

LOCAL SUSTAINABILITY FROM THE PUBLIC FINANCES' PERSPECTIVE. MEASURING THE EFFECTS AT REGIONAL LEVEL

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Abstract

The present approach proposes an empirical analysis of the local budgets' dynamics in regional profile from the perspective of the financial sustainability at local level, and through subsidies from the state budget and in view of financing the development projects, able to supply public services and goods and the identification of the dependence correlations or relative autonomy, in ratio to the central administration.

Keywords: sustainability, rural development, local budgets.

JEL classification: H71, H72, R12

Introduction

The approach to the issue of a local economy's sustainability from the perspective of budget resources' allocation at local level has lead, along time, to many debates, both from the perspective of amounts allocated and, especially of their utilization. It is obvious the fact that through the efficient allocation of the financial resources, be they from the local budgets, or coming from the state budget, local communities are benefitting from a significant input from the point of view of the incidence upon the development and competitiveness level of the activities enterprised.

From this perspective, the present approach proposes itself to make a comparative analysis, with direct impact upon the local sustainability, of local resources and budget expenses at local level.

Methodology and Information Support

From the information support perspective the present approach is based on the public information available through the *Tempo-Online data base*. In ratio to the utilized methodology there is imposed a series of clarifications which start, first, from the modality of defining the notion of „local”, „regional”, in conformity with the community approaches.

On the way of whole approach, the analysis of local sustainability from public finances' perspective was realized at the level of three types of regions, as they were defined by OECD, respectively:

- Regions predominantly urban, in which 20% of the inhabitants live in these areals;
- Intermediary regions, grouping between 20%-50% of the population;
- Regions predominantly rural, in which 50% of the inhabitants live.

In the above context, we have to mention the fact that the structure of the three types of regions are regrouping the following counties:

- a) Regions predominantly urban – Bucharest and Ilfov;
- b) Intermediary regions– Argeş, Bacău, Bihor, Braşov, Brăila, Cluj, Constanţa, Dolj, Galaţi, Hunedoara, Iaşi, Neamţ, Prahova, Sibiu, Timiş;
- c) Regions predominantly rural – Alba, Arad, Bistriţ-Năsăud, Botoşani, Buzău, Călăraşi, Caraş-Severin, Covasna, Dâmboviţa, Giurgiu, Gorj, Harghita, Ialomiţa, Maramureş, Mehedinţi, Mureş, Olt, Satu-Mare, Sălaj, Suceava, Teleorman, Tulcea, Vâlcea, Vaslui Vrancea.

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At the same time, it is imposed the statement that the time interval afferent to the present approach is covering the period: 1990-2015, the data being transformed into prices comparable to the year 2015 through the utilization of the consumption prices' index (1990=1).

Results Obtained

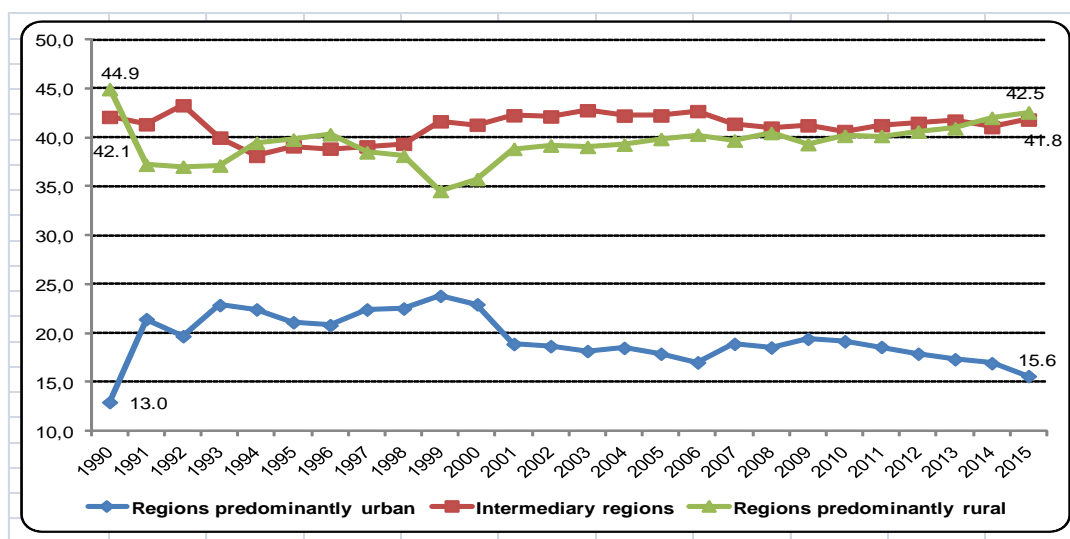
Starting from the above methodological considerations, the period : 1990-2015 is characterized by constant prices 2015, through an increase of the incomes afferent to local budgets, with an average annual rate, per total of 4.6%, with an oscillation range of this indicator varying between 4.4% (regions predominantly rural) and 5.4% (regions predominantly urban). Practically, the value of the local budgets' incomes per ensemble of national economy increased in 26 years from 20 billion.lei (1990) to 61.5 billion lei (2015).

