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ECONOMIC IMPACTS OF THE ENERGY CRISIS ON LOCAL GOVERNMENTS IN THE SLOVAK REPUBLIC AND THE CZECH REPUBLIC

Matej Mindár

Alexander Dubček University of Trenčín Department of Political Science Študentská 1639/2, 911 01 Trenčín Slovakia

E-mail: matej.mindar@tnuni.sk

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Abstract. The main objective of the presented article is to analyze the impacts of the energy crisis (2022-2023) on the budgets of selected Slovak (Trenčín Self-Governing Region) and Czech (Zlín Self-Governing Region) local governments. In addition, it is essential to find out how they limited the impact of the crisis on their everyday activities and to what extent they had to suspend their development activities. The secondary objective was to compare in which country (the Slovak Republic and the Czech Republic) local governments managed the impacts of the energy crisis better and more efficiently. In the first research question, we found out whether selected Slovak and Czech local governments agree with the opinion that the energy crisis has affected their basic function, and the second research question aimed to answer whether the increase in energy prices has affected their economic functioning. We also asked what budget they had before the energy crisis. In addition, we asked to what extent their local economy was affected by high energy prices. In the end, we found out what planned investments in the field of development specific local governments had to suspend due to the energetic crisis. As a part of the third research question, we asked whether the Czech and Slovak governments helped sufficiently address local governments with specific financial means. In addition, we asked how they evaluated the communication with government institutions in the field of energy price compensation at the time. Finally, we found out what specific measures Czech and Slovak local governments used to address the impact of high energy prices on their local budgets.

Keywords: energy crisis; local governments; economy; Slovak Republic; Czech Republic

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1. Introduction

As a result of the Russian Federation's unjustified military invasion of Ukraine, energy prices reached their all-time high in 2022. This situation was also because the Russian side began to use natural gas supplies as a weapon of war. The wholesale price of electricity on the internal market of the European Union is directly linked to the price of gas, which is mainly imported. The deliberate reduction of gas supplies by the Russian Federation was

the main cause of the sharp increase in gas prices in the European Union. This affected the price of electricity produced by gas-fired power plants and electricity prices in general. In response, EU countries adopted an emergency intervention regulation to address high prices and help citizens and businesses most affected by the energy crisis (Unknown author, 2024). The energy crisis (2022-2023) affected all of us, which we still feel today. It is, therefore, important to keep addressing this topic. In addition to states, companies and ordinary people, increased energy prices have also affected the basic functioning of local governments – towns and municipalities. Local governments, which have the closest direct contact with the citizens of each democratic state, had to save on their local budgets during the energy crisis and temporarily suspend a large part of their investment plans and activities. To this day, many local governments are recovering from its impacts. Based on this, this issue is still relevant this year.

According to Greek authors Vasiliki Vrana, Dimitrios Kydros, Iordanis Kotzaivazoglou, and Ioanna Pechlivanaki, Russia's invasion of Ukraine has disrupted the global energy market (Vrana, Kydros, Kotzaivazoglou and Pechlivanaki, 2023). *"EU countries, which import around 90% of their natural gas, have recognised the emergency and transformed Europe's energy system by ending their dependence on Russia. Fossil fuels gradually and the solution to the climate crisis."* (Vrana, Kydros, Kotzaivazoglou and Pechlivanaki, 2023, p. 1). German authors Oliver Ruhnau, Clemens Stiewe, Jarusch Muessel and Lion Hirth argue that at that time, Europe was in the most severe energy crisis since the oil price shock of 1973 (Ruhnau, Stiewe, Muessel and Hirth, 2023). In this context, we can also mention the Polish author Jakub Mazurkiewicz, who says that the disruptions caused by the Russian war in Ukraine have highlighted the interconnected nature of global supply chains not only in the field of energy but also in the field of fertilizers and food (Mazurkiewicz, 2022). According to Javier Arribas Cámara and Vicente Sánchez Jiménez from Spain, the European Union has been suffering from an energy crisis since June 2021 due to cyclical and structural factors such as the climate crisis, the war in Ukraine and dependence on fossil fuels (Arribas Cámara and Sánchez Jiménez, 2023). According to Romanian author Livia Cebotari, the European Union is one of the world's leading energy consumers, with little international influence in this area (Cebotari, 2022). *"While the European Union has a competitive advantage in other sectors, the EU's vulnerability to Russia is fully felt in the energy sector."* (Cebotari, 2022, p.1) The consequences of the energy crisis caused by the war in Ukraine have also affected, for example, the Australian continent. According to Australian author Paul Simshauser, in 2022, Australia's national electricity market (NEM) experienced its most turbulent year. The volatility of the wholesale electricity market has brought soaring fuel costs – coal and gas, which have reached record prices internationally due to the war in Ukraine (Simshauser, 2022). In this regard, he also recalls that the war in Ukraine and the related energy crisis in 2022 have had far-reaching effects, with coal prices by sea gas reaching multiples of their historical averages. As he says, Europe was its epicentre, and distant countries such as Australia felt its consequences (Simshauser, 2023). For example, in the European Union member state of Latvia, in the event of an energy crisis, all customers were to be divided into several groups if the supply of natural gas was interrupted. For example, the priority group was supposed to be households, schools, preschool facilities, hospitals, state and local government institutions of long-term social care and social rehabilitation (Zemite et al., 2021).

