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**Overviewing the Expenditures
Structure in Local Self-Government Entities**

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Abstract: The process of decentralization in EU countries is permanent in registration due the new entries in 2004 and 2007, which emphasizes on the one hand the major role of local governance for sustainable development, and on the other hand the challenges that local governments have in the management of local public funds. Thus, the structure of local public expenditures and their correlation with revenues, highlight the complexity of the duties of local government. The research paper will focus on the structure of local expenditures of the public sector, using the background offered by literature based on good practices and the analysis of official statics data for empirical evidences. We estimate the analysis to offer a viewpoint on the expenditures structure of local budgets with positive aspects, but also deficiencies that require some solutions and policy options. Thus, the paper can be a starting viewpoint which allows researchers to develop the domain in a much more complex research.

Keywords: local budget; local expenditures; local government; sustainable development

Jell Classification: H7; H72; H76

1. Introduction

Currently, expenditure incurred locally plays an important role in the functioning of the national economy. Thus, the delimitation of competences categories of local authorities and their scope is reflected in expenditures in local budgets are expected in order to provide local public services.

Given the diversity of local financial systems in the European Union, we find that there are general rules and basic principles (for example, the European Charter of Local Self- Government) that each state adapted to the particularities of that State. Thus, some financial systems fit into the general pattern of decentralization of the federal states (Germany), others are characterized by centralization at the national level where there are some weaker trends decentralization (Malta, Greece) or severe (Romania). Whatever form of decentralization that gets every country, it is important that each state establish more concrete and exact administrative powers of administrative-territorial units, so as to create a symbiosis with their financial capacity to develop sustainable local.

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2. The Subject of the Research, Methodology and Theoretical Approach of Local Public Expenditures

This study gives an overview of local public expenditure in the EU states, in relation to the theoretical interpretations and analyzes of indicators characterizing the local public expenditures. Theoretical sources are books, articles and other scientific materials, involves data processing and analysis of indicators presented in official reports and databases (i.e., Eurostat).

Theoretical approaches (Sauviat, 2004) based on the idea that after a long time was considered accessories of state finance, local finances have become an economic and political stake in all countries. Increasing local public expenditures and determining local resources is currently a major concern of all countries. Whatever would be the degree of decentralization of a country's, financial relations between the state and local communities are multiple and complex. They reflect the conflicting nature of the financial aspects of decentralization (or regionalization). Even at first glance, decentralization is accompanied by numerous advantages (it takes better account of citizens' needs better meet the demands of local democracy, to comply with local identities, improve the effectiveness of public action), we must recognize that the size of its financial dimension impose many nuances.

Local government expenditure is the local public administration's efforts to meet the cultural, social, economic, development of public services and other requirements of the inhabitants under the jurisdiction of local authorities (Voinea & Cigu, 2008).

The expenditures of the local budgets of member countries of the European Union depend on the powers of local authorities at every level of local government. Thus, local government expenditure means the activity of local government to fulfill the economic, social and cultural development of public services (Voinea, 2008; Oprea, 2011; Beer-Tóth, 2009; Petrișor, 2012). We can distinguish functional classification and economic.

In most countries of the European Union, local responsibilities have increased in recent years due to the decentralization of the public services and application of the principle of local autonomy. In general, local authorities carries different types of competence analyzed in different research (Bell, Ebel, Kaiser & Rojchaichainthorn, 2006; Cigu, 2011; Petrișor, 2012), but the most common classification is as following: own (exclusive), shared and delegated powers.

Own powers are also called exclusive powers and are assigned by law to local authorities for the implementation of which they are responsible. Local authorities have the right of decision and have the resources and skills needed to undertake compliance with rules, criteria and standards established by law. Shared powers are those powers exercised by local government authorities, together with other levels of government (central or county), with a clear separation of funding and decision-making power for each authority. Delegated powers assigned to local authorities by law, together with adequate financial resources by the central authorities to exercise them in the name and within the limits set by them.

Competences/powers of the administrative-territorial units are different from one country to another. In most EU countries, municipalities have exclusive responsibilities regarding rural development and urban planning, water and sanitation, and waste disposal, social services, sports and leisure. Sectors of education, health, culture, roads and highways, as well as economic development is generally responsibilities shared with other levels of government at the local and even central (Voinea, 2008; IPP, 2008; McLure, Vazquez-Martinez, 2005; Shah, 1994).

