

THE LOCAL BUDGET, SUPPORT FOR SUSTAINABLE DEVELOPMENT – CASE STUDY: THE LOCAL BUDGET OF THE MUNICIPALITY OF PLOIESTI

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Abstract

The local budget represents an important planning and management instrument of the financial activity at the level of administrative-territorial units, an instrument that supports and puts into practice sustainable development policies at local level. In the present paper, we have performed a statistical analysis of the dynamics and structure of the public revenues and expenditures of the Municipality of Ploiesti between 2004 and 2008 and we wish to highlight the main aspects of the local financial policy, the progress made and the difficulties that occurred, the extent to which the budget of the Municipality of Ploiesti is or is not an efficient financial instrument from the sustainable development perspective.

Keywords: *local budget, public revenues, public expenditures, financial resources, sustainable development*

JEL Classification: *H - Public Economics, H72 - State and Local Budget and Expenditures*

INTRODUCTION

The achievement of the economic, financial, social, ecological etc. objectives at local level greatly depends on the level and the structure of the financial resources, on the one hand, and on the way in which the local public expenditures per destination are distributed, on the other hand. The public revenues and expenditures of the local communities are included in the local budget, which represents an important planning and management instrument of the financial activity at the administrative-territorial units, which also reflects the level of autonomy of the local administration to the central government [4].

The changing of the budget into an efficient managerial instrument, meant to support the sustainable development of the community, implies a series of changes in the administrative practice of the public local finances, which should offer the possibility and the stimulation for the authorised expenditures to be made, with a view to achieving the targeted objectives at a high level of performance. The efficiency of this highly important managerial instrument for local communities can be demonstrated by quantifying and monitoring the changes in the dynamics and the structure of the local revenues and expenditures and by undertaking a complex analysis based on a coherent system of statistical indices [1].

THE STATISTICAL ANALYSIS OF REVENUES OF THE MUNICIPALITY OF PLOIESTI BUDGET BETWEEN 2004 AND 2008

The public financial resources of the local budget of the Municipality of Ploiesti had, between 2004 and 2008 as a whole, a linear, rising evolution; on categories of revenues, however, they had an oscillating evolution, with ups and downs from one year to another, determined both by the evolution of the municipality's economy and by the changes that occurred in the public local finances legislation.

Total public revenues of the Municipality of Ploiesti (in nominal terms - current prices of each year) increased from 189575 thousand lei RON in 2004 to 432767 thousand lei RON in 2008 (Table no. 1).

From the shown data, results a continuous increase of the fiscal revenues, while non-fiscal revenues, from the capital and from the state budget, are both increasing and decreasing.

**Table 1. The evolution of the public revenues, between 2004 and 2008
(current prices of each year)**

	2004	2005	2006	2007	2008
	- thousand lei RON -				
Revenues - total	189575	219903	233557	349803	432767
Own revenues	116018	141539	152363	226217	283828
Current revenues	180757	213013	226358	312402	378141
-Fiscal revenues	160117	198323	207659	295277	352511
-Non-fiscal revenues	20640	14690	18699	17125	25630
Capital revenues	3500	6510	6200	2868	5870
Subsidies from the state budget	5318	380	999	34533	48756

Data source: The Decisions of the Local Council of the Municipality of Ploiesti regarding the local budget no. 199/2004, 191/2005, 242/2006, 263/2007 and 287/2008 [3].

The nominal dynamics of the total public revenues of the Municipality of Ploiesti indicate their increase, 2,3 times in 2008 as compared to 2004. In real terms, however – taking inflation into consideration [5], the public revenues in 2008 increased only 1,7 times, as compared to 2004 (Table 2 and Figure 1).

