

**FACTS IN DECENTRALIZATION OF
PUBLIC EXPENDITURES IN EUROPEAN UNION**

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Abstract

Our research is focused on the very important field of public expenditures. The main goal is to emphasize the level of decentralization on public expenditures for all 27 European Union Countries. This decentralization is an important trend in public policy and depends on several factors such: specific of the expenditures, level and structure, specific social objectives, level of GDP, system of intergovernmental relations, subsectors of public administration sector, and so on.

Keywords: *Public expenditures, decentralization, Budgetary Policy*

JEL classification: *E60, H5, H72, H75, H756, O52*

1. Introduction

The budget expenditures are included in the government sector. This sector includes all institutional units other than market producers whose output is intended for the individual or the collective consumption and mainly financed by compulsory payments made by units belonging to other sectors and / or all units mainly engaged institutions in the national income and wealth redistribution.

The Public administration sector is divided in four sub-sectors (ESA standards):

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- Central administration (S1311)
 - Regional administration (S1312)
 - Local administration (S1313)
 - Social assistance funds (S1314)
- 1) **The central administration** (S1311) includes all the administrative departments of the State and other central agencies whose membership extends normally over the whole economic territory, excluding local social insurance funds. In this sub-sector are also included the non-profit institutions controlled and mainly financed by the central government and whose competence extends over the whole economic territory.
 - 2) **The regional administration** (S1312) consists of administrations that are separate institutional units, exercising some of the functions of the government at a level lower than the central and higher compared to the local institutional units other than social security fund management. This sub-sector includes those non-profit institutions controlled and mainly financed by the regional governments and whose competence is limited to the economic territory of the regions
 - 3) **The local administration** (S1313) includes those types of public administrations whose competence extends only at the local level, in addition to the local agencies of the social security funds. Here are also included those non-profit institutions controlled and mainly financed by the local governments and whose competence is limited within the local government sphere of action.
 - 4) **The social assistance funds** (S1314) include all the central institutions, regional, and local, whose main purpose is to provide social benefits and which fulfill each, the following two criteria:

The analysis of the data on expenditure classification was made taking into account the costs of the governmental functions (COFOG) as follows:

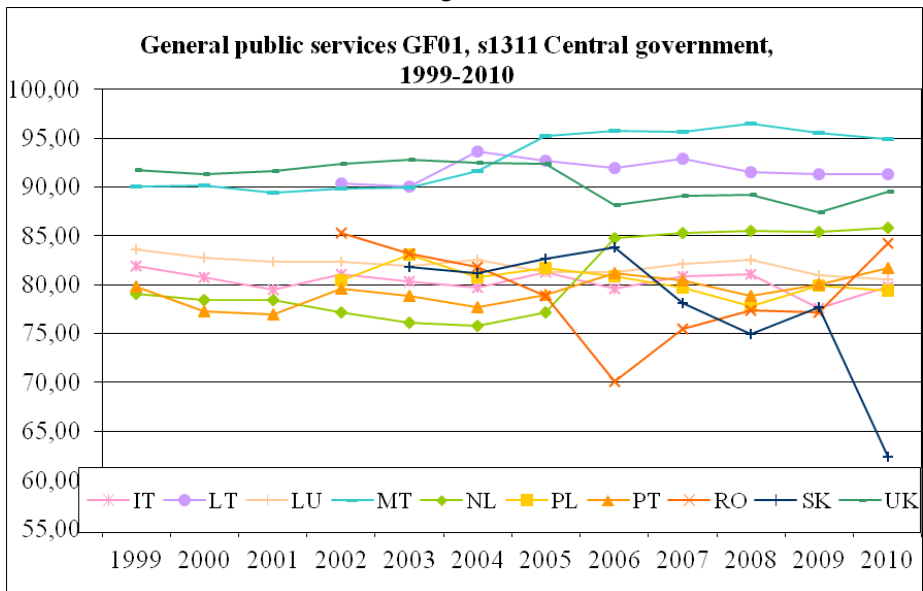
- General public services;
- Defense;
- Order and public safety;
- Economic affairs;
- Environment protection;
- Housing and community amenities;
- Health;
- Recreation, culture and religion;

- Education;
- Social protection;

2. Sections

The decentralization of the public services expenditures. The states that have a high level of centralization concerning this type of expenses, are: Ireland (96.55%), Malta (96.49%) and Cyprus (94.22%). It is also worth noting that the decentralization of the spending on public services in Romania has an average of 20.19% over the period we analyzed. In our country, from the expenditure on general public services, the judicial authorities have an important share (over 32%); this is justified in particular by the government's decisions to encourage the wage increases for persons that work in the court of justice, in order to mitigate the corruption in the sector.

Figure 1.



A very interesting aspect that is worth pointing out, is the fact that these expenses have important shares in the Social fund (See 3.3 the origins of the budgetary expenditure) in only a few countries namely: Spain (where there is a maximum of 16.39% in 1999 and a minimum of 2.60% in 2003), Portugal (expenditures on general public services have a downward trend from 10.99%

in 2001 to 5.46% in 2007, reaching 3.5% in 2010), Ireland (with percentages of up to 9.52% in 2002), while the rest of E.U. 27 members, had percentages very close to zero. This shows that there are only three countries, out of 27, in which the expenditures on the general public services have quite significant percentages in the Social Fund.

The decentralization of the public expenditures with the defense.