The main objective of the presented article is to analyse the impacts of the energy crisis (2022-2023) on the budgets of selected Slovak (Trenčín Self-Governing Region) and Czech (Zlín Self-Governing Region) local governments. At the same time, we want to find out how its impacts limited their everyday activities and to what extent they had to suspend their development activities. **The secondary objective** was to compare in which country (the Slovak Republic and the Czech Republic) local governments managed the impacts of the energy crisis better and more efficiently. As part of the research, we set three questions, from which specific open and closed questions were created in a semi-structured interview.

2. Theoretical background

Even at the beginning of 2023, according to Zdeněk Čech, head of the economic analysis team of the Representation of the European Commission in Slovakia, the European Union was going through the most difficult energy crisis in modern history. At the beginning of 2023, Michal Kaliňák, the then central director of the office and spokesman for the Association of Towns and Municipalities of Slovakia, the current State Secretary of the Ministry of Investments, Regional Development and Informatization of the Slovak Republic, said that towns and municipalities in Slovakia are the largest founders of schools and school facilities, including 2,754 kindergartens and 1,886 primary schools. They cover social service facilities, 711 residential facilities, daycare centres for social services, and budgetary organizations in the field of culture. *"In the spring of last year, the Association of Towns and Municipalities of Slovakia asked the government to use as many unspent EU funds as possible not only to finance the year-on-year increase in energy prices but also for investments in photovoltaics, geothermal energy, guaranteed energy services, thermal insulation of buildings or the use of waste for energy production, as well as the development of heat management based on the use of wood mass, such as pellets and the like. Although the energy crisis caught us unprepared, as did any other country, it turns out that investments in the energy sector would add value to solving problems in times of economic crisis."* (Jenčová, 2023). Within the Czech Republic, the Union of Towns and Municipalities of the Czech Republic already warned in 2022 that rising energy and fuel prices also had a harsh impact on local municipal budgets. In his opinion, the effects of the energy crisis at that time led many municipalities to consider, for example, limiting the heating or lighting of public buildings and spaces (Unknown author, 2022).

2.1. History and functioning of Czech and Slovak local governments

2.1.1 Czech Republic

A settlement structure was created on the territory of the Czech Republic several centuries ago. As far as territorial local government and especially municipal local government are concerned, its germs can be registered on Czech territory as early as the period of the existence of Great Moravia (Klimovský, 2010). *"However, the performance of administration at the local and regional level in the interwar Czechoslovak Republic, i.e. in 1918 – 1938, came closest to the current form of territorial local government."* (Klimovský, 2010, p. 33) Towns and villages in the Czech Republic are currently covered mainly by the Union of Towns and Municipalities of the Czech Republic, which was founded in 1989 as a non-political and voluntary organization. (Collective of authors 2023a). Another important professional organization is the Association of Local Governments of the Czech Republic. (Collective of authors 2023b). The Czech Republic has one of the highest territorial fragmentations of municipalities in Europe, also because the issue of decentralisation has been overemphasized in local government policy since 1989 (Soukopová et al., 2014).

On 12 April 2000, Act No. 128/2000 Coll. on Municipalities (Municipal Establishments) was adopted in the Czech Republic regarding the functioning of local self-government. According to paragraph 1, a municipality is a basic territorial self-governing community of citizens forming a territorial unit. Paragraph 2, part (1) states that a municipality is a public corporation with its property, which acts in legal relations under its name. According to part (2) of the same paragraph, the municipality ensures the all-round development of its territory and the needs of its citizens. According to paragraph 3, part (1): *"A municipality with at least 3 000 inhabitants shall be a town if the President of the Chamber of Deputies so determines on the proposal of the municipality after the Government has expressed its opinion."* According to paragraph 4, statutory towns are: Kladno, České Budějovice, Plzeň, Karlovy Vary, Ústí nad Labem, Liberec, Jablonec nad Nisou, Hradec Králové, Pardubice, Jihlava, Brno, Zlín, Olomouc, Přerov, Chomutov, Děčín, Frýdek-Místek, Ostrava, Opava, Havířov, Most, Teplice, Karviná, Mladá Boleslav, Prostějov a Třinec. According to paragraph 35, part (1), matters that are in the interest of the municipality and its citizens belong to the independent competence of the municipality. Paragraph 61, part (1)

speaks of delegated competencies in matters stipulated by specific laws. Paragraph 67 mentions the municipal council, composed of members of the municipal council. Its members are elected in direct elections according to other legal regulations. Paragraph 103 defines the function of the mayor of the municipality. According to part (1), he represents the municipality externally. Part (2) of the same paragraph states that **the mayor, deputy mayor(s) are elected to their positions by the municipal council.** (Parliament of the Czech Republic, 2000a).

Act No. 250/2000 Coll. on Budgetary Rules of Territorial Budgets of 7 July 2000 states in paragraph 4, part (1) that the budget of a territorial self-governing unit and a union of municipalities is a financial plan that governs their activities. Parts (4) and (5) of the same paragraph, in turn, say that: *"As a rule, the budget is drawn up as balanced. It can be approved as surplus if some of the income of a given year is intended to be used only in subsequent years or if it is intended to repay the principal of loans from previous years... A budget can only be approved as a deficit budget if the deficit can be recovered."* (Parliament of the Czech Republic, 2000b).

