SLOVENIA

UNITARY COUNTRY

EUROPE

BASIC SOCIO-ECONOMIC INDICATORS

Income group - **HIGH INCOME: OECD** Local currency - **Euro (EUR)**

POPULATION AND GEOGRAPHY

AREA: **20 138** km²

POPULATION: **2.062** million inhabitants (2014), an increase of 0.2% per year (2010-14)

DENSITY: **102** inhabitants/km²

URBAN POPULATION: **49.7%** of national population

CAPITAL CITY: **Ljubljana** (13.4% of national population)

Sources: OECD, Eurostat, World Bank, UNDP, ILO

ECONOMIC DATA

GDP: **62.7** billion (current PPP international dollars) i.e. 30 405 dollars per inhabitant (2014)

REAL GDP GROWTH: **2.6%** (2014 vs 2013)

UNEMPLOYMENT RATE: **9.7%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **1 030** (BoP, current USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **20%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.880** (very high), **rank 25**

TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
212	-	-	212
MUNICIPALITIES (OBČINE) AVERAGE MUNICIPAL SIZE: 9 730 INHABITANTS			

MAIN FEATURES OF TERRITORIAL ORGANISATION. Slovenia has a single tier of local government consisting of municipalities recognised as self-governing by the 1991 Constitution. In contrast to the pattern observed in many OECD countries, the number of municipalities has grown over the last 20 years going from 147 in 1993 to 212 today. In order to stop this increase, in 2005 the government established new criteria stipulating that municipalities must have a minimum of 5 000 inhabitants. Among the municipalities, 11 urban municipalities have a special status. There is also a structured sub-municipal level of 6 035 settlements (local communities and districts which are optional). Regionalisation reforms have been discussed for a long time as the Constitution provides for the establishment of self-governing regions by law. A 2008 draft bill creating 13 regions was rejected by referendum. A new draft law was prepared creating 6 regions but the project was abandoned in 2011 due to a lack of consensus on the number, size, responsibilities and financing of the regions. The country is also divided into 58 administrative districts representing the State at territorial level in charge of supervising municipalities.

MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES. The 1993 Local Self-Government Act was reformed in 2005 in the context of the first decentralisation reform. This new act determines the principles of municipal regulation, including their responsibilities. They include education (pre and primary school buildings and facilities), social welfare (family and youth assistance, elderly care, social assistance), health (primary health care and pharmacies), social housing, urban and spatial planning, utilities (water and sewerage, waste), local roads and local public transport, local economic development and tourism, environmental protection, culture (libraries), sports, firefighting. Cities are allowed to have greater responsibilities, but have not implemented them yet. These include urban transport, urban development, catering facilities, grammar schools, secondary, vocational and higher schools, secondary-level public health services.

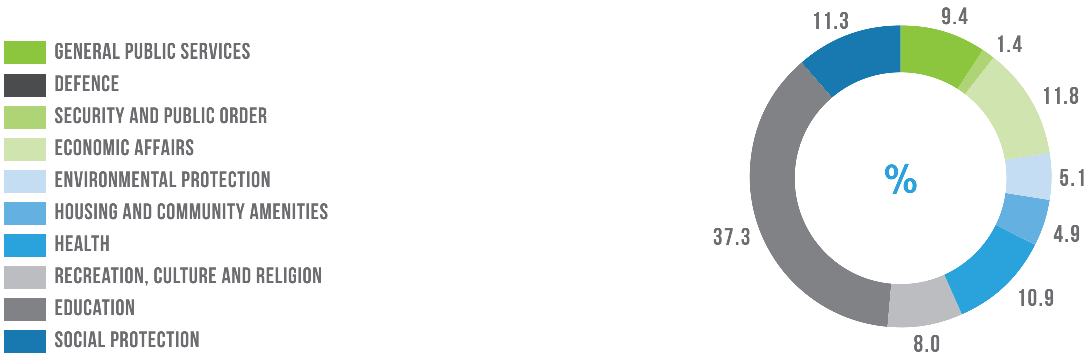
SUBNATIONAL GOVERNMENT FINANCE

EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
TOTAL EXPENDITURE (2013)	**9.6%**	**16.1%**	**100%**
CURRENT EXPENDITURE	7.6%	-	78.7%
STAFF EXPENDITURE	4.3%	34.3%	44.6%
INVESTMENT	2.0%	46.1%	21.1%

Slovenia ranks below OECD unitary countries in terms of SNG share in GDP and total public spending, which accounted for 13.4% of GDP and 29.0% of general government spending on average in 2013. The share of municipalities in public staff spending and SNG expenditure is significant, compared to the level of decentralisation. The municipal share in public investment is below the average of OECD unitary countries (56.4% of public investment) although capital expenditure represents an important portion of SNG expenditure and a significant percentage of GDP, slightly above the OECD average.

