



Fiscal decentralization of the visegrad group countries as a key factor of development


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Abstract

The article investigates the process of decentralization of public administration in the Visegrad Group countries. The authors use the share of local budget revenues of Visegrad Group countries in GDP and the share of tax (own) revenues in the revenues of local budgets of Visegrad Group countries, as main indicators. The research examines the essence of fiscal decentralization and reforms of fiscal decentralization in Visegrad Four. It has been found that the purpose of fiscal decentralization was to increase the financial independence of the municipalities, but the local governments of the Visegrad Four countries still depend on the state budget and economic development of a country. In general, process of fiscal decentralization still has the national particularities.

Keywords

fiscal federalism, decentralization, Visegrad group countries, local governments' expenditures and revenues

Introduction

History has shown that the development of local self-government is one of the key factors in the democratization and openness of society, and this, in turn, contributes to the economic growth of both individual regions and the state itself. Considering the activities of local governments, we see that the basic needs of people are within their competence (health, education, wages, housing and social employment, etc.). Accordingly, the financing of these needs is largely carried out by local authorities.

Local self-government is objectively the most effective government in terms of the possibility of making locally important decisions. It is local self-government bodies consisting of people who know all the needs and problems of the area, which ensures a more complete and open provision of municipalities' needs. Local self-government should be open and interdependent with state power, which allows optimizing their relationship at all levels. At the same time, the interests of both the state - ensuring sustainable development at all levels of government, and the local level - meeting the needs of the population of the corresponding local government, are observed.

The countries of the Visegrad Group inherited a rather centralized society from the socialist regime, where the development of local self-government was not actually considered. Naturally, a reform of power and financial authority decentralization was required, that later was implemented in these countries with varying degrees of effectiveness. The decentralization reform of the Visegrad Group countries showed that they mostly approach to the problem of local self-government in the same way and carry out appropriate reforms that will provide the transfer of power and financial authority to ensure the desires and needs of citizens at the municipal level.

One of the activities of local governments is to ensure and meet the interests and needs of people at the local level, which is manifested in access to different services such as educational, medical, social, etc. Local self-government is the nearest to the people and are effective in solving problems of local importance, thereby an important aspect is the openness of public authorities to society. The interaction of the population and public

authorities at the local level allows not only optimizing the activities of the latter one, but also to increase the efficiency of government in general at all levels.

For Western Europe, it is common practice to provide decentralization reforms for transferring power and financial resources for satisfying needs of the local population by local governments [1; 2]. The local level can be the most effective way to solve the problems and needs of the territorial units and self-government in this case is formed among the local population that knows its own needs and problems [3].

The work of scientists has been devoted to the study of theoretical and practical aspects of fiscal decentralization since the twentieth century, when the leading countries of the world were looking for ways to optimize the system of budgetary allocations to finance the exercise of powers and functions of public authorities. Theoretical aspects of fiscal decentralization were investigated by elsewhere [4-14]. Considerable attention is paid to research on the functioning of local governments and investing in it [15]. Outlining of the challenges and opportunities for local governments and local governments' financial management have been developed in the literature [16].

Decentralization theory has also been developed by economists in the Central and Western Europe. Nam and Parsche [17] examined the influence of fiscal policy and legislation on the actions of local governments to attract the required level of income in view of cooperation with the central government of Visegrad Four. Chygryn et al. [18] used a regression data model to determine the impact of fiscal decentralization on the socio-economic development of 12 European countries. This research investigates the positive impact of fiscal decentralization on indicators (collected from the World Bank's global development database) such as GDP, GDP growth, foreign direct investment and social contributions, and the negative impact on GNI per capita and export of goods and services. There is also connection between the centralization of public finances and the result of imports of goods and services in GDP, as well as rising inflation. Wichowska [19] analyzed countries with similar degrees of fiscal decentralization, which were divided into 3 groups according to the agglomerative clustering method. Author identified macroeconomic indicators for the studied countries and determined that the highest indicators are inherent for the first group of countries with the highest degree of decentralization, that confirms the essence of the theory of fiscal federalism. Jilek [20] analyzed factors of tax decentralization in OECD-Europe countries. Buriachenko and Zakhochay [21] proposes to introduce indicators of stability and security of the state budget, which allows to analyze the current situation for the Visegrad countries. Uryszek [22] studied the level of fiscal sustainability of local self-government of Visegrad Four. The author tested the sustainability of the local government deficit in the V4 countries by the No-Ponzi game condition and threshold primary balance. Maličká [23] researched the impact of revenues and expenditures on local government expenditures using the OLS models for Slovakia, Czech Republic, Hungary and Poland. According to research, increase of fiscal decentralization leads to increase of local expenditures.

In addition, other scientists [24] focused on the assessment of tax revenues of the municipalities of the Slovak and Czech Republics. At the same time, Gal et al. [25] also studied the importance of local taxes in the revenue structure of Slovak municipalities. Cívik et al. [26] identified the development of the territorial self-government financial system in the Slovak Republic created by the application of fiscal decentralization. Bryson et al. [27] deal with the process and consequences of fiscal decentralization in the Czech and Slovak republics.

Vigvari [28] notes the peculiarities of fiscal decentralization in Hungary. Investigating the subnational fiscal consolidation, Bethlendi et al. [29] describes the process of subnational fiscal consolidation in Hungary. In addition, Kovács et al. [30] noted that "... autonomy-related values and interests are not embedded in Hungarian society, which has hindered the political elite and local governments in developing strong ties with and control by the civil society".