On the same increasing trend there are also situated the local budgets afferent to the three types of regions, the most significant increase being that of the regions predominantly urban where the level of incomes of local budgets has registered, in comparable prices, almost a tripling towards the year 1990.

The change of the ownership structure and the specific weight allocated to each region has lead to the doubling of the incomes of local budgets and in the regions predominantly rural. Acknowledging the importance of agriculture and rural space in the national economy ensemble, and also by correlation with the doctrines and community currents, the incomes of local budgets from the predominantly rural regions increased from 9 billion lei (1990) to 26.2 billion lei (2015).

As share in total incomes of local budgets, those afferent to the predominantly rural regions, although they diminished the percentage owned from 44.9% (1990) to 42.5% (2015), they are continuing to be on first position in comparison to those afferent to regions- predominantly urban and those intermediary (Figure 1).

Figure 1 – Share of budget incomes by types of regions in total economy, in the period 1990-2015



Source: Own calculations on basis of Tempo-Online data base, 1990-2017.

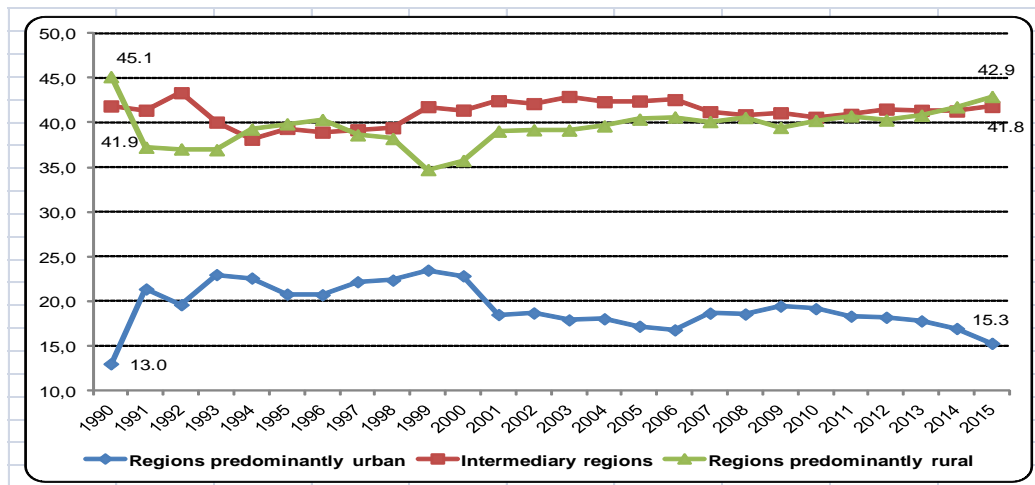
Respecting the incomes' trend, the expenses of local budgets registered in the period 1990-2015 a visible tendency of increasing, resulted, on one hand, from the real need of adjusting to the globalization tendencies, and on the other hand, from the allocation and utilization, in some cases, in an un-proper way of the funds allocated, in comparison to the local communities' needs.