3. An Overview on the Structure and Dynamics of Local Expenditures

In European Union countries there is a concern from local authorities to substantiate expenditure on the basis modern methods and in particular on the programs.

Within expenditures are funded from local budgets included operating costs on account of current activity which ensures the supply of local public services and they hold a significant share in total local public spending in all EU states. Investment spending holding a certain share of local budgets due to the importance of investment to economic development and social-cultural development of administrative-territorial units.

Grouping expenditure on functions and departments allows to be more clearly identified costs of local authority policies. Presentation of expenditure according to the nature enable understanding orientation collection of resources and implementing policies. Their joints make possible to establish how resources are allocated between business areas and identify the type of resources allocated to each Member State of the European Union.

According to the functional classification in most EU states are classified by sector spending, while in Romania the parties. Sectors are relatively the same in all EU countries. There appear differences in the competences within sectors. The powers are greater, much larger amounts are allocated to these sectors, which translates into a greater financial autonomy.

In some EU countries, expenditure in local budgets have a higher share in GDP as an expression of widening the powers of local government. The evolution of local public expenditure in GDP for the period 2006-2014 do not involve significant fluctuations in the level recorded increases of about 9 states, including influencing EU average. A decline more obvious, but insignificant recorded in Ireland, Lithuania and Spain.

Table 1. Local public expenditures in GDP

GEO/TIME	2006	2008	2010	2012	2014
Austria	7,9	8,1	8,7	8,3	8,6
Belgium	6,9	6,8	7,2	7,6	7,4
Bulgaria	6,4	7	7,3	6,6	9
Croatia	11,9	11,6	11,7	11,8	12,5
Cyprus	1,8	1,7	2	1,8	1,6
Czech Republic	11	10,5	11,3	11,3	11,7
Denmark	32,5	32,2	35,9	36,1	36
Estonia	9,2	10,8	9,8	9,6	9,2
European Union (28 countries)	11,1	11,3	12	11,6	11,3
Finland	19,2	20	22,4	23,4	23,8
France	10,8	11,2	11,5	11,7	11,8
Germany	7,3	7,3	7,9	7,6	7,9
Greece	3,4	3,6	3,8	3,3	3,3
Hungary	12,7	11,3	12,6	9,3	7,9
Ireland	6,4	7	5,5	4,5	3,6
Italy	15,2	15,1	15,7	14,9	14,7
Latvia	9,9	11,8	12	10	10
Lithuania	8,4	9,2	11,1	9,3	7,9
Luxembourg	4,8	5	5,3	5	4,9
Malta	0,6	0,5	0,6	0,8	0,6
Netherlands	14,3	14,8	16,2	15,1	13,9
Poland	13,6	14,1	14,9	13,2	13,5

Portugal	6,5	7,1	7,4	6,2	6,1
Romania	8,6	9,7	9,5	9,6	9
Slovakia	6,5	6,1	7,3	6,4	6,7
Slovenia	8,6	9	9,8	9,5	9,8
Spain	6,1	6,5	7,1	5,9	5,9
Sweden	23,3	23,9	24,2	25	25,4
United Kingdom	12,4	12,9	13,4	12,9	11,1

Source: Computed by author using data provided by Eurostat.

Despite decentralization, local government expenditure is below 10% of GDP in 17 EU countries. This situation is explained by the fact that the countries where local budgets represent less than 10% of GDP are typically those in which local communities are not involved in the remuneration of teachers.

Table 2. Local expenditure by economic function in the EU countries in GDP (%) in 2014