Polish scientists Łaszek et al. [31] focused on the importance of state decentralization in Poland, pointing out that local governments are subject to increased political accountability, which helped to improve governance overall. Guziejewska [32] observed the system of financing local self-government units in Poland. Kopańska [33] in the article highlights the indicator of expenditure autonomy, which will allow to focus in advance on the problematic aspects of revenue adequacy.

We focused on the financial mission of local authorities. Author explores the main criterion for the effectiveness of local self-government, which is to maximize the interests and needs of community residents. The work focuses on solving problems, improving the living standards of the regions and on the fiscal federalism.

In recent years, macro-federalism has been acting as one of the main forms of public management and arrangement of inter-budget relations system, helping to increase the efficiency of budget system functioning and make public services, provided by countries' authorities, closer to their recipients.

The idea of macro-federalism is based on two statements: the hypothesis about a citizen's mobility by Tiebout [34] and decentralization theorem by Oates [35]. Tiebout applies the theory of market competition to authorities: just like the competition between manufacturers allows to keep low prices for consumers, the authorities will be more effective, that is, they will provide public goods of better quality and larger scale, collecting lower taxes to finance them, if there is competition between sub-national authorities [34].

Tiebout hypothesis about the advantages of intergovernmental competition leads to the division of authorities between central and local authorities, i.e., the principle of subsidiarity. It states that decisions are required to be adopted at the lowest possible level, while the top levels of management act only if their actions are more effective than proper actions of lower levels [34].

It's one of the main principles of the European Charter of Local Self-Government [36]. The proof of the Subsidiarity Principle in economic literature is Oates' Decentralization Theorem, stating that if the government does not save money on centralization, then budget system should be decentralized. Thus, to make the Tiebout hypothesis work, the budget policy should be decentralized, and the factors should be mobile.

One of the main functions of a state is to provide citizens, regardless of their place of residence, with a certain set of legally guaranteed rights and public goods.

The efficiency of such a provision affects the degree of public satisfaction with the state policy and has a significant impact on general stability in a country. Standards for the provision of such public goods are regulated at the legislative level. This causes the problem of the so-called unfunded mandates (when delegated powers are not fully funded). At the state level, this phenomenon becomes rampant and is a major problem for local budgets, which are the final link in the system of redistribution of budget resources.

Implementation of macro federalism principles as a form of budget system arrangement can resolve the problem. Undoubtedly, state authorities should provide decent living standards for citizens, but they also have to fully fund these standards, and not to shift responsibility onto local authorities. In view of this, perhaps it would be better to give some autonomy to the regions, allowing them to make decisions independently, and finance them on their own by redistributing tax revenues between the government and local budgets. In addition, we would like to focus on a problem of measuring the effectiveness of budget system in each country.

Usually, researchers of macro federalism do not pay much attention to the negative effects of financial resources' distribution. Generally, it is considered that the system harmonizes them. This model allows us to estimate asymmetry of distribution in each country or region, as there should be accordance between taxes paid by the citizens and the number and quality of services they get.

Public management based on macro federalism principles may cause some negative effects like:

- The negative effects of distribution: decentralization may reduce the effectiveness of resources allocation through hyperbolized impact of differences in the population's preferences on the policies of local authorities, which is allegedly implemented through local elections;
- The negative effects of redistribution: fiscal decentralization does not always provide an efficient reallocation of resources.
- The threat of destabilization of macroeconomic situation: subnational formations are not interested in maintaining stability in the context of the whole country. In addition, local borrowings may also achieve a warning stage and have negative influence on economic security and stability at the national level.

Thus, the main recommendations aimed at improving the system of fiscal relations include [3]:

1. A stable economy and efficient fiscal system can facilitate the transition to the decentralized system of fiscal relationships. Restructuration of the budget system requires sizeable financial resources to cover administrative expenditures, which can reach alarming proportions at the beginning until the system is stabilized.
2. Large-scale reform should be preceded by partial reforms and pilot projects in this area. It is impossible to assess all effects of exogenous and endogenous factors which influence the country and its individual regions. To identify impediments and negative effects that can reduce the impact of reforms it is necessary to carry out preliminary experimental projects that will improve the budgetary strategy of the country.
3. In the process of reformation, it is necessary to insure unimpeded tripartite communication between representatives of society, local and central government. To reduce tension in the society when implementing reforms both government and society should conduct an on-going dialogue that will help to increase the popularity of the reforms among the population. Accordingly, it will become possible for the government to consider public opinion when developing fiscal policy. This will help reduce social tension in the society, which is inevitable in times of large-scale structural transformations.
4. It is necessary to review the traditional forms and methods of financial impact on the regional development efficiency. For this purpose, it is essential to establish reasonable proportions between the amount of financing given to the real sector and to infrastructure of new territorial systems that will contribute to innovation-based economy development with the creation of new job sites and increase of revenues, which in turn will allow financing of economic and social development of a given territory.

The fiscal unitarism is considered as a form of inner intergovernmental financial relations. The basic organizational principles of these interrelations are mainly determined by central government, while local and regional authorities have quite passive roles [37].

The term fiscal federalism describes characteristics of multilevel organizational system of public authorities in which each level is provided with its own budget and operates within predefined budget mandates. This term is used to define relations in federative countries, but recently it is also applied to countries which are not

federations [38] according to their Constitutions. It should be noted that except for the budget systems mentioned above, there are models uniting specific features of both systems, i.e., devolution and functional decentralization, or regionalism [39].