Along 26 years, the expenses of local budgets, per total economy increased from 20 billion lei (1990) to 59 billion lei (2015), tendency, anyhow, visible also at the level of the three types of regions analysed.

Comparatively to the regions predominantly urban, where the level of budget expenses increased from 2.6 billion lei (1990) to 9 billion lei (2015), in the regions predominantly rural the level of these expenses exceeded of over three times the one allocated to the urban environment. Although, per ensemble of period 1990-2015, the expenses of local budgets afferent to regions-predominantly

rural increased by a percentage inferior to those in the urban environment, as share in total, these are continuing to own, at level of the year 2015, around 43 percentages, in slight diminution by 2 percentage points opposed to the year 1990 (Figure 2).

Figure 2 – Share of budget expenses by types of regions in total economy, in the period 1990-2015



Source: Own calculations on basis of Tempo-Online data base, 1990-2017.

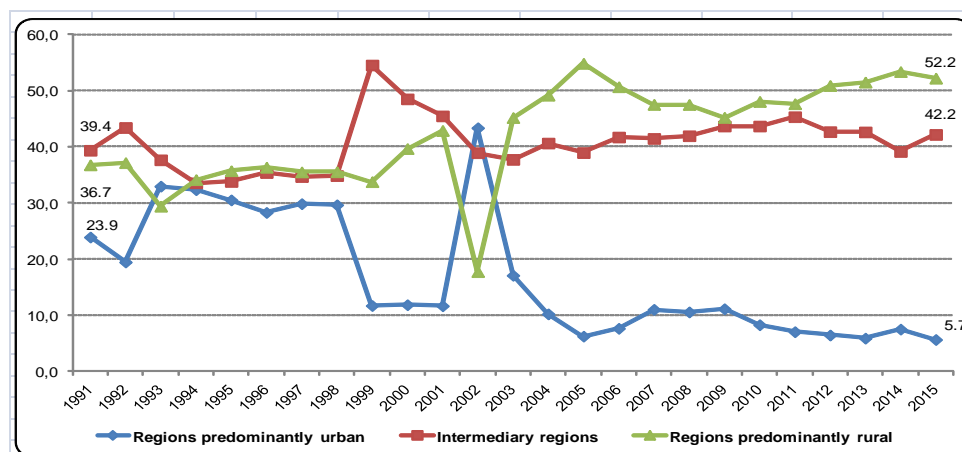
Without minimizing the efforts made by the local communities, we must precise that during the process of regional economic development, a direct influence factor was represented by the subsidies granted from the state budget.

From this perspective, the period 1991-2015, for which there are available the public statistic data, is characterized by a tendency of increasing the subsidies' level by percentages varying between 38.1% (intermediary regions) and 83% (regions-predominantly rural). Exception from the rule was represented by the predominantly urban regions, where due to the local specificities and the capacity to attract financing sources dedicated to the development of the respective communities, the level of the subsidies received from the state budget was diminished by 69.5% in year 2015 comparatively to 1990.

This divergent trend in the process of sustainable development between the three types of regions, explainable, among others, through a reduced local institutional capacity has lead, per ensemble of national economy to an increase of the subsidies allocated from the state budget by 28.9% (from 6.1 billion lei in 1990 to 7.9 billion lei in year 2015).

As share in total economy, the level of subsidies from the state budget allocated to the predominantly urban regions has registered a diminution by 18.2 percentages, while the regions-predominantly rural increased their contribution from 36.7% (1991) to 52.2% (2015) (Figure 3).

