

THE STRUCTURE AND FINANCIAL DIMENSIONS OF PUBLIC ADMINISTRATION IN EU COUNTRIES*

Martina HALÁSKOVÁ
Renáta HALÁSKOVÁ

Abstract

Various traditional trends and roles of public administration can be traced across the European Union member states. These countries, however, are obliged to abide by common administrative and legal principles of the European administrative area. This paper focuses on the structure and differentiation of public administration in EU (28) countries, levels of local government and internal division of administrative structures, using the ESA methodology and a comparison of expenditures made by public administration in 2003, 2009 and 2013. The fiscal aspect of public administration is evaluated also through fiscal decentralization (revenues, expenditures). Cluster analysis is used for the comparison of selected areas of public expenditures according to the levels of public administration, showing that EU (28) countries can be divided into three clusters.

The most significant differences in public expenditures according to levels of public administration were observed in EU countries in the first and third cluster, where fiscal decentralization of expenditures constitutes the most notable difference. The smallest differences in all clusters are perceived in total general government expenditures as % of GDP.

Keywords: public administration, EU countries, subnational government, fiscal decentralization, public expenditures.

Martina HALÁSKOVÁ

Associate Professor, Department of Public Economics, Faculty of Economics, Technical University of Ostrava, Ostrava, Czech Republic

Tel.:0042-059-732.2315

E-mail: martina.halaskova@vsb.cz

Renáta HALÁSKOVÁ

Assistant Professor, Department of Economic, Legal and Social Science, College of Logistic, Přerov, Czech Republic
Tel.:0042-058-125.9121

E-mail: renata.halaskova@vslg.cz

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1. Introduction

Comparative administrative science usually consists of two branches, first of which employs historically comparative methods, and the second – a spatial one, uses geographically comparative methods (Blondel, 1990; Rowat, 1984). Usage of historically and geographically comparative methods represents research of developmental associations on the basis of empirical data, leading to considerations of complex systems of public administration and administrative law, which is traditionally the task of comparative administrative science (Diamant, 1960, p. 7; Heady, 2001; Farazmand, 2001). Models, usable for comparative purposes of public administration in EU countries, can be traced in literature (the traditional models of public administration, models based on the type of state system and administrative levels, models of civil services, models of geographic and geocultural perspective, models of local government and territorial organization and Nomenclature of Territorial Units for Statistics-NUTS) (Bossaert *et al.*, 2001; Farazmand, 2001; Pollit and Bauckaert, 2000; Rosenbloom, Kravchuk and Clerkin, 2009).

Another view of public administration is the level of decentralization (fiscal, income, taxation) and its impacts on public services in EU countries, territorial reforms and solutions to financial and economic crisis (Finzgar and Oplotnik, 2013; Governatori and Yim, 2012; Halaskova and Halaskova, 2014; Neyapti, 2010; Szarowska, 2013).

However, open questions remain as to the trends in public administration in managing and procuring public services in EU countries, in understanding public service effectiveness and standardization possibilities. A number of authors pay attention to this issue, such as Demmke (2007), Denhardt and Denhardt (2000), Dollery and Robotti (2008), Mikusova Merickova and Nemeč (2013), and Vlček (2010). These authors focus on either partial specific issues (territorial, personal, financial, etc.) or more detailed analyses of public administration in one or more selected states of the EU. Using a theoretical-empirical approach, this paper aims to assess the structure of public administration in EU countries, including the financial dimension in 2003, 2009 and 2013. Attention is paid to comparison of fiscal decentralization and expenditures of the public administration sector at each administrative level.

2. Methods

In the paper we use statistical data (Eurostat, 2014) and EU documentation focused on the structure of public administration and public expenditures in the EU. Regarding general scientific methods, the method of induction and the method of deduction, especially when drawing conclusions were used. The method of comparative analysis was used to compare total general government, central and local government expenditures and the extent of fiscal decentralization in EU (28) in 2003, 2009 and 2013. For comparisons of public expenditures according to levels of public administration in EU countries in 2013, a hierarchical cluster analysis was applied where three clusters of countries were created. Cluster analysis is a multidimensional statistical method used to classify objects. It helps to divide observed units (territory-

ries, regions, lands) into several groups in such a manner that most similar units are included in the same group (cluster) and conversely so that the units of individual clusters differ as much as possible. Individual steps of the cluster analysis differ depending on how the 'closeness' or 'distance' of the units is perceived within the groups, also depending on whether the set of units is gradually divided, separated or conversely composed, connected according to selected criteria. The cluster analysis can be classified differently due to the fact that a number of authors deal with this issue (Everitt *et al.*, 2011). Based on the type of used computational algorithms, the methods of cluster analysis are: hierarchical, parallel and sequential. Various methods are used to measure the distances between points of interval variables. Most often the measures used are of Euclidean distances.