2.1.2. Slovak Republic

The beginnings of local state administration in the territory of the Slovak Republic, as well as in the Czech Republic, are known as early as the 9th century within the first Slavic state of Great Moravia (Volko and Kiš, 2007). Before 1989, the fall of communist totalitarianism, most decisions and resources came from the central government. For example, in 1950 there were 3,344 local self-government units in the Slovak Republic, while in 1989 their number fell to the lowest level (2,694). Shortly after the Velvet Revolution, 242 newly founded municipalities were gradually established in the territory of the Slovak Republic (Csachová and Nestorová-Dická, 2011). The interests of Slovak local governments are covered by the Association of Towns and Municipalities of Slovakia and the Union of Towns of Slovakia.

Within the Slovak Republic, the Act of the Slovak National Council No. 369/1990 Coll. on Municipal Establishment, as amended, was adopted on 6 September 1990 regarding the functioning of local self-government. According to paragraph 1, part (1), a municipality is an independent territorial, self-governing and administrative unit of the Slovak Republic associating persons with permanent residence. At the same time, he says that the municipality is a legal entity that independently manages its property and its income under the conditions laid down by law. Paragraph 5, part (1) says that some tasks of state administration can be transferred to the municipality by law if their performance is more rational and efficient in this way. *"With the transfer of tasks to the municipality, the state will provide the municipality with the necessary financial and other material resources."* According to paragraph 10, part (1), the municipal authorities are: the municipal council and the municipality's mayor. Paragraph 11, part (1) stipulates that the municipal council is a representative institution of a municipality composed of deputies elected in direct elections by the inhabitants of the municipality for four years. Based on paragraph 13, part (1), the municipality's representative and the municipality's highest executive institution is the mayor. (Slovak National Council 1990). According to Act No. 180/2014 Coll. on the Conditions for the Exercise of the Right to Vote and on the Amendment of Certain Acts, as amended, **the mayor of a municipality is elected directly by the voters.** According to paragraph 165, a resident of a municipality who has permanent residence in the municipality in which he or she is a candidate and reaches the age of twenty-five on the day of the election at the latest may be elected mayor of a municipality (National Council of the Slovak Republic, 2014).

According to paragraph 22, Part (1) (Act of the Slovak National Council No. 369/1990 Coll. on Municipal Establishment, as amended), the National Council of the Slovak Republic may declare a municipality as a town based on criteria set out by law on 1 January at the proposal of the Government. Part (6) of the same paragraph says that based on a resolution of the National Council of the Slovak Republic, the government will issue a certificate of declaring the municipality a town. Paragraph 24, part (1) states that the Town Council is an institution of the town's local government. *"Its position shall be subject to the provisions of this Law on the*

Municipal Council." Part (2) of the same paragraph states that the representative of the city and its highest executive institution is **the lord mayor of the city**. *"The provisions of this Act on the Mayor shall apply to his position."* (Slovak National Council, 1990).

Paragraph 7, part (1) (Act of the Slovak National Council No. 369/1990 Coll. on Municipal Establishment, as amended) states that the municipality finances its needs primarily from its own revenues, subsidies from the state budget and from other sources. According to part (2) of the same paragraph, a municipality may use repayable sources of financing and funds from extra-budgetary monetary funds to perform its tasks. Part (3) of paragraph 7 says that a state subsidy may be provided to the municipality for the implementation of the municipality's development program or for the performance of another task in which the state is interested. (Slovak National Council 1990). Two laws regulate the status of the municipality's budget. The first is Act No. 583/2004 Coll. on Budgetary Rules of Local Self-Government and on Amendments to Certain Acts. In paragraph 4, part (1), it is written that the municipal budget is the basic instrument of financial management in the relevant financial year, which governs the financing of tasks and functions in the relevant financial year. The municipal budget is also part of the budget of the public administration sector. Part (2) of paragraph 4 says that the financial year is identical to the calendar year. Part (3) of the same paragraph stipulates that the budget of a municipality expresses the independence of its management. Part (4) of paragraph 4 states that the budget of the municipality includes budgets of revenues and expenditures of budgetary organizations and contributions to contributory organizations established by the municipality, etc. Paragraph 10, part (7) stipulates that the municipality's budget is compiled **as balanced or surplus**. **The current budget** can only be drawn up **as a deficit budget** under strictly defined conditions. **The capital budget is also drawn up as balanced or surplus. It is also set as a deficit budget under rigorous conditions.** (National Council of the Slovak Republic 2004a). In Act No. 523/2004 Coll. on Budgetary Rules of Public Administration and on Amendments to Certain Acts, Paragraph 30a, Part (1) states that: *"The public administration budget should be **balanced or surplus**."* (National Council of the Slovak Republic, 2004b).