Figure 3 – Share of subsidies from the state budget by types of regions in total economy in period 1991-2015 (%)

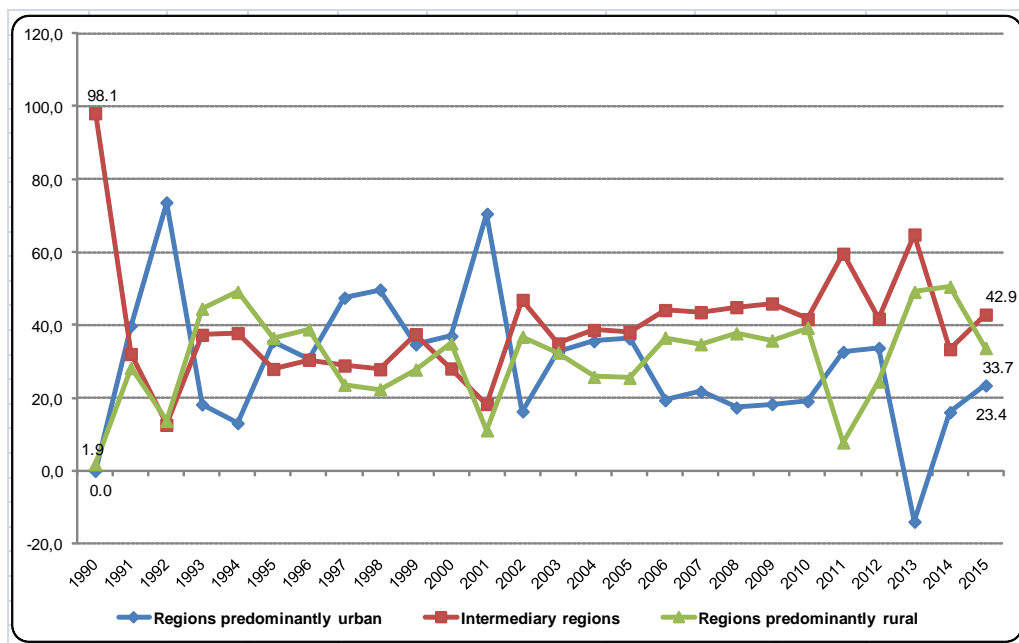


Source: Own calculations on basis of Tempo-Online data base, 1990-2017.

As indicator expressing the capacity, positive (excedent) or negative (deficit) of a community to ensure its resources, necessary for the local development, the budget excedent has registered in period 1990-2015 a tendency to increase both per ensemble of national economy, and at the level of the regions analysed, as inflexion point in the year 2012.

As percentage in total economy, the budget excedent from the predominantly rural regions increased from 1.9% (1990) to 33.7% (2015), visible trend, though, at the level of predominantly urban regions, too (Figure 4).

Figure 4 – Evolution of share in budget excedent/deficit at local level by types of regions in total economy in period 1990-2015 (billion lei , prices 2015)



Source: Own calculations on basis of data from Tempo-Online data base , 1990-2017.

Conclusions

The thorough approach of the issue of sustainability in the public finance at local level, even through ratio to the indicator analysed within the present approach, permits the contouring of at least three conclusion, respectively:

The preponderently rural character of local communities is generating financial flows, net superior to those in the preponderently urban regions, both from the point of view of budget incomes, and of the expenses and subsidies recieved. In close connection with the argumentation above, it is to be reminded also the orientation of the level of subsidies from the state budget to the predominantly rural regions, in view of ensuring the financial necessary for the development on local plan.

In the process of sustainable development, we must not omit, regardless of type of analysed region, the capacity to attract external financing sources, completeing, this way, the level of local budgets' incomes. Regardless the financing source at local level, the actions of the decidents must be oriented in the sense of efficient use of the budget incomes, with direct impact upon the local/regional development level.

Future Approaches

Having in view the fact that the three types of of regions are regrouping counties with different features and performances of the local public finances, attenuating, per ensemble of each region, the county intra- and inter-gaps, a future analysis can have in view the detailing of the way of local budgets incomes' utilization and the structure of expenses made, and mainly at each county's level.

The analysis can be made also by development regions, by inscribing each component county in a rurality class. From this perspective there can be made a diagnosis analysis of each county, not only by ratio to own performance of the local finances' system, but, especially of the impact of

efficient utilization of budget incomes, concretized, together with other influence factors, into a certain development level of the local communities.

It is obvious that such approaches can be limited from point of view of the informational support available at local/regional level, not only reported to indicators' structure, but also from the perspective of the time interval.

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