INVESTIGATION OF PUBLIC SECTOR EFFICIENCY WITHIN SELECTED EUROPEAN REGIONS

INVESTIGAÇÃO SOBRE A EFICÁCIA DO SECTOR PÚBLICO NAS REGIÕES EUROPEIAS SELECCIONADAS

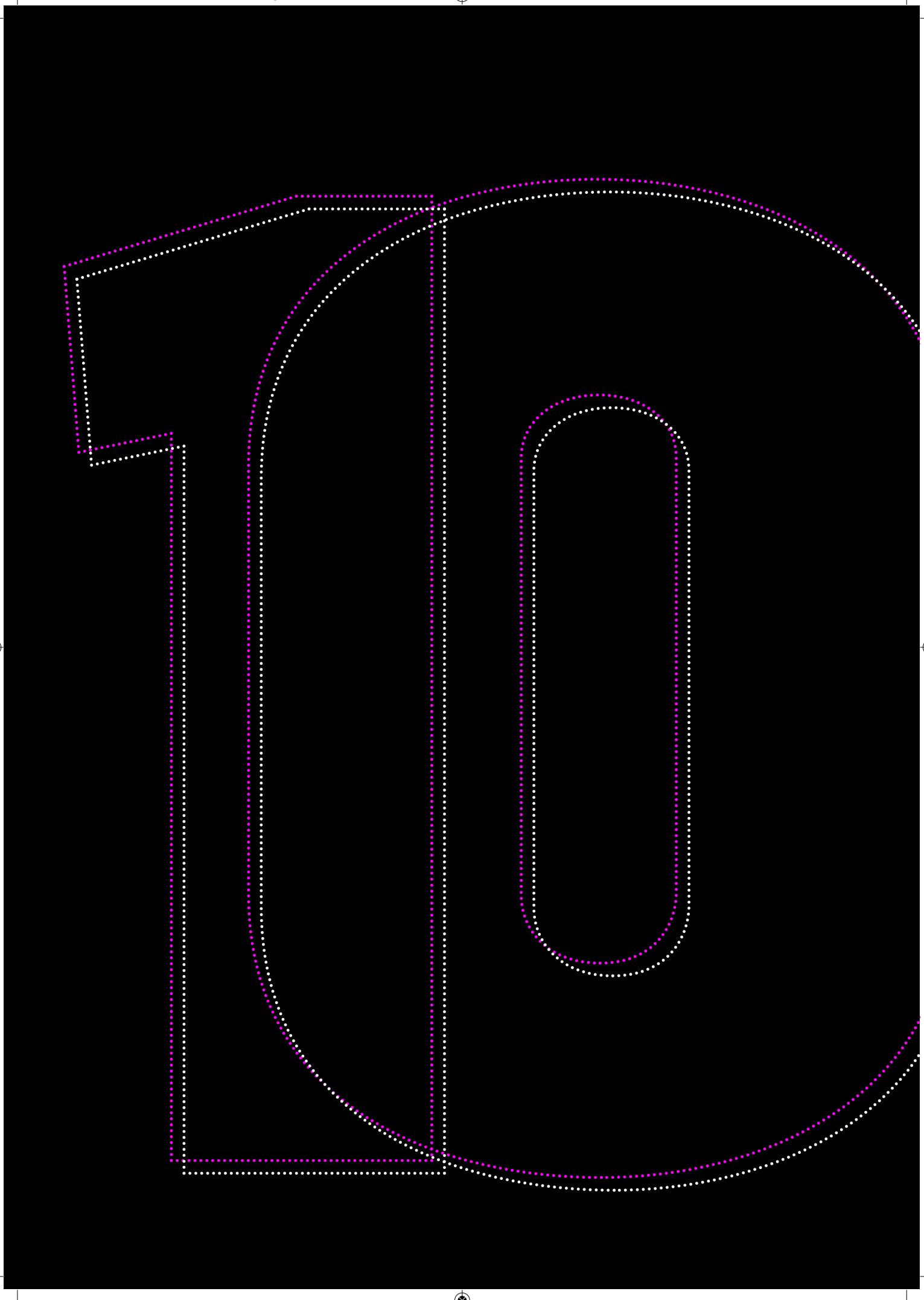
ABSTRACT It is evident that public sector is one of significant factors affecting an economic and social situation in particular countries (regions), and therefore the measuring of public sector efficiency has received a more attention in recent years. The current situation of the world economy requires a proper and efficient use of public resources. The measuring of public sector efficiency is difficult and an understanding current level of public sector efficiency is a prerequisite to understanding what saving might be possible in the future. There are several approaches that can be used to identify both efficient and inefficient activities in the public sector. The article is focused on investigating the public sector efficiency within selected European regions on the base of data from international databases (World Bank, Eurostat, WEO database) in the years of 1994-2009. From the methodological point of view, there are used several approaches for measuring a public sector efficiency of European regions including simple methods (public sector performance (PSP) and public sector efficiency (PSE)) and mathematical method such as Data Envelopment Analysis (DEA). The article outlines the existence of significant differences in the level of public sector efficiency within the selected European regions in time period.