Methods

According to our approach, as a source of data on fiscal decentralization we use data from: Statistical Yearbooks of Visegrad Group countries and Eurostat Local budget data tables. Two indicators are used as the main indicators of the degree of decentralization: the share of budget revenues of subnational governments in the country's GDP and the share of own revenues (revenues minus intergovernmental transfers) in the structure of revenues of subnational budgets. A large share of own income indicates a sufficiently high independence of subnational units and a high quality of decentralization. Using these indicators for comparative analysis, one can answer key questions regarding the evolution of fiscal federalism in the Visegrad Group countries.

The methodological basis of our article is combined of general scientific and special methods: methods of dialectical and formal logic - to study the essence of fiscal decentralization and identification of municipalities' financial dependence on the state budget; benchmarking method - to determine the effectiveness of implemented reforms in financing local self-government and the share of tax revenues in local budget revenues of the Visegrad Group countries; statistical methods - for data visualization and organization; regression modelling - for evaluation empirical dependencies between total general government expenditures of local governments and total revenues of local governments.

In contrast to federalism, devolution theory asserts that authorities of a lower level accept more powers from authorities of a higher level. Moreover, this process allows giving these powers back to the central authority if necessary. If central authority delegates insignificant part of powers or only powers pertaining to particular areas, for example social, to the lower (regional) level, therefore, this kind of budget system is called devolution and functional decentralization or regionalism. The Table 1 below shows the main peculiarities of budget systems forms.

Table 1. Types of distribution of powers among levels of budget systems. *Source: formed for [39]*

Criteria	Federalism	Devolution	Functional Decentralization or Regionalism
Division of authorities by level	yes	yes	yes
Authorities of lower levels	wide	wide	limited
Authorities of higher levels	limited	wide	unlimited
Distribution of powers between levels of authority	fixed constitutionally	fixed by special laws	absent
Countries-representatives	The USA, Germany	The Great Britain, Italy, Spain	France, Italy until recently

Economic scientific literature has no unequivocal definition of fiscal unitarism and federalism. In addition, there is also no common classification of budget systems, which would take into consideration all aspects of budgetary relationships. The cause to this lies in the fact that, on the one hand, each country creates its own unique budget system, and, on the other hand, we can single out groups of countries having similar budget organization and providing similar budget policy.

Next, we will show the grouping of countries according to basic forms of fiscal systems (Table 2).

Table 2. Basic forms of fiscal systems. *Source: formed for [40]*

Characteristics of the group	Countries-representatives
Group 1	
Considerable independence of regional and local authorities based on wide taxation mandates	Federal states: Australia, Canada, the USA. Unitarian states: The Great Britain, Japan
Group 2	
Wide mandates of regional government in the social sphere, social payments in particular	Countries of the Northern Europe: Denmark, Norway, Finland, Sweden
Group 3	

Considerable autonomy of budgets of different levels in addition to diversified system of their collaboration	Federal states of Western Europe: Germany, Switzerland, Austria
Group 4	
Low level of local budgets' autonomy, their dependence on central budgets	Belgium, France, Greece, Italy, The Netherlands, Portugal, Spain, Central Europe (the Visegrad Group), Eastern Europe (Ukraine)

Fiscal federalism is understood as a system of budgetary powers distribution between governments at various levels, that is, national (central) and subnational levels. Visegrad group countries have another political system of government so we will use the concept of the degree of fiscal decentralization, which will fully be consistent with the provisions of the theory of fiscal federalism [41].

The effectiveness of the implemented reforms in financing local self-government can be indicated by the share of local budget revenues of Visegrad Group countries in GDP for the period 2010-2019 (Figure 1).

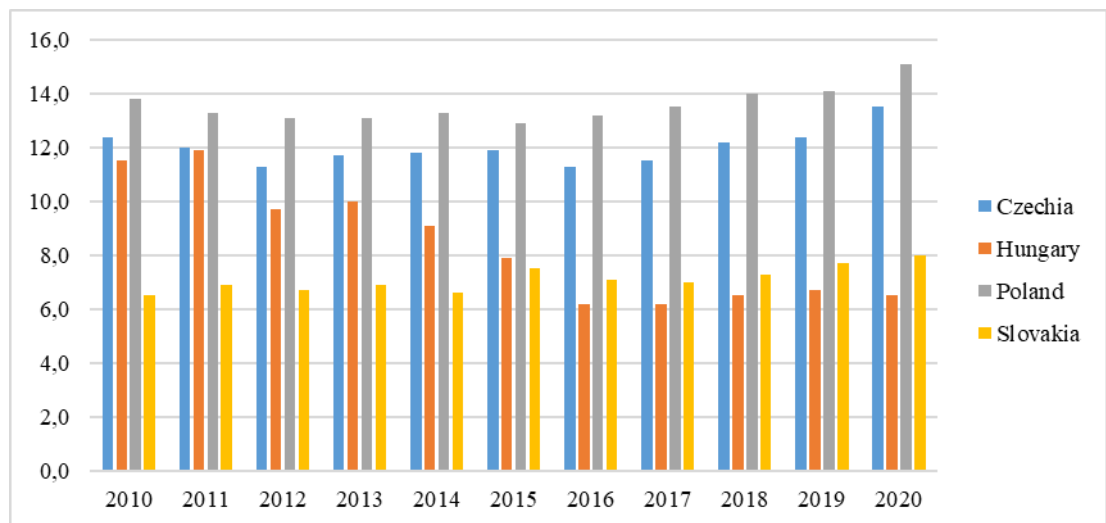


Figure 1. Local budget revenues of Visegrad Group Countries as Share of GDP (2010-2020), in %. Source: calculated according to Eurostat data

Thus, during the analyzed period, the largest share of GDP is redistributed through the local government level in Poland (12.9-15.1%). The second place has the Czech Republic (11.3-13.5%). The third place in the redistribution of GDP at the local level is shared by Hungary (6.2-11.9%) and the Slovak Republic (6.5-8.0 %). Hungary is characterized by a decrease of the studied indicator during the analyzed period, which may indicate that the state budget still concentrates all financial resources of the economy budgetary sector.