$$d(X, Y) = \sqrt{\sum (X_i - Y_i)^2} \quad (1), \text{ or of Squared Euclidean}$$

$$d(X, Y) = (X_i - Y_i)^2 \quad (2).$$

A diagram used to show the individual steps of the cluster analysis is called a Dendrogram. The vertical axis helps to find the required rate of clustering and the horizontal axis represents the distance between individual clusters. Dendrograms show in a graphic way the process of the whole analysis and the results can be thus viewed in both directions – forward and backward, and thus the optimal result can be found. In this example, the method of hierarchical cluster analysis with the use of Ward's method and of measuring distance quadrants was used. A box plot has been created to compare general government expenditures in EU (28). The upper and lower quartiles define the extent of the variables observed (central government expenditures as percentage of GDP, local government expenditures as percentage of GDP, and fiscal decentralization of expenditures). The median is shown in the box. The statistical data from the Eurostat have been processed using the IBM SPSS Statistics 21 software.

3. Theoretical framework: the position of public administration in the European administrative area

The position of public administration in the EU is based on the assumptions necessary for its proper functioning. Each country is obliged to respect and abide by certain common administrative and legal principles (four pillars of the administrative area), those being: (a) reliability and predictability; (b) openness and transparency; (c) responsibility, and (d) effectiveness (Knill, 2001; Kohler-Koch and Eising, 1999).

In the European administrative area, three or four major systems of public administration that are inextricably intertwined with the traditional development of the states of origin, with regards to different political and organizational culture and administrative style, are considered. One can most often meet with the differentiation of the island and continental tradition, where the French and German (Central European) branch of continental tradition can be distinguished. It is also possible to add the Nordic and Scandinavian tradition to these systems (Blondel, 1990; Farazmand,

2001; Heady, 2001; Rowat, 1984). Based on these traditions, the following established systems can be perceived:

- Anglo-Saxon, profiting from the once perfect British island isolation;
- French, or more precisely Napoleonic, profiting from continental tradition of Unitarianism and Centralism;
- German (Central European), profiting from continental tradition of federalism and decentralization; and
- Scandinavian, which combines features of the Anglo-Saxon and German branch.

Different models of public administration tradition can be assigned to EU (28), as depicted in Table 1.

Table 1: Public administration tradition by country (EU 28)

Public administration tradition	Countries
Anglo-Saxon tradition	Ireland, Malta, United Kingdom
Continental European tradition	Austria, Belgium, France, Germany, Luxemburg, Netherlands, Slovenia
Mediterranean/South European tradition	Cyprus, Greece, Italy, Portugal, Spain
Scandinavian tradition	Denmark, Estonia, Finland, Sweden
Eastern European tradition	Czech Republic, Hungary, Lithuania, Latvia, Poland, Slovakia, Croatia
South-Eastern tradition	Bulgaria, Romania

Source: Own elaboration according to EIPA (2008)

The significance of different traditions in administration, such as the classical contrast between continental systems of public law on one side, and systems of the Anglo-Saxon common law on the other, is often emphasized in comparative research on administration, e.g. comparative studies (EIPA, 2008). However, these six criteria of EU countries division, which the authors shall use from this point on, have also their pitfalls that need to be taken into consideration during the differentiation. For illustration, matching Slovenia and the Netherlands with the system of continental European tradition, and Ireland and Malta with the Anglo-Saxon tradition of public administration. Similarly, categorization of the Baltic States into different traditional models of public administration creates a different view of these countries (Estonia matched with the Scandinavian tradition, Lithuania and Latvia with the Eastern-European tradition of public administration). Apart from that, there are marked differences between Eastern-European countries, and EU member states represented by Romania, Bulgaria and Croatia.

4. Structure and differentiation of public administration in EU countries

The European Union comprises of twenty-eight member states, including three with a federal structure (Germany, Austria and Belgium), one quasi-federal state (Spain), and twenty-four unitary states. Still, a large part of unitary states is further divided into decentralized unitary states (Denmark, Finland, France, Netherlands, Sweden, Poland, Hungary, Slovakia, Czech Republic, Romania, Lithuania, Slovenia, Latvia, Estonia and Croatia) and unitary states with dominant position of central gov-

ernment (Ireland, Portugal, Greece, Luxembourg and Bulgaria). Also, unitary states with a special position are distinguished (Italy, United Kingdom, Malta and Cyprus) (CCRE-CEMR, 2012).

4.1. Subnational government in EU and its specifics

The structure of local and regional government in European countries varies with respect to their constitutions, historical development and size. EU countries are far from having a unified structure of territorial organization, thus leaving to the national level the decision about the system of local arrangement, including levels of administration (CCRE-CEMR, 2012). In federal countries (nine federal states in Austria, three regions and three communities in Belgium, and sixteen federal states in Germany) the absence of the regional level is replaced by the presence of federal states. These countries have a single-level local self-governance up to the level of federal units.