RESUMO É evidente que o sector public é um dos factores mais significativos que afectam a situação económica e social nos países (regiões), e por isso a medição da eficácia do sector público recebeu maior atenção nos últimos anos. A situação actual da economia mundial requer uma utilização eficiente dos recursos públicos. A medição da eficiência do sector público é difícil e a compreensão de um determinado nível da eficiência do sector público é um pré-requisito para entender que economia é possível realizar no futuro.

KEYWORDS
Public Sector Performance, Public Sector Efficiency, DEA Analysis, European Regions

PALAVRAS-CHAVE
Desempenho do Sector Público, Eficiência do Sector Público, Análise DEA, Regiões Europeias

ING. ZLATA VAĽOVSKÁ PhD, Faculty of Public Administration, Pavol Jozef Šafárik University in Košice. Slovak Republic



1. INTRODUCTION

Public administration includes all activities related to ensuring public task and achieving a public welfare. The effort of public administration is to provide public services in required range and quality that would reflect society needs. Therefore, the efficient performance of public administration and its objective quantification is eligible not only for public administration itself, but also for citizens of countries which are affected in their daily life. In order to satisfy the needs of population is necessary to create an environment for realization of their obligations and rights and they should not feel an unsafe, administrative and financial burdensome environment. Public goods and services are financing from tax revenues and therefore their effective use claims a special attention. The performance and efficiency measurement of public administration have increased in importance recently and become the integral part of government and decision-making systems. The support and creation of effective operating system determine not only fears of expenditure cuts but also a possible privatization due to the insolvency of the public sector in the future. Improving the standard of living, as well as the society development asks for a greater request of public sector and insists on its continued growth. In relation to the quantification of the public administration performance, it is necessary to distinguish the performance concept and the specific conditions of countries or sectors that are determinants of reforms success. The implementation of reforms should be made gradually and in the line with the specific conditions of individual countries. Public sector resources are created from income taxes and fees so attention should be paid to the resources allocation which could limit an economic growth from the long-term point of view. Following increasing globalization and demographic trends countries pay more attention to the performance and efficiency of public spending as well as defining key factors that affect them.

The paper is focused on measuring and comparative analysis of public sector performance and efficiency across European countries as well as efficient use of public funds to achieving medium and long-term goals of sustainable development in national economies. Within the scope of analysis is an overview of methodological approaches to measure public sector performance and efficiency from simple ((public sector performance (PSP) and public sector efficiency (PSE)) to complex methodological instruments (DEA model application).

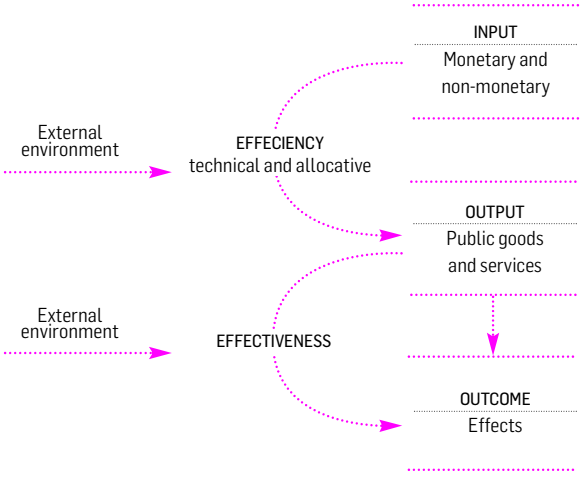
2. PUBLIC SECTOR PERFORMANCE AND EFFICIENCY

The assessment of efficiency of any process generally requires measuring and mutual comparing inputs (cost estimate) and outputs (production estimate). It is evident that estimating and monitoring all necessary variables is less difficult in a private sector (business level). There can be monitored not only the quantity but also prices of inputs (costs) and outputs (revenues). The definition of input and output variables as well as their quantification in public administration is more difficult. The public and private sector make efforts to provide services in a necessary quantity and quality. Measuring input and output variables in the private sector depends on market prices