Further, we consider the structure of local budget revenues. In Poland own (tax) revenues make up 48.3-52% of all local budget revenues (Figure 2).

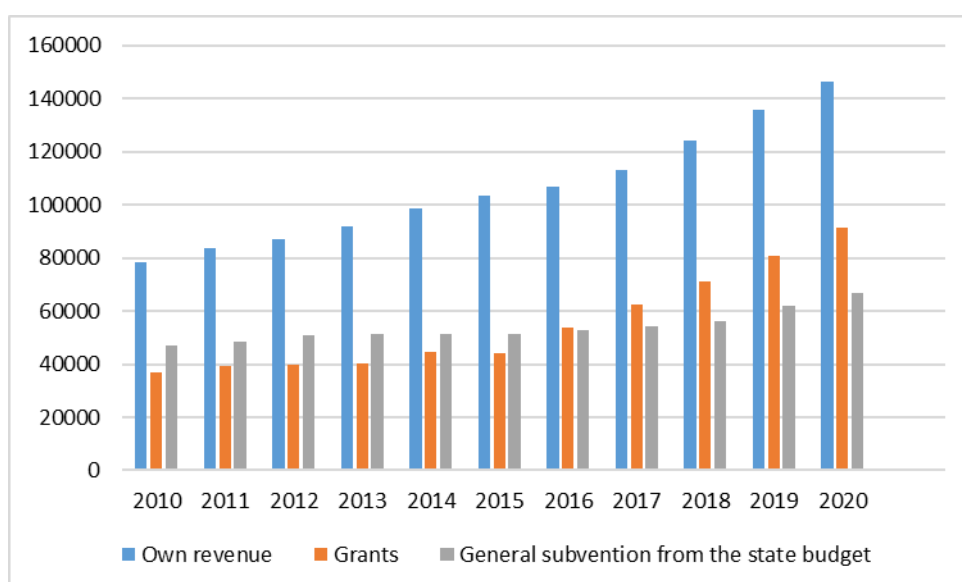


Figure 2. Local budget revenues of Poland (2010-2020), in million PLN. *Source: Statistical Yearbook of the Republic of Poland, [42]*

As a result of the Polish two-stage reform of local self-government (municipal reform in 1990 and regional reform in 1998), a new system of governance was developed based on decentralization of power. As a result, the volume of intergovernmental transfers sharply increased in the country since the new territorial entities were mainly financed by the center. The new powers of subnational levels did not receive reinforcement in the form of their own financial resources. In Poland, a full-fledged system of own taxes and own revenues, which meets the tasks of the central government in maintaining its regulatory impact on subnational budgets, has not been created.

As there is no hierarchical structure of territorial self-government in Poland, the gminas (commune), cities with powiat status, powiats and voivodships are financially independent of each other, but are collectively subject to state oversight under budgetary law (Table 3). As we can see the model of the Polish government has been changed in favor of exercising the rights of local communities to self-rule.

Table 3. Local government units' budgets of Poland (2010-2020), in million PLN. *Source: formed for Statistical Yearbook of the Republic of Poland, [42]*

Specification		Total	Gminas	Cities with powiat status	Powiats	Voivodships
Revenue	2010	162797	72311	53886	22496	14104
	2011	171309	75831	56860	23552	15067
	2012	177413	78407	61247	22523	15236
	2013	183458	80043	64217	23078	16121
	2014	194337	84549	68260	23783	17746
	2015	199000	102000	56200	23700	17100
	2016	213669	101795	74420	23948	13506
	2017	229879	111189	78530	25389	14771
	2018	251846	121426	85508	27959	16954
	2019	278507	135162	93894	30696	18755
	2020	304930	149090	100314	34569	20957
Own revenue	2010	78588	32264	34284	6337	5703
	2011	83644	34490	35952	6531	6673
	2012	87091	36523	37408	6612	6549
	2013	91800	38546	40059	6894	6303
	2014	98593	41711	42894	7443	6546
	2015	103480	50694	33664	7963	7148

	2016	106683	45135	45869	8474	7205
	2017	113245	48076	48313	9079	7777
	2018	124042	52530	52411	10076	9024
	2019	135769	58484	55061	12313	9911
	2020	146356	65618	56075	13994	10669

Slovak reforms in 1998-2004 stabilized public finances, streamlined processes, improved the delivery of public services and strengthened administrative capacity [43]. Although Slovak Republic statistically carried out the smallest decentralization, but it was quite high-quality and largely innovative.

The consequences of the decentralization process in Slovakia are the strengthening of local governments' financial autonomy with an emphasis on tax revenues [44].

