0,0
Jalovec	12,5	**26,3**	-	-
Jamník	28,9	**65,0**	-	-
Janík	16,9	**94,2**	-	-
Jasenové	0,0	**61,0**	-	-
Jasenovo	0,0	**107,0**	-	-
Jasov	4,2	**27,5**	-	-
Jastrabie nad Topľou	8,4	**41,7**	-	-
Jenkovce	0,0	**140,7**	-	-
Jovice	0,0	**220,6**	-	-
Kajal	**96,0**	**52,4**	7,3	1,8
Kalinov	0,0	**64,9**	-	-
Kálnica	**66,0**	21,5	1,0	0,3
Kalša	11,8	**76,6**	-	-
Kaluža	1,3	**29,9**	-	-
Kameničany	45,0	**65,3**	-	-
Kamienka	35,1	**40,4**	-	-
Kanianka	0,0	**33,6**	-	-
Kapince	**72,1**	0,0	0,3	0,6
Kašov	**83,2**	2,0	0,7	1,2
Kátlovce	28,6	**39,3**	-	-
Kečovo	0,0	**50,3**	-	-
Kľačany	0,0	**26,4**	-	-
Klasov	**65,6**	13,2	1,6	0,3
Klčov	15,6	**59,5**	-	-



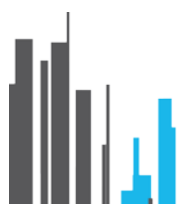
Municipality	Debt ratio	Debt service	Penalty ('ooo EUR)	Penalty ratio	Municipality	Debt ratio	Debt service	Penalty ('ooo EUR)	Penalty ratio
Kleňany	0,0	30,6	-	-	Kysta	1,3	40,0	-	-
Klenov	157,8	0,8	2,5	4,9	Lackov	48,4	115,8	-	-
Klieština	25,2	25,3	-	-	Ladmovce	16,0	26,9	-	-
Klokočov	29,4	57,2	-	-	Ladzany	4,1	31,1	-	-
Klubina	55,3	65,9	-	-	Laškovce	20,9	86,6	-	-
Kobylnice	0,0	36,8	-	-	Lažany	103,3	1,2	3,1	2,2
Kocurany	0,0	36,4	-	-	Lehnice	28,0	40,8	-	-
Kojatice	9,2	42,3	-	-	Lenartovce	4,0	39,2	-	-
Kojšov	163,3	8,4	12,9	5,2	Lesenice	50,7	49,3	-	-
Kokava nad Rimavicou	1,1	26,8	-	-	Lesnica	4,4	67,8	-	-
Kolibabovce	101,4	7,9	0,6	2,1	Letanovce	53,6	28,8	-	-
Kolíňany	80,2	16,4	6,3	1,0	Lietavská Lúčka	38,1	36,7	-	-
Kolinovce	0,0	43,7	-	-	Lietavská Svinná-Babkov	0,0	64,3	-	-
Komárany	20,4	88,5	-	-	Liptovská Porúbka	37,1	32,7	-	-
Komárovce	69,9	36,5	0,4	0,5	Liptovské Kľačany	0,0	57,7	-	-
Komjatná	0,0	45,6	-	-	Liptovský Ján	48,1	30,8	-	-
Koprivnica	92,7	4,5	4,0	1,6	Lišov	74,2	0,2	0,3	0,7
Koromľa	28,9	88,7	-	-	Lovinobaňa	7,2	47,6	-	-
Korytné	47,3	121,5	-	-	Ložín	0,0	120,2	-	-
Kosihy nad Ipľom	163,1	0,9	5,0	5,2	Ľubovec	3,2	82,8	-	-
Kosorín	49,1	85,8	-	-	Lúčka	0,0	246,5	-	-
Kostolná - Záriečie	160,4	214,6	7,6	5,0	Lúčka	63,3	3,6	0,3	0,2
Košariská	0,0	63,0	-	-	Lúčky	0,0	125,4	-	-
Košická Polianka	0,0	39,0	-	-	Ľudovítová	69,7	0,0	0,2	0,5
Kotrčiná Lúčka	0,0	110,7	-	-	Luhyňa	320,0	0,8	6,0	13,0
Krásnohorská Dlhá Lúka	0,0	148,0	-	-	Lukačovce	61,8	11,0	0,1	0,1
Kravany nad Dunajom	53,0	153,6	-	-	Lukovištia	0,0	127,1	-	-
Kružná	0,0	70,0	-	-	Lutila	83,0	11,4	3,6	1,2
Kuklov	12,7	86,9	-	-	Ľutina	1,3	39,7	-	-
Kukučínov	12,7	31,5	-	-	Lutiše	8,9	25,6	-	-
Kunerad	41,2	63,8	-	-	Lysica	17,0	31,7	-	-
Kuraľany	33,0	52,4	-	-	Mad	7,9	67,5	-	-
Kúty	26,9	27,3	-	-	Majerovce	106,9	4,1	2,9	2,3
Kvačany	73,3	0,0	0,3	0,7	Malá Čausa	11,9	47,6	-	-
Kvašov	77,7	6,3	1,4	0,9	Malá Domaša	54,8	26,7	-	-
Kyselica	0,0	162,1	-	-	Malá Lodina	27,6	32,9	-	-



