

THE CHARACTERISTICS OF THE BUDGET PROCESS AT THE LEVEL OF THE LOCAL PUBLIC ADMINISTRATION IN THE RURAL SECTOR

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Abstract

The financial decentralization is an essential component part for the political, administrative and economic decentralization process, with major involvement on the economic and social system in Romania. Although the authorities of the local public administration in Romania were authorised to ensure the local communities the services provided by law and even to involve in the economic-social development of the towns and communes, in fact they have never had enough financial sources from the state budget or from the local budgets. The local budgets represent the planning and management tools of the financial activity of the territorial-administrative units. Their structure reflects the autonomy level of the local administration towards the central level and the links existing between the different territorial administrations. Also, the local budgets reflect the flows of incomes formation and the expenses of the local administrations, the method of financing the expenses on destinations and the deficits covering. The local authorities must access external aid programs, in order to be able to achieve the investigation works related to the commune infrastructure, due to the fact that the local incomes are insufficient to achieve investigations works from their own sources. In this context, the present paper proposes to highlight the characteristics of the budget process within the local public administration in the rural sector area.

Key words: budget process, budget classification, local autonomy, local budget

INTRODUCTION

The Local budget is a component of the defined budget system, according to the legal regulations, as a link of it, in the context of autonomy in relation to the other components (state budget, state social insurance budget, special funds budgets, budgets of the autonomous public institutions, the budget of the state treasury).

The local budgets have a specific structure within the local public administrations, limited from territorial viewpoint. Each of these is independent of each other.

According to ONU economic and functional classifications used in the reports of the international revenue, the structure of local budgets is common to the central budget (state) and to other budgets within the budget system. It is about, of course, the main categories, according to the groupings used in the budget classifications.

The definition of the local budget incomes is based on finding out and evaluating the taxable matter and the tax base is calculated

depending on the related taxes and fees, evaluation of the services provided and the incomes from these, as well as other specific elements, including data series in order to assess the correct income.

The grounding, sizing and distribution of local budget expenditure, on credit officers, on destinations, respectively on actions, activities, programs, projects, objectives, is made in accordance with the responsibilities of the local public administration authorities, with priorities established by them, for their functioning and in the interest of the respective local communities.

The grounding and approval of the local budget expenditure is made in strict correlation with the real possibilities of the local budget income collection, estimated to be achieved.

MATERIALS AND METHODS

The study is part of a research approach that aims to illustrate more accurately the reality in the village world. I began this process by

creating an image as objective as possible about the quality of life of those living in these areas aiming an outline of the level of the existing rural development. In this respect, I consider necessary to corroborate the qualitative data with the quantitative data obtained by observation with quantitative data that will bring more clarity and objectiveness to the process.

The methods used were mainly quantitative – the analysis of documents and secondary analysis of quantitative data, SWOT analysis and case study. I chose these methods in order to present a more complete image of this area and to outline with concrete elements the budgetary process developed at the level of the rural communities representative for certain types of typologies – commune near an urban area, field relief, with potential in agriculture.

RESULTS AND DISCUSSIONS

The local public administrations obtain their funding sources from taxes and duties that people and companies must pay as well as from other sources (concessions, leases, income from capital, etc.) according to the fiscal code, with the subsequent modifications (Law no. 13/06.01.2012).

The own incomes of the local budgets are current (tax and non-tax), from capital and with special purpose.

The current fiscal incomes consist of taxes and other tax incomes. The fiscal incomes refer to transfers from the net profit of the companies set by the local councils by transforming the autonomous administrations, concessions, payment transfers from public institutions. The local public administration control these incomes, involving directly in establishing, finding, tracking and collecting them by their own specialised units.

Locally, by the opportunity to establish some local taxes within certain limits and to reduce or increase all local taxes by 50% according to the law provisions, the local authorities may establish *their own fiscal policy depending on the state of the local economy*, on financing needs, the collection rate,

sensitivity tax, current tax level, logistic and organizational capacity to collect taxes, in close correlation with the local development program.

The capital incomes are obtained by exploiting some goods, residential sales and privatization. Their share is quite low and is more than exceptional. When sizing the incomes the legal provisions on local taxes and duties are taken into account as well as the direct involvement of the local authorities in establishing, finding, tracking and collecting them by their own specialized units, but to ensure the functionality of the territorial administrative units it is needed the allocation of different breakdown taxes in order to balance the local budgets.

The state budget incomes are rates and amounts deducted from certain incomes of the state budget, transfers with special destination from the state budget.

The rates and amounts deducted from the income tax: the rate distributed to the local councils from the income tax that provide relative autonomy, meaning that each local administration has this income automatically without the intervention of other national or local authorities, and the local public authorities use these sources without conditioning the destination. However, such income can not be controlled and local public authorities do not have the tools to forecast, establish and collect these sources.

The sums deducted from VAT have as destination covering the expenses on pre-university education, nurseries, local and county centers of agricultural consulting and related support to the child protection system and disabled people. For these amounts the local authorities lack local autonomy both in terms of determining the amount and in terms of using them.