On the other hand, despite their unitary structure, some of these states have a heterogeneous territorial organization. In the selected countries there is a specific position of regional government (Portugal – autonomous regions of Madeira and Azores; Finland – Kainuu and the autonomous island province of Åland). Italy is a ‘regionalized’ unitary state (with regions that have an ‘ordinary’ and a ‘special’ status). The subnational government of the EU (28) covers nine countries that use just one level of subnational authorities (municipalities); twelve other countries have two levels of subnational government (municipalities and regions); while the remaining seven have three levels of subnational government (municipalities, regions and intermediary entities) (DEXIA, 2012). For levels of subnational government in EU countries see Table 2.

Table2: The structure of subnational government levels in EU (28)

Levels of Subnational Government	
Countries with one level of subnational government	Bulgaria (28 districts and 264 municipalities), Cyprus (380 municipalities – 350 communities and 30 municipalities in urban and touristic areas), Estonia (226 municipalities), Finland (336 municipalities, 2 regions – Kainuu and Åland), Latvia (119 municipalities), Lithuania (60 municipalities), Luxembourg (106 municipalities), Malta (68 local councils), Slovenia (210 municipalities)
Countries with two levels of subnational government	Czech Republic (6,249 municipalities and 14 regions), Denmark (98 municipalities and 5 regions), Greece (325 municipalities and 13 regions), Hungary (3,177 municipalities and 19 counties), Ireland (5 boroughs and 75 towns and 5 cities and 29 counties), Netherlands (418 municipalities and 12 provinces), Portugal (308 municipalities into parishes, 20 regions (18 continental districts and autonomous regions Madeira and Azores), Romania (3,181 local authorities and 41 counties), Slovakia (2,930 municipalities and 8 regions), Sweden (290 municipalities and 20 counties (17 county councils and 3 regions)), Austria (2,357 municipalities and 9 federal states), Croatia (556 municipalities and 21 counties)
Countries with three levels of subnational government	Belgium (589 municipalities, 10 provinces and 6 communities and regions), Germany (11,553 municipalities, 301 rural districts and 16 federal states), France (36,697 municipalities, 101 departments and 27 regions), Italy (8,094 municipalities, 110 provinces and 20 regions out of which 5 with special status), Poland (2,479 municipalities, 379 counties and 16 regions), Spain (8,116 municipalities, 52 provinces and 17 autonomous communities out of which 2 with special regime), United Kingdom (433 local authorities, 4 nations and regions – England, Scotland, Wales and Northern Ireland)

Source: Own elaboration according to CCRE-CEMR (2012); Nenkova (2014)

In some EU countries, however, there occur local specificities if the first level of self-government corresponds with the second or the third level of self-government. For instance, in the Czech Republic, Prague is both a city and a region. In Germany, 118 metropolises enjoy a double status (municipalities and counties), and cities are found in Italy that can transform into metropolises (e.g. Torino, Milan, Venice, Rome), being municipalities and provinces at the same time. In France, Hungary, the Czech Republic, the United Kingdom and Slovakia, the capitals (sometimes other big cities as well) have a status that enables them to have a different institutional arrangement from other municipalities.

Similarly, in federal countries, some cities possess the status of both a federal country and a city. This involves Brussels in Belgium, Vienna in Austria, Berlin, Bremen and Hamburg in Germany. Two large unitary countries (France and Poland) have their self-government at a local (municipalities), middle (counties in Poland, and departments in France) and a regional level (regions in Poland and France). Denmark, the Netherlands and Sweden have a regional local level of self-government, which corresponds to the higher level of territorial self-government, including the services provided. Great Britain uses a combined model with two levels in some territories, and a single level in others (generally in large cities) (CCRE- CEMR, 2012).

4.2. Division of public administration sector using the ESA classification

The ESA (European System of accounts) classification deals with the internal division of administrative structures to provide comparison of EU member state management (Eurostat, 2013). According to the ESA methodology, General Government is a sector that includes institutional units dealing mainly with redistribution of national budget and property, institutions of public administration on all levels including social security funds, local self-government (municipal, city and local offices), and institutions partially or fully funded from the national budget, i.e. organizations whose expenses are paid from the budget from no less than 50%). The public administration sector consists of four subsectors:

- Central Government – includes all institutional units whose authority encompasses the whole economic territory of a country, except the administration of social security funds (e.g. ministries, central offices and organizations managed by them with a nation-wide operation and financed from the national budget);
- State Government – includes independent institutional units that execute some governmental functions at a level lower than the central national government and higher than the local government, with the exception of social security fund administration. In the EU context, this occurs only in Germany, Austria, Belgium and Spain;
- Local Government – includes types of public administration authorities whose competence reaches the local part of the economic territory, with the exception of local social security fund institutions (cities, municipalities and self-government, budgetary and semi-budgetary organizations, municipal, city and local authorities); and

- Social Security Funds are an independent, significant part of the public administration sector. They comprise central, regional and local institutional units whose main task is to provide social benefits and whose main resources are based on obligatory social contributions paid by other units (such as health insurance companies).

The ESA methodology enables segmenting all aspects of public administration of EU member states into appropriate categories based on their real administrative structures and comparing of their work (unlike the NUTS classification, which divides territories into ‘artificial’ regions, relevant mainly for statistical purposes). The public administration sector and its subsectors, except social security funds, make it possible to observe financial relationships among administrative levels, according to which it is possible to define various types of public administration decentralization.