Table 2. The real dynamics of the public revenues, between 2004 and 2008

	2004	2005	2006	2007	2008
	2004 =100				
Revenues - total	100,0	106,4	106,1	151,6	173,8
Own revenues	100,0	111,9	113,0	160,2	186,3
Current revenues	100,0	108,1	107,8	142,0	159,3
-Fiscal revenues	100,0	113,6	111,6	151,5	167,6
-Non-fiscal revenues	100,0	65,3	78,0	68,2	94,5
Capital revenues	100,0	170,6	152,5	67,3	127,7
Subsidies from the state budget	100,0	6,6	16,2	533,6	698,0

The real dynamics highlights the fact that the greatest increase was recorded in the analysed period, for the state budget revenues (almost 7 times), while the own revenues increased only 1,9 times. At the same time, if we check the evolution of non-fiscal revenues in real terms for the whole period between 2005 and 2008, we will notice that they recorded levels that were inferior to those in 2004, even if the nominal dynamics indicates a 1,2 times increase in 2008 as compared to 2004.

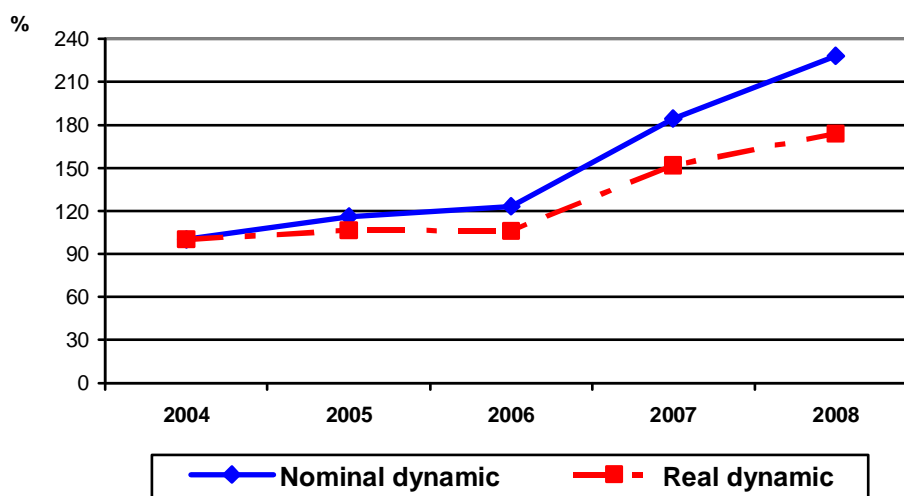


Figure 1. The dynamics of the public revenues of the Municipality of Ploiesti between 2004 and 2008

Even if the real dynamics of non-fiscal revenues was negative, there was recorded, however, a slight increasing tendency, as at the end of the analysed period their level got close to that recorded in 2004 (94,5%).

An oscillating evolution was recorded for the capital revenues, their dynamics oscillating from 170,6% in 2005 (as compared to 2004) to 67,3% in 2007.

Apart from the favourable dynamics of the public income volume of the Municipality of Ploiesti, there occurred major changes between 2004 and 2008 in their origin source structure.

Table 3. The structure of the public revenues, between 2004 and 2008

	2004	2005	2006	2007	2008
	- % -				
Revenues - total	100,0	100,0	100,0	100,0	100,0
Own revenues	61,2	64,4	65,2	64,7	65,6
Current revenues	95,4	96,9	96,9	89,3	87,4
-fiscal revenues	84,5	90,2	88,9	84,4	81,5
-shares and amounts broken down from tax on income	27,1	29,2	33,6	38,6	41,7
-tax on buildings	11,7	14,2	12,6	12,7	10,5
-tax on lands	2,1	1,9	2,2	1,7	1,5
-amounts broken down from value added tax	34,1	35,4	34,3	25,4	23,1
-tax on vehicles	1,8	1,8	1,3	2,0	1,9
-non-fiscal revenues	10,9	6,7	8,0	4,9	5,9
Capital revenues	1,8	2,9	2,7	0,8	1,3
Financial operations	0,0	0,0	0,0	0,0	0,0
Subsidies	2,8	0,2	0,4	9,9	11,3

The most significant change consists in the increase of the share of the own revenues in total revenues, namely from 61,2% in 2004 to 65,6% in 2008. This increase highlights the decentralization of the public services and the consolidation of the local autonomy, the restructuring of the social protection mechanisms of the underprivileged segments of the population.