The transfers received from the state budget for co-financing projects promoted within the programs developed by international organizations and financing activities and services from special funds does not affect the operational budgets of the local public administrations as generally they aim achieving investment objectives, services with

medium and long term impact on local communities.

Financing some activities and services from special funds managed by different ministries.

Expenditure is foreseen in local budgets in accordance with the budget classification, and materialize the ways of financing the specific actions performed locally. Of course, some expenses are not included at this level, they are only of local importance.

The local public authorities can commit internal loans without the Government guarantee provided that they inform previously the Ministry of Finances.

The external loans will be contracted only with the approval of the authorisation commission of these loans, constituted by representatives of local public administration authorities, of Government of Romania National Bank, its component being approved by the Government. *The contracted loans of the local public authorities for the achievement of public investment of local interest*

The financing of the public investments of local interest can be achieved by loans from the commercial banks or from the credit institutions or by emission of value titles, both on the internal market and on the external market of capital.

The public debt contracted this way, represents a general obligation that must be reimbursed, according to the agreements concluded, from the resources made available by the territorial administrative units, except for the transfers from the state budget with special destination.

The incomes and expenses are grouped in the budget based on the budget classification approved by the Ministry of Public Finances. The incomes are structured on chapters and sub chapters, and expenses, on parts, chapters, sub-chapters, titles, articles, as well as paragraphs and lines, if applicable.

The expenses foreseen in chapters and articles have precise and limited destination.

The number of employees, permanent or temporary, and the basic salary fund approve distinctly, by annex to the budget of a public institution can not be exceeded.

The capital expenses contain at each budget chapter, in accordance with the commitment credits and durations of investment achievement.

The programs are approved as annexes to the budget.

The external non reimbursable funds and the internal and external loans are contained in annexes to the local budget and approved once with them.

Case study. Alexandru Odobescu commune lies on a surface of 40,28 Km and includes 1286 households. Each part of the poorly developed commune category from economic point of view, the tradition sector in the commune economy being agriculture (Table 1). Number of economic agents is of 7, a quite low number for the local economy.

Table 1. SWOT analysis at commune level

Strengths:	Opportunities:
- Gălățui lake ; -Project „Pollution control in Agriculture”; -Program SAPARD – Water supply in Gălățui village; -population from town began to migrate to village; -2 Rural development projects	-agro-tourism development; - attract investment in the area ; -Source of food products for covering the town needs; -development of commune infrastructure
Weaknesses:	Risks:
– there is an incomplete and reduced town documentary fund ; -not maintained commune roads; -rural infrastructure is inadequate; -poor material state of inhabitants; -there is not a rural management plan; -Lack of a long term local development strategy.	-some of those who were preserving the traditional techniques in constructions disappeared; -in the sector of rural development t legislation is unsatisfactory and methodological norms are absent; -Lack of staff motivation involved in development programs; -Links of partnerships insufficiently stable.

Following the analysis of execution account (budget execution account of Alexandru Odobescu Local Council) for 2011 compared to the budget on 2012 an increase of incomes result for 2012 with 8% compared to 2011, and regarding the expenses it results an

increase of 5% for 2012 compared to 2011. The current incomes increase the percent of 81% in 2012 compared to 2011, and fiscal incomes increase in percent of 88% for 2012 compared to 2011 (The incomes and expenses budget of Alexandru Odobescu Local Council).

From the analysis of this indicator, at the level of the analysed commune, considering the effective achievement of 2012, it results that the self financing level of local council expenses was of 19%, difference of 81% being covered by the distribution of some sums from the state budget and from the special funds. From this point of view, it can be concluded that the local autonomy is very reduced being dependent largely on the incomes distributed from the state budget.

We will analyse further on the achievement of the commune budget, comparing the budget provisions and the local budget achievement on 2012. In 2012, at commune level, the own incomes were collected in proportion of 78%, compared to own incomes foreseen to collect in the local budget (Table 2).

From the analysis of the budget execution on 2012, it results that the collecting level of local taxes and duties is not good enough.

Table 2. Structure of own incomes

Name of indicators	Plan 2012	Achievements 2012
Duties and taxes from the population	1.032.000	829.203
Tax for lands state property	1.000	2.790
Tax on Buildings and lands of legal entities	42.000	40.117
Other direct taxes	64.000	22.893
Indirect taxes	231.000	132.674
Transfers from the public institutions	82.000	88.037
Various taxes of which:	620.000	376.922
- recovery of judgment expenses	1.000	0
- incomes from fines	0	5.300
- funds repayment from local budget financing of the previous years	359.000	325.000
- incomes from concessions	40.000	31.367
- collecting from other sources	220.000	15.255
TOTAL CURRENT INCOMES	2.072.000	1.492.576
TOTAL OWN INCOMES	3.134.955	2.460.710

The local budget incomes of Local Council (Figures 1, 2 and 3) for 2012 are constituted in proportion of 74 % from the distributed incomes from the state budget, own ones in proportion of 21% coming practically to balance t incomes from the state budget, from the point of view of the financial autonomy of the local locality.