4.3. The significance of fiscal decentralization in EU countries

Fiscal decentralization can be characterized as a transfer of specific fiscal functions of central government to governments at lower levels, and as enhancing the roles of hierarchically lower levels of local government. Fiscal decentralization demonstrates that lower levels of public budgets influence providing and financing of public services in the public sector with respect to generally valid rules regarding local specifics (defined by the respective local area). Fiscal decentralization contributes to the effective providing of services, mainly by the fact that expenditures correspond more to local priorities and preferences, which motivate local governments to improve mobility of resources, thus increase transparency and responsibility for expenditures. Fiscal decentralization can be regarded as a crucial element of decentralization of public administration, based on the idea that providing public goods and services at the local level is more efficient and economical (Blöchliger and King, 2006; Governatori and Yim, 2012; Neyapti, 2010). The downside of decentralized provision of public goods and services is generally associated with their quality (Stiglitz, 1988).

The extent of fiscal decentralization can be expressed differently. The way chosen (the choice of the appropriate indicator used for its characterization) depends on the influence measured and focused on. Authors connected with the construction of the decentralization index are Lessman (2006), Price and Garello (2003) and Vo (2008). The extent of centralization and decentralization of public administration is most often defined by the ratio of central, regional and local government expenditures and total expenditures of public administration, or GDP.

The World Bank divides indicators of fiscal decentralization into main indicators and indicators based on the composition of revenues and expenditures of lower (decentralized) government levels, and indicators based on revenues and grants of lower

government levels. The main indicators¹ according to the World Bank (2001) are:

1. Sub-national expenditures (% of total expenditures), calculated as:

$$\frac{C.II[Loc] - C.3.2[Loc] - C.7.1.1[Loc] + C.II[Pro] - C.3.2[Pro] - C.7.1.1[Pro]}{C.II[Cen] - C.3.2[Cen] - C.7.1.1[Cen] + C.II[Loc] - C.3.2[Loc] - C.7.1.1[Loc] + C.II[Pro] - C.3.2[Pro] - C.7.1.1[Pro]}$$

2. Sub-national revenues (% of total revenues), calculated as:

$$\frac{A.II[Loc] + A.II[Pro]}{A.II[Loc] + A.II[Pro] + A.II[Cen]}$$

3. Sub-national expenditures (% of GDP), calculated as:

$$\frac{C.II[Loc] - C.3.2[Loc] - C.7.1.1[Loc] + C.II[Pro] - C.3.2[Pro] - C.7.1.1[Pro]}{GDP}$$

4. Sub-national revenues (% of GDP), calculated as:

$$\frac{A.II[Loc] + A.II[Pro]}{GDP}$$

The World Bank (2001) also defines other indicators of fiscal decentralization: distribution of revenues from taxes between the central and local governmental level, the level and the extent of tax competences, financial autonomy of self-governments, the share of expenditures on selected public sector areas from the total amount of expenditures of lower administrative levels (e.g. education, health, social security and others) as a percentage of total expenditures of lower governmental levels).

5. Results and discussion

Public administration provides allocation and redistribution of public expenditures through the system of public budgets and funds. For the sake of comparison in EU (28), the following areas have been selected for 2003, 2009 and 2013:

- expenditures of public administration sector, using the ESA methodology (total general government, central government and local government expenditures);
- fiscal decentralization (subnational government expenditures as % of total expenditures and subnational government revenue as % of total revenue); and
- financial resources are compared according to the levels of public administration in EU (28) countries, using cluster analysis (only for 2013).

1 Legends: Total revenues (A.II), Total expenditures (C.II), Current transfers to other levels of national government (C. 3.2), Capital transfers to other levels of national government (C.7.1.1). The squared brackets indicate the level of government: Central Government (Cen), State and Provincial Government (Pro), Local Government (loc).

5.1. Comparison of public expenditures in EU (28) according to public administration levels

To compare the internal division of administrative structures in EU (28) countries and their financial management, the ESA methodology and its subsectors were used. The subsector state government was not selected as this pertains to federal states and Spain only.

Since total general expenditures (the first indicator used) include financial resources of public administration institutions at all levels, including social security funds and resources of local self-government, differences can be observed across EU (28) (Figure 1). The comparison makes it clear that the highest total government expenditure over the observed period are in France, Denmark, Belgium and Finland. A significant increase in total general government expenditure in 2013 is observed in Greece and Slovenia. By contrast, the lowest total general government expenditures over the whole observed period is in Lithuania, Latvia, Romania, Bulgaria and Estonia.