2.1.3. Brief comparison

In Czech municipal local government, the municipal council has a dominant position, which follows directly from the Czech Constitution and is confirmed by Act No. 128/2000 Coll. on Municipalities (Municipal Establishment). According to the Czech political scientist Igor Palúš, the municipal council elects two other municipal institutions that have an important position within the separation of powers, i.e. the council of municipal and the mayor, both of which are responsible for the performance of their function to the municipal council, which can dismiss them at any time (Palúš, 2021). *"In this context, the elections to the municipal council are indirectly also the elections of other municipal institutions, and in this spirit, pre-election considerations about possible coalitions in the municipal council and especially negotiations on coalition groupings after the elections are of fundamental importance. The persons who appear on the candidate lists are potential members not only of the future municipal council but also the future council of municipal, and the future mayor will also emerge from such candidates."* (Palúš, 2021, p. 118)

According to Igor Palúš, the Slovak legislation on the application of the principle of separation of powers at the municipal level is constitutionally based on the equal (partner) status and powers of municipal institutions, i.e. the municipal council and the mayor (Palúš, 2021). *"The influence of the inhabitants of the municipality on the creation of municipal local government institutions is undoubtedly greater than in the Czech Republic, but this can also have a negative impact when the political composition of the council and the political affiliation of the mayor is different, and this fact is sometimes negatively reflected in their mutual relationship in the organization and management of the municipality administration. This is also one of the reasons why the number of independent candidates in the elections to municipal local government institutions has been increasing over the years, especially for the municipality's mayor position."* (Palúš, 2021, p. 119)

In the same way, the highest representatives of the regions in the Slovak Republic and the Czech Republic, who are responsible for the region's administration, are also elected. The method of direct election is part of the Slovak electoral system. In the Czech Republic, on the other hand, representatives of regions are elected by indirect election. They are elected by democratically elected regional councils (Janas and Jánošková, 2022). The differences between individual states can also be seen in the perception of European citizenship and European identity, which several authors pointed out (Hubálek et al., 2018).

2.2. Economics of local government

A municipality has a natural obligation to provide conditions to meet the needs of its inhabitants, but also the right to regulate the development of its territory. Although the role of the local government is not to generate economic development directly, it is strongly responsible for creating suitable conditions for investment and business activities. The municipality is thus an important integration factor for the effective development of the territory. According to Katarína Liptáková and Zuzana Rigová, the municipal government knows local needs. It provides many services directly impacting local development, such as infrastructure, education, spatial planning, security, children, care for older people, etc. (Liptáková and Rigová, 2020). The economy of municipalities is governed by several regulations that directly affect the functioning of municipalities in the Slovak Republic and in other countries (Vavrek, Adamisin and Kotulic, 2017). Towns and municipalities can also play an important role in creating closed-loop production and consumption systems (Budde Christensen, 2021). The strategic plan, which sets out the municipality's development, is also a key document for the general development of municipalities. It lists the planned investments, their priorities and the schedule for their implementation (Řehoř and Šebestová, 2013). Within the economy of local governments, local governments are one of the basic components of public administration in a democratic state. In accordance with the official European "ideology" – the principle of subsidiarity and decentralisation – these decentralisation units have played an important role in the economy, public administration and society in the Czech Republic since 1990 (Matějová et al., 2014). The basis of economic thinking about decentralization is the assumption of differences in demand for public goods (Bikker and van der Linde, 2016). On the other hand, it must be said that the combination of post-communist economic transformation with increasing globalization has left some regions on the national periphery (Jiří Pánek et al., 2021). For example, in the districts of the Capital City of Prague, Prague-West, Brno-City, Prague-East and Plzeň-City, higher concentrations of business activity were reported in the years 2010 to 2013 than in other districts of the Czech Republic (Hamplová and Kovárník, 2018). According to Czech economist Marek Jetmar, most of the population's daily activities take place in the municipality's territory or in its wider area. This includes the so-called functional micro-region, often the corresponding territorial district of municipalities with extended powers, in which the municipality with extended competence is the centre of higher services (secondary schools, specialised health care). At the same time, it offers a wide range of job opportunities (Jetmar, 2013). The highly fragmented structure of municipalities in the Czech Republic and Slovakia has been discussed for a long time. Several authors cite a number of problems arising from the sustainability of the operation of a very small municipality, as well as the lack of will to merge municipalities. On the other hand, there are also opinions in favour of territorial fragmentation, which are based primarily on arguments relating to democracy, contacts between the municipal council and citizens, etc. One of the most important arguments against the fragmentation of municipalities is related to the economic side, specifically the lack of funds to ensure the technical infrastructure of municipalities (Lešková and Vaishar, 2018). Based on the analysis by Eva Balážová, Viera Papcunová and Peter Ágh, it turned out that in the conditions of Slovak local governments, there were lower budgetary effects from business activities compared to Czech municipalities (Balážová, Papcunová and Ágh, 2018). The better results of municipalities located in western Slovakia are probably also due to the fact that the self-governing regions of western Slovakia are the regions with the largest share of foreign investments. Based on this fact, it is important to maintain a favourable economic situation for municipalities through an active approach on the part of municipalities and the state (Liptáková and Rigová, 2021). In this regard, it is also important to

remember that the capital of the Slovak Republic, Bratislava, has the strongest economy. According to Slovak political scientists Andrej Kóňa, Dušan Guťan and Peter Horváth, the reason may be the proximity of the border with Austria, the Danube River and the location of multinational corporations in the city (Kóňa, Guťan and Horváth, 2020). At the same time, the green economy and development could move towards a clear transition towards sustainable community and local development (Turvey, 2015). The financial literacy of specific elected mayors, especially smaller municipalities, is also important. Financial literacy can be characterized as knowledge and understanding of financial concepts and risks and skills, motivation and confidence in applying this knowledge and understanding in making effective decisions in different financial contexts, improving the financial well-being of individuals and society, and enabling participation in economic life (Táncošová et al., 2023).