Municipality	Debt ratio	Debt service	Penalty ('000 EUR)	Penalty ratio
Malá Tŕňa	334,5	251,6	17,0	13,7
Málaš	32,9	32,4	-	-
Malatíny	1,0	44,8	-	-
Malé Dvorníky	0,0	95,4	-	-
Malé Záludžie	125,0	49,6	2,0	3,2
Malý Cetín	12,6	53,3	-	-
Malý Kamenec	65,5	2,3	0,3	0,3
Malý Slivník	30,8	55,3	-	-
Martovce	25,1	167,1	-	-
Matiaška	61,7	9,0	0,1	0,1
Medovarce	103,6	0,4	1,0	2,2
Melčice - Lieskové	39,4	34,6	-	-
Mestečko	0,0	113,7	-	-
Michal na Ostrove	16,6	56,4	-	-
Mlynčeky	9,2	60,1	-	-
Mlynica	55,3	111,9	-	-
Modrý Kameň	20,2	37,5	-	-
Mokrý Háj	23,7	68,3	-	-
Moravský Svätý Ján	18,1	40,0	-	-
Most pri Bratislave	29,5	34,5	-	-
Myjava	62,9	13,7	10,2	0,1
Naháč	28,3	104,4	-	-
Necpaly	2,8	72,2	-	-
Nemčiňany	0,0	68,0	-	-
Nezbudská Lúčka	61,2	88,4	0,1	0,1
Nimnica	1,9	121,9	-	-
Nitrianska Streda	54,0	264,8	-	-
Nitrica	0,0	35,0	-	-
Nižná Hutka	0,0	30,5	-	-
Nižné Nemecké	53,0	185,4	-	-
Nižný Čaj	40,8	45,1	-	-
Nová Bystrica	31,0	30,0	-	-
Nová Polhora	30,7	64,7	-	-
Nová Sedlica	0,0	173,8	-	-
Nová Ves nad Váhom	55,3	32,4	-	-
Nová Vieska	51,3	42,7	-	-