Important changes took place in the public revenues achieved from shares and amounts broken down from tax or income, its share in the total revenues increasing from 27,1% in 2004 to 41,7% in 2008. Also, in the analysed period the share of the revenues resulted from the state budget (subventions) increased significantly, from 2,8% in 2004 to 11,3% in 2008.

In the same period, there were also some falls in the share of some important sources in the budget of the Municipality of Ploiesti. Thus, the share of the public total revenues of the amounts broken down from value added tax decreased, from 34,1% in 2004 to 23,1% in 2008 and of non-fiscal revenues from 10,9% to 5,9%.

As a result of the analysis of the Municipality of Ploiesti budget revenues, as well as of the structural changes that occurred between 2004 and 2008, there results that the highest share in the whole period was from current revenues (87,4% in 2008), followed by the revenues from subsidies (11,3%). These two components of the local budget revenues had an inversely proportional evolution, in the sense that the current revenues decreased while the revenues from subsidies increased.

Within the current revenues, the most important source is represented by the fiscal revenues (more than 90%), while non-fiscal revenues were, almost throughout the entire period, below 10%.

As concerns the structure of the fiscal revenues (figure 2), it is remarkable the fact that, in 2008, more than half (51,2%) resulted from shares and amounts broken down from tax on income and almost one third (28,3%) from amounts broken down from value added tax, while less than 20% resulted from local taxes and dues (the due and tax on buildings, the land tax and due, the tax on means of transport).

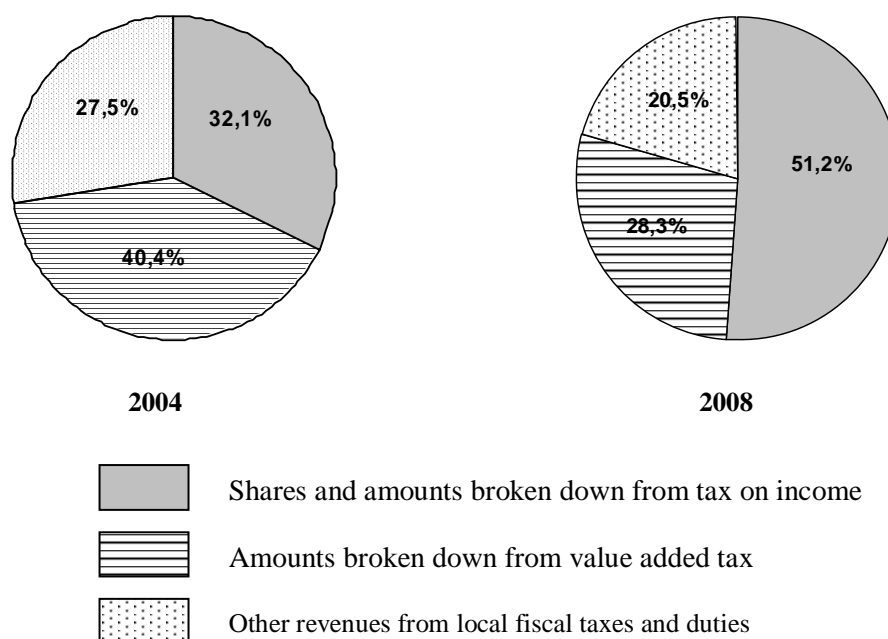


Figure 2. The structure of fiscal revenues of the budget of the Municipality of Ploiesti in 2004 and 2008

The graphic representation highlights, apart from the actual structure of the fiscal revenues, the significant structural changes that took place in 2008 as compared to 2004. Thus, there can be noticed a substantial increase of revenues from shares deducted from the tax income, from 32,1% to 51,2%, an increase that came together with the decrease of the share of the other two components.