3. Methodology

In the presented research, we set ourselves three research questions:

RQ1: How has the energy crisis affected the basic functions of local governments?

Explanation of RQ1: As part of the first research question, we asked selected Slovak and Czech local governments whether they agree with the opinion that the energy crisis has affected their basic functions. We were also interested in whether they had to optimize their activities due to increased energy costs. In addition, we found out in which specific areas Czech and Slovak local governments were forced to cut their spending. In the end, we asked by what percentage the costs of energy prices for Slovak and Czech local governments have increased compared to the pre-crisis period.

RQ2: How has the economic functioning of local governments been affected by the increase in energy prices?

Explanation of RQ2: As part of the second research question, we asked selected Slovak and Czech local governments whether they agree that the increase in energy prices has affected the economic functioning of local governments. We also found out what budget they had at their disposal before the energy crisis. In addition, we asked to what extent the economy of Czech and Slovak local governments has been affected by high energy prices. In the end, we found out what planned investments in the development of a particular local government were suspended due to the energetic crisis.

RQ3: To what extent has the Slovak or Czech government helped local governments with high energy prices?

Explanation of RQ3: As part of the third research question, we asked whether the Czech and Slovak governments had sufficiently helped Slovak and Czech local governments with specific financial means. In addition, we asked how they evaluated the communication with government institutions in the field of energy price compensation at the time. Finally, we found out what specific measures Czech and Slovak municipalities used to address the impact of high energy prices on their local budgets.

Research sample

As part of the quantitative research on data collection, we chose the method of a semi-structured interview, which was sent electronically to selected Czech and Slovak municipalities in the second quarter of 2023. As a research sample, we have set representatives (mayor, lord mayor, authorized employee) of specific municipalities who will answer predetermined open and closed questions. We purposefully tied the semi-structured interview to specific local governments – one local government = one answer. Based on the e-mail addresses we received, we sent the

interview to all local governments of the Trenčín Self-Governing Region (Slovak Republic) and the Zlín Self-Governing Region (Czech Republic).

Out of 276 municipalities and towns, 97 out of 276 municipalities and towns responded for the Slovak self-governments of the Trenčín Self-Governing Region, which is 35.1%. Includes: Beckov, Bodiná, Bolešov, Bošany, Brezolupy, Bukovec, Bystričany, Čachtice, Čavoj, Čelkova Lehota, Červený Kameň, Dolná Mariková, Dolné Vestenice, Domaniža, Drietoma, Dubnica nad Váhom, Dubnička, Haláčovce, Handlová, Horná Breznica, Horná Mariková, Horná Súča, Horné Srnie, Horné Vestenice, Horný Lieskov, Hrabovka, Hradište, Hrašné, Jasenica, Ješkova Ves, Kamenec pod Vtáčnikom, Kameničany, Kľačno, Kostolná Ves, Košecké Podhradie, Krásna Ves, Krivoklát, Krivosúd-Bodovka, Lazany, Lazy pod Makytou, Libichava, Lipník, Lúky, Ľutov, Malá Hradná, Malé Kršteňany, Malé Lednice, Malé Uherce, Mestečko, Motešice, Nedašovce, Nemšová, Nitrianske Pravno, Nitrianske Sučany, Nová Ves nad Váhom, Nováky, Omastiná, Opatovce, Opatovce nad Nitrou, Oslany, Otrhánky, Partizánske, Plevník – Drienové, Podhradie, Pochabany, Poluvsie, Považská Bystrica, Pravotice, Prečín, Priepasné, Pruské, Pružina, Púchov, Ruskovce, Rybany, Sádočné, Slatinka nad Bebravou, Slopná, Soblahov, Stará Lehota, Streženice, Šišov, Trenčianska Turná, Trenčín, Udiča, Valaská Belá, Veľké Bierovce, Veľké Držkovce, Veľké Chlievany, Veľké Uherce, Višňové, Vrbovce, Vršatské Podhradie, Záriečie, Zemianske Kostolany, Zemianske Podhradie, Žitná – Radiša.

Out of 307 municipalities and towns, 89 out of 307 municipalities and towns responded for the Czech self-governments of the Zlín Self-Governing Region, which is 28.9%. Includes: Bánov, Bařice-Velké Těšany, Blazice, Bratřejov, Břest, Březnice, Buchlovice, Cetechovice, Dešná, Dolní Bečva, Dolní Němčí, Drslavice, Držková, Francova Lhota, Fryšták, Hluk, Holešov, Horní Lideč, Hostějov, Hulín, Huštěnovice, Hutisko-Solanec, Kašava, Kladeruby, Kněžpole, Koryčany, Kostelec u Holešova, Košíky, Lehotice, Lidečko, Lípa, Lopeník, Loučka, Lubná, Luhačovice, Machová, Martinice, Mískovice, Morkovice-Slížany, Napajedla, Nedachlebice, Nedašov, Nedašova Lhota, Neubuz, Nová Dědina, Ořechov, Otrokovice, Oznice, Pitín, Pozlovice, Prostřední Bečva, Přílepy, Rokytnice, Rožnov pod Radhoštěm, Rudice, Rymice, Sazovice, Seninka, Slavičín, Slavkov, Slavkov pod Hostýnem, Staré Hutě, Střílky, Sulimov, Svárov, Štítná nad Vláří – Popov, Šumice, Trnava u Zlína, Uherské Hradiště, Uherský Brod, Uherský Ostroh, Újezd, Valašské Klobouky, Valašská Bystřice, Valašská Polanka, Valašské Meziříčí, Vážany, Velehrad, Velké Karlovice, Velký Ořechov, Vizovice, Vlčková, Vrbka, Zádveřice - Raková, Zástřizly, Zborovice, Zděchov, Zlín, Žeranovice.