A particular feature for the defence expenses is the fact that in most of the countries, they are rather concentrated at the Central State's budget. In this respect, we insist, whereas in 18 countries (Denmark, Estonia, Finland, Lithuania, Romania, Belgium, Cyprus, Germany, Spain, France, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, and Slovenia) out of the 27, the share of the costs with defence at the state's budget level, from the total defence expenditure, in each country, in the period 1999-2010 is approximately 100%. This shows a high degree of centralization of these expenses, a normal fact, having in sight that we talk about the defence costs. The average in the E.U. is 99.98%.

Slovakia is the country where the defence spending has the smallest share out of the total spending in 2006 (65.52%). In other countries, which have not specified the percentage of the defence expenditures in the central budget, it is over 94%. We can illustrate that the defences spending in the local budgets in Denmark was 27.2 million Euros in 1999. In 2006 they reached 35.5 million Euros, reaching a maximum of 36.7 million in 2010. The highest defence costs, out of the 27 countries we analyzed, in the local budgets, were recorded in Slovakia in 2006, and it was in quantum of 266.2 million Euros.

When referring to the share (fair share) with which the NATO countries could contribute to the common defence and security, we find that the U.S., in 2004, allocated with 50% more than the established rate compared with Germany and Spain, that contribute with less than half out of this, 40% and 36%. (Lindstrom G., 30).

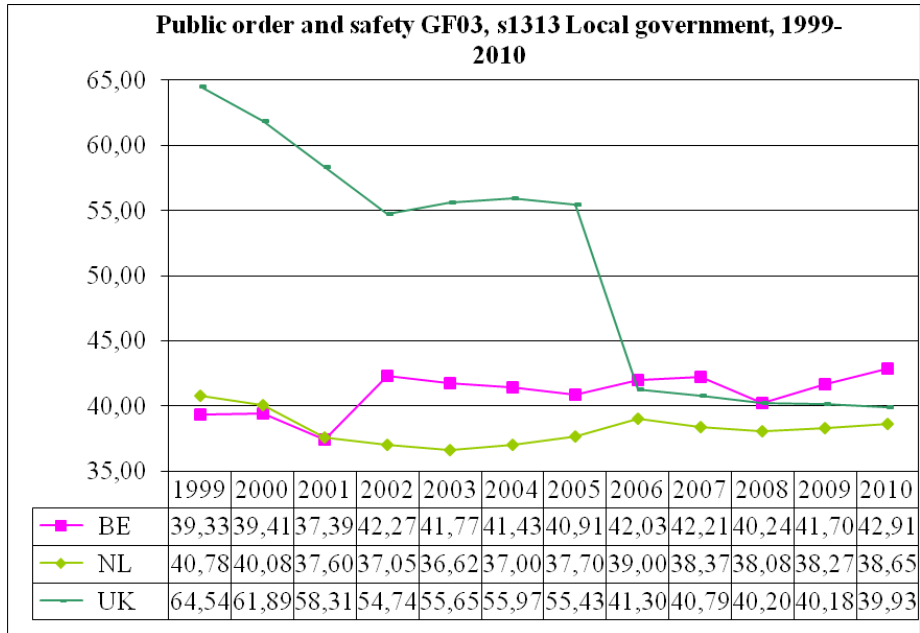
After Romania became a full member state of NATO, Romania's responsibilities no longer limited to national territory protection policies, but also to the policies that promote intensive Romanian interests, and supporting the global stability in any region where NATO missions take place, aiming at the same time, safeguarding and promoting the vital interests of Romania. We must however, keep in mind that any excessive military expenditure diverts

valuable resources that could be used for the social development and poverty reduction, and any misuse has adverse effects. Therefore it is necessary to streamline and have an efficient use of the budgetary resources allocated to the national defence.

The decentralization with the expenses on public order and safety.

The first thing we think is necessary to point out is that only the Czech Republic, Greece and Malta's expenditure on the public order and safety in its entirety, can be found only in the state budget. The highest level of decentralization of the expenditure on public order and safety, as shown in Chart No. 19 is registered in England, Belgium, Netherlands Spain and Sweden.

Figure 2.