THE STATISTICAL ANALYSIS OF THE EXPENDITURES OF THE MUNICIPALITY OF PLOIESTI BUDGET BETWEEN 2004 AND 2008

The public expenditures, by their size but also by the way they were distributed on destinations, play a decisive role in the increase of the quality of life within the local communities, thus representing, at the same time, an essential premise to guarantee sustainable development. At the same time, the way in which the expenditures were distributed highlights the policy of the local council, the priorities it has in the economic and social field. Fortunately, in the case of the Municipality of Ploiesti, as it is the county capital but especially because it is a powerful industrial centre, the public expenditures represented, in general, not only for the analysed period, a support for the local development (Table 4).

Table 4. The evolution of the public expenditures, between 2004 and 2008 (current prices of each year)

	2004	2005	2006	2007	2008
	- thousand lei RON -				
Expenditures - total	189574	219903	233557	327803	432767
Public authorities and external actions	8111	13013	16061	22366	26280
Education	57185	69840	79531	102161	122959
Health	1846	2532	1410	1245	1460
Culture, recreation and religion	5000	6732	11607	22787	25985
Insurance and social assistance	11233	13873	15360	19100	23075
Dwellings, services and public development	22036	34871	33167	41410	46628
Environment protection	7400	7020	6914	11751	60044
Fuel and energy	31400	29000	31500	22700	38074
Transport	30120	25752	30963	55959	58624
Other expenditures	15243	17270	7044	28324	29638

Data source: The Decisions of the Local Council of the Municipality of Ploiesti regarding the local budget nr. 199/2004, 191/2005, 242/2006, 263/2007 and 287/2008 [3].

The same as in the case of revenues, the public expenditures of the Municipality of Ploiesti had an increasing evolution between 2004 and 2008, their level increasing, as a whole, from 189574 thousand lei RON in 2004 to 432767 thousand lei RON in 2008.

The rising tendency of the expenditures level recorded as a whole was not found in the same proportion, there were even recorded some decreases in the case of some categories. The nominal dynamics of the total public expenditures of the Municipality of Ploiesti indicates they increased 2,3 times in 2008 as compared to 2004.

In real terms, however, – taking into consideration inflation [5], the public expenditures in 2008 increase only 1,7 times as compared to 2004 (Table 5 and Figure 3).

As we have said before, not all the expense categories have the same tendency or the same pace as the total ones. Therefore, in real terms, the highest increase was recorded in the case of the expenditures for the environment protection; their level increasing 6,1 times in the analysed period, followed by the expenditures for culture, recreation and religion, whose volume was almost 4 times higher in 2008 than in 2004.

Table 5. The real dynamics of the public expenditures, between 2004 and 2008

2004=100

	2004	2005	2006	2007	2008
Expenditures - total	100,0	106,4	106,1	142,1	173,8
Public authorities and external actions	100,0	147,2	170,5	226,6	246,7
Education	100,0	112,0	119,7	146,8	163,7
Health	100,0	125,8	65,7	55,4	60,2
Culture, recreation and religion	100,0	123,5	199,8	374,5	395,7
Insurance and social assistance	100,0	113,3	117,7	139,7	156,4
Dwellings, services and public development	100,0	145,2	129,6	154,4	161,1
Environment protection	100,0	87,0	80,4	130,5	617,8
Fuel and energy	100,0	84,7	86,4	59,4	92,3
Transport	100,0	78,4	88,5	152,7	148,2

There are also categories of expenditures where decreases were recorded; thus, the expenditures that represented subventions granted for the thermal energy delivered to the population decreased 7,7% in the analysed period, and the most drastic decrease was recorded in the case of the health system expenditures (-39,8%).