as the result of supply and demand on competitive markets. However, the public sector provides non-commercial goods and services and its activities reflect the main objective of ensuring public welfare. Considering the above mentioned, it could be concluded that public expenditure is effective in case of a higher benefit compared with spending resources. The expenditure efficiency is given by the relation of public benefit and expenses in specific areas (administration, education, health, income distribution, infrastructure and economic stability and performance). In terms of international country comparisons, a country can be considered more effective if its public sector benefits exceed the public costs in specific areas.

Many authors have been devoted to the issue of state's role and public sector size for ensuring public welfare since Adam Smith. However, measuring the performance of public sector providing public services is a specific problem and empirical literature and relevant international data are still limited. The scientific analysis of the quality of public services can be found only in several mainly foreign case studies. Therefore, main objective is to evaluate and compare the efficiency of public expenditure expended on public goods and services in the European Union. Estimation of public sector efficiency allowing to identify inefficiencies in public spending in particular areas such as administration, education, health, public infrastructure, income distribution and economic stability and performance. Mentioned public sector areas have a direct impact on the prosperity and from the long term point of view they are important for sustainable economic growth across EU countries. The European Union is not homogeneous in terms of economic level and the international comparison of public sector efficiency from various aspects is tangible. It is important not only for estimating the efficiency frontier of inputs (costs) in the various fields of government but also for the identification of sources inefficiency. The investigation of the relationship between effectiveness and efficiency in public spending is based on the relationship of input, output and outcome (Mandl, Dierx, Izkovitz, 2008).

FIG. 1. LINKAGE BETWEEN EFFICIENCY AND EFFECTIVENESS



Source: [Author's illustration]

Fig. 1 shows the linkage between inputs, outputs and the outcome as main components of efficiency and effectiveness of the transformation process of financial and non-financial inputs to public sector outcomes. However, it is necessary to distinguish between technical and allocative efficiency. Technical efficiency involves the relationship between inputs and outputs in the public sector linked with an ability to achieve a maximum input from a given quantity of inputs incurred in the transformation process. The economic aspect suggests that technical efficiency in itself does not reflect the price level of inputs (i.e. cost/benefit ratio). Allocative efficiency is the ability of public sectors to combine inputs in optimal proportions taking input prices. A theoretical basis for economic efficiency says that overall efficiency is the product of technical and allocative efficiency. Hence, the theory of efficiency says about cost efficiency and revenue efficiency. As mentioned previously, it is needed to explain the difference between outputs and outcomes (benefits) of the transformation process. Although it is difficult to measure the benefit of government expenditure, it could be clarified as an example in a health or education field. For example, the output of

health expenditures can be measured by the number of patient's operations (or the number of hospital days) and health outcomes can be measured by the number of patients able to return to a productive life. On the other hand, output in the education field can be expressed as a degree of population's literacy and the outcome is given by an education level in a population. The overall public benefit is usually determined by many exogenous factors (external environment). It is evident that the outcomes evaluation of non-market sectors is more difficult.

3. METHODS FOR MEASURING PUBLIC SECTOR PERFORMANCE AND EFFICIENCY

PUBLIC SECTOR PERFORMANCE

In recent years, it has been possible to find several different attempts to measure the performance and efficiency of public spending through various indicators. From an economist's point of view, empirical studies could be divided into two basic groups: the first group devoted to total public expenditure efficiency and the second one studies aimed at the efficiency measurement of selected public expenditure in individual areas (health, education, administration, public infrastructure, etc.). It is important to establish a point of view in the investigation of public sector activity in the line with the objectives pursued. The public sector is unique with different natures of outputs, e.g. some outcomes are final consumption goods and others may enter into private sector production.