GEO/TI ME	Total	General public services	Defense	Public order and safety	Economic affairs	Environment protection	Housing and community amenities	Health	Recreation, culture and religion	Education	Social protection
Austria	8,6	1,4	0,0	0,2	1,0	0,2	0,2	2,0	0,5	1,4	1,9
Belgium	7,4	1,4	0,0	0,9	0,7	0,5	0,3	0,0	0,7	1,4	1,6
Bulgaria	9,0	0,8	0,1	0,1	1,0	0,6	1,5	1,0	0,6	2,5	0,7
Croatia	12,5	3,9	0,0	0,1	0,6	0,0	0,0	2,5	0,5	3,5	1,4
Cyprus	1,6	0,6	0,0	0,0	0,0	0,2	0,4	0,0	0,3	0,0	0,0
Czech Republic	11,7	1,4	0,0	0,2	2,2	0,9	0,7	1,4	0,8	3,2	0,8
Denmark	36,0	1,2	0,0	0,1	1,3	0,2	0,1	8,6	0,8	3,2	20,3
Estonia	9,2	0,8	0,0	0,0	1,3	0,3	0,4	1,5	0,9	3,3	0,7
European Union	11,3	1,6	-	0,4	1,4	0,6	0,5	1,5	0,6	2,0	2,6
Finland	23,8	3,6	-	0,3	1,7	0,1	0,2	7,0	0,8	4,2	5,9
France	11,8	2,3	0,0	0,3	2,2	0,9	1,0	0,1	1,2	1,7	2,2
Germany	7,9	1,4	0,0	0,3	1,1	0,3	0,3	0,2	0,5	1,2	2,6
Greece	3,3	0,9	0,0	0,0	0,6	0,6	0,1	0,0	0,3	0,3	0,4
Hungary	7,9	1,9	0,0	0,0	1,4	0,8	0,7	0,3	0,7	1,1	1,0
Ireland	3,6	0,2	0,0	0,1	0,9	0,3	0,5	0,0	0,2	0,4	1,0
Italy	14,7	1,9	0,0	0,3	2,0	0,9	0,6	7,0	0,4	1,0	0,8
Latvia	10,0	0,8	0,0	0,2	1,1	0,2	1,0	0,9	0,9	3,9	1,0
Lithuania	7,9	0,6	0,0	0,3	0,7	0,3	0,3	1,5	0,4	2,9	1,0
Luxembourg	4,9	1,3	0,0	0,1	0,7	0,6	0,2	0,0	0,7	0,6	0,6
Malta	0,6	0,3	0,0	0,0	0,1	0,2	0,0	0,0	0,0	0,0	0,0
Netherlands	13,9	1,0	0,0	0,4	2,0	1,4	0,4	0,3	1,2	4,4	2,9
Poland	13,5	1,4	0,0	0,3	2,2	0,7	0,6	2,0	0,9	3,7	1,7

Green Economy and Sustainable Development

Portugal	6,1	1,8	-	0,3	0,9	0,4	0,5	0,4	0,6	0,9	0,5
Romania	9,0	0,9	0,0	0,1	1,8	0,5	0,9	1,3	0,6	1,8	1,1
Slovakia	6,7	0,9	0,0	0,1	1,2	0,4	0,4	0,2	0,4	2,7	0,5
Slovenia	9,8	0,9	0,0	0,1	1,2	0,7	0,7	1,0	0,8	3,4	1,1
Spain	5,9	2,1	0,0	0,5	1,0	0,6	0,3	0,1	0,7	0,2	0,5
Sweden	25,4	3,0	0,0	0,2	1,5	0,2	0,7	6,8	0,9	5,1	7,0
United Kingdom	11,1	0,9	0,0	1,0	0,9	0,5	0,5	0,2	0,2	3,1	3,8

Source: Computed by author using data provided by Eurostat.

A high proportion of local public expenditure in GDP recorded in Denmark with a share of 36%, Sweden 25.4% and Finland 23.8%. 9 of EU countries have a share of local public spending between 10% and 15%. Local highest public expenditure in most EU countries are Social Protection Sector, followed by Education. Defense sector is established by law as partial responsibility of the local authorities only in Bulgaria (0.1%).