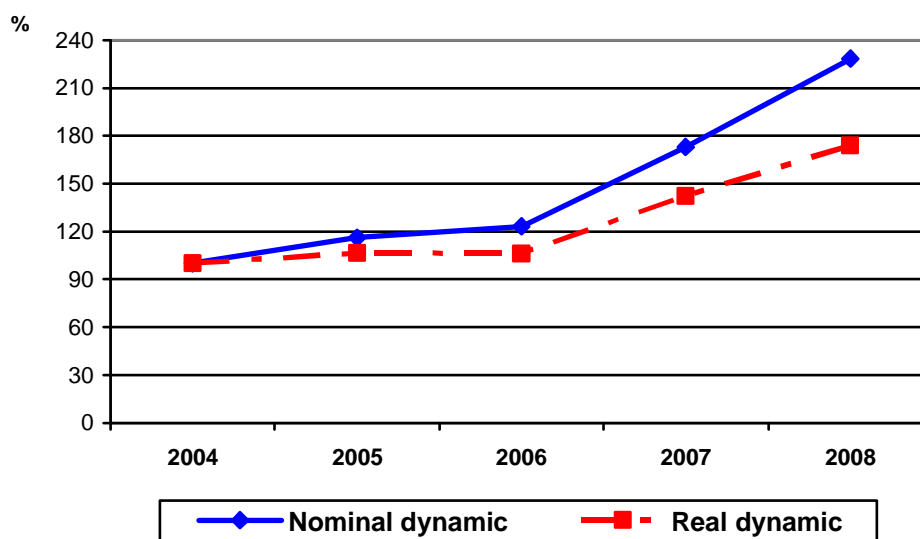


Figure 3. The dynamic of the public expenditures of the Municipality of Ploiesti, between 2004 and 2008

The above-mentioned statistical data highlight the following tendencies:

- the increasing dynamics, almost exponential, of the environment protection expenditures;
- the fairly accentuated increasing tendency of the expenditures regarding culture, recreation and religion;
- the slightly increasing tendency, of the linear type, of the expenditures regarding education and dwellings, services and public development,
- the decrease of the expenditures for the health system.

The fast dynamics of the expenditures level in the field of environment protection, especially in 2008, is the result of the impressive sums allocated by the municipality (49,4 million RON out of the total of 60 million RON destined for the environment protection) for the modernisation of the waste water collecting and treatment system in the Municipality of Ploiesti. Another chapter of the local budget expenditures that recorded a massive increase was that of the expenditures regarding culture, recreation and religion, expenditures that represented mainly transfers to the institutions of culture ("Toma Caragiu" Theatre, "Paul Constantinescu" Philharmonics, the Municipal Sports Club and the Administration of the "Constantin Stere" Memorial Park).

There were important changes, between 2004 and 2008, in the structure on destinations of the local public expenditures (Table 6).

Table 6. The structure of the public expenditures, between 2004 and 2008

- % -

	2004	2005	2006	2007	2008
Expenditures - total	100,0	100,0	100,0	100,0	100,0
Public authorities and external actions	4,3	5,9	6,9	6,8	6,1
Education	30,2	31,8	34,1	31,2	28,4
Health	1,0	1,2	0,6	0,4	0,3
Culture, recreation and religion	2,6	3,1	5,0	7,0	6,0
Insurance and social assistance	5,9	6,3	6,6	5,8	5,3
Dwellings, services and public development	11,6	15,9	14,2	12,6	10,8
Environment protection	3,9	3,2	3,0	3,6	13,9
Fuel and energy	16,6	13,2	13,5	6,9	8,8
Transport	15,9	11,7	13,3	17,1	13,5
Other expenditures	8,0	7,9	3,0	8,6	6,8

The most significant of these changes refer to the increase of the share of the expenditures that were destined to the environment protection of almost 4 times, namely from 3,9% in 2004 to 13,9% in 2008, those destined to culture, recreation and religion from 2,6% to 6,0%, as well as the reduction of the share of the expenditures regarding fuel and energy (subsidies granted for the thermal energy delivered to the population) from 16,6% to 8,8%. These changes reflect, on the one hand, the economic, financial, social etc. policy promoted by the local council and, on the other hand, the changes in the legislation regarding the local public finances.