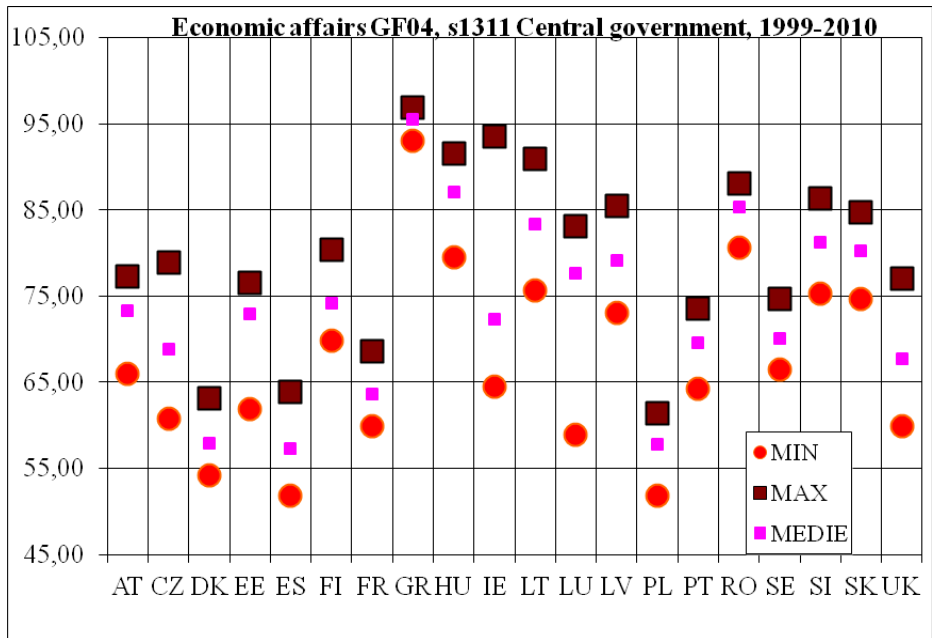


In Hungary, there is a maximum share of the public order and safety expenditures of the local budgets in the total public order and safety expenditure in 1999 and 2000, (100%). In Spain, the public order and safety expenses of local budgets have an increasing trend from 2,853 million Euros in 1999 to 3,814 million in 2001, then a decrease to 3.751 million Euros in

2003, followed by a further increase in 2007 to 4,706 million Euros, falling to 4.407 million Euros in 2010. The spending with the public order and safety of the local budgets is very low, 46.2 million Euros in 2005. In our country these charges are related to the Community Police. However, from the category of expenses for the public order and national security, the police ones hold the largest share (around 27%). We could observe a trend of increasing amounts, allocated mainly to ensure the public safety in our country.

The decentralization of the expenses with the economic affairs. The share of the costs with the economic activities in the total state budget expenditures for economic activities, in this period is as follows: in Cyprus is 100% throughout the period under review, Malta, 100% between 1999 and 2010. These very high percentages show that the decisions on how to spend the resources on economic actions are taken at the central level in both countries.

Figure 3.



At the level of this year, the quantum of the new entrants' income countries is lower than the E.U.15 average. On the other hand, after these countries entered in the Union, the average of the G.D.P. per capita in E.U. 27 is with 10% lower than before. There were several discussions regarding the policies to be followed by the new members. The economies of the new member states have different structures so, unlike Poland, for example, whose economy is based largely on agriculture, and the economies of Cyprus and Malta are focused on tourism and financial sectors. Eight of the new member countries in 2004 had transition economies, two not, and five of these savings have a small sized economy. The economic policies must be designed so as to constitute incentives for the society to enable it and to take benefits as much as possible. These countries had to work harder to catch up with the developed countries. We believe that the economic convergence process must be driven by investment and productivity, institutional reform, structural funds, political stability. The priority should be the macroeconomic stability, the maintenance of the recommended limits for the budgetary deficits and the decrease of the inflation.

It can be seen a constant share of expenditure on the economic activities in total government spending in Greece. Thus, throughout the period under review the share of expenditure with the economic affairs in total expenditures of economic actions in the central budget of the Greece is between 93.09% and 96.91%.

In Romania, during the period 2002-2008, the economic costs of the actions at national level have a share in total spending, rising from 85.08% in 2002 to 88.12% in 2006, and then dropping to 85.64% in 2010. Italy is one of the countries that register a share of the expense with the economic affairs, at the central level in the total expenses of 29.92% in 2000. The situation of the expenditures for the local economic activities in other countries under review is as follows: in Lithuania, we have a share of local spending with the economic activities in the total costs of the economic activities between 11.54% in 2000 and 24.30% in 2010.

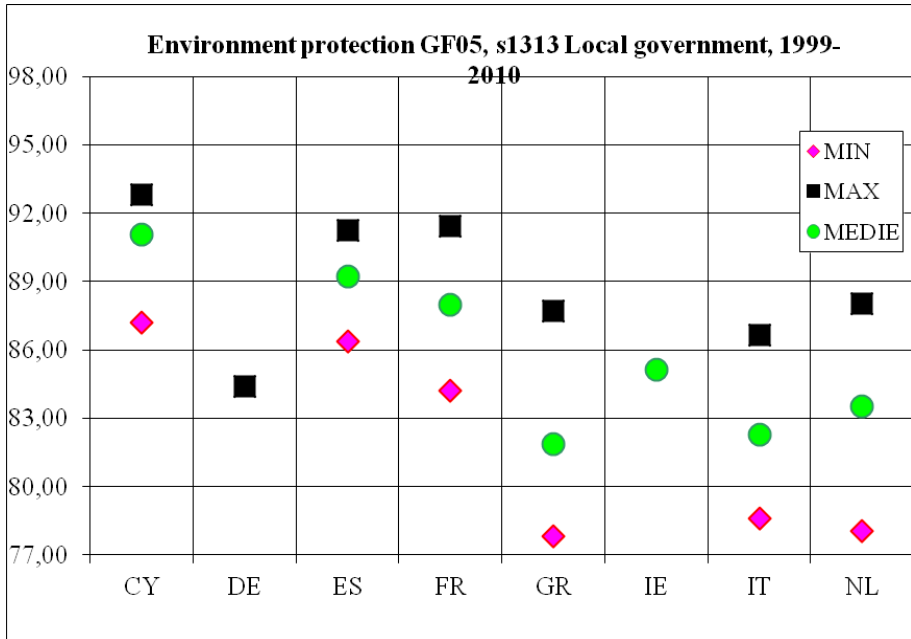
The foreign direct investments in 2005 were higher in Poland, Hungary, and Latvia. Interestingly, in comparison with the countries of the E.U.15, the investments in these countries are located around the capitals of these states. The market size and the access to neighbouring markets are other factors that may influence the choice of the location for the investors. The access to the market structure may influence the growth of the local

production and the business location. We saw that the companies tend to choose the same location just like the other companies with similar profile do. Other very important factors affecting the foreign investments are the labour costs and transportation's infrastructure, political stability, law system stability, and labour migration.