In order to improve the efficiency of public sector, many EU countries seek to adopt and implement reforms for simplifying and a more effective organizational structure of public administration and for optimizing information flows, human resources management or increasing use of modern IT technology and others.

Afonso et al. (2005) identified main categories of public sector: administration, education, health, public infrastructure, distribution (balancing income disparities) and economic stability and performance. Each of mentioned variables is created by sub-indicators expressing defined area in the public sector. According to Profiroiu (2007), the performance of public administration is the result of simultaneous activity of efficiency, effectiveness and a given budget. However, there are several problems not only with the general definition of public sector performance, but also with the process of its achieving and a final evaluating. The economic performance can be generally measured and evaluated based on a quantifying resources, costs (monetary expressing), efficiency (a maximum output achieving minimum inputs), effectiveness (ratio of achieved results to expected level), services quality (satisfaction level of population) and finally measuring the financial performance (Profiroiu, 2007).[1]

Measuring the public sector performance is depended on indicators performance dividing into two groups: the first

[1] Afonso et al. (2003) defines the public sector performance as overall the outcome of public policy depending on the value of certain economic and social indicators (I). Assumed i-number of examined countries in j-areas of public sector then the overall efficiency of the public sector of i-country is defined following: $PSP_i = \sum_{j=1}^{n} PSP_{ij}$

are the opportunities (opportunity indicators) and the second group are traditional or Musgravian indicators. Input variables including mentioned groups indicators are following public sector performance sub-indicators:

- Administration (corruption, red tape, the quality of justice, shadow economy)
- Education (quality of mathematics and science, quality of basic education)
- Health (life expectancy, infant mortality)
- Distribution (balancing income inequality)
- Public infrastructure (quality of communications and transport infrastructure)
- Stability (average inflation, stability of GDP growth (the coefficient of variation)
- Economic performance (average GDP growth rate, GDP per capita, PPP (constant 2005 international $), unemployment)

The composite performance indicator of public administration is the weighted average of all sub-indicators measuring the effectiveness of individual public sector spheres. As the composite performance indicator of public sector does not reflect the level of public expenditure, the public sector efficiency taking into account a public expenditure is formulated in the next section.[2]

From results are evident differences in the performance of public sectors across the European Union. Tab. 1 presents basic statistics of sub-indices of public sector performance (PSP) of European countries as well as the composite indicator of public sector efficiency (PSE). The highest public sector performance is typical of Luxembourg, Sweden and Austria (PSP=1.14 to 1.17) with the different level of public sector efficiency. The values of their sub-indices of the composite indicator of public sector performance are similar during the time period excluding an administration and economic performance. The highest level of administration within the EU countries has Sweden (PSP_a=1.32). Among the most performing countries, the highest economic performance is visible in Luxembourg (PSP_{ep}=2.03) with a lower education level (PSP_e=0.98). A comparable level is obvious within Austrian and Swedish education, health, public infrastructure, distribution and stability. The other Benelux countries with high levels of public sector performance include Belgium (PSP=1.06) and the Netherlands (PSP=1.13). The highest economic stability (PSP_s=1.20) and public infrastructure (1.14) within the Benelux countries is typical of the Netherlands. On the other hand, a low administration level (PSP_a=0.97) and economic performance (PSP_{ep}=1.07) is conspicuous in Belgium. It is clear that Luxembourg achieved visible positive results, especially in the economic field during the period of 1994 to 2009. Luxembourg is characterized by the lowest levels of unemployment not only in the Benelux countries, but also across the European Union (an average unemployment rate is 3.5 %). The level of gross domestic product in Luxembourg is on the top of EU ranking (GPD=68 853 per capita, PPP (constant 2005 international $).

In terms of economic performance are obvious positive results for the Netherlands reaching GDP=36 358 USD and an average GDP growth rate 2.31 %. The investigation of economic level across EU countries could be found in (Sojková, Kropková, 2007). A low unemployment rate is characteristic of Austria, the Netherlands (4.2 %) and Cyprus (4.5 %) among European countries. It should be pointed out that Sweden and Denmark in consequence of a high public sector performance are in ranking at the forefront and due to lower efficiencies of the public sector located in the inferior range of x-axis values in the chart (see Fig. 2). Austria and Cyprus are located consistent with public sector performance and efficiency in the superior range of values.