As a result of the reforms, local communities received about 70% of income tax in their budgets, another 24% remained in the territories (regional level), and only 6% came to the state budget [45]. In addition, some taxes and fees remained completely at the local or regional level, which contributed to increasing the direct interest of the regions in the proper administration and increased their financial freedom. The increase in transparency and efficiency of government structures also contributed to the emergence of investor confidence, which was already stimulated by the simplification and reduction of the tax rate.

Thus, today in the Slovak Republic there is a three-tier model of public administration of finances: a municipality - a country - a state in which the government significantly reduced the scope of functions, transferring some sources of revenue to local budgets [46], including tax (Figure 3). In Slovak Republic tax revenues make up 8.1-12.8% of all local budget revenues. It's worth paying attention to the non-transparency of the formation of local budget revenues of the Slovak Republic from other sources [45], which limits the information support of a comparative analysis of foreign experience of forming local budget revenues.

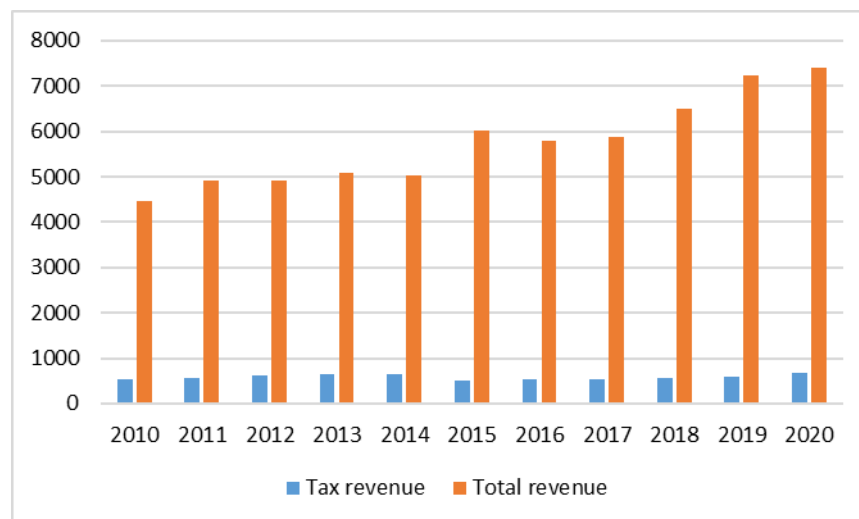


Figure 3. Tax revenues and total revenues of local budgets of the Slovak Republic (2010-2020), in million euro.

Source: calculated according to Eurostat data, OECD statistics [47]

A distinctive feature of decentralization in Hungary was the creation of many subnational units and their continuous fragmentation. The main problem was too big number of obligations of subnational governments of different levels, which made it difficult to fulfill these obligations [48]. Thus, in Hungary, half of the local budget revenues are secured from the state budget's financial resources, and their own revenues generated through tax revenues do not exceed 35,6% (Figure 4).

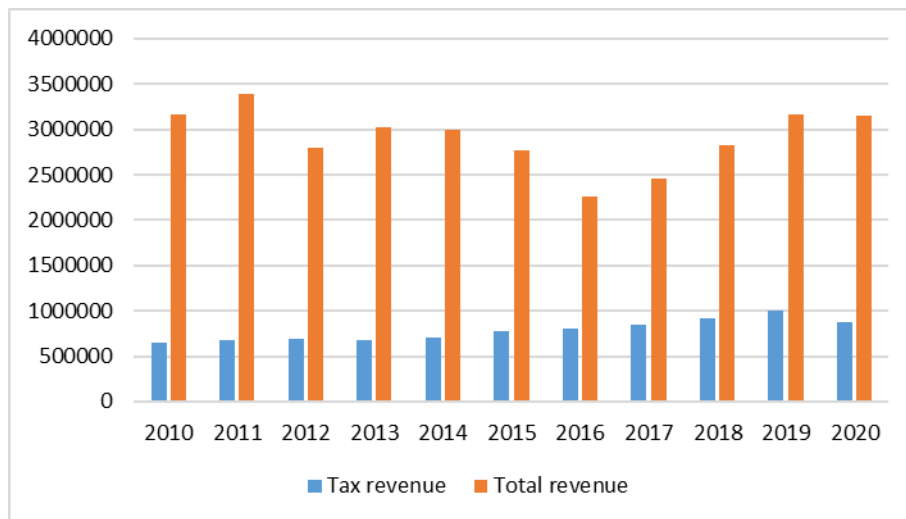


Figure 4. Tax revenues and total revenues of local budget revenues of Hungary (2010-2020), million forints. *Source: calculated according to Eurostat data, OECD statistics [47]*

Tax revenues of Hungary's local budgets are generated through 4 local taxes - turnover tax, municipal tax, real estate tax and tourist tax. The main one is turnover tax, which is paid by the enterprise located in the community. On average, it gives 16% of total community income, but where large businesses operate, this tax can provide 30-40% of local financial needs. Municipal tax is levied by 60% of Hungarian communities. It is paid by all the locals. It is a popular but insignificant tax: it accounts for only 2% of total local budget revenue. The tax base of real estate tax is usually the size of the property and its geographical location. Finally, the tourist collection works where it makes sense to collect it. Thus, there is a situation in which wealthy territorial communities do not know the problems of financing their expenditures, collecting local taxes or cooperating in accordance with private-public partnership programs in Hungary [49].

Structure of local budget revenues of the Czech Republic is shown on Figure 5.