The current incomes are found mainly in: taxes and duties from population - 55,6%; taxes on buildings and legal entities - 2,7 %; other direct taxes -1,5%; other indirect taxes 8,9%; incomes from concessions and rents - 31,30%. We can conclude that the current incomes are based on property taxes – citizen property, economic agents property and private property of territorial administrative units.

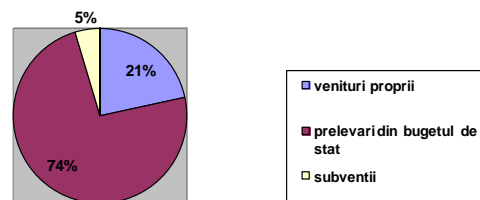


Figure 1. Structure of total incomes in 2012

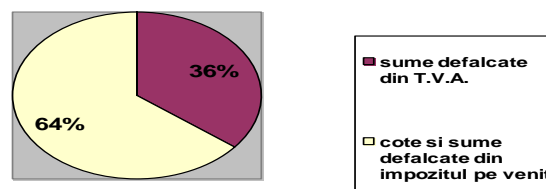


Figure 2. Structure of state budget incomes in 2012

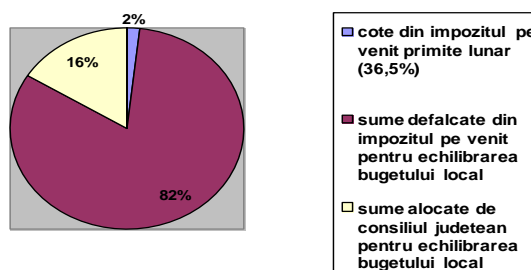


Figure 3. Structure of shares and sums from income tax

The law on public property and its juridical regime (Law no.213 of 17 November 1998) mobilised the local authority in delimiting the public domain and on this occasion t public

domain was delimited too and this made possible the application of a local policy for the capitalization of the private sector by rent and concession.

The impact of fiscal decentralisation become more favourable if it is completed with a professional and rigorous local management, with a partnership on horizontal (economic agents, citizens, county council, non governmental organisations) and on vertical (ministries, bodies and organisations at national level).

Nevertheless, the contribution of the local sources to balance the needs in the territory is not covering especially if we take into account the general economic context, the development degree of each locality, the geographical situation as well as the fact that the decentralisation of some expenses is made without covering sources.

From own incomes (current) a percent of 23% allocated to education that represents sin total budget 3,3% - over the sum allocated at the state budget level – but major problems can not be solved only the current ones. From the total budget of 2012 a percent of 10% was allocated for social assistance in amount of 98.410 lei, sum insufficient to pay the assistants for disabled persons and social support.

Due to the lack of funds and not ensuring the covering sources, the payment of the assistants for disabled persons and social support was achieved in proportion of 80%.

The legislative instability creates problems in real setting of a local budget and the most affected part of the budget is the development budget as by taking from the local budget some functional expenses without covering sources, the local authority is obliged to ensure the current functioning of the mechanism in the territory and the sources being limited, this is not made for the development in the territory by transferring the sources from this sector to functioning sector.

Until now we faced situations that various actions (expenses) were sent from national level to local level but without covering sources totally or partially.

Examples could be given: taking nursery staff to local authorities without having an established juridical status; expenses for social support payment (Law 416/2001; Law 115/2006); taking persons to accompany the disabled tat was made initially wit integral financing from the state budget, subsequently local budget being obliged to bear until 55%.

CONCLUSIONS

The legislation in the sector, in force, creates problems in real setting of a local budget and the most affected part of the budget is the development budget by taking to the local budget some functional expenses without covering sources, the local authority is obliged to ensure the current functioning of the mechanism in the territory and the sources being limited, this is made affecting the development in the territory by transferring sources in this sector to functioning sector. Thus a series of measures are proposed: improvement of the system for local taxes and duties collection; creation of a local information program for the evidence of local taxes and duties; re-introduction of agricultural land tax, that represent an important income source; identification of not taxed properties (natural persons who achieve incomes without being authorized, constructions without authorisation); payment of global income tax in 3 distinct accounts (state budget, local and county councils), as it was foreseen initially in Law of public finances (Law 273 of 29th June 2006 on local public finances); modification of Law of real estate cadastre, in the sense that the property evaluation is made under the control of the local public administration authorities and inclusion of taxes related to this service in the structure of local budget incomes; elaboration of a simple and unitary guide for the documents of authority adopted by the local public administration authorities in fiscal sector; establishing the percent shares of income tax that will return to local communities, depending on the different level of their economic development.

The following solutions are proposed: organisation of specialisation courses for sending the regional and local development concepts; promotion of successful experiences of strategic planning being a process of adapting to the needs, the reconsideration of elaboration of regional development concept, as base of strategy elaboration is considered appropriate.

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As a conclusion, it is considered important the regional and local development as a contribution to the increase of local and county autonomy and at the same time it was concluded that the regional development policy is conditioned by the existence of some solid local public finances, well programmed and managed. This can be achieved by a more accentuated fiscal decentralisation and creation of some adequate implementation instruments.

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