In countries such as: Austria, Cyprus, Czech Republic, Denmark, France, Malta and others are not to be found in the Social Fund, in what concerns the budget expenditures for the economic action. Germany and Spain have instead a share of the costs of the economic activities in the Social Fund from the total costs of the economic activities of over 13-14% over the period we analyzed. Romania has a share of the costs of the economic activities from the Social Fund's budget in total economic expenditure, below 1% between 2002 and 2004 and in 2005, will register an increase of 2.64%.

The decentralization of the expenses with the environment protection. In the recent years, the environmental costs in the most developed countries have significantly increased, given the more widespread concerns of the governments and especially the European Union's environmental protection issues. Romania and Malta are the only countries from the study, where the environmental costs reach 100% out of the total expenditure between 1999 and 2004 for Romania and 2003 for Malta, the average of the expenses between 1999 and 2010 being 61.85% and 95.42% as provisioned in the central budget.

Figure 4.



Other countries where the environmental costs have a significant share in the central budget are: Slovenia with a share of 97.47% over the entire period we analyzed, Slovakia with 65.71% Lithuania with 75.04% and Latvia with 82.79%. The smallest share of the environmental expenditure in the total expenditure, at the central level, was registered in countries such: as Germany, Ireland, Spain, Belgium, Cyprus and France. As for the share of the environmental expenditures in total expenditures, of the local budgets, we can see that it is very large in Ireland, Spain, Cyprus, France, Hungary, Poland etc. In these countries the share of the local budget's expenditures for environmental protection in total expenditures for the environmental protection, is more than 85-90%. Slovenia is one of the countries with the lowest share of the expenditures with the environmental protection provisioned for the local budget, in the total environmental expenditure over the entire period we have analyzed, with an average of 24.01% and a minimum of 2.53% in 2004

During the period 1999-2010, the share of the budgetary expenses from the Social Fund with the environment protection, in all the 27 countries is 0%.

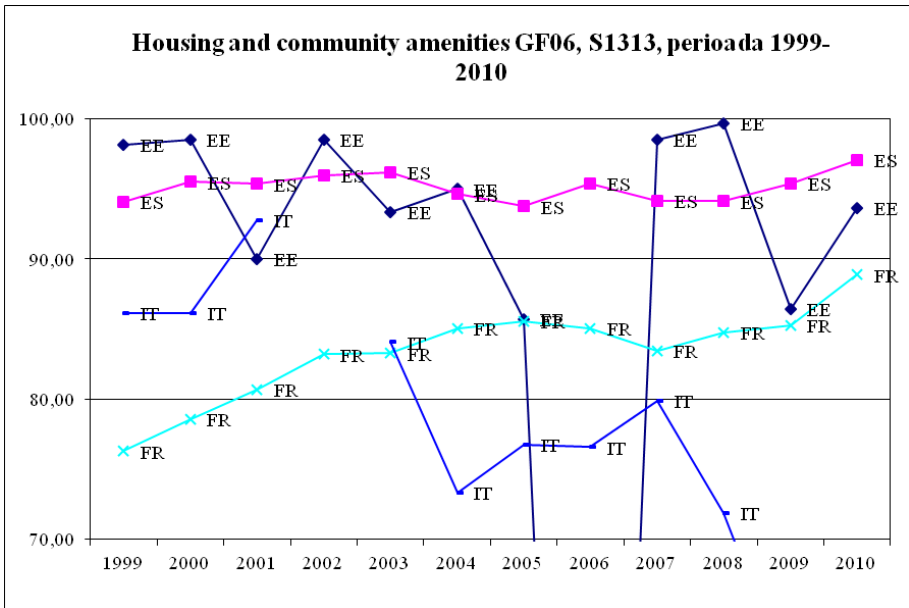
The environmental objectives should be oriented towards: preserving, protecting and improving the environment, protecting the human health, a prudent and rational utilization of the natural resources, promoting measures at the international level to addressing problems of regional and global environmental protection and restoration of the good functioning of the ecosystems, stop (the future) to extinction, protecting the soils against erosion and pollution, taking measures for full implementation of the environmental legislation in the member countries, the adoption of action plans to protect the biodiversity, the marine environment, soil protection, forests, greater involvement of economic actors and citizens in environmental protection, fighting against the global warming.

The instruments for achieving the environmental objectives that are linked to the environmental budgetary policies are: the taxes, facilities and tax relief, subsidies (direct and indirect), and the environmental audit.

The decentralization of the expenses regarding the housing and community amenities. The countries with a high level of centralization of the cost regarding the comfort of the community and the housing are: Malta, which is the country with the percentage of expenditure on housing and community comfort from the state budget in total expenditures for housing and community comfort, of 100%, Cyprus, Austria, Denmark, Finland, Greece, Italy etc, with percentages above 50%. In these costs, an important share is held by allowances for families, aid to elderly and other disadvantaged categories. The tendency is to increase the expenditures for housing and community comfort, having as a cause the evolution of the demographic factor.