4. Results

In the first question of the semi-structured interview, 94.9% of the addressed Slovak municipalities agree with the opinion that the energy crisis has affected the basic functions of local governments. Only one per cent disagrees. Only 4.1% cannot assess our question. In the case of the Czech Republic, only 66.3% of municipalities agree with the opinion that the energy crisis has affected the basic functions of local governments. On the contrary, as many as 27.0% disagree. It could not judge 6.7% (see Table 1).

Table 1. Do you agree with the opinion that the energy crisis has affected the basic functions of local governments?

	Slovak Republic		Czech Republic	
	Number of local governments	%	Number of local governments	%
Agree	92	94.9	59	66.3
Disagree	1	1.0	24	27.0
Not know	4	4.1	6	6.7
Altogether	97	100	89	100

Source: Processed based on the results of own research.

In the second question of the semi-structured interview, 91.8% of Slovak municipalities had to optimize their current activities due to increased energy costs. On the other hand, only 8.2% did not have to. In the case of Czech local governments, only 59.6% of municipalities had to optimize their current activities, and up to 40.4% did not have to (Table 2).

Table 2. As a town/municipality, have you had to optimize your current activities due to increased energy costs?

	Slovak Republic		Czech Republic	
	Number of local governments	%	Number of local governments	%
Yes	89	91.8	53	59.6
No	8	8.2	36	40.4
Altogether	97	100	89	100

Source: Processed based on the results of own research.

In the third question of the semi-structured interview, "In which specific areas have you, as a local government, been forced to cut your spending?" representatives of Slovak and Czech local governments could indicate several answers. **In the case of the Slovak Republic**, as many as 63 local governments responded to the answer "maintenance and reconstruction of local transport infrastructure", which is 64.9%. Within the framework of "culture and sport", 58 local governments answered positively – 59.8%. The answer to "education" was only 12 local governments, which represented 12.4%. The option to mark the answer "basic operation of local government" was used by 54 local governments – 55.7%. The column "grant and subsidy schemes and support for local organizations" was marked by 40 local governments, which represents 41.2%. Nine local governments also used the option to mark the "other" option. In it, they stated, for example, switching off or limiting public lighting, the planned construction of a cultural house, the preparation of projects and geodetic plans, the development of the city, the social area or the limitation of the operation and heating of the cultural house. **In the case of the Czech Republic**, the answer "maintenance and reconstruction of local transport infrastructure" was given by 37 local governments, which is 41.6%. The column "culture and sport" was marked by 17 local governments – 19.1%. The answer "education" was indicated by only 5 local governments, which represents 5.6%. As an option, 19 local governments indicated the "basic operation of local government" – 21.3%. The answer "grant and subsidy schemes and support for local organizations" was indicated by 21 local governments, which represents 23.6%. In the answer "other", we learned, for example, that the 5 local governments addressed, which is 5.6%, did not limit their expenses in any way. The remaining additional answers were always from one, maximum two local governments. They concerned various areas in which the affected local governments had to reduce their spending. In one answer, we could learn, for example, that as a local government, they were able to ensure all planned expenses.

In the fourth question of the semi-structured interview, 7.2% of Slovak local governments increased the cost of energy prices in the range of 0-20% compared to the pre-crisis period. 18.6% of municipalities increased by 21-40%. 14.4% of respondents answered that their costs increased by 41-60%. As many as 59.8% of Slovak municipalities saw an increase in energy prices compared to the pre-crisis period of 61% and more. On the other hand, Czech local governments were slightly better, 23.6% had their energy costs increased by 0-20%. As many as 38.2% of municipalities in the Czech Republic saw their costs increase by 21-40%. Only 22.5% of the surveyed Czech municipalities had their costs increased by 41-60%. Only 15.7% in the Czech Republic increased costs by 61% or more (Table 3).

Table 3. How much per cent have your energy costs increased compared to the pre-crisis period?

	Slovak Republic		Czech Republic	
	Number of local governments	%	Number of local governments	%
0-20%	7	7.2	21	23.6
21-40%	18	18.6	34	38.2
41-60%	14	14.4	20	22.5
61 and more %	58	59.8	14	15.7
Altogether	97	100	89	100

Source: Processed based on the results of own research.

In the fifth question of the semi-structured interview, 93.8% of Slovak municipalities agree that the increase in energy prices has affected the economic functioning of local governments. It is only 79.8% of Czechs. On the other hand, 1.0% of Slovak and 6.7% of Czech municipalities disagree with our statement. 5.2% of Slovak and 13.5% of Czech municipalities could not assess our answer (Table 4).

Table 4. Do you agree that the increase in energy prices has affected the economic functioning of local governments?

	Slovak Republic		Czech Republic	
	Number of local governments	%	Number of local governments	%
Agree	91	93.8	71	79.8
Disagree	1	1.0	6	6.7
Not know	5	5.2	12	13.5
Altogether	97	100	89	100

Source: Processed based on the results of own research

In the sixth semi-structured interview question, 73.2% of Slovak and 64.0% of Czech municipalities had a balanced budget before the energy crisis. In the pre-crisis period, 26.8% of Slovak and 36.0 Czech municipalities had a surplus budget (Table 5).

