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## STATE AND MUNICIPAL EXPENDITURE RESPONSABILITIES IN THE ORGANIZATION AND DELIVERY OF PUBLIC SERVICES

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### ABSTRACT

The purpose of the financial decentralization is to provide quality public services, accessibility and prices according to the potential of civil society. To achieve this we need better cooperation between central and local authorities, which will lead to easier transfer of resources and responsibilities from central to local structures. These relationships should have the necessary influence on the quality of public services to the local community, which is subject to the national policy of financial decentralization. The purpose of this article is to analyze the balance in the vertical relations between the authorities at any level and to evaluate the expenditure responsibilities for obtaining maximum results for the benefit of final consumer. Results are focused on differentiation the roles of all management levels in making financial decisions.

**Key words:** financial decentralization, expenditure responsibilities, principle of subsidiarity, municipal public services.

### INTRODUCTION

The Strategy of Decentralization is important document which allow us to define concrete purposes and priorities for better administrative and territorial government. This process is really complicated and requires adequate intervention of the state for increasing the efficiency of all local government institutions.

Decentralization is process of transferring - the power to make decisions, responsibility of delivering public services and resources for financing from higher to lower level of public governance (1). Decentralization is actually the instrument which can provide the balance between the public institutions and the needed qualitative public services. If the Strategy of Decentralization is going strictly by plan, the necessities of all citizens will be better satisfied by:

- Providing quality service in spending the same amount of resources;

- Providing a variety of services, depending on the needs of the local population;
- Increase local flexibility and autonomy

Opportunities to load a municipality with more responsibility in providing public services, relating to the local population is fully in line the principle of subsidiarity - namely, public services should be proposed and implemented by the authorities who are closest to the citizen. We should not forget that as a local administrative body could get responsibilities, should be given the necessary powers for the provision of public services. The most important thing is that, there is a balance between the responsibilities and the financial and managerial competence, because it cannot be required by any institution to perform certain tasks without giving powers to manage and control.

### DISTRIBUTION OF EXPENDITURE RESPONSIBILITIES

Let me clarify first what is meant by expenditure responsibilities - this is actually the amount that a budget should, and is willing to ensure and subsequently spent to provide a certain number

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of quality services in a given territory. The main problem is due to the fact that some public services are provided by the central government and some by the local. At the same time for better quality and control of public services, they are delegated to municipalities / lower-level governance /. Proper distribution of expenditure responsibilities between the two levels of government is the basis to have more accessible, adequate quantity of public services and prices according to the capabilities of users.

To provide quality public services, satisfying most preferences and requirements of consumers, we need effective distribution of expenditure responsibilities following the principle of subsidiarity. According to the European Charter of Local Self-Government, the best way to satisfy the taxpayer is to provide services at the lowest level of government that can offer them. (2) For example, national defense does not make sense to be provided by the municipalities, since it is used by the nation as a whole and therefore the responsibility is entirely at the government. On the other hand who would provide on the most efficient way the service of cleaning - of course, the closest level of government to the household. The initial measure, which must be taken, is to allocate which expenditure responsibilities are best suited for different levels of government. Only with their proper allocation we can have a better decentralized fiscal system. The necessity to distribute properly the expenditure responsibility is needed to avoid overlap or duplication of powers which will increase the liability of service provision.

Responsibilities for the provision of delegated services assigned to local authorities should be reviewed in two directions:

- Whether with the transfer of responsibilities from central to local levels of government are delegated the necessary powers to order, monitoring and control of a particular service;
- Is it better some of delegated municipal services to be purely local, for convenience, accessibility and better control?

If with the transfer of the responsibilities we don't have proportionally assigned powers we cannot receive better quality of services and more efficient use of funds. All responsibilities transferred to the lower level, must be deducted

from the central government, which will reduce its influence. This would lead to greater local autonomy and increase the competence of local authorities.

### **COMPETENCES AND RESPONSIBILITIES WHEN PROVIDING SERVICES IN SEVERAL COUNTRIES OF EUROPEAN UNION**

In the EU out of 27 Member States three have a formally federal structure /Germany, Austria, Belgium/, one is quasi-federal State /Spain/, and the rest can be characterized as unitary States.

Out of these 23 despite their formally unitary structure, some States have a heterogeneous territorial organization. As such, Portugal, United Kingdom and Finland include regions on only a part of the national territory /autonomous regions/. Italy holds a special place in this order as a "regionalized" unitary State with regions that have "ordinary" as well as "special" status.

Eleven Member States have just one level of subnational authorities, i.e. municipalities; nine others have two levels (municipalities and regions) while the remaining seven, have three levels: municipalities, regions and intermediary entities (i.e. departments, provinces, counties, etc.). Croatia, set to become the Union's newest Member State, is also a unitary state with three levels of governance. (3)

For better results we need to show data of unitary states with similar management system. For example, countries such as those of the first group from the table above.