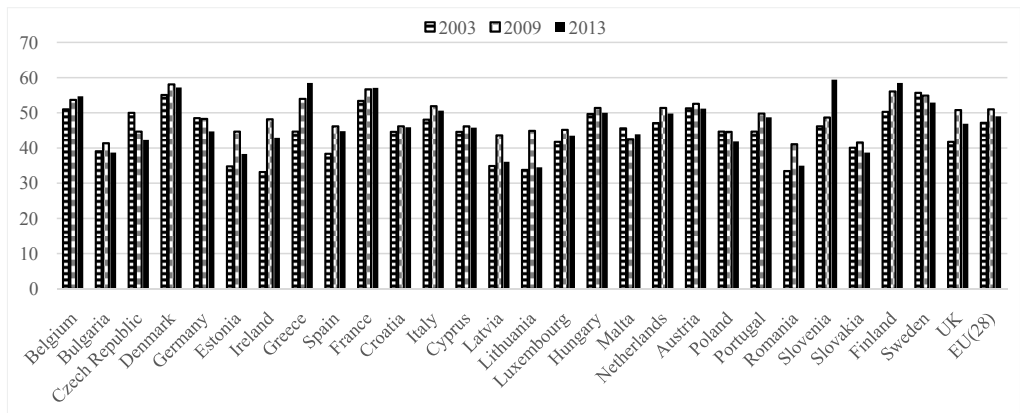


Figure 1: Total general government expenditures in EU (28) (% of GDP).

Source: Authors according to Eurostat (2014)

Figure 2 shows comparisons of central government sector expenditures (S 1311) in EU (28). The highest central government expenditures (as % of GDP) in EU (28) are observed in Denmark, Malta and United Kingdom. A significant increase occurs in 2013 in Greece, similarly to total general expenditures. By contrast, the lowest central government expenditures can be observed in Germany and Spain (both almost identically approximately 45% of GDP). However, these are not countries with the lowest total general government expenditures. Centralization of public administration management is typical of many countries, which is also reflected in financial resources.

Subsector local government expenditures (S1313) in EU(28) and associated expenditures (as % of GDP) are compared in Figure 3. The comparison makes it clear that the highest local government expenditures as a percentage of GDP over the period of 2003-2013 were observed in local governments in Scandinavian countries, reaching 37% in Denmark, around 26% in Sweden, and up to 22% in Finland. By contrast,

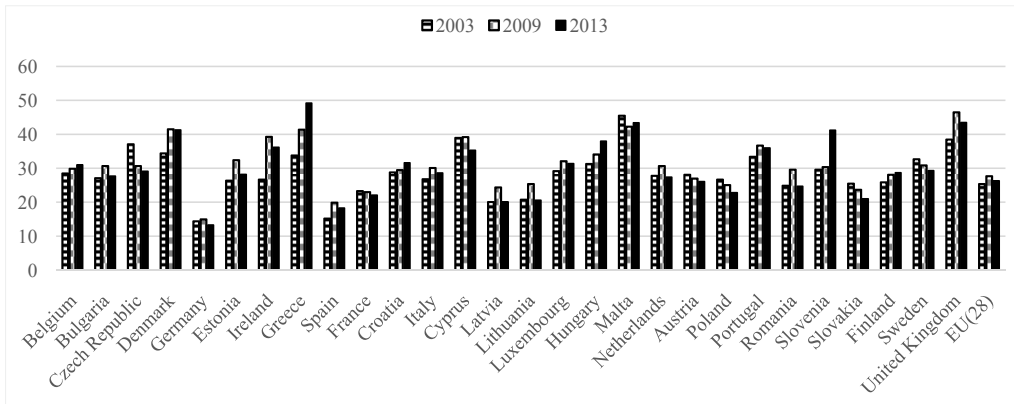


Figure 2: Central government expenditures in EU (28) (% of GDP)

Source: Authors according to Eurostat (2014)

the lowest expenditures as a percentage of GDP were observed in Malta, where they reached less than one percent, Cyprus (around two percent) and also Greece, where the expenditures reached around three percent. Local government expenditures for the entire monitored period are above the EU average (excluding the Scandinavian countries) in states such as Italy, the Netherlands, Poland and the United Kingdom. The Czech Republic, France and Croatia are around the EU (28) average of approximately 12% of GDP.

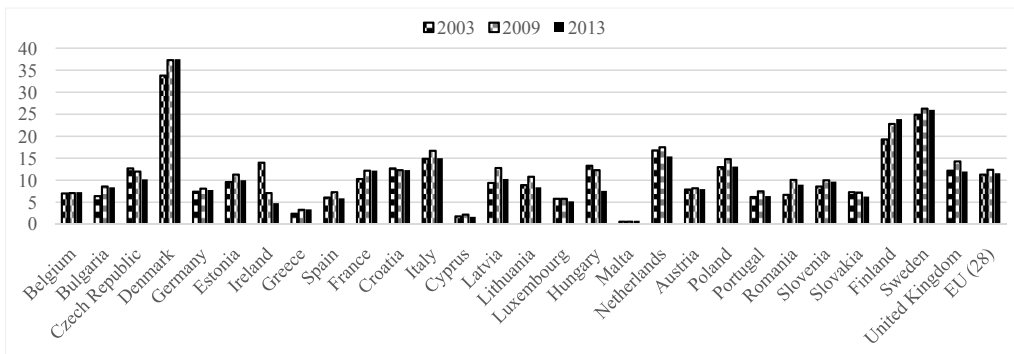


Figure 3: Local government expenditures in EU (28)(% of GDP)

Source: Authors according to Eurostat (2014)

5.2. Comparison of the extent of fiscal decentralization in EU countries

One way of expressing fiscal decentralization refers to local government expenditures in % of GDP (Figure 3). Another way is through sub-national expenditures as % of total expenditures or sub-national revenues as % of total revenues, provided in Table 3.

