METHOD OF DETERMINING THE DEGREE OF AUTONOMY OF THE ADMINISTRATIVE-TERRITORIAL UNITS

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Abstract *Local autonomy is increasing as importance in the current context of the European Union. The paper aims to analyze, from such a perspective, the degree of local autonomy in European Union countries. In this regard I will propose a synthetic indicator measuring the degree of local autonomy calculated as a weighted average score based on a set of relevant quantitative and qualitative indicators of local autonomy existing in the literature whose representation in the group of indicators will be measured by a coefficient of importance. To each indicator as component of synthesis indicator will determine the field of variation and the average score obtained will be placed in classes of local autonomy defined in the assumptions made by science administration. We estimate the analysis to confirm the hypothesis that countries from European Union have differences of the degree of local autonomy between them. We consider that the paper can be a useful viewpoint in understanding the degree of local autonomy of European Union, which allows researchers to include other sources of information for researching an in a much more complex approach.*
Keywords: *Local autonomy, local budget, European Union*

Introduction

Characterization of the financial side of the administrative-territorial units and of financial decentralization is achieved in practice by reference to indicators registered in local budgets. In this respect, are considering quantitative indicators as the share of own revenues in total local government revenues, the ratio of own revenues in total expenditures of local budgets and the level of self financing, share transfers and subsidies from other public budgets to local budgets, the coefficient of Hunter, the local budget revenues per capita, the ratio of total local revenues or total local expenditure in gross domestic product, etc.. Although these indicators highlights the best local financial autonomy, they do not cover the entire spectrum of autonomy, because in the statistics they are not placed in direct correlation with a number of issues as citizen involvement in local government decision-making, competence of local authorities in setting taxes, share

of exclusive competence of local authorities. Therefore, without claiming a pioneer in building a synthetic indicator combining qualitative and quantitative indicators, endorse the idea that determining the degree of autonomy of territorial-administrative units in terms of the financial side can be approached in this way, with the basic studies in the literature (Owens, Norregaard, 1991; Dafflon, 1992; OECD, 1999; Dafflon & Perritaz, 2000; Ebel & Yilmaz, 2002; Curzon-Price & Garello, 2003; Meloche et al., 2004; Blöchliger, & King, 2005; Bell et al., 2006; Enikolopov & Zhuravskaya, 2006; World Bank, 2007). The method proposed in this paper make a contribution in the field of research on measuring the administrative-territorial autonomy by proposing a synthetic indicator which is calculated as a weighted average score based on a set of core indicators of local autonomy, as it captures the literature. Importance of each in measuring the degree of autonomy is measured by a factor of importance. Also, within the proposed method is established the field of variation of each index component of synthesis indicator and for the average score obtained is fixed certain classes of local autonomy that are defined based on assumptions made by administration science.

Data and method

The method proposed in this paper, we use ten quantitative and qualitative indicators that can be regarded as variables depending on a range of variation, reflecting the degree of local autonomy. Each variable is given an importance factor, denoted by w_i (a share, subjective probability and their sum is equal to 1) which was established by analyzing the literature on the importance of each indicator and placing it within the group of indicators.

The field of variation of indicators is divided into four groups and each of the groups was fixed limits of variation. Placing an indicator in a particular group variation is measured by a score, denoted by *s,* which takes values from 1 to 4: Level 4 corresponds to full autonomy, and Level 1 corresponds to reduced autonomy. Please note that we started from Level 1 in analyzes because we start from the hypothesis that all EU countries are characterized by some degree of local autonomy and thus, level 0 is not justified because it would not reflect reality.

Local autonomy is measured by the average score (I_{AL}), based on the relation:

$$I_{AL} = \sum_{i=1}^{n} s_i * w_i$$

where: I_{AL} = indicator of the degree of local autonomy; s_i = score obtained on each variable; w_i= coefficient of importance.