Important shares in the total of public expenditures of the Municipality of Ploiesti are to be found in the expenditures regarding the transport and dwellings fields, as well as in services and public development (Figure. 4).

An important aspect as concerns the distribution of the public expenditures of the Municipality of Ploiesti is represented by the fact that most part of them (approximately 30%) is allocated for the education system (because the greatest part of the basic and complementary financing of the pre-university education system comes from the local budget), while the least part (below 1% in most cases) for the health system.

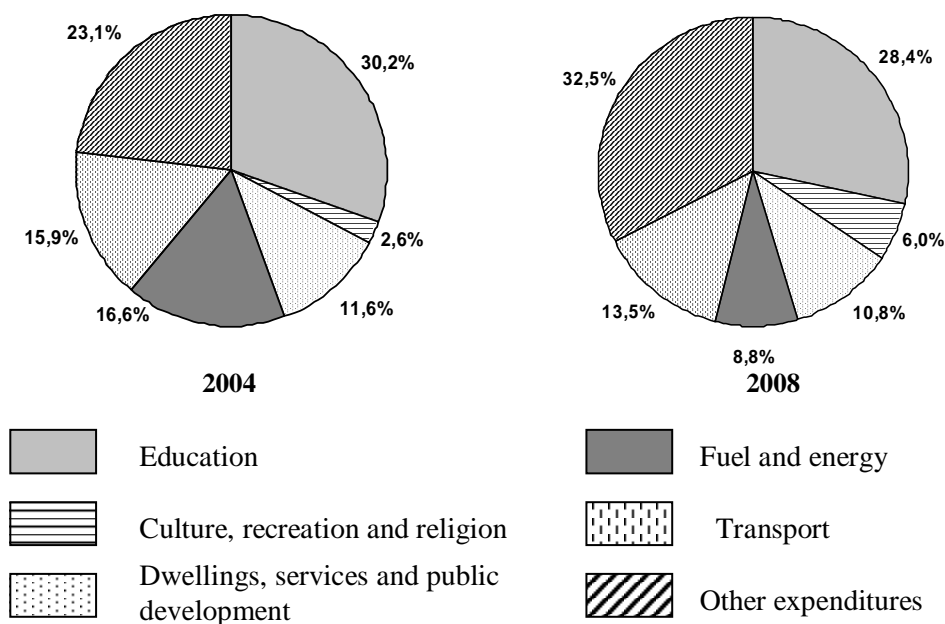


Figure 4. The structure of the public expenditures of the budget of the Municipality of Ploiesti in 2004 and 2008

Figure 4 highlights the mentioned aspects, thus bringing out to light, in a very suggestive way, both the structure of the public expenditures of the Municipality of Ploiesti and the structural changes that took part in the analysed period. We may also notice from the graphic an important increase (from 23,1% in 2004 to 32,5% in 2008) of the share of the “other expenditures” category. In this category we included - apart from the expenditures for the health system which, as we have said before, are insignificant - the expenditures for the public authorities and external actions, expenditures for other general public services, expenditures representing transactions concerning the public debt and loans and those for the public order and national security. Of these, the greatest share is held by the expenditures for the public authorities and for external actions, which increased from 4,3% in 2004 to 6,1% in 2008.

Another important aspect related to the public expenditures is the one concerning their average level per capita.

Throughout almost the whole analysed period (except for 2006), *the average level of the public expenditures* per capita in the Municipality of Ploiesti was superior to the average level recorded at national level (Table 7).