Table 3 makes it clear that over the years 2003, 2009 and 2013, the strongest fiscal decentralization of revenues and expenditures was present in Denmark and also in other Scandinavian countries (Sweden, Finland). In 2003, a strong decentralization

took place in Ireland, where a lower extent of decentralization (expenditure and revenue) is observed due to reforms and changes. The Netherlands, Poland and Italy are among the countries with a larger extent of fiscal decentralization. Medium levels can be observed in the United Kingdom, Lithuania, Latvia, Estonia and the Czech Republic. These countries are around or above the EU (28) average. Hungary shows signs of a medium level of fiscal decentralization over the period in question; however, in 2013 it shows a significant decline in expenditure decentralization due to a fall in local expenditure and reduced autonomy of local budgets. Moreover, a strong extent of centralization considering the minimal amount of own resources, is observed in Malta, Cyprus and Greece. A marked extent of centralization of public administration is observed in Ireland, Portugal, Spain and Luxembourg.

Table 3: Comparison of fiscal decentralization in EU(28)

Country	Exp. FD – Fiscal Decentralization of Expenditures			Rev. FD - Fiscal Decentralization of Revenues		
	2003	2009	2013	2003	2009	2013
BE	13.7	13.2	13.3	15.3	14.9	13.8
BG	16.3	19.2	21.7	16.0	20.7	23.6
CZ	25.4	26.8	24.1	28.2	29.6	25.9
DK	61.3	64.8	65.2	61.3	66.2	66.7
DE	15.2	16.7	17.4	15.8	17.7	17.7
EE	27.6	25.2	26.1	25.5	25.2	25.2
IE	42.2	14.7	11.2	42.4	20.6	13.5
EL	5.3	6.1	5.8	6.1	8.6	8.3
ES	15.9	15.8	13.1	15.2	19.1	16.9
FR	19.3	21.4	21.4	20.9	24.2	22.3
HR	28.5	26.4	26.8	29.4	28.2	30.2
IT	30.9	32.1	29.6	32.4	35.1	31.4
CY	4.0	4.7	3.7	4.2	5.2	4.5
LV	26.9	29.2	28.5	28.2	32.2	27.6
LT	26.3	24	24.3	27.4	29.3	25.1
LU	13.9	12.8	11.9	13.7	12.8	12.4
HU	26.8	23.9	15.2	31.1	25.4	21.4
MT	1.3	1.4	1.8	1.9	1.8	1.9
NL	35.6	34	30.9	37.6	36.9	31.9
AT	15.4	15.6	15.6	15.9	16.3	16.1
PL	29.1	33.2	31.3	32.7	36.8	34.4
PT	13.9	15	13.1	14.2	19.9	15.3
RO	20.0	24.5	25.7	21.6	29.6	27.8
SI	18.6	20.5	16.3	19.7	22.4	21.2
SK	18.2	17.3	16.3	19.2	19.4	18.1
FI	37.9	40.6	40.8	34.5	41.4	41.1
SE	44.7	47.9	49.1	45.0	48.1	50.1
UK	29.2	28.1	25.6	31.4	34.8	28.9
EU(28)	23.9	24.3	23.6	25.2	27.4	25.3

Source: Author's calculation according to Eurostat (2014)

Some authors (Finzgar and Oplotnik, 2013; Halaskova and Halaskova, 2014; Oates, 1991) consider fiscal decentralization a crucial element of decentralization of

public administration, based on the supposition that providing public goods and services locally is more efficient and economical. On the other hand, critical opinions of fiscal decentralization are also worth mentioning (Prud'homme, 1995; Stiglitz, 1988; Tanzi, 2001). These latter authors highlight potential problems associated with fiscal decentralization in connection with corruption, disturbance of tax structures, fiscal unbalance or reduced quality of public services.

5.3. Results of cluster analysis – comparison of selected public expenditures according to levels of public administration in EU (28)

The crucial task is to define the volume of public expenditures, their structure, what they should be spent on – on which needs with respect to available sources of financing and budgets of government levels in EU countries (Szarowska, 2013; Sevic, 2008). For the sake of comparison of EU states according to their public expenditures at the level of public administration in the year 2013, the method of hierarchical cluster analysis was used. Total general government expenditures (as a % of GDP), local government expenditures (as a % of GDP) and fiscal decentralization of expenditures were selected for comparison. The outputs of the hierarchical cluster analysis are three clusters of EU countries (28) which are least similar from the point of internal similarity (Table 4 and Figure 4).