[2] The composite public sector indicator for measuring the effectiveness of the public sector in EU countries is given by the following formula: $PSE = \frac{PSP}{PEE} = \sum_{i=1}^{n} \frac{PSP_i}{PEE_i}$

TAB. 1. PUBLIC SECTOR PERFORMANCE (PSP) INDICATORS AND PUBLIC SECTOR EFFICIENCY (PSE)

	OPPORTUNITY INDICATORS			MUSGRAVIAN INDICATORS*				OVERALL PSP	OVERALL PSE
	ADMINISTRATIVE	EDUCATION	HEALTH	PUBLIC INFRASTRUCTURE	DISTRIBUTION	STABILITY	ECONOMIC PERFORMANCE		
Max	1.32 (SWE)	1.26 (FIN)	1.02 (LUX,SWE)	1.27 (FRA)	1.10 (SVN)	1.49 (PL)	2.03 (LUX)	1.17 (LUX	1.31 (CYP))
Min	0.83 (SVK)	0.82 (BG)	0.96 (LAT,LIT)	0.46 (RO)	0.89 (LAT)	0.33 (RO)	0.64 (BG)	0.75 (RO)	0.81 (ITA)
Median	0.96	0.99	1.01	1.02	1.01	1.01	0.93	1.00	0.96
EU15	1.05	1.03	1.01	1.11	1.00	1.10	1.07	1.05	1.03
EU12	0.93	0.97	0.98	0.87	1.00	0.88	0.91	0.93	0.97
V4 region	0.87	0.95	0.98	0.85	1.04	1.15	0.90	0.96	0.95

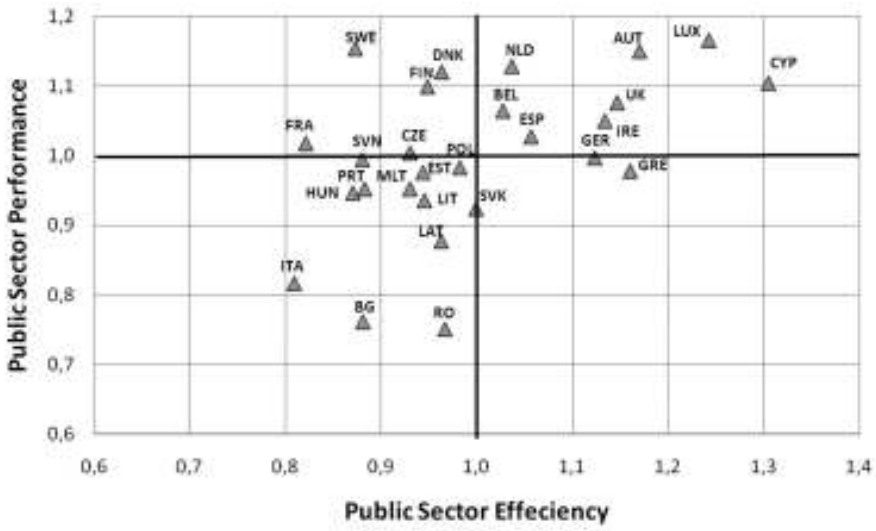
*modification

Source: [World Bank, Eurostat, WEO database, Author's calculations]

Public sectors of these countries are not only performer but also effective as confirmed by their high values of variables (Cyprus PSE=1.31 and Austria PSE=1.17). Sweden, Denmark, Finland and France are characterized by similar levels of public sector performance. Significant differences are evident within individual public sector area. Sweden and Finland have the highest quality of public administration management (low corruption, red tape or high quality of justice) as confirmed by a public administration value (PSP_{pa}=1.32 and 1.16) among countries group. Following the report of World Economic Forum, the quality of justice is higher than EU average in these countries. In the last years, the Finnish level of gross domestic product has reached 30 784 USD per capita in PPP (Sweden GDP=32 314 USD per capita in PPP) and an average GDP growth during time period of 1994 to 2009 was almost 0.3 % higher than in Sweden (2.66 %). The level of education and distribution is comparable in Sweden and Cyprus. As Cyprus has significant differences in population income (Gini coefficient=0.28), the highest income inequality in EU countries is characteristic of Portugal (Gini coefficient=0.39).