Municipality	Debt ratio	Debt service	Penalty ('000 EUR)	Penalty ratio
Nový Salaš	4,4	78,0	-	-
Nový Tekov	0,0	37,1	-	-
Ohrady	5,9	36,9	-	-
Olcnava	10,9	56,3	-	-
Oľdza	72,6	1,5	0,6	0,6
Oľšavica	82,8	2,7	1,4	1,1
Oravský Biely Potok	23,6	25,5	-	-
Orechová	0,0	38,8	-	-
Orešany	0,0	25,9	-	-
Orovnica	37,5	38,3	-	-
Ostratice	23,6	26,0	-	-
Ostrov	117,2	127,7	2,2	2,9
Osturňa	77,4	22,9	1,5	0,9
Osuské	44,1	42,6	-	-
Ožďany	6,9	28,5	-	-
Pača	0,0	26,6	-	-
Padáň	44,4	76,3	-	-
Pakostov	297,5	7,0	26,5	11,9
Palota	41,1	53,8	-	-
Panické Dravce	343,2	19,7	20,7	14,2
Papín	7,6	65,2	-	-
Pčoliné	14,5	35,6	-	-
Perín - Chym	10,7	125,3	-	-
Petrikovce	79,2	56,8	0,7	1,0
Petrova Ves	24,5	27,0	-	-
Petrovce nad Laborcom	5,1	36,6	-	-
Petrovice	38,6	27,1	-	-
Plavé Vozokany	58,9	96,5	-	-
Plavecký Peter	13,9	36,1	-	-
Plevník - Drienové	10,1	57,4	-	-
Podbranč	34,9	79,2	-	-
Podkriváň	4,1	26,6	-	-
Podlužany	5,6	132,0	-	-
Podolie	21,2	58,0	-	-
Podolínec	0,6	36,9	-	-
Podtureň	15,2	42,7	-	-

Municipality	Debt ratio	Debt service	Penalty ('000 EUR)	Penalty ratio
Pohranice	53,6	32,6	-	-
Poľanovce	0,0	97,8	-	-
Polianka	0,0	61,0	-	-
Poproč	41,6	48,1	-	-
Porúbka	0,0	32,5	-	-
Potônske Lúky	28,4	65,6	-	-
Povoda	39,4	40,0	-	-
Povrazník	17,6	173,8	-	-
Pôtor	0,0	46,2	-	-
Priepasné	0,0	55,0	-	-
Prietrž	13,2	30,3	-	-
Prievaly	29,6	85,5	-	-
Pruské	8,4	39,7	-	-
Ptrukša	0,0	53,6	-	-
Radôstka	32,8	107,0	-	-
Rajec	13,1	25,1	-	-
Rakovec nad Ondavou	39,4	82,4	-	-
Rakovnica	37,7	49,3	-	-
Rimavská Seč	0,0	40,7	-	-
Rudlov	24,7	54,7	-	-
Rudník	4,7	26,8	-	-
Ruská Nová Ves	123,6	25,4	9,0	3,2
Ruská Poruba	14,9	80,9	-	-
Ruský Hrabovec	41,7	57,2	-	-
Salka	33,9	62,6	-	-
Santovka	0,0	32,5	-	-
Sečovská Polianka	74,3	2,9	8,0	0,7
Sedmerovec	121,5	0,3	2,3	3,1
Senné	52,4	75,6	-	-
Skalka nad Váhom	70,9	9,3	6,0	0,5
Sklabiná	23,7	55,7	-	-
Sklabiňa	3,0	70,9	-	-
Sklené Teplice	82,8	24,8	2,3	1,1
Skrabské	30,5	58,6	-	-
Slančík	6,7	46,6	-	-
Slanská Huta	26,0	64,9	-	-
Slatina nad Bebravou	0,0	98,2	-	-
Slavošovce	12,5	46,8	-	-
Slovenské Nové Mesto	0,0	41,2	-	-
Slovinky	0,0	70,3	-	-
Smolinské	0,0	47,9	-	-
Spišské Vlachy	49,7	31,3	-	-
Stankovce	43,0	37,5	-	-
Stará Bystrica	21,1	36,8	-	-
Stará Huta	12,6	59,4	-	-
Stará Turá	3,8	25,5	-	-
Staré	29,8	47,4	-	-
Stožok	0,0	31,1	-	-
Stráža	51,0	58,2	-	-
Strečno	58,0	69,8	-	-
Sučany	61,0	5,4	0,9	0,1
Suchá Dolina	24,5	36,2	-	-
Sukov	14,1	33,9	-	-
Svätý Kríž	31,2	59,3	-	-
Sveržov	28,3	52,3	-	-
Svidnička	33,1	52,2	-	-
Svodín	16,9	32,0	-	-
Šambron	7,5	51,1	-	-
Šandal	3,0	35,8	-	-
Šarišská Poruba	99,8	58,4	4,1	2,0
Šarišská Trstená	147,6	9,0	3,1	4,4
Šarišské Sokolovce	35,0	95,3	-	-
Šarkan	10,1	50,0	-	-
Šemša	0,0	102,8	-	-
Šiba	31,9	61,8	-	-
Špačince	25,7	72,7	-	-
Špania Dolina	14,7	32,1	-	-
Španie Pole	97,9	3,8	0,3	1,9
Štefanov	88,6	7,1	9,6	1,4
Štefanov nad Oravou	198,7	162,9	10,5	6,9
Šumiac	0,6	74,9	-	-
Šuňava	22,1	32,0	-	-