Table 4: Clusters of countries in EU (28) according to selected public expenditures

Cluster one	Cluster two	Cluster three
Belgium (BE), Germany (DE), Ireland (IE), Greece (EL), Spain (ES), Cyprus (CY), Luxembourg (LU), Austria (AT), Malta (MT), Portugal (PT)	United Kingdom (UK), Slovakia (SK), Slovenia (SI), Romania (RO), Poland (PL), Hungary (HU), Lithuania (LT), Latvia (LV), Italy (IT), Croatia (HR), France (FR), Estonia (EE), Czech republic (CZ), Bulgaria (BG), Netherlands (NL)	Denmark (DK), Finland (FI), Sweden (SE)

Source: Author's calculation according to Eurostat (2014)

The most similar countries in the first cluster, based on selected criteria of public expenditure, are Belgium, Germany, Ireland, Greece, Spain, Luxembourg, Austria and Portugal. Identical similarity is also shared by Malta and Cyprus. Most countries are to be found in the second cluster, where most similar in terms of selected public expenditures are Bulgaria, Slovakia, Lithuania, Romania, Estonia, the Czech Republic, Croatia and Poland. Identical similarity is also found in Italy, the Netherlands and the United Kingdom, and another group of similar countries comprises of Hungary, Slovenia, Latvia and France. The third cluster of similar countries consists of Scandinavian states (Finland, Sweden and Denmark) of which Sweden and Finland are the most similar; Finland and Denmark show marks of lesser similarity (Figure 4).

The box plot (Figure 5) presents results of the cluster analysis in selected categories of public expenditures in EU countries. It can be observed that the lowest and highest values of public expenditures according to levels of general government are in countries in the first and third cluster, respectively.

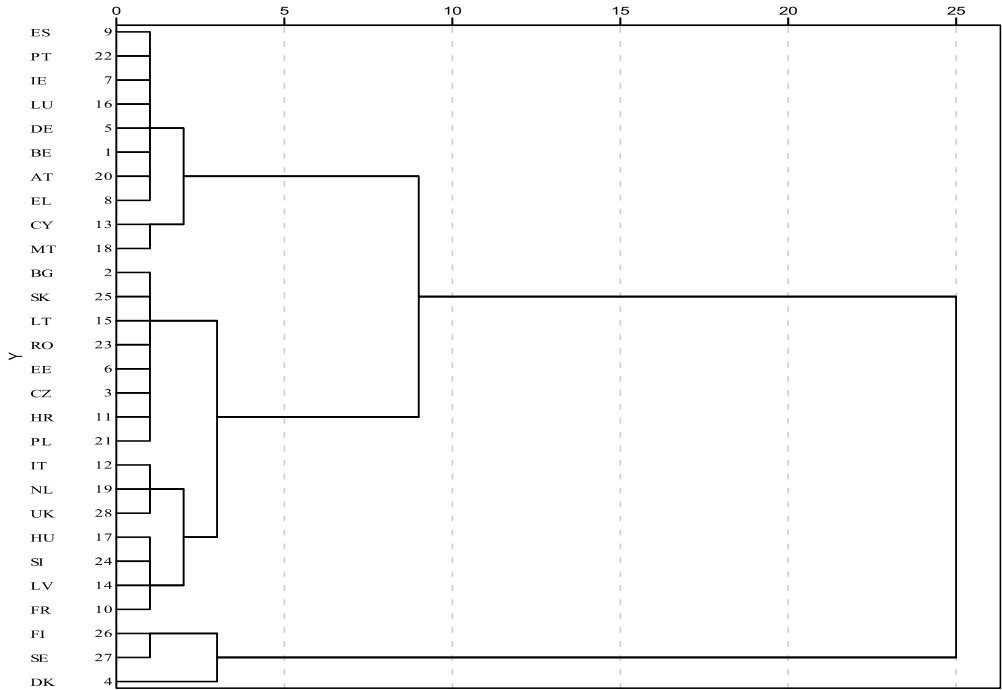


Figure 4: Dendrogram – public expenditures in EU (28) according to levels of general government