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE



The largest SNG expenditure category is by far education, municipalities mainly providing resources for operational expenditure and student transport. Municipal expenditure in this area accounted for 3.6% of GDP. Social protection, economic affairs/transport and heath are the three following most important spending items, having a similar weight in municipal expenditure.

REVENUE BY TYPE

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2013)	**9.5%**	**21.1%**	**100%**
TAX REVENUE	4.0%	18.2%	42.4%
GRANTS AND SUBSIDIES	3.9%	-	41.2%
OTHER REVENUES	1.6%	-	16.4%

A new law on municipal financing went into effect on January 1, 2007, replacing the 1998 law. It introduced additional resources for municipalities in order to enlarge their financial autonomy and consolidate the system of vertical equalisation. The shares of tax revenue and grants in SNG revenue are equal and close to the OECD averages.

TAX REVENUE. Municipal taxes comprise both shared taxation and own-source taxes. Municipalities receive a share of the PIT, which represented 78% of their tax revenue in 2013. Until the 2007 reform, the PIT share was 35% of the total PIT revenue. With the reform, vertical tax equalisation was reinforced. The new system is based on current expenditure needs (without investment) – and comes in the form of a per capita amount required to finance municipalities' statutory functions calculated on the basis of a wide range of demographic and development criteria. It is implemented over a five-year transitional period. The per capita amount is negotiated annually between the central government and the municipalities. Own taxes include a property tax, a tax on inheritance and gifts, a tax on real estate trading, a local tourist tax, a tax on gambling, etc. The property tax (13% of local tax revenue and 0.5% of GDP in 2013) is currently under reform. A Real Estate Tax Law was adopted in 2014 but repealed by the Constitutional Court. The reform planned to establish a system by which the property tax would be shared between the central government and municipalities, who would have no longer been able to set the tax base or tax exemptions. The Slovenian government plans to prepare an alternative property tax reform.

GRANTS AND SUBSIDIES. Municipal financing is based upon the principles of "adequate spending" and "adequate funding". The level of adequate spending is estimated through a formula taking into account the functions devolved to municipalities and a number of demographic, geographic and development criteria, etc. The adequate funding principle aims at equalising financial resources with the level of adequate spending. If revenues from the share of the PIT and own taxes are not sufficient to cover a municipality's spending needs, it can receive additional funds from central authorities in the form of equalisation transfers. In addition, other transfers exist to finance specific measures or investments. Capital grants represented around 5% of total grants in 2013.

OTHER REVENUES. Other municipal revenues mainly include user charges and fees (around 15% of local revenue in 2013). Municipalities may levy various fees if they are provided for by law. They include fees for the use of public spaces (organisation of exhibitions and entertainment events, parking on public land, use of public space for camping, etc.). Other revenue comes from deposits, rents for apartments and business premises, sale of assets, etc.

OUTSTANDING DEBT

OUTSTANDING DEBT	% GDP	% GENERAL GOVERNMENT
OUTSTANDING DEBT (2013)	3.7%	4.6%

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. They need prior consent of the Ministry of Finance. Amendments introduced in 2008 strengthened existing restrictions on debt service and debt outstanding. SNG debt is low compared to the OECD average of OECD unitary countries which amounted 15.1% of GDP and 12.0% of public debt in 2013. Outstanding debt is made up of a large share of other accounts payable (44%) and financial accounting (56%) in 2013. The latter is exclusively composed of loans.

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Sources: OECD National Accounts Statistics • OECD (2015 and 2016) Subnational Governments in OECD Countries: Key data • OECD (2015), OECD Economic Surveys: Slovenia 2015 • The Law on The Financing of Municipalities • European Committee of the Regions (2014): "Division of Powers Between the European Union, Member States, Candidate and some Potential Candidate Countries, and Local and Regional Authorities: Fiscal Decentralisation or Federalism • Kovač P. (2014) Integrative Approach to the Reorganization of Self-Government and Local State Administration" TED7 2014 • Žohar F. (2014) Possibilities to reform the system of municipalities in Slovenia Journal of Universal Excellence • OECD (2014): "OECD Regional Outlook 2014: Regions and Cities: Where Policies and People Meet".