The progress of certain countries in the distribution of responsibilities for providing services can be seen in the table below, which shows the overall policy of these countries - more centralized management or not.

What preliminary conclusions we can make according to the data in **Table 2**? First to be noticed is that almost all services have central government involvement in providing them. Let's take the "nurseries and kindergartens" - there we observe interference of the state in the provision and financing this service in Bulgaria. In all other countries, Lithuania, Latvia and Slovenia we have fully decentralized service and assigned powers and responsibilities for its provision.

**Table 1.** Population, surface area and organization of territories in the EU – 27 in 2011

	Population (thousands)	Surface area (km <sup>2</sup> )	1 <sup>st</sup> level	2 <sup>nd</sup> level	3 <sup>rd</sup> level
<b>Countries with one subnational government level</b>					
Bulgaria <sup>1</sup>	7,534	111,002	264 municipalities	-	-
Cyprus <sup>2</sup>	804	5,695	379 municipalities	-	-
Estonia	1,340	45,227	226 municipalities	-	-
Finland	5,363	338,145	336 municipalities	2 regions (pilot region of <i>Kainuu</i> and the autonomous insular province of <i>Åland</i> )	-
Ireland	4,476	69,797	114 local councils	-	-
Latvia	2,239	64,589	119 municipalities	-	-
Lithuania <sup>1</sup>	3,287	65,300	60 municipalities	-	-
Luxembourg <sup>3</sup>	506	2,586	106 municipalities	-	-
Malta <sup>1</sup>	416	316	68 local councils	-	-
Portugal <sup>1</sup>	10,637	92,152	308 municipalities	2 autonomous regions ( <i>Madeira</i> and <i>Azores</i> )	-
Slovenia	2,049	20,273	210 municipalities	-	-
<b>Countries with two subnational government levels</b>					
Austria	8,388	83,871	2,357 municipalities	9 Federated States	-
Czech Republic	10,517	78,868	6,249 municipalities	14 regions	-
Denmark	5,546	43,098	98 municipalities	5 regions	-
Greece <sup>4</sup>	11,305	131,957	325 municipalities	13 regions	-
Hungary	10,000	93,029	3,177 municipalities	19 counties	-
Netherlands	16,612	41,528	418 municipalities	12 provinces	-
Romania <sup>1</sup>	21,431	238,391	3,181 local authorities	41 departments	-
Slovakia	5,430	49,034	2,930 municipalities	8 regions	-
Sweden <sup>5</sup>	9,378	449,964	290 municipalities	20 counties of which 4 regions	-
<b>Countries with three subnational government levels</b>					
Belgium	10,883	30,528	589 municipalities	10 provinces	6 communities and regions
France <sup>6</sup>	64,848	633,210	36,697 municipalities	101 departments	27 regions
Germany	81,757	357,027	11,553 municipalities and districts-free cities	301 rural districts	16 Federated States
Italy	60,468	301,336	8,094 municipalities	110 provinces	20 regions of which 5 with special status
Poland	38,187	312,685	2,479 municipalities	379 counties	16 regions
Spain	46,073	505,997	8,116 municipalities	52 provinces	17 Autonomous Communities of which 2 with foral regime
United Kingdom <sup>1</sup>	61,990	243,820	406 local authorities	28 counties	3 "devolved" nations ( <i>Scotland, Wales</i> and <i>Northern Ireland</i> )
<b>TOTAL EU 27</b>	<b>501,465</b>	<b>4,409,423</b>	<b>89,149 municipalities and local authorities</b>	<b>1,126 regional or intermediary authorities</b>	<b>105 regions</b>

Source: Subnational public finance in the European Union (4)

**Table 2.** Comparative table by services and competencies of certain EU countries

COUNTRIES		LATVIA			LITHUANIA			SLOVENIA			BULGARIA		
		Competent authority			Competent authority			Competent authority			Competent authority		
SERVICES		Central	Regional	Municipal	Central	Regional	Municipal	Central	Regional	Municipal	Central	Regional	Municipal
		1	Public order and security	1			1			1			1
2	Nurseries and kindergartens			1						1	1		1
3	Social establishments			1		1	1	1		1	1		1
4	Street cleaning and waste collection	1		1						1			1

Source: Partial data from the Thematic Report of "Effective Solutions "Ltd.

Certainly services such as public order and security are provided at the central level, and services such as street cleaning and waste collection at the lowest level to provide - municipal. In the table is shown the proof that the responsibilities for these services are distributed right.

With regard to social establishments, which generally fulfill all the criteria for local services, we see that the responsibility in Latvia and Lithuania is assigned to a lower level of government, while in Slovenia and Bulgaria we have shared responsibility between central and local authorities.

Looking at things from a slightly different angle we can see that the problem of proper distribution of expenditure responsibilities has two sides:

- The willingness of a country to decentralize its services, by transferring powers and responsibilities for their provision at a lower level of government;
- The possibility of self-financing these services after transferring them to the local authorities.