It is evident that New Member States (NMS, EU10) obtain lower levels of public sector performance and efficiency as their location in the chart confirms. Excluding Cyprus, all EU member countries are located in the inferior range of values in a chart. A less public sector performance includes Latvia and the Slovak Republic within new EU member countries.

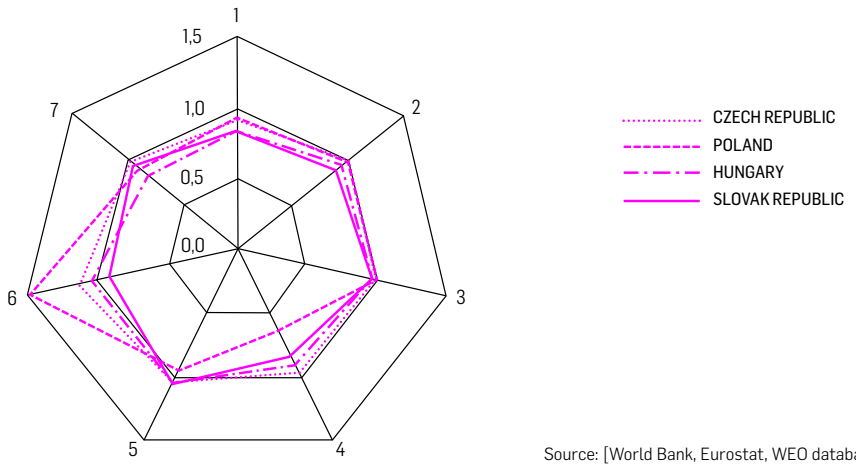
FIG. 2. PUBLIC SECTOR PERFORMANCE AND EFFICIENCY ACROSS EU REGIONS



Source: [World Bank, Eurostat, WEO database, Author's calculations]

The highest public sector performance in EU10 includes Estonia (administration, public infrastructure) and Cyprus (education, health, economic stability and performance). The economic performance higher than EU27 average is typical of Estonia and Slovenia. On the other hand, the Czech Republic reaches a lower public sector values than the EU average beyond the public distribution and economic stability. The countries group with a significantly low public sector performance and efficiency includes also new associated countries as Bulgaria and Romania (PSE=0.88 to 0.96 and PSP=0.75). The significant weaknesses are especially noticeable in a country's economic stability and infrastructure (PSPi=0.46 to 0.59 and from PSP_s=0.33 to 0.45). An average unemployment rate in Bulgaria was 12.9 % in a time period of 1994-2009 (e.g. Romania 6.88 %). A specific position in V4 region is evident just in Czech Republic achieving the highest public sector performance, but together with Hungary the lowest public sector efficiency (PSP=0.93, PSE=0.87). Visible negatives are especially in the Slovak Republic as a low administration (PSP_a= 0.83), education (PSP_e=0.88) and economic stability (PSP_s=0.92). A better education level (PSP_e=0.95) is typical of Hungary, but its economic performance is significantly low (PSP_e=0.81). Government consumption expenditures are markedly high in Hungary (22.2 % of GDP). Poland as a northern neighbour Slovakia is characterized by a lower quality of public infrastructure (PSPP=0.65). The first position in EU ranking of education evaluation within the V4 region includes the Czech Republic (PSP_e=1.00, PSP_h=0.99). Its achieved position regarding a higher life expectancy (77.2 years) and low infant mortality (infant mortality (0-12 months aged children) 3 per 1.000 live births) followed by Hungary (5), Poland (5) and the Slovak Republic (6)). Fig. 3 presents significant differences within V4 region in various areas of public sector. In the years of 1994-2009 was invested in health 6.5 % of GDP and education area 4.6 % of GDP in the Czech Republic. In 2009, the most economic performance was obvious in Czech Republic (22 097 USD per capita in PPS) and an average GDP growth rate in the period of 1994-2009 was 2.7 %.

FIG. 3. SUB-INDICATORS OF PUBLIC SECTOR PERFORMANCE ACROSS V4 REGION



Source: [World Bank, Eurostat, WEO database, author's calculations]

The highest GDP growth rate in the V4 region is typical of Slovak Republic (4.6 %), but its economic performance measuring gross domestic product is significant low in a given year (19 202 USD per capita in PPS). In the health sector was invested 5.7 % of GDP, while an average education level was supported by 3.8 % of GDP. It should be remarked that the Slovak Republic and Poland achieve the most negative results in government expenditure.

