

## BANKS AND MUNICIPAL FINANCING

*With this publication, the Slovak public has the opportunity to get to know the results of an interesting and highly professional project that analyses the relations between banking and the municipal sector in both Slovakia and Germany. The project was implemented as part of cooperation between Bergische University of Wuppertal and the Technical University of Košice (TUK), under the leadership of Volker Ronge, head of the Faculty of Sociology at Bergische University, and Oto Hudec, a lecturer at the TUK's Faculty of Economics. The project was completed with the participation of the following then students of the Faculty of Economics: Mária Bakalová, now an assistant at the Faculty of Sociology in Wuppertal, and Petra Juríková and Lenka Račková, who have since graduated from the Faculty of Economics. The project was financially supported by the German Academic Exchange Service (DAAD), the Ministry of Education of the Slovak Republic and the Slovak Academy of Sciences (SAV). The work is published by Mercury-Smékal and runs to 129 pages.*

The original aim of the project was to compare the results of analyses of the "savings sector" and municipal sector in Germany and in Slovakia, since these countries were expected to have a comparable banking-typological system. In both countries there is common use of the basic term "savings bank" – "spo" – and the name is philologically appropriate. In fact, however, these terms do not represent exactly the same thing. It is almost impossible to find a corresponding feature between the Slovak "sporiteľňa" and German "sparkasse", and it therefore became essential to restructure the project. Even if the final results do not match the initial assumptions, their significance for Slovakia is even more important – enhanced by the potential for developing the banking sector and savings banks and the opportunities for providing their services to the municipal sector. It is at the same time a motivation and guide to their specific use in Slovak conditions.

In the first contribution, written by Mária Bakalová and entitled "The savings sector in Germany from an East European perspective", the object of the analysis is the nature, development and roles of the "sparkasse" – public credit institutions representing one of the three types of universal bank now operating in Germany. They comprise the third pillar of the German banking system, and, as the author shows, are distinct from the private and cooperative banks in a wide range of ways. The founder and guarantor of a "sparkasse", though not the owner, are in most cases self-governing authorities (federal regions, regions, towns, municipalities, and so on) that have the right to participate in the joint decision-making on its activities.

Attention is focused in particular on the basic attributes of the "sparkasse", which include their municipal affiliation, public obligation (public service), regional principle, and the liability of self-governing authorities for the "sparkasse". In practice, it means that the "sparkasse" provide financial services to all levels of the public, that they are required to support the regional economy, that they contribute to improving the living standard, that they support self-governing authorities, as well as small and medium enterprises with regard to the implementation of essential restructuring, and that they make an active contribution to the social life of the region. Their two centuries of development and operation could be a rich source of positive inspiration to Slovak theory and practice.

The second contribution, written by Mária Bakalová and Volker Ronge, is entitled "The savings sector in Slovakia from a German perspective". The object of this investigation is the existence of a functional correspondence between the savings sector in Slovakia and the savings sector in Germany. The authors use as a basis for their analysis the legislative framework within which the "sparkasse" operate and the historical development of saving in the territory of present-day Slovakia, from the Habsburg times up to today. They come to the conclusion that the savings sector in Slovakia is being reduced to a single bank that uses the name "sporiteľňa" and is not comparable with the German savings bank.

The third contribution, entitled "Prvá komunálna banka, a.s." and written by Lenka Račková, focuses on the financing of towns and municipalities in Slovakia – the *raison d'être* of Prvá komunálna banka



(First Municipal Bank) since its establishment. The contribution is thematically divided into five linked parts. The author concentrates on the activities of this bank, in particular the financing of public municipal investments, co-financing of new blocks of flats and the completion of unfinished constructions, lending for investments of an ecological nature and for the construction of basic technical amenities. Particularly worth the reader's attention is the third part of the contribution, "Special products for self-governing authorities and new functions of PKB", in which the author among other matters deals with the restructuring of loans to large towns and with municipal loans. The development of PKB from being "the bank of Slovak communities" to a member of an international banking group is the title of the fourth part of this contribution, concerning the change in composition of its shareholder interests and the entry of the new investor - the banking group Dexia.

The author of the fourth contribution, "Bank transactions of self-governing authorities", is Volker Ronge, who approaches self-governing authorities from the view of their position as a customer of banking services. Taking Wuppertal as an example, he analyses the commercial relations between the self-governing authority and particular banks. The focus of his attention is the relationship with the "own bank", which in Germany is the Sparkasse municipal bank, and the technically necessary conditions and requirements for securing a loan. There is special attention on the cash credit "Kassenkredit", which self-governing authorities use to ensure their liquidity despite their high and structural indebtedness.

How to solve the indebtedness of Košice, Slova-

kia's second-largest city, is the subject of the fifth and final contribution: "The progress of indebtedness, debt restructuring, and debt deferral of a self-governing authority within the transformation process of the Slovak Republic", by Petra Juríková. The author in the introduction briefly describes the administration of Košice and its boroughs, as well as their main income and expenditures. Special mention should be made of the second part, which analyses the origin of Košice's debt and the method of financing investment in it. The central issue addressed by this contribution is the process of restructuring Košice's debt and the role that the banks play in this regard. Based on the analysis of the city's problems, the author indicates the direction for further investigation of these issues and demonstrates the need to apply modern financial tools in the municipal environment.

The merit of this publication is that it addresses an issue that has received only marginal attention in theory (the relations between self-governing authorities and banks) even while the practical demands in this regard are more than pressing – as the particular example of Košice shows. Its analyses of specific relations between self-governing authorities and banks in different socio-economic conditions is a theoretical asset, as are the conclusions and commendations.

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