The most decentralized countries in the spending on housing and community comfort, situated at the local budgets level, are: Latvia (100% in 2000-2003), Hungary (100% in 1999 and 2000), Estonia (99.70% in 2008), Spain (97.04% in 2010), and Italy (92.74% in 2001). The Czech Republic has known a significant increase in the costs for housing and community comfort of the local budgets in the total social costs, from 49.80% in 2001 to 80.56% in 2003. In the Netherlands, the percentage of the expenditures for housing and community comfort evolves from 68.8% in 1999 to 84.32% in 2003.

Figure 5



In what concerns Romania, this type of expenses from the local budgets, evolved between 1999 and 2005, from 74.90% to 79.88%.

On the other hand it should be noted that these costs have a high degree of decentralization since the share of these expenditures of the local budgets is over 68% of the total expenditures on housing and community comfort.

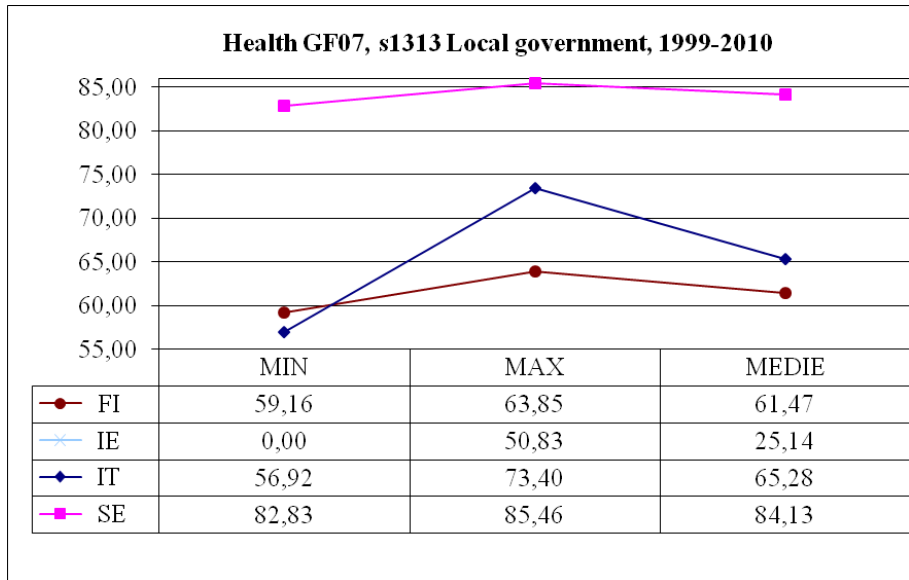
In all Eastern European countries, including Romania, after 1990, there was privatization process of residential fund, a process that led to the "improvement" of the patrimony for most of the population. In our country, the personal owned housing percentage exceeded 95%, which makes the labour mobility very low.

The decentralization of the expense with the health. The health expenditures have been the subject of some reforms, being a very delicate subject when talking about decentralization.

Cyprus is a clear example of centralization of these expenses so that over the analyzed period, the share of the health expenditure from the total state budget expenditure is 100%. The countries with the highest level of centralization of the health expenditure are Cyprus, Malta and the U.K.

At the opposite side is: Denmark, France, Netherlands, Austria, and Slovakia. We can also see that in Germany, Greece, Luxembourg, and Netherlands, the percentage of the social fund health expenditure, in total health expenditures is over 90% in the period.

Figure 6



Romania, allocates 2-3% of the G.D.P. for health. This was one of the lowest allocations for health in Central and Eastern European countries - even though, according to the World Bank, it reflects the country's development. The health status of the Romanian population was lower than in the neighbouring countries. In this context, policy makers have considered the level of spending as insufficient, therefore, the social insurance was introduced to remedy the situation. (<http://www.policy.hu/chiritoiu/reformasistsan.pdf>).

After studying the data on the health spending from the local budgets of the European Union's countries we noted that the most decentralized health

expenditures are recorded in the Nordic countries: Denmark, which has a maximum of 98.23% in the period we analyzed, Sweden with a maximum of 85.46%, Italy with a maximum of 74.40%. We also believe that more countries are worth mentioning, namely Finland, where the percentage of the local budgets for the health spending in total health expenditures is 63.85% (in 2000) and also Ireland where the maximum is 50.83 %.

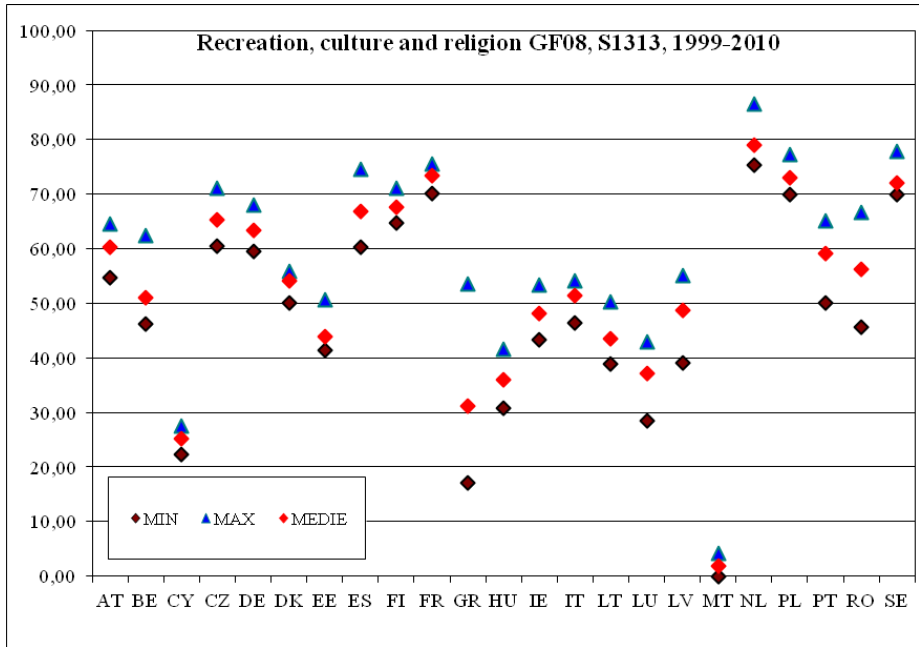
The communitarian policies that approach the environment and the health as an integrated system, taking into account the fact that the pollution in its various forms, affects the health. There are certain areas where the member states cannot act alone effectively and where the cooperative action at the Community level is indispensable. These include major threats to the health and the problems with cross-border or international impact, such as pandemics and bioterrorism, as well as on the free movement of goods, services and people. There is a policy to encourage the private contributions to the health and pensions private funds for the people with middle or high income.