ANOTHER APPROACH TO MEASURE THE PUBLIC SECTOR EFFICIENCY (NONPARAMETRIC METHODS)

Drucker (2001) argues that the efficiency and effectiveness is a close linkage and believes that efficiency cannot exist without effectiveness. It is important to do things well (final outcome) and effectiveness is a necessary efficiency condition for its achieving. From a methodological point of view, it is possible to use two different nonparametric measures of public sector efficiency. The first method is Data Envelopment Analysis (DEA) using linear programming tools. A theoretical fundament associated with Farrell (1957) following Debreu (1951) and Koopmans (1951). DEA model results are calculated a technical efficiency indicating the public sector location of country on the production frontier (public sector efficiency) or below frontier (public sector inefficiency).[3]

[3] Charnes, Cooper , Rodes (1978) outlined DEA model with a constant return to scale (CCR model). An input oriented CCR model is following:

$$\min_{\theta,\lambda} \theta$$
$$-y_i + Y\lambda \geq 0$$
$$\theta x_i - X\lambda \geq 0$$
$$\lambda \geq 0$$

where θ is a scalar and λ is Nx1 constants vector. CCR DEA model was extended by Banker, Charnes, Cooper (1984) with variable return to scale (BCC DEA model) allow for a convexity condition. $\lambda \geq 0$ ensures that units were compared with units of similar scale. An input oriented CCR model is following:

$$\min_{\theta,\lambda} \theta$$
$$-y_i + Y\lambda \geq 0$$
$$\theta x_i - X\lambda \geq 0$$
$$1^T\lambda = 1$$

The second method is Free Disposability Hull (FDH) as a modified DEA model comparing a decision making unit with real effective units (non-virtual units) (Deprins, Simar, Tulkens, 1984). Due to a limited paper range, there is used a simple view and a targets formulation allow a possible DEA methodology application. DEA approach is not burdened by requirements of input data like different econometric methods (e.g. Stochastic Frontier Analysis). Stochastic Frontier Analysis (SFA) as a statistical parametric method assumes a specific functional relationship between inputs and outputs. An external effect implementation can take into account as external shocks (i.e. no-discretionary factors) (Mandl, Dierx, Ilzkovitz, 2008).

Tab. 2 presents the most and least efficient public sectors in European Union. It is evident that the least efficient new EU member states include the Slovak Republic, Latvia, Romania and Bulgaria confirmed PSP and PSE indicators.

TAB.2. PUBLIC SECTOR PERFORMANCE AND PUBLIC SECTOR EFFICIENCY – DEA RESULTS

		DEA ANALYSIS			
	PUBLIC SECTOR PERFORMANCE (PSP)	OUTPUT ORIENTED DEA	INPUT ORIENTED DEA	CRS TE[a)]	PUBLIC SECTOR PERFORMANCE (PSP)
	COUNTRY	SCORE	VRS TE[a)]	VRS TE	SCORE
THE MOST PERFORMANCE					
Cyprus	1.104	1.000	1.000	1.000	1.305
Luxembourg	1.165	1.000	1.000	0.880	1.243
Sweden	1.153	0.990	0.592	0.533	0.873
Austria	1.149	0.986	0.672	0.610	1.170
Netherlands	1.128	0.968	0.633	0.600	1.037
THE LEAST PERFORMANCE					
Slovak Republic	0.924	0.570	0.681	0.570	0.999
Latvia	0.877	0.681	0.858	0.681	0.963
Italy	0.817	0.467	0.630	0.467	0.810
Romania	0.751	0.660	0.971	0.660	0.967
Bulgaria	0.762	0.503	0.729	0.503	0.881
Max	1.165 (LUX)	1.000 (LUX,CYP)	1.000 (LUX,CYP)	1.000 (CYP)	1.305 (CYP)
Min	0.751 (RO)	0.654 (BG)	0.539 (FIN)	0.467 (ITA)	0.810 (ITA)
Median	0.997	0.856	0.694	0.611	0.964
EU15	1.053	0.903	0.688	0.629	1.027
Average	*	0.863	0.729	0.642	*
EU12	0.934	0.812	0.780	0.659	0.967
V4	0.964	0.828	0.644	0.563	0.946