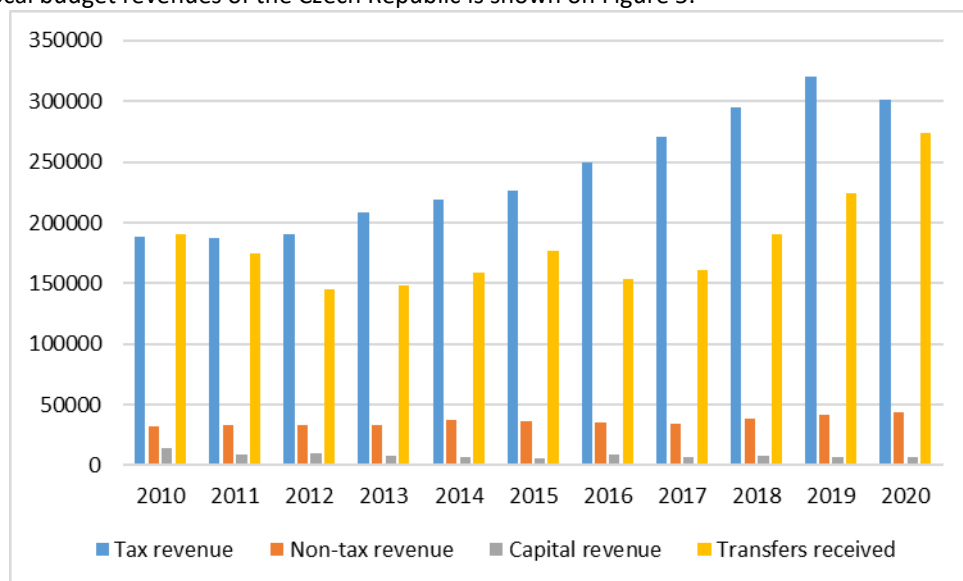


Figure 5. Local budget revenues of the Czech Republic (2010-2020), in million CZK. *Source: Statistical Yearbook of the Czech Republic, [50]*

Figure 5 shows that tax revenues amount 44.3-57.3% of all revenues of local budget revenues of the Czech Republic for the period 2010-2020. Subnational governments received the bulk of their revenues from tax revenues. However, the lack of empowering local authorities to collect taxes was a major obstacle to reform.

Results and discussion

Authors have performed a statistical analysis (fig. 6-9) of dependence between total general government expenditures of local governments as share of GDP and total revues of local governments as share of GDP (tabl.4). Theoretical background of such dependence's significance has been discussed by one of the authors earlier [51].

Table 4. Total general government expenditures (EXP) of local governments as share of GDP and total revues (REV) of local governments as share of GDP of Visegrad Group Countries (in % of GDP). *Source: formed for Eurostat, [52]*

	REV_CZ	REV_HU	REV_PL	REV_SK	EXP_CZ	EXP_HU	EXP_PL	EXP_SK
2000	10.6	11.6	13.0	3.0	11.1	11.8	13.4	2.6
2001	9.6	11.9	14.0	2.8	10.0	11.8	14.1	2.8
2002	10.5	11.8	13.2	3.8	10.8	12.7	13.5	3.5
2003	12.9	12.9	12.7	7.0	13.4	13.0	13	7.1
2004	12.7	12.3	13.0	6.7	12.7	12.5	12.8	6.2
2005	12.0	12.1	12.9	6.8	12.1	12.7	13.0	6.6
2006	11.9	11.8	13.1	6.3	12.2	12.6	13.4	6.4
2007	11.7	11.5	13.0	6.0	11.4	11.6	13.0	5.9
2008	11.5	11.3	13.6	6.1	11.6	11.3	13.8	6.0
2009	12.3	11.5	13.2	6.6	12.9	11.9	14.3	7.1
2010	12.3	11.6	13.7	6.4	12.7	12.5	15.0	7.1
2011	12.0	11.9	13.3	6.6	12.3	11.3	14.0	6.6
2012	11.2	9.7	13.0	6.5	11.3	9.2	13.3	6.2
2013	11.7	10.0	13.0	6.6	11.4	7.5	13.1	6.2
2014	11.7	9.2	13.2	6.6	11.5	7.8	13.5	6.7
2015	11.8	8.0	12.9	7.5	11.3	7.8	12.9	7.4
2016	11.4	6.3	13.2	7.1	10.4	6.0	12.9	6.6
2017	11.7	6.3	13.5	6.9	10.9	6.3	13.4	7.0
2018	12.4	6.6	14.0	7.2	11.9	6.6	14.3	7.1
2019	12.6	6.8	14.0	7.6	11.9	6.9	14.2	7.5