In Bulgaria there is an active strategy for decentralization, i.e. the desire to provide high - quality services offered by the lowest level of governance to final consumers is available. But let's see how things are with the municipal self-

financing. Please see the table below containing the categories of subnational revenue in 2011 for EU member states.

We see significant percentage of revenue through grants and subsidies from the central to local structures. This practically determines the level of dependency of local structures by the national financing. In Bulgaria the own revenues on the subnational level from taxation, user charges and fees and assets are only about 24%, the EU average is about 54%. The remaining 74% are financing from the national budget through "Grants and subsidies", with 44% average for EU.

## CONCLUSION

According to the data presented in the tables above and taking into account information from the literature sources I can summarize and bring out the following conclusions:

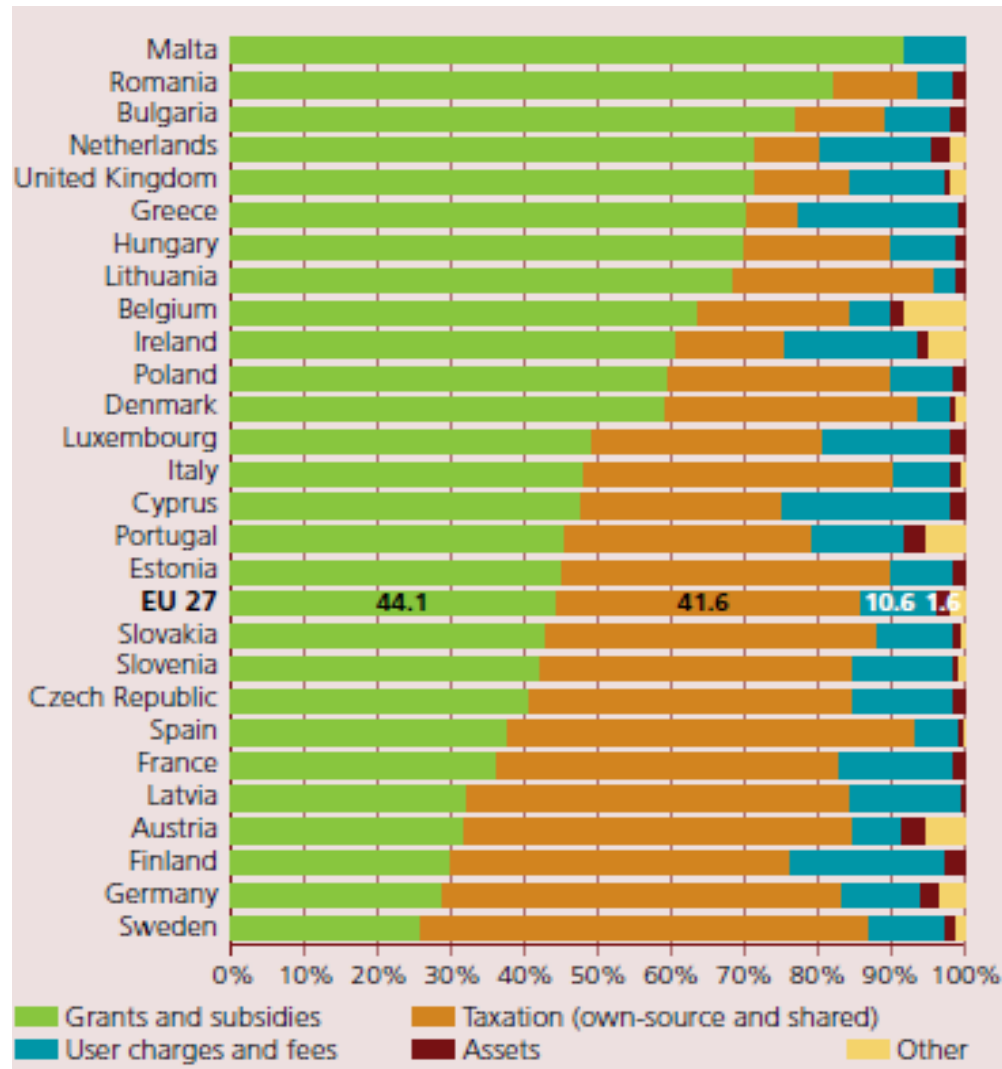
- The main reason for the impossibility municipalities to take more responsibilities in providing public services is the lack of own revenue. This makes very hard the decentralization of some services which fully meet the criteria for local services like - some social institutions, kindergartens, etc.
- Bulgaria needs evaluation and proper distribution of responsibilities for the provision of public services. It is unacceptable to take responsibility for providing more services by the local levels of

government without being given the power and resources to manage those services to the competent authorities.

- Public services such as special and vocational schools, nurseries and kindergartens,

community centers etc. can comfortably be fully transferred under the responsibility of local authorities. Only in this way the taxpayers could receive a high quality service at the same price.

**Table 3.** Revenue structure of subnational budgets in the EU - 27 in 2011.



Source: Subnational public finance in the European Union (5)

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