Municipality	Debt ratio	Debt service	Penalty ('000 EUR)	Penalty ratio	Municipality	Debt ratio	Debt service	Penalty ('000 EUR)	Penalty ratio
Šurany	0,0	26,9	-	-	Veľký Kamenec	15,8	293,6	-	-
Šurice	52,3	181,7	-	-	Veľký Klíž	3,7	94,5	-	-
Tajná	7,0	76,8	-	-	Veľký Lapáš	74,4	20,2	3,7	0,7
Tarnov	34,9	29,2	-	-	Veľký Šariš	13,9	57,5	-	-
Teriakovce	51,1	65,3	-	-	Vieska	14,0	45,9	-	-
Terňa	19,6	38,7	-	-	Vígľašská Huta - Kalinka	0,0	42,3	-	-
Tomášikovo	8,7	68,6	-	-	Vlachovo	0,0	54,0	-	-
Tomášovce	81,8	19,6	5,1	1,1	Vlkovce	0,0	25,9	-	-
Topoľníky	6,0	79,5	-	-	Voderady	50,1	47,1	-	-
Trakovice	0,0	25,5	-	-	Volkovce	27,3	33,2	-	-
Trebušovce	0,0	166,6	-	-	Vrakúň	9,0	29,7	-	-
Trenčianska Turná	23,3	43,7	-	-	Vrbnica	0,0	115,5	-	-
Trenčín	30,1	28,2	-	-	Vršatské Podhradie	65,4	7,8	0,1	0,3
Trnávka	10,2	57,8	-	-	Výrava	65,6	19,5	0,2	0,3
Trpín	99,6	0,8	0,5	2,0	Vyšné Nemecké	119,0	4,6	2,6	3,0
Trstená	25,0	32,2	-	-	Vyšný Kručov	22,2	193,8	-	-
Turčianske Kľačany	0,0	99,2	-	-	Vyšný Kubín	6,6	49,7	-	-
Tušice	17,4	97,6	-	-	Vyšný Medzev	7,7	109,9	-	-
Tužina	0,0	82,6	-	-	Vyšný Orlík	28,7	38,5	-	-
Udiča	4,2	56,5	-	-	Zalužice	4,9	43,1	-	-
Uličské Krivé	29,5	170,0	-	-	Závadka	73,7	3,7	0,9	0,7
Uloža	119,0	0,7	1,5	3,0	Zbehňov	33,2	31,5	-	-
Uzovské Pekľany	0,0	51,9	-	-	Zbehy	22,7	27,9	-	-
Uzovský Šalgov	0,0	28,5	-	-	Zeleneč	20,0	30,0	-	-
Vaďovce	29,0	65,4	-	-	Zemplínska Nová Ves	19,3	59,9	-	-
Varadka	68,6	6,5	0,1	0,4	Zemplínska Teplica	10,4	40,8	-	-
Vavrišovo	0,0	108,2	-	-	Zemplínsky Branč	0,0	53,2	-	-
Veličná	0,4	43,7	-	-	Zliechov	44,3	88,1	-	-
Veľká Čierna	47,8	83,9	-	-	Želiezovce	41,3	25,1	-	-
Veľké Úľany	12,5	52,7	-	-	Žilina	85,6	7,9	594,9	1,3

Source: MF SR, CBR

Council for Budget Responsibility

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