Indicator score for the degree of local autonomy (I_{AL}) is analyzed using classes groups of local autonomy. For $1 \leq I_{AL} \leq 4$, were established four classes to measure local autonomy:

Table 1 Classes to measure local autonomy

Score	Classes groups of local autonomy

1,00-1,74	D
1,75-2,49	C
2,50-3,24	B
3,25-4,00	A

Class A – includes local government with full autonomy;
Class B - includes local government with normal autonomy;
Class C - includes local government with reprezentative autonomy;
Class D – characterized by a reduced autonomy of local government.

Variation of average score ($3,25 \leq I_{AL} \leq 4,00$) specific to class A of local autonomy means full local autonomy, characterized by great powers on the power to levy local taxes, to establish the technical elements of local taxes, holding exclusive competence in all sectors, activities of control over their activities, the central public administration having a form of monitoring only, citizens involvement in budgetary process.

Class B for measuring local autonomy includes a variation of indicator $2,50 \leq I_{AL} \leq 3,24$. Here the local government has a normal autonomy, implying that local authorities have exclusive competence in important areas for local communities, to levy local taxes and are entitled to establish the technical elements of taxes within the limits set by law. Also, local authorities carry out control over their activities, but there is an external control by specialized institutions, without close supervision by the central government. In this class, citizens are involved in decision-making of local government within some limits.

Average score variation $1,75 \leq I_{AL} \leq 2,49$ include local government in Class C, specific to representative autonomy, where public authorities have exclusive competence in basic public services (sanitation, sewerage, waste management) that are financed from local budgets. Specific to representative autonomy is the high share of transfers and subsidies, most of them are unconditional. Between local and central public authorities are collaborative relationships.

Class D, in which average score is $1,00 \leq I_{AL} \leq 1,74$ includes local governments with less autonomy; the majority of local actions are performed simultaneous with a State or under the direct coordination of central authorities.

Table 2: Method of determining the degree of autonomy of territorial administrative units

Nr. crt.	Variables	w_i	Score			
			s = 4	s = 3	s = 2	s = 1
(v1)	The share of own revenues in total revenues of local budgets	0.15	$\geq 80\%$	[50%;79%]	[20%;49%]	<20%
(v2)	The share of transfers from the state budget in total revenues	0.15	$\leq 20\%$	[21%;50%]	[51%;79%]	$\geq 80\%$

	of local budgets					
(v3)	Type of transfers from state budget and other public budgets to local budgets	0.05	Over 80% of transfers are unconditional	Between 79% - 50% are unconditional	Between 49% - 20% are unconditional	Below 20% of transfers are unconditional
(v4)	Financial dependence of local authorities (calculated using the coefficient of Hunter: 1-transfers / expenditures of local budget)	0.15	[0.70;1.00]	[0.50;0.69]	[0.20;0.49]	[0.00;0.19]
(v5)	Competence of local authorities in setting local taxes	0.10	Local taxes, according to a regulatory framework at national level are established by local authorities; local authorities determined all technical elements of local taxes	Local taxes are established by national law, but local authorities may decide on the tax base and / or tax rate and the right to establish special local taxes	Local taxes are established by national law, specifying the tax base and tax rate and the local authority has the right to increase / decrease the tax base within certain limits and the right to establish special local taxes	Local taxes are established by national law, specifying the tax base and tax rate; the local authority has no right to establish special fees
(v6)	Competence of local government in tax revenue collection	0.10	Local authorities mobilize over 80% of tax revenue collected locally	Local authorities mobilize between 79% -40% of tax revenue collected locally	Local authorities mobilize between 39% - 10% of tax revenue collected locally	Central authorities mobilize revenue in the name of local authorities
(v7)	Competence of local authorities to borrow	0.10	Local authorities can contract freely internal and external loans in national currency or	Local authorities can borrow to finance internal or external current and capital expenditures or capital only	Local authorities can borrow internal or external, national or foreign currency to	Local authorities forbidden to borrow.