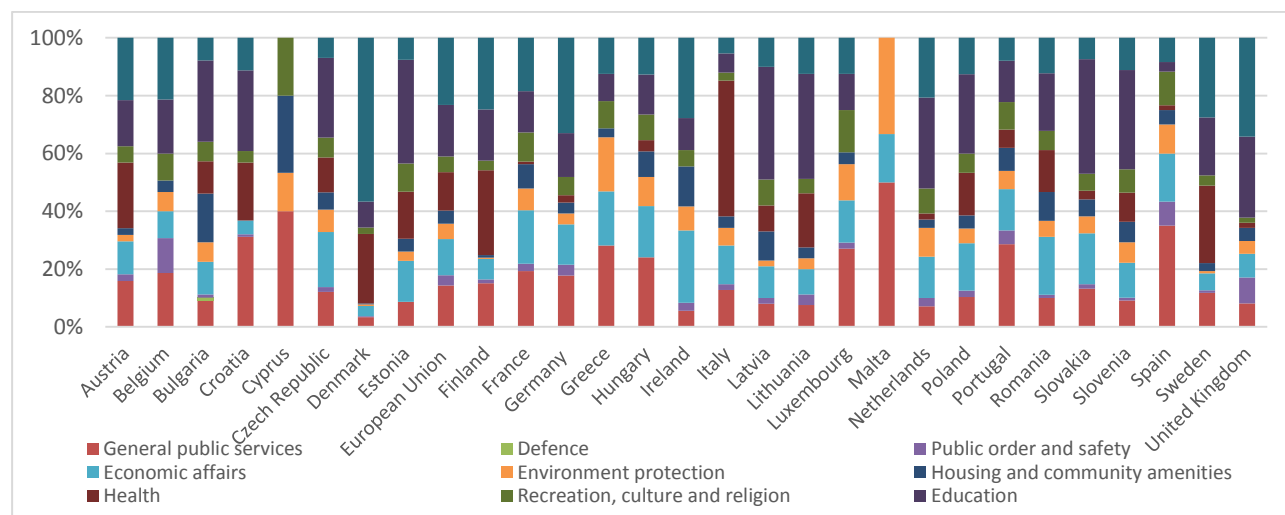


Figure 1. Local expenditure by economic function in the EU countries in GDP (%) in 2014

Source: Computed by author using data provided by Eurostat.

In terms of sectors, we find that the highest weight is registered by social protection and education. In the case of social protection, it can be seen that a high share is recorded in Denmark (20.3%), significantly ahead of other countries in the EU.

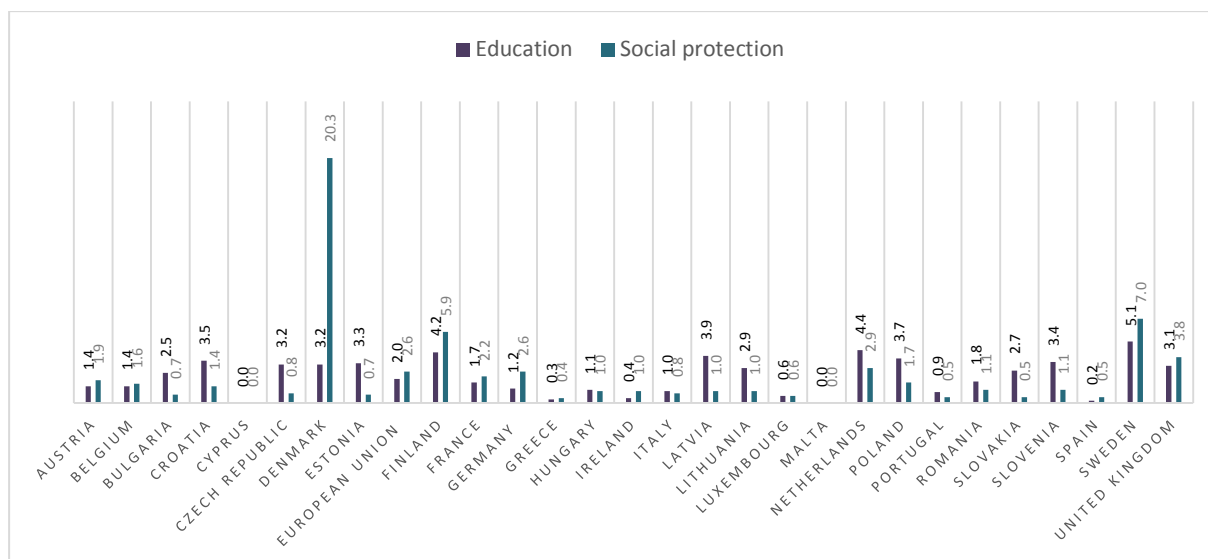


Figure 2. Education and social protection in GDP (2014)

Source: Computed by author using data provided by Eurostat.

4. Conclusions

Previously analyzed data can correlate them with information on the economic growth registered in the year 2016. On the first trimester first screened Ireland with a consistent growth of over 4% and in the next place is found Romania. Ireland becomes very interesting case in this situation which is by far the country reforming public spending in this segment of the local administration. We can make a connection between these measures and the increase registered in this country. In these circumstances there is a question that could make way for a next study in an extend analysis: “Economic growth is due restraining the role of local administration and the increasing role of central administration? It influenced so in a greater or less economic growth? “

On the other side is Romania which maintains relatively constant local government expenditure as a share of GDP but whose measures of central administration, among which we can mention lowering VAT and stimulating this kind of consumption, have led to a first quarter 2016 with consistent growth.

This study has successfully answered to the research paper question, respectively to examine the structure of local expenditures of the public sector in the European Union countries and as future research direction we intend to extend the analysis answering to the questions above.

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