[a,b)]VRS TE variable return to scale, CRS TE constant return to scale

Source: [World Bank, Eurostat, WEO database, Author's calculations]

The Public Sector Performance (PSP) as an output rate indicator and the share of government expenditure to GDP as an input measure using the DEA approach points out that Sweden could reduce about 41 % resources to achieving a given output. The average EU input efficiency is 0.729 and it means that EU countries could achieve the same output with 27 % less inputs than have been used. Output efficiency is 0.863 and denotes that the EU countries produce with the same inputs in average about 14 % lower output than would be produced if they would be effective. From the Tab. 2 is visible the most efficient public sectors as Cyprus and Luxembourg which are located on efficiency frontier.

The other most efficient European countries include Sweden, Austria and the Netherlands as confirmed by their location in Fig. 2 mentioned above. The least input efficiency within V4 region is typical of Hungary, which inefficiently uses about 41 % of public resources.

The least output efficiency is in the Slovak Republic producing about 21 % less than it would be effective. The Czech Republic has the highest output efficiency within V4 public sectors (output score=0.862) in the time period. Following Hungary it could be used to achieve the same output by 40 % less inputs. According to output score Poland has a sixteenth position in the ranking of public sector efficiency (output score=0.844 output) and a fourteenth position in the input ranking (input score=0.694).

The least efficient public sector is obvious in Finland (input score=0.539) as a one EU country at the bottom. It could be remarked that Romania and Bulgaria are weakest EU countries in terms of output and composite PSP indicator (output score=0.654 in Bulgaria).

4. CONCLUSION

Paper's objective was to investigate the efficiency and effectiveness of public sector across EU countries. It is evident that significant differences in the level of public sector within the EU countries were detected. Following results both methods provide quite similar findings as confirmed by scores of public sector performance and efficiency in the EU countries. Significant differences are also visible in seven major categories of public sectors: administration, education, health, public infrastructure, distribution (balancing income disparities), economic stability and performance. The most efficient public sectors across EU region include Cyprus and Luxembourg achieving the highest output score (output score=1.000). Sweden (score=0.990), Austria (score=0.986) and the Netherlands (score=0.968) belong also to a strong countries group. These EU countries reach also high values of the composite PSP indicator. Based on data from World Bank, Eurostat, WEO database in the time period of 1994-2009 among the strongest countries in terms of partial indicators include Sweden (administration, health care), Finland (education), Luxembourg (health, economic performance), France (public infrastructure) Slovenia (distribution) and Poland (economic stability). Negative results are typical of new EU member countries. This countries group with low levels of public sector performance in various areas includes: Slovak Republic (administration), Bulgaria (education, economic performance), Latvia (health care, distribution), Lithuania (health care) and Romania (public infrastructure and economic stability). The most performing public sector is conspicuous in Luxembourg and the least performing one is in Romania. Specific position in a public sector evaluation is characteristic of Cyprus achieving high levels of both

PSE and also DEA score. However, impacts of the global economy require a specific approach to solving costs and public sector performance. The effectiveness of public sector is associated with socio-economic changes and it is needed to find a measurable impact of the public sector performance on society. Increasing efficiency asks for improving the qualitative level of the public sector through a higher quality of infrastructure, improving administrative efficiency (quality of justice, reduce bureaucracy, reduce shadow economy and corruption) and also the quality of education. Attention should be paid to the specific areas of public sector as distribution linked by the unequal distribution of income and reducing income disparities across countries. It should be remarked that public sector performance is also closely related to the performance of health systems. However, the main goal was to explore a current situation in public sector performance and efficiency in the EU countries and the results could be useful to find necessary measures leading to increased efficiency of public administration. Considering the existence of deficits, bureaucracy and shadow economy, it is necessary to review a redistributive system depending on the specific needs of individual EU countries. Only the optimal structure and high quality of public sector management lead to achieving a higher performance affecting a private sector and also whole society. Such mentioned approach could be helped to reach positive results for individuals, private sectors and overall economy not only from the medium-term, but also in long-term views.

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