			foreign currency to finance current and capital expenditure. State guarantees for external loans.	according to prudential rules. The internal can be contracted without the approval of central authorities, but the external can be contracted only with their approval	finance capital expenditure only according to prudential rules and with the approval the central authorities	
(v8)	The share of the exclusive competence of local authorities in total competences	0.10	> 80%	[50%;79%]	[20%;49%]	<20%
(v9)	Competence to carry out control over local budget process	0.05	Local government decisions are subject to internal control	Decisions of local authorities are subject to before, during, or after internal control and after specialized external control (finished with a recommendation report)	Decisions of local authorities are subject to internal control, external control from the central authorities and specialized external control	Decisions of local authorities are subject to control by the central government authorities and specialized external control being before, during, and after control
(v10)	Involvement of citizens in budgetary process	0.05	Citizens through citizen advisory groups / associations of citizens participate in the project local budget justification, are involved in implementing the budget and budget revisions	Citizens through citizen advisory groups / associations of citizens participate with proposals or amendments in draft local budget or at budget adjustments	Citizens can make proposals in draft of the local budget require and can ask information on budget execution (following the principle of transparency)	Citizens forbidden from involvement in the budget process

Empirical results

Interpretation of this indicator of local autonomy should not be made absolute, but his approach must be based on some number of particularities of the state for which is calculated. For example, in small states such as Malta, local autonomy does not manifest

in the same way as in countries with a large territory because it may not be justified. In the table below are reflected the scores assigned to variables of the 27 EU Member States:

Table 3 Score obtained on each variable of the degree of local autonomy indicator in the EU countries

Country	V1	V2	V3	V4	V5	V6	V7	V8	V9	V10
w_i	0,15	0,15	0,05	0,15	0,10	0,10	0,10	0,10	0,05	0,05
	2	2	3	2	2	2	2	3	3	4
	3	3	3	3	3	3	3	3	3	4
	1	1	3	1	2	2	2	3	2	4
	3	3	3	3	1	2	2	2	2	2
	3	3	3	3	2	2	3	3	3	4
	3	3	4	3	3	3	2	3	3	4
	3	3	3	2	1	3	3	1	2	4
	4	4	3	4	2	3	3	3	3	4
	3	3	3	3	2	3	2	3	3	4
	3	3	3	3	2	3	2	3	3	4
	2	2	2	2	1	2	3	2	2	2
	2	2	2	2	3	2	2	3	2	4
	3	3	3	3	2	3	3	3	3	3
	2	2	3	2	1	2	3	3	2	4
	3	3	3	3	1	2	3	3	2	4
	3	3	3	3	1	3	3	2	2	3
	1	1	1	1	1	2	2	2	2	2
	2	2	3	2	2	3	3	3	2	4
	3	3	3	3	2	3	2	3	2	4
	2	2	2	2	1	2	4	3	3	3
	2	2	*3*	2	2	*3*	*3*	*3*	2	2
	3	3	3	3	2	3	2	3	2	4
	2	2	2	2	1	2	2	2	2	3
	3	3	3	3	2	3	2	3	3	4
	4	4	4	4	2	3	4	3	3	4
	1	1	3	1	1	2	3	3	2	4
	2	2	3	2	2	3	3	3	2	4

Source: developed by authors, data offered by DEXIA and EUROSTAT

Analysis of score obtained on variables in the 27 EU Member States shows that the variable obtained the highest score is citizens involvement in budgetary process, followed by the type of transfers from the state budget and the share of exclusive competence of local authorities in total competences. Lowest score is observed in the responsibility of authority in setting local taxes, justifying the fact that local taxes are established nationally.