Table 7. The public expenditures average level per capita in the Municipality of Ploiesti, as compared to that at national level, between 2004 and 2008

	-lei RON per capita -				
	2004	2005	2006	2007	2008
National Level	717,0	868,3	1176,4	1179,0	1580,2
Municipality of Ploiești	807,7	941,0	1008,4	1423,7	1887,7

Data source: Calculations made, based on the population data and local budgets at national level from the Romanian Statistical Yearbook 2008 [2], INS Bucharest and based on the data regarding the local budget from the Decisions of the Local Council of the Municipality of Ploiesti [3].

The public expenditures average level per capita in the Municipality of Ploiesti, as compared to the average country level, was not only higher but it also recorded an increasing evolution; thus, in 2004 this indicator was 12,6% higher in the Municipality of Ploiesti than the one at national level, and in 2008 it exceeded the national level by almost 20%.

Between 2004 and 2008, the dynamics of the public revenues – both in nominal and in real terms – slightly outran the dynamics of the public expenditures, the local budget of the Municipality

of Ploiesti ending each year on surplus, which does not represent a negative fact, but it would have been better if the available sums had been spent totally.

However, taking into consideration that, in some years, the dynamics is equal and the exceeding from the other years are very little, we may speak about a balanced budget in the case of the Municipality of Ploiesti.

CONCLUSIONS

The local budget of the Municipality of Ploiesti recorded, to a large extent, a positive evolution for the last five years; the statistical analysis highlighted a series of important aspects, both as regards the revenues and concerning the expenditures, as follows:

Revenues

- the public financial resources had, as a whole, an increasing evolution between 2004 and 2008, their level increasing 1,7 times in real terms;
- the fiscal revenues recorded an increase of 1,7 times during the period under analysis, while non-fiscal revenues decreased by 55%;
- the highest increase was recorded in the subsidies from the state budget, which increased 7 times in 2008 as compared to 2004;
- the increase of the share of their own revenues in total revenues from 61,2% in 2004 to 65,6% in 2008 highlights the increase of the local autonomy;
- the decrease of the current revenues share (fiscal revenues and non-fiscal revenues) from 95,4% in 2004 to 87,4%, a percentage that was accompanied by the increase of the subsidies share from 2,8% to 11,3%;
- in 2008, more than 90% of the current revenues was fiscal;
- more than half of the fiscal revenues is represented by shares and amounts broken down from tax on income and almost one third by amounts broken down from value added tax
- the revenues that resulted from the local taxes and duties represented less than 20% from the fiscal revenues;

Expenditures

- the public expenditures also recorded a 1,7 times increase in real terms in the analysed period;
- the highest increase was recorded in relation to the environment protection expenditures, their level increasing 6,1 times between 2004 and 2008;
- the fairly accentuated increasing tendency of the expenditures regarding culture, recreation and religion (4 times);
- the slightly increasing tendency, of the linear type, of the expenditures regarding education and dwellings, services and public development,
- the decrease of the expenditures for the health system in the analysed period by almost 40%.
- the average level of the public expenditures per capita in the Municipality of Ploiesti, as compared to the average country level, was higher for the entire analysed period (+20% in 2008), thus recording an increasing evolution;
- between 2004 and 2008, although the dynamics of the public revenues – both in nominal and in real terms – slightly outran the dynamics of the public expenditures, we can say that the local budget of the Municipality of Ploiesti is a balanced one.

Therefore, we may conclude that the Local Budget of the Municipality of Ploiești represented, in the analysed period, a support of the local sustainable development, taking into consideration the important expenditures made for the environment protection as well as in the social field. There are, however, some negative aspects as well; we refer to the drastic cut-down of the expenditures for the health system. At the same time, although the volume of expenditures and revenues of the Municipality of Ploiești is impressive, much higher than that of other local

communities, they are still far from being sufficient for the sorting out of the general issues at local level, not to mention those that aim at sustainable development.

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