The decentralization of the expenses with the recreation, culture and religion. The expenditures on recreation, culture and religion have an important share in the local budgets in most E.U. countries, than in the central budgets. Exception of those mentioned are the following countries: Malta, Cyprus, Greece, Luxembourg, and Estonia.

In Malta, the expenditures on recreation, culture and religion are more concentrated in the central budget; here we have the maximum recorder in E.U. 27.

A particular situation is found in Greece, where, between 1999 and 2001 the percentage of 40% increases to over 70% between 2002 and 2004, reaching a maximum of 82.85% in 2007.

Figure 7



It can be seen that the countries which are the most centralized in terms of expenditure on recreation, culture and religion are very attractive for tourists, therefore, probably, the state wanted to have control of these costs.

At the opposite side are countries like Germany and Belgium. Also in this category belongs the Netherlands which an increase from 13.54% in 1999 to 23.75% in 2003, and thereafter there is a decrease to 18.95% in 2010. The maximum in the most decentralized expenditures on recreation culture, religion 86.46% is registered in the Netherlands. Fairly significant increases take place in the period 1999-2007, is recorded in the Czech Republic (60.41%) in 1999 to 71.13% in 2010, and in Spain from 60.27% to 74.50% in 2009.

The decentralization of the expenses with the education. A conclusion on the degree of decentralization of the education system in the European countries can be drawn from the data analyzed in the 27 countries.

We observed a highly centralized system of the expenditures with the education in Cyprus and Malta, where the share of the education expenditures in total expenditure from the state budget is 100% throughout the period we

analyzed. The lowest share of the education expenditure in the central budget was recorded in countries like Germany, less than 3% between 1999 and 2001 and between 3% and 4.5%, between 2002 and 2009, Belgium under 15% for the entire period. We can say that Romania has a high degree of decentralization of the education system having in sight the share it holds on the education spending at the local level from the state budget's expenditures, namely over 50%. Other countries that have high shares of the local budgets for education spending in total state spending on education state's budgets by 50%, countries like: Germany, Estonia, Finland, Hungary and others. In contrast, as expected, the countries with the lowest share of education expenditure in total expenditure from the state budget, at the local budgets are Cyprus and Malta (0%) followed by Greece (under 3%) and Portugal (under 9%).

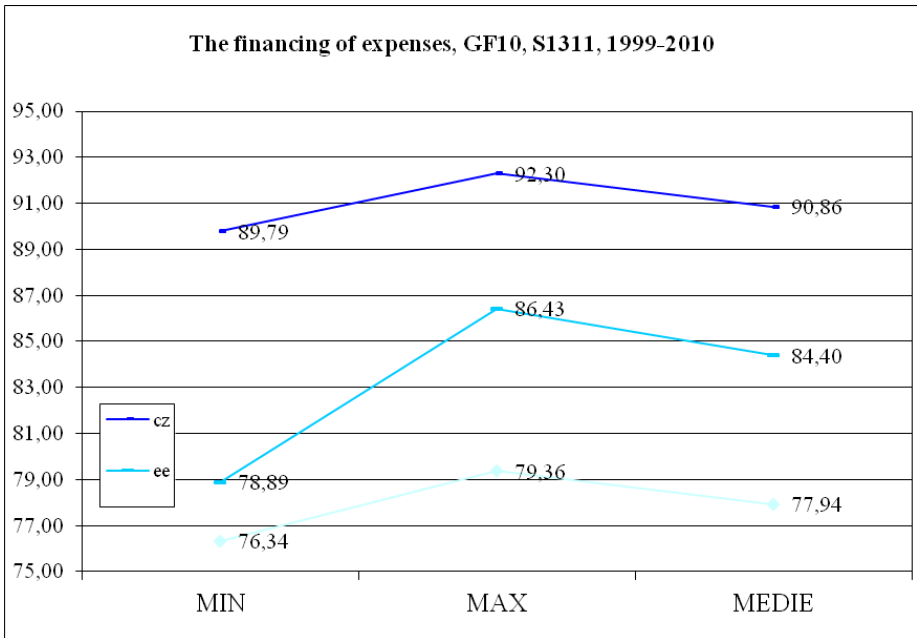
In what concerns the share of the expense with the education provisioned in the Social Fund, from the total expenses with the education, with the exception of 5 states, all the other states analyzed do not have provisioned amounts in the Social Fund. The exceptions are: Spain, Portugal, Finland and Romania.