Table 5. What budget did your town/municipality have before the energy crisis?

	Slovak Republic		Czech Republic	
	Number of local governments	%	Number of local governments	%
Balanced	71	73.2	57	64.0
Surplus	26	26.8	32	36.0
Altogether	97	100	89	100

Source: Processed based on the results of own research

In the seventh question of the semi-structured interview, the economy of 34.0% of Slovak local governments was highly affected by high energy prices—Czech only 6.7%. In a moderate way, high energy prices affected the economy of 55.7% of Slovak and 46.1% of Czech municipalities. They had a low impact on 9.3% of Slovak and 41.6% of Czech municipalities. Not in any way 1.0% of Slovak and 5.6% of Czech municipalities (Table 6).

Table 6. To what extent has the economy of your local government been affected by high energy prices?

	Slovak Republic		Czech Republic	
	Number of local governments	%	Number of local governments	%
Highly	33	34.0	6	6.7
Medium	54	55.7	41	46.1
Low	9	9.3	37	41.6
No way	1	1.0	5	5.6
Altogether	97	100	89	100

Source: Processed based on the results of own research

In the eighth question of the semi-structured interview, "What planned investments in the development of your town/municipality have been suspended due to the energy crisis?" representatives of Slovak and Czech local governments could again indicate several answers. **In the case of the Slovak Republic**, the option "local transport infrastructure" was indicated by 66, which represents 68.0% of local governments. The column "support of the business environment" was marked by 6 local governments – 6.2%. The option "school and cultural infrastructure" was given by 39 local governments, which is 40.2%. In the "Other" option, for example, property settlement, participation in larger challenges, extension of the cultural house, etc., appeared. **In the case of the Czech Republic**, the option of "local transport infrastructure" was given by 41 local governments – 46.1%. The column "support of the business environment" was given by 11 local governments, representing 12.4%. As an option, 12 local governments gave "school and cultural infrastructure" – 13.5%. Different answers appeared in the "Other" option. For example, 11 local governments – 12.4% – did not limit their planned investments in any way despite the energy crisis. The remaining answers concerned, for example, the suspension of housing development or municipal property management.

In the ninth question of the semi-structured interview, whether the government of the Slovak Republic or the Czech Republic helped sufficiently with specific funds, only 6.2% of Slovak local governments answered positively. 21.3% of Czech local governments answered positively to the same question. As many as 93.8% of the addressed Slovak local governments answered negatively. 78.7% of Czech local governments answered negatively (Table 7).

Table 7. Has the Government of the Slovak Republic or the Czech Republic helped enough with specific funds?

	Slovak Republic		Czech Republic	
	Number of local governments	%	Number of local governments	%
Yes	6	6.2	19	21.3
No	91	93.8	70	78.7
Altogether	97	100	89	100

Source: Processed based on the results of own research

In the tenth question of the semi-structured interview, when asked how Slovak and Czech local governments evaluate the communication with government institutions in the section of energy price compensation at that time, only 2.1% of local governments in Slovakia expressed themselves positively. In the Czech Republic, it was 11.2%. As many as 51.5% of Slovak and 25.9% of Czech local governments answered negatively. 46.4% of Slovak and up to 62.9% of Czech local governments could not assess (Table 8).

Table 8. How do you assess the communication with government institutions in the section of energy price compensation so far?

	Slovak Republic		Czech Republic	
	Number of local governments	%	Number of local governments	%
Positively	2	2.1	10	11.2
Negatively	50	51.5	23	25.9
Not know	45	46.4	56	62.9
Altogether	97	100	89	100

Source: Processed based on the results of own research

In the eleventh question of the semi-structured interview, “What specific measures have you, as a local government, taken to address the impact of high energy prices on your local budget?” **97 Slovak local governments** responded in the same way. Many of them were forced to turn off public lights at night, reduce the mayor's working hours, increase local taxes and rents, and limit the overall operation of local governments. At the same time, they were forced to save every euro in their budgets. **89 Czech local governments** answered the same question, more or less the same as Slovakia. Some of them were forced, for example, to suspend the construction of photovoltaic power plants.

5. Discussion

As part of the main objective of the research, we managed to analyse how selected Slovak local governments (Trenčín Self-Governing Region) and Czech local governments (Zlín Self-Governing Region) addressed or did not address the impacts of the energy crisis. In the case of the secondary objective, we were able to compare and find out that Czech local governments managed the impacts of the energy crisis somewhat better and more efficiently.

In response to the first research question, we concluded that the energy crisis had a more negative impact on the basic functions of local governments in the Slovak Republic. Local governments in the Czech Republic were slightly better. There are several reasons. The main one is the fact that the Czech Republic has twice as many

inhabitants as the Slovak Republic. At the same time, the territory of the Czech Republic within the former Czechoslovakia has always been somewhat more economically efficient and developed compared to the territory of the Slovak Republic. This situation has not been reversed even more than thirty years after the dissolution of the Czech and Slovak Federative Republic. The author Hubálek and his team of authors (Hubálek et al., 2018) also very correctly assessed that the differences between individual states can also be seen in the perception of European citizenship and European identity, which have been pointed out by several authors. In this respect, we can only agree to add that the Slovak Republic, despite its twenty years of membership in the European Union, has not been able to fully come close to European standards of political culture compared to the Czech Republic, which is also reflected in the functioning of Slovak local governments.