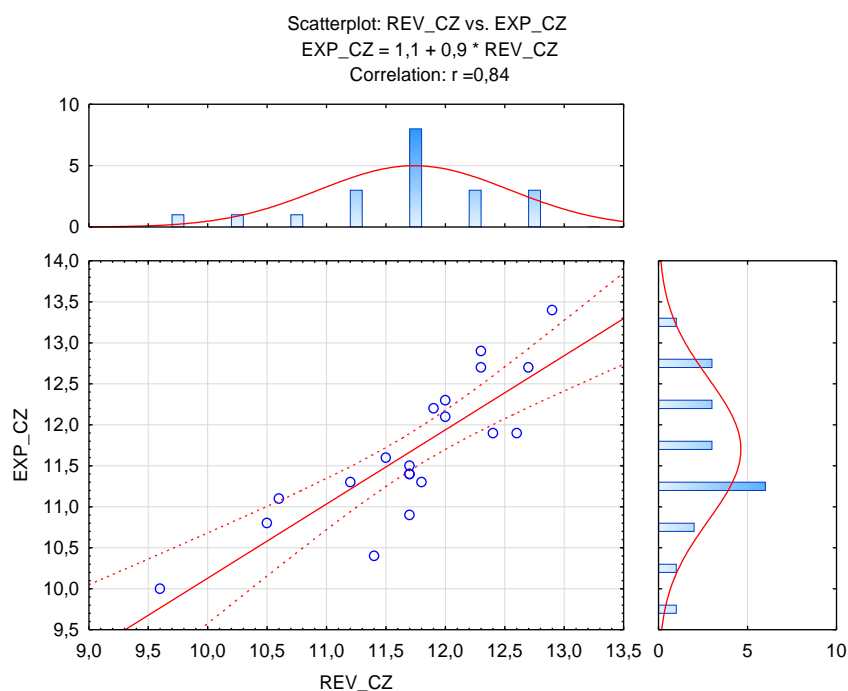


Figure 6. Empirical dependence between total general government expenditures of local governments as share of GDP and total expenditures of local governments as share of GDP (Czech Republic) (in % of GDP). *Source: authors calculations by means of Statistica 10.0, [53]*

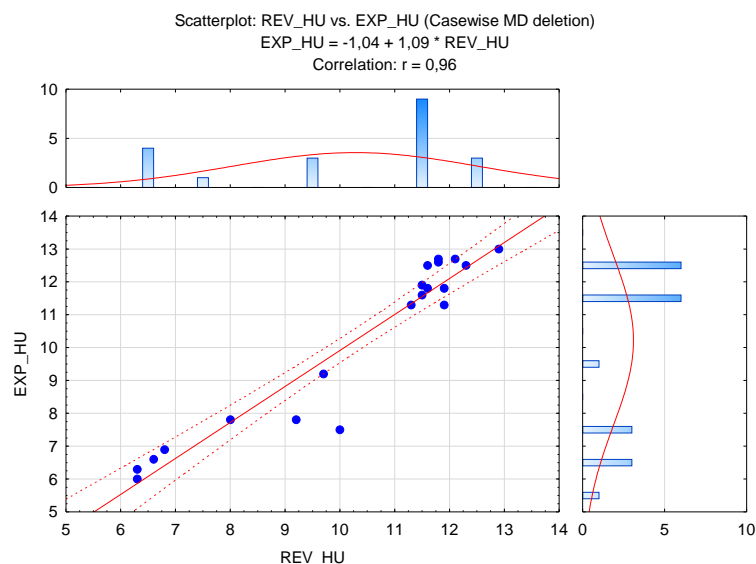


Figure 7. Empirical dependence between total general government expenditures of local governments as share of GDP and total expenditures of local governments as share of GDP Hungary (in % of GDP). *Source: authors calculations by means of Statistica 10.0*

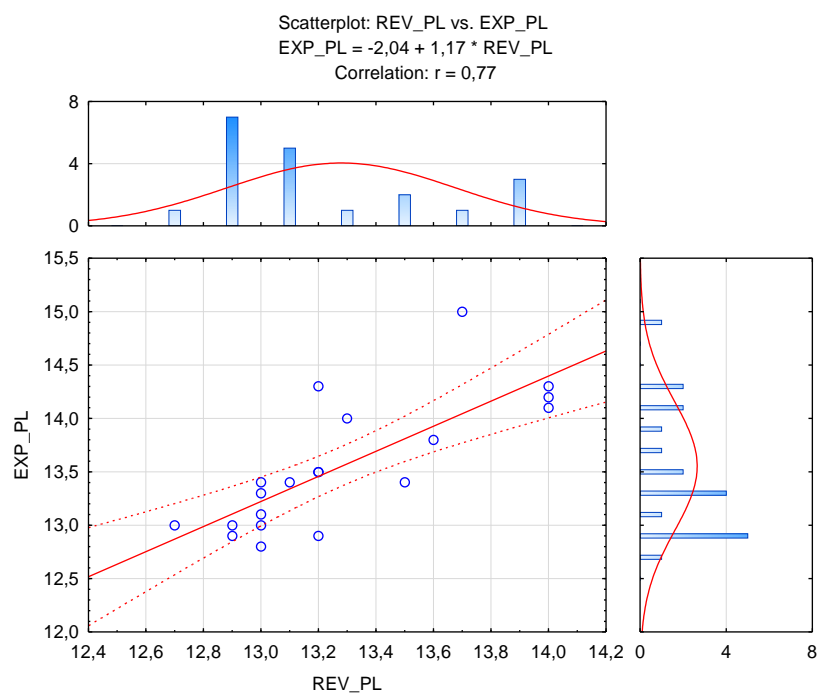


Figure 8. Empirical dependence between total general government expenditures of local governments as share of GDP and total expenditures of local governments as share of GDP (Republic of Poland) (in % of GDP). *Source: authors calculations by means of Statistica 10.0*