Next, we proceed to calculate the indicator of the degree of local autonomy for each country based on the coefficient of importance given to each variable:

Table 4 Indicator of the degree of local autonomy in the EU countries

Country	V1	V2	V3	V4	V5	V6	V7	V8	V9	V10	Index

w_i	0,15	0,15	0,05	0,15	0,10	0,10	0,10	0,10	0,05	0,05	value
	2	2	3	2	2	2	2	3	3	4	2,30
	3	3	3	3	3	3	3	3	3	4	3,05
	1	1	3	1	2	2	2	3	2	4	1,80
	3	3	3	3	1	2	2	2	2	2	2,40
	3	3	3	3	2	2	3	3	3	4	2,85
	3	3	4	3	3	3	2	3	3	4	3,00
	3	3	3	2	1	3	3	1	2	4	2,45
	4	4	3	4	2	3	3	3	3	4	3,40
	3	3	3	3	2	3	2	3	3	4	2,85
	3	3	3	3	2	3	2	3	3	4	2,85
	2	2	2	2	1	2	3	2	2	2	2,00
	2	2	2	2	3	2	2	3	2	4	2,30
	3	3	3	3	2	3	3	3	3	3	2,90
	2	2	3	2	1	2	3	3	2	4	2,25
	3	3	3	3	1	2	3	3	2	4	2,70
	3	3	3	3	1	3	3	2	2	3	2,65
	1	1	1	1	1	2	2	2	2	2	1,40
	2	2	3	2	2	3	3	3	2	4	2,45
	2	2	3	2	2	3	2	3	2	4	2,35
	2	2	2	2	1	2	4	3	3	3	2,30
	2	2	3	2	2	3	3	3	2	2	2,35
	3	3	3	3	2	3	2	3	2	4	2,80
	2	2	2	2	1	2	2	2	2	3	1,95
	3	3	3	3	2	3	2	3	3	4	2,85
	4	4	4	4	2	3	4	3	3	4	3,55
	1	1	3	1	1	2	3	3	2	4	1,80
	2	2	3	2	2	3	3	3	2	4	2,45
UE-27											2,52

Source: developed by authors

According to the table, average score is between $(1,40 \leq I_{AL} \leq 3,55)$ and outlines a framework for local autonomy in EU states mainly in Class B. Malta received the lowest average score of 1.40, but considering particularities of this State, and in particular we refer to relatively small size of the territory is justified as local autonomy is low. The indicator at EU level is 2.52, fits to the lower limit of class B, showing a normal range.
The score in Romania is 2.35, as in Poland and very close to Hungary and the Netherlands, being at the upper limit of class C, the boundary between the two classes. We believe that the move to class B can be easy if we consider some particularities of manifestation framework of decentralization. At the same time, measuring the degree of autonomy of local expenditures in our country calculated using Bell, Ebel, Kaiser and Rojchaichainthorn's model, the score is 2.96, being also the upper limit of the class C, very close to class B.

Figure 1 European Union countries in classes of local autonomy

		Hungary	
		Netherlands	
		Estonia	
		Cyprus	
	Belgium	Romania	
	Denmark	Poland	
	Italy	Portugal	
	Spain	Ireland	
	Germany	Austria	
	France	Latvia	
	Czech Republic	Greece	
	Slovakia	Slovenia	
Sweden	Lituania	United Kingdom	
Finland	Luxemburg	Bulgaria	Malta
Class A	**ClassB**	**Class C**	**Class D**

Legend:

| The upper limit of class |
| Middle of class |
| The lower limit of class |

As the chart shows, most EU states fall into Class C. Also, we can say that in some countries score value is at the lower limit (Bulgaria, Slovenia and United Kingdom), and the others are at the upper limit (the Netherlands, Romania, Hungary, Cyprus, Austria, Ireland, Estonia, Greece, Poland, Portugal). Middle of class C is represented by Latvia and Greece.

The average score of Class B obtain Lithuania, Luxembourg, and at the upper limit are Denmark and Belgium. Middle of class B is the Czech Republic, Slovakia, France, Germany, Italy and Spain.

In class A is Finland at the lower limit of class and to middle class is Sweden. The class D is only Malta.

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