In response to the second research question, we again found that Slovak local governments were more affected by their economic functioning by increasing energy prices than local governments in the Czech Republic. Economic crises are becoming the dominant topics of election campaigns for local governments (Čársky et al., 2021). I can only agree with this statement. However, it should be emphasized that managing or not managing the impacts of the energy crisis is also about the financial literacy of specific elected mayors, especially smaller local governments, which was pointed out by the author Táncošová and her team (Táncošová et al., 2023). However, we are of the opinion that the worse results of Slovak local governments in dealing with the effects of the energy crisis compared to local governments in the Czech Republic are also due to the fact that Slovak mayors **are elected in direct election** – by a direct mandate from the people. The councils of municipalities and towns in Slovakia are not able to dismiss them.

On the other hand, in the Czech Republic, **mayors are elected indirectly – by the councils of specific towns and municipalities**. Thanks to this, councils can dismiss them at any time in case of dissatisfaction with the development of municipalities and towns. This fact is indirectly pointed out in their article by the authors Janas and Jánošková (Janas and Jánošková, 2022). This means that if it turns out that Czech mayors, especially of smaller municipalities, are not financially literate enough, for example, the local councils can dismiss them at any time. Therefore, we can argue that this fact also had a certain impact on the fact that Czech municipalities were slightly less affected by their economic functioning by the increase in energy prices than local governments in the Slovak Republic.

As part of the answer to the third research question, we again found that Slovak local governments fared much worse in this case as well. According to our findings, the Czech Republic has helped its local governments slightly more than the Slovak Republic. The topic of high energy prices in the local government needs to be addressed through regional marketing activities (Lincényi, 2017). One can also agree with this statement. The main reason why Slovak local governments performed worse than local governments in the Czech Republic in this comparison was the former government of Eduard Heger (2021-2023). Instead of targeted aid for Slovak local governments, its former Minister of Finance, Igor Matovič, increased the child tax bonus at a critical time in 2022 and 2023, which, according to local government representatives at the time, cost more than five hundred million euros. Therefore, the new government of Robert Fico must not only consolidate the public finances of the Slovak Republic but also systematically support Slovak local governments to at least somehow come closer to Czech standards.

One of the recommendations on how to improve the financial condition of Slovak local governments is not only to consider a possible change in the election of mayors and lord mayors from direct to indirect but also to strengthen Slovak political parties at the local level. In this way, not only could the financial literacy of mayors of smaller municipalities, in particular, be improved, but it also put pressure on their mandate that they can be cancelled at any time if they fail to fulfil their competencies. We also recommend that the new Slovak government create a clear crisis plan on what to do in another energy crisis. It should rely mainly on possible

assistance to the affected local governments if they cannot fulfil their statutory obligations in times of crisis. At the same time, it should help local governments in those areas that are recommended to it by representatives of towns and municipalities of the Slovak Republic. A proposal to improve the economic performance of Slovak local governments is the gradual merging of smaller municipalities into one unit. In this way, not only would various management processes be streamlined, but considerable funds would also be saved on bureaucracy and on the salaries of mayors, deputies and employees of the smallest municipalities.

Conclusion

The energy crisis from 2022 to 2023 largely affected the basic functioning of Slovak and Czech local governments. Based on our findings, neither the Czech nor Slovak governments have been able to help their municipalities to a sufficient extent. However, local governments in the Czech Republic have indeed dealt with the effects of the energy crisis a little better. 97 local governments from the Slovak Republic (Trenčín Self-Governing Region) and 89 local governments from the Czech Republic (Zlín Self-Governing Region) are a sufficient relevant sample to assess the fundamental issues of the recent energy crisis. Using quantitative data collection using a semi-structured interview, in which we addressed representatives of specific Slovak and Czech municipalities, we obtained the above research results. In addition to meeting the main and secondary objectives, we were able to answer our three research questions.

As mentioned, the Czech Republic has twice as many inhabitants as the Slovak Republic. This fact, together with the historical context, is related to the fact that the economy of the state and Czech local governments is more efficient than the economies of Slovak governments. This is also reflected in the difference in European citizenship and identity perception. The management or failure to deal with the effects of the energy crisis could be partly related to the level of financial literacy of specific elected mayors, especially of smaller local governments, especially in Slovakia. A possible reason may be the difference in the electoral systems for the election of mayors and lord mayors in the Czech Republic and Slovak Republic. The Czech model is far more effective than the Slovak one. This could also have resulted in better management of the effects of the energy crisis by Czech local governments. We are also convinced that the former Slovak government of Eduard Heger (2021-2023) could have done much more for Slovak local governments in the crisis period. We have already outlined our recommendations and proposals for dealing with the impacts of a possible next energy crisis. The research results can serve as a tool for creating better and more effective tools to help Slovak and Czech local governments in the event of future energy crises.

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Matej MINDÁR, PhD. in Political science, obtained at Alexander Dubček University in Trenčín, currently at Department of Political Science as assistant professor, Alexander Dubček University in Trenčín, Slovakia.

ORCID ID: <https://orcid.org/0000-0003-3822-8660>

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