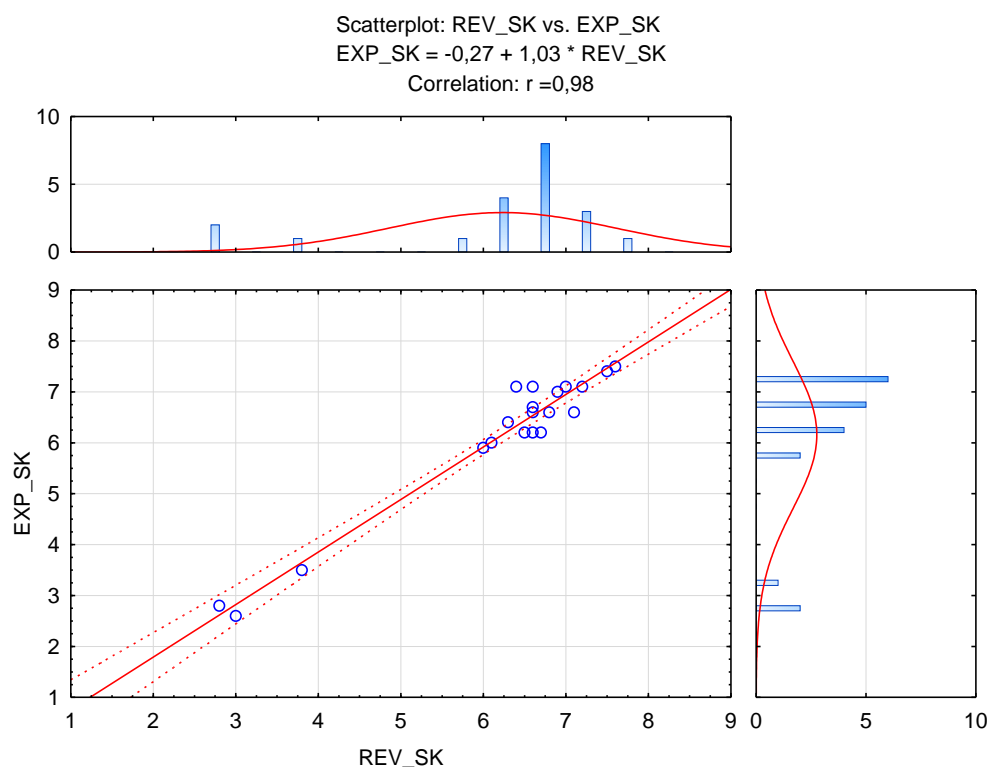


Figure 9. Empirical dependence between total general government expenditures of local governments as share of GDP and total revenues of local governments as share of GDP (Slovak Republic) (in % of GDP). *Source: authors calculations by means of Statistica 10.0*

As we can see from figures 6-9 dependences between total general government expenditures of local governments and total revenues of local governments (as share of GDP) are quite strong (correlation above 0,77) but are variable among countries. This means that process of fiscal decentralization still has the national particularities and must be analyzed in detail at national level of each country separately. But common inference can be made - wellness of local territory in terms of local authority expenditures' amount strongly require local budget revenues.

Impact

The content of this article comprehensively outlines the importance of fiscal decentralization as a key development factor using the example of the Visegrad Group countries. Special attention is focused on the study of the Visegrad Four countries' financial condition, which was carried out based on such indicators as the share of budget revenues of subnational governments in the country's GDP and the share of own revenues in the revenues structure of subnational budgets. It is also important to determine the relationship between total government expenditures of local governments as share of GDP and total revenues of local governments as share of GDP, which shows the financial capacity of local budgets to solve socio-economic tasks assigned to local authorities. According to the authors, in addition to the specified model, for a more detailed study of the decentralization process, it is advisable to carry out a thorough analysis of the cause-and-effect relationships of the reforms implemented in the financing of local self-government in each of the countries. This study will also be useful for other countries that aim to implement decentralization reforms, as it affects not only economic growth indicators and socio-economic indicators, but also public sector management as a whole.

Conclusions

Fiscal federalism is understood as a system of budgetary authority distribution between governments of various levels, i.e., the national (central) and subnational levels. During the implementation of the decentralization policy in different countries, both negative and positive experience in the implementation of management decisions has been accumulated at the local level. We also denote that the economy at the national and subnational levels is influenced by such factors as globalization, urbanization and informatization, which fundamentally changes the nature and structure of interaction between the population of a particular region, local and central authorities, respectively.

Due to insufficiency of own revenues, conflicts between authorities of different levels may arise, which may lead to further fiscal decentralization. As the Hungarian experience shows, increased decentralization under insufficient management and supervision can result in uncontrolled behavior of subnational authorities, so central authorities

should be very careful when transferring additional powers to subnational units. In addition, in the countries under consideration there is no external factor that could push the development of fiscal decentralization processes.

Summing up, we can offer recommendations aimed at improving the system of fiscal relations of the Visegrad Group countries, which, however, may be of interest to other post-socialist countries of Europe:

- large-scale reform should be preceded by partial reforms and pilot projects in this area;
- it is necessary to carry out preliminary pilot projects that will improve the country's budget strategy;
- it is necessary to insure unimpeded tripartite communication between representatives of society, local and central government;
- to take public opinion into account when developing fiscal policy;
- it is necessary to review the traditional forms and methods of financial impact on the regional development efficiency.

In the future, the Visegrad Group countries would do well to consider reducing the dependence of municipalities on the state, for example, through more efficient use of municipal property. However, this should be preceded by a thorough comprehensive financial analysis based on the evaluation of many indicators. Based on the results, it would be possible to consider changes in the financing of local self-government in order to preserve its main role, namely, to ensure the overall development of its territory, as well as the needs of citizens of the Visegrad Group countries.

Conflict of interest

There are no conflicts to declare.

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