Source: Author's elaboration according to SPSS Statistic 21

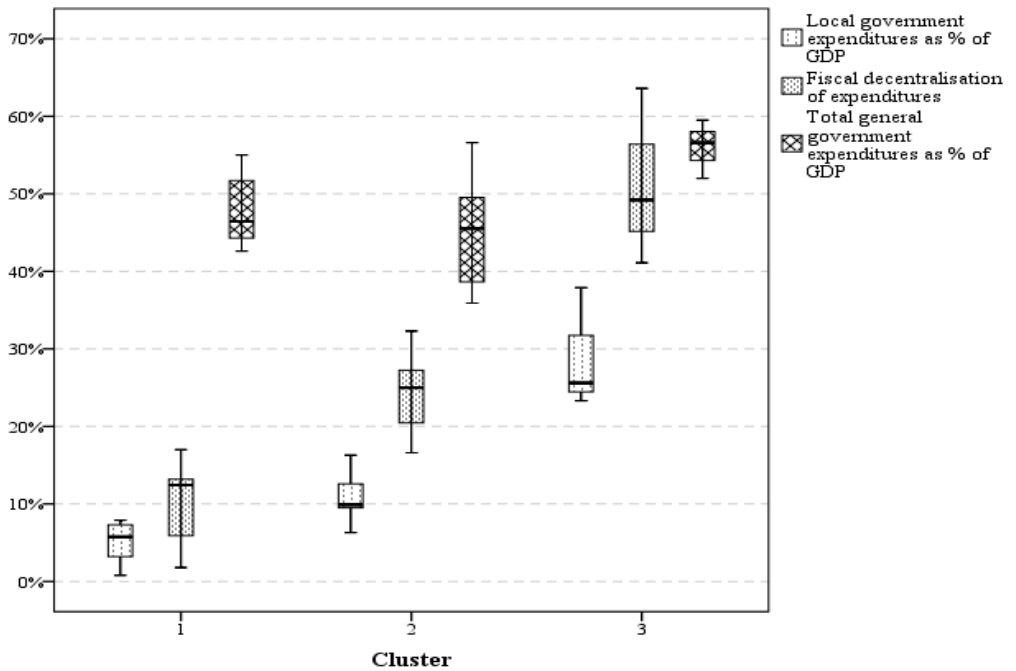


Figure 5: Box plot of EU(28) – selected public expenditures and levels of general Government

Source: Author's elaboration according to SPSS Statistic 21

The most significant differences among clusters are observed in fiscal decentralization of expenditures, where the largest extent is in countries of the third cluster (Denmark, 65%) and the smallest extent is in the first cluster (Malta, 2%). In the first cluster, the median value is about 12% (the highest value of fiscal decentralization is present in Germany, 17%, the lowest in Malta, 2%). In the second cluster, the median value of decentralization is about 26%, with the highest rate in the Netherlands, 32.3%, and the lowest in Slovakia, 16.6%.

In the third cluster, the median value (extent of fiscal decentralization of expenditures) is the highest of all clusters, 49% (the highest in Denmark, 63.6%, the lowest in Finland, 41.1%). The least notable differences among all clusters of EU (28) are observed in total general government expenditures as % of GDP, where the differences between the median of the first and second cluster is only one percentage (figure five). The median is about 45% in the first cluster (the highest expenditures in Belgium, 55%, the lowest in Ireland, 42.6%) and in the second cluster, the median in total general government expenditures reaches 46% (the highest value in France, 56.6%, the lowest in Bulgaria, 35.9%). In the third cluster, the median is about 57% (the highest value in Denmark, 59.4%, the lowest in Sweden, 52%).

6. Conclusion

Public administration as a whole falls within the competence of the EU member states, which create their own administrative systems. Although there is no legal document in the EU to prescribe a model of public administration and territorial organization which should be adopted by the member states, member states are obliged to respect and abide by common administrative and legal principles of the European administrative area. Due to historical, demographic, economic, political and other factors, the internal arrangement of public administration differs significantly between countries. The Scandinavian administrative system is considered to be the best functioning system of public administration which, in many ways, can serve as an inspiration for other EU states. What is typical of this system is the openness and transparency of public administration, an elaborate system of control and legal mechanisms, a high prestige of crucial institutions of public administration and civil services, and a low rate of corruption in public administration.

Recommendations for EU states connected with the role of public administration, fiscal decentralization and financial capabilities of local self-governments in public-service procurement refer mainly to measures associated with the reform of public administration. In individual countries, these measures should lead to an increased effectiveness of public spending, to a higher quality of public services, to a better performance of public institutions, to implementation of effective control methods of public administration (both external and internal), to a change in legislation and to anti-corruption instruments at the national, but also sub-national government level. Some EU member states should implement a structural reform of public administration and a reform of financial accountability for local administration.

Larger engagement of local governments should be developed through the development of economy when new jobs are generated and reform measures implemented in order to ensure effectiveness of provided services. One option is fiscal decentralization, when sub-central levels make the decisions about provision of services and, at the same time, bear a substantial amount of expenses through their own incomes. EU states going in the direction of decentralization should create a model that would correspond to their initial requirements. Since fiscal decentralization needs to be perceived as a complex system, implementing a single part would fail to bring the required outcome. However, it is inappropriate to create too complex systems of inter-governmental relations, as simple structures of fiscal decentralization entail lower costs on administration, monitoring and tracking of expenses.

Local self-governments in EU states can take into account other recommendations regarding the provision of local public services. This would require the electorate to notice local taxation in connection with public services offered in return. In financing local services from local taxes, elected representatives behave more responsibly, striving to procure a larger amount of good-quality services for the citizens, thus potentially ensuring their own reelection. At the local level, mostly services that contribute to the benefit of the local area should be provided, while services whose scope out-reaches the local area should be provided by the central administration.

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