The main difficulties in the process of decentralization in education can take the form of failure due to the resistance to the renewal, or due to the improper political interference in hiring and promoting the staff, or the allocation of funds. The education and training are crucial to the economic and social changes. The flexibility and security needed to achieve more and better jobs depends on ensuring that all the citizens acquire key competences and adapt their skills throughout their life. The knowledge triangle (education, research, innovation) plays a key role in boosting the growth and the employment.

The decentralization of the expenses for the social protection. The social protection is a way of public support for the needy, the main purpose being to ensure a minimum level of resources for them. From the analysis conducted in this area, it appears that in countries with extensive social welfare states, the social assistance has a less important role, as it happens in the Nordic countries, and where the welfare state is not so generous the welfare is more important. Therefore the Nordic welfare is administered locally, and in Ireland and England at the central level.

As it can be seen, the share with the expenses of the social protection in the central budget in total expenses has high values in Malta (100%), the Czech Republic with a maximum of 92.3% in the period we analyzed, Estonia with a maximum of 86.43% and the U.K. with a maximum of 79.36% in 2010. Out of those mentioned above, it results that these three countries are practically the most centralized countries in what concerns the expenditure on social protection.

Figure 8



The largest contribution to poverty reduction occurs in the Netherlands and England, where about 70% of the individuals are saved from poverty due to the social assistance they receive. Other cases are Finland and Sweden, where the relative poverty is reduced by 61%. So, we can say that the four countries: Finland, Sweden, Holland and England have effective schemes of social assistance to reduce the poverty. There is a downward trend in the share of the social protection expenditures in the local budgets. The highest level of decentralization of the social protection spending is recorded in

Denmark, Sweden and England. A significant decrease in the degree of decentralization is in Ireland from 15.06% in 2003 to 1.72% in 2009.

The degree of decentralization of European communities depends largely on the specifics of each state. Communities in the European Union in 2007 recorded an average population of 5,410 inhabitants in an area of 50 km². There are major differences between European communities due to both: historical factors, political and geographical. The European community average population ranges from 1,640 inhabitants in the Czech Republic, to 140,000 inhabitants in the U.K. And the area of the communities in the E.U. countries varies from 316 km² in Malta to 1,550 km².

In our opinion the last trends of decentralization and regionalization occurring in the European Union have led to the transfer of responsibilities to the local communities. The most successful reforms in this regard took place in Belgium, Spain, Italy, United Kingdom, France, Germany and Denmark. In Denmark, for example, the local communities are responsible for almost all the public services even those that in other countries are the responsibility of the central governments (regional development, infrastructure, roads, etc.).

We could observe that at the European Union's level, the largest expense of the local communities is oriented towards the education and the social protection. These two segments together represent approx. 42-43% out of the total expenditures incurred by the local communities. The local communities' spending on social protection are the most significant in the Nordic countries like Finland (approx. 19%), Sweden (cca.27), about 50-52% in Denmark, while in countries like Greece, Spain, Italy and Portugal it is between 1-4% out of the total expenditure of local communities. The expenditure on education of the local communities has the highest share in the budget of the E.U.12, with values ranging from 40% in Slovenia and 57% in Estonia. The reason why the education costs of the local communities in the Baltic countries (Estonia, Latvia, and Lithuania) are so high is because they (the local communities) are responsible for the remuneration of the teachers in the primary and the secondary level of education. High levels of spending on education in local communities are registered in countries like Britain, Luxembourg, Sweden, Finland, countries with a high degree of decentralization.

Another type of expenditures of the local authorities is the economic affairs. The total expenditures made by the local communities for the economic activity, registered until 2010 had an average of 12-13% of the

budget of these communities. These are mainly expenditures for transportation, communications, agriculture, fisheries, energy, industry, construction, etc. the highest values are found in the developing countries such as the Czech Republic 39.27%, Slovenia 18%, Romania 14%, Estonia, Slovakia, Poland 26%, 18%, 42%, but also in countries like Ireland 28%, Austria 26% (due to infrastructure and development funds obtained from the European Union).

The health expenditure represents a substantial category of budget in the local communities, especially in those countries where "regional or local governments" are responsible for the hospital management. The average in the E.U. countries, for the local communities is 10-12% out of the total spending, but there are countries where the local communities' spending for the health sector is above the European average, namely: Denmark 97.25% Italy 65.28%, Sweden 84.13%. In the new members that joined the E.U. the level of these expenses in the budget of the local communities is rather low (under 10%), with the exception of Hungary and Poland (21% and 29%), due to the fact that in these countries, the public health services are considered a responsibility of the central government.

The public spending on the housing comfort (water supply, sewerage, public lighting, etc.) is on average 6-7% out of the total expenses of the local communities in the European Union in 2010. However in developing countries these values are above average. Thus in countries like the Czech Republic, Slovakia, Slovenia, and Romania, the spending with the public lighting, water and sanitation, etc. has significant importance in the local community budget (Romania has an average of 68%).

The expenditure with the public order, leisure, culture and religion and environmental protection is about 7-8% out of the budgets of the local communities. In the countries where the local communities have greater powers regarding the public order, the expenditure on these activities is more prevalent in the local community budget. Such countries are: U.K. 50%, Spain, Belgium, and Netherlands. We can see that the degree of the fiscal decentralization of a country differs from one member state to another due to factors like: economic, social, historical and the typology of each community with an impact on the type of the needs that generate certain public expenditures.

The analysis of a data set should be as objective so as to give us a clearer and real image on the sector we analyze. In this chapter, we studied the

evolution and structure of the incomes and expenses (budgetary), and of the main trends of these components between 1999 and 2010.

The total budgetary revenues of the E.U. 27, reached a maximum of 5,570,635 million Euros in 2010, while the minimum value was 3,933,492 million Euros in 1999. The E.U. 27 average total income is 4,814,070 million Euros. The global average tax pressure exerted in the E.U.27 in the period we analyzed was 45.03%. The highest overall average tax pressures were recorded in the Nordic countries with values close to 50% and the lowest in Romania, Lithuania, and Latvia with values close to 30%. The countries with large general expenses are: Germany, Italy, United Kingdom, France, Spain and Netherlands, while the lowest costs occur in Cyprus, Lithuania, Latvia, Malta, and Estonia. The average total amount spent from the state budget in Romania in this period is 36,855.6 million Euros; while in the local budgets is 11,944.7 million Euros and in the Social Fund is 15,284.7 million Euros.

The funds collected from the taxpayers are ultimately used throughout their interest; with the mention that in the allocation of the resources to the beneficiaries, the amount with which every individual contributes, is not taken into account, or the source of the contribution. The large public spending means in the first time, a good social satisfaction, and in particular a good satisfaction of the needs related to the social protection, health and education. The money is mobilized from the budget, after which is directed to satisfy the different needs of the taxpayers, which appear in the position of the beneficiaries of the public services offered by the state. A high tax burden discourages the taxpayers to invest, save, produce, and work. One of the reasons why the tax burden of the new member states is lower than in the other E.U. countries is the lower tax rates on the personal income and the income tax of the companies, established in such a way so as to stimulate the economies of those countries.

3. Conclusions

The states that have a high level of centralization concerning **the public services expenditures**, are: Ireland, Malta and Cyprus (94.22%). It also worth noting that the decentralization of the spending on public services in Romania has an average of 20.19% over the period we analyzed. A very interesting aspect that is worth pointing out, is the fact that these expenses have important shares financed thru the Budget Social fund (S1314) in only a

few countries such as Spain, Portugal and Ireland (with percentages of up to 9.52% in 2002), while the rest of E.U. 27 members, had percentages very close to zero. This shows that there are only three countries, out of 27, in which the expenditures on the general public services have quite significant percentages in the Social Fund.

A particular feature for **the public expenditures with the defense** is that in most of the countries, they are rather concentrated at the Central State's budget.

The first conclusion what must be emphasized is that the Czech Republic, Greece and Malta's **expenditures on the public order and safety** are financed at the level of the state budget (S1311). The highest level of decentralization is achieved in England, Belgium, Netherlands Spain and Sweden.

In countries such as Cyprus and Malta, 100% of **the expenditures with the economic affairs are financed** from the Central Budget. These very high percentages show that the decisions on how to spend the resources on economic actions are taken at the central level in both countries. In Romania, during the period 2002-2008, these expenditures were financed more than 80% from the central budget and 2% from the Social Budget. One interesting case is Italy where the share of the central budget was 29.92% in 2000. One special case are countries such as Germany and Spain where these type of expenditures were financed 13-14% at level Social Budgets (S1314).

In the recent years, **the expenditures with the environment protection** in the most developed countries have significantly increased. In some countries (Romania, Malta Slovenia Lithuania and Latvia) more than 80% are financed by the central budget. The smallest shares for the State Budget are recorded in Germany, Ireland, Spain, Belgium, Cyprus and France.

The countries with a high level of centralization of **the expenses regarding the housing and community amenities** are: Malta, Cyprus, Austria, Denmark, Finland, Greece, Italy etc, with percentages above 50%. The most decentralized countries in the spending on housing and community comfort from the local budgets level are Latvia Hungary Estonia Spain and Italy

The health expenditures have been the subject of some reforms, being a very delicate subject when talking about decentralization. The countries with the highest level of centralization of the health expenditure are Cyprus, Malta and the U.K. At the opposite side are Denmark, France,

Netherlands, Austria, and Slovakia. Interesting cases are Germany, Greece, Luxembourg, and Netherlands, where over 90% of health expenditures are financed through the Social Funds.

The expenditures on recreation, culture and religion have an important share in the local budgets in most E.U. countries. Exceptions are the following countries: Malta, Cyprus, Greece, Luxembourg, and Estonia.

We observed a highly centralized system of the **expenditures with the education** in Cyprus and Malta (100%). The lowest share of the education expenditure in the central budget was recorded in countries like Germany and Belgium. In Romania (Estonia, Finland, Hungary and others) 50% are financed from the central budget and 50% from the local budgets.

The decentralization of the expenses for the social protection is very low in countries like Malta (100%), Czech Republic (92.3%), Estonia (86.43%) and the U.K. (79.36%). And other models are Finland, Sweden, Holland and England at least 60% of these expenditures are financed through the Social Assistance Budget.

In our opinion the last trends of decentralization and regionalization occurring in the European Union have led to the transfer of responsibilities to the local communities. The most successful reforms in this regard took place in Belgium, Spain, Italy, United Kingdom, France, Germany and Denmark.

We could observe that at the European Union's level, the largest expense of the local communities is oriented towards the education and the social protection.

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