## Summary


The public debt represents the total amount of the legal money bonds, which come to the state, at a certain point, based on the loans made until that time by any other rightful owner.

The public debt of the government represents the total amount of the bonds of the state at a certain point, coming from repayable finances contracted or guaranteed by the Government through the Ministry of Economy and Finances.

The public local debt represents the sum of the territorial- adminstrative bonds at a certain moment, deriving from the repayable finances contracted or guaranteed by the local public administrative authorities.

The internal public debt is that portion from the total public debt which represents the total amount of the financial bonds of the state, coming from loans in national currency or foreign exchange taken directly or guaranteed by the state, from people or legal entities in Romania.

The external public debt represents the cut of the total public debt which is the total amount of the financial bonds of the state, coming from loans taken directly or guaranteed by the state from people or legal entities from abroad.

The effect of the public debt on the economy on short term has the form of uninhabiting or of stimulating the investments as a result of a provided budgetary deficit expansionist budgetary politics.As the state increases public outlay, it undermines the national economy, having a negative impact on investments. On long term, the public debt influences both the asset and the national manufacture in a negative manner. Applying an economic politics based on great deficits of the state budget and on the accumulation of a great public debt truncates the national economy.

Basically, the mechanism of shaping the public debt is the following: the budgetary deficit generated by the costs of the social and economical actions of the government and of the increasing public institutions, and the balance of the deficit of external payment – generated, mainly, by the lack of commercial balance, which is the main reason for generating the public debt.

The public outlay represent the total amount of the outlay made through the public institutions that covers the expenses either from the budget (central or local), or from supplement budget funds and from the own budget of the institutions, based on the incomes obtained by the institutions. The phenomenon of increasing public outlay, as a result of the increasing financial needs of the state, was the object of many studies. The main factors of increasing the public outlay are: the increased complexity of the interworking of the market, as the economy is becoming more industrialized, which will generate the need for the intervention of the public sector, the high cost of the public stock, the positive flexibility of the demand depending on incomes for certain services: education, recreation and culture, health and social services and so on. If the increase of the public outlay is not accompanied by the heteronymous increase of the incomes, the state refers to loans, generating public debt.

The budgetary deficit, associated with the lack of a true economic growth and the persistence of the deficit of the present account of external payment of Romania emphasized the need of financial resources, the financing becoming materialized through state loans.

The internal state loans are those loans taken by the Government only through the Ministry of National Economy and Finances, on the internal financial market, from the general

present account of the State Treasury, with BNR (National Romanian Bank), from commercial banks or from other Romanian loan institutions, as a result of negociations.

The direct external state loans are bonds generated by a contract through which the state, as the entity that receives loans, gets/obtains financial funds from people or entities, creditors from overseas, and take responsability to pay back together with the interest and other additional costs in a specified period.

The local public debt represents a general bond which must be paid back, according to the agreements established, from the own incomes of the the loaned territorial- administrative unit, and from the incomes of the beneficiaries of loans guaranteed by the local public administration authorities, depending on the case .

The public debt of Romania during the period between the two World Wars was structured on two major components: the state debt towards The National Bank (the internal public debt) and the debt of Romania for the foreign countries, assesed by the peace treaties ( the external public debt). The endogenous parameters, which permanently supplied the increase of the internal public debt, were represented by the monetary and the budgetary unification, the achievement of the fiscal reform, the mobilisation of some appropriate financial resources in the country, the establishment with a priority and efficiency of the budgetary resources, according to the new requirements of Economics at the time. The exogenous factors, that gravely affected the budget of our country in the post-war period, were represented by the material damage caused to private people, departments, towns, villages and to the state, as a result of the war, the external debt to the allies, the duties assesed to Romania by the peace treaties and duties of the Romanian state toward the people or the institutions harmed as a result of the war.

The public debt of Romania after World War II moulded gradually, until the beginning of the 1980`s when it was decided to reimburse the external debt in advance. The exogenous elements that supplied the increase of the public debt were represented by the successive increases of the price of oil, from 1973 and 1979 – 1980, the high level of the interests taken to external credits, the budgetary expansionist politics of the U. S. A , the mistakes made regarding the orientation of financial and economic politics, the granting without judgement of credits by the private banks, in the 70`s-80’s.

The main factors that supplied the public debt of Romania, after 1990, were: financing the hard-set budgetary deficit, financing the direct internal public debt, generated by the ineffective actives taken over by the state at the public debt based on special laws, financing the projects or activities of great importance for Romania or other destinations settled and approved by the Government, by issuing the guarantees for internal credits contracted in Lei and foreign exchange, financing the deficit of the balance of external payment, the strengthening of the currency reserve of the state, financing some socio- economic projects or other requirements, out of external sources, approved by the Government.

The public debt can`t heighten endlessly, having to fulfill certain standards concerning the upholding and the duty degree, standards established by the Treaty from Maastricht to ensure that any country that enters the Union is fiscally responsible, and on the other hand, for the member countries to be „convergent” enough to guarantee a common monetary politics. The budgetary concurrent criteria estabilished by the treaty aim, on the one hand, the impossibility of using monetary emission – as a way to finance the budgetary deficit, and on the other hand, the fulfillment of the threshold of 3 % from the gross income (for public debt). Romania obeyed these standards (for most of the post 1990 period), joining the European moderatly indebted countries, having an upholding external public debt.

The impact of public debt on the national economy involves a complex analysis that correlates the problem of the public deficit from the governmental outlay, fiscal incomes and public debt.

The more increasing budgetary deficits, the more the public debt. Consequently, the situation will be harder to endure.

To finance the public outlay, the state has two possibilities: to increase the taxes, when the common incomes are not enough or to contract new loans to mobilise further resources at its disposal. When the public debt increases, the budgetary deficit increases, the taxes increase, the public outlay for goods and services decrease (if the net fiscal incomes remain invariable) and the service of the debt increases accordingly.

On short term, the effect of the increase of the public debt on investments is emphasized by the specific phenomenon of dislocation. The theory of dislocation assumes that an expansionist attitude, generating budgetary deficit, will produce private investments dislocation.

The major negative effect of a large public debt is the substitution of the private capital by the public debt. On long term, the replacement of the capital had a negative impact on the economic outgrowth and the citizens` standard of life.

The legislative frame sets principles, general background and procedures concerning the molding, the adninistration, the hiring and the using of public funds, and the responsabilities of the public institutions involved in the specific procedural activity. Concerning public debt, the legal frame is represented by the Emergency Ordinance no. 64 from June 27th, 2007, concerning public debt, published in the Gazette no. 439 from June 28th 2007, that stipulates the contents, the purpose, the contracting, the reimbursement, the registration, the reporting and the administration of public debt.

The institutional background concerning the administration of the public debt includes: central level – Ministry of Finances and Economics, whose goal is to ensure the governmental finances needs are provided with the minimazation of the long term costs and the restriction of the risks involved, and the local management – The local county Councils and the General Council of Bucharest, which can approve the contracting or guaranteeing domestic or overseas loans on short, medium and long term, to accomplish public investments of local interest and to refinance the local public debt.

The public debt management implies, on one hand, keeping the public sector at an agreeable level and, on the other hand, drafting new strategy for reducing public debt, if it tends to pass a certain level which is considered to be sustainable. The main goal of the public debt management represents the allocation of financial resources according to the state`s need, as well as realizing the bound payments on the short run, medium or long by keeping the risk as low as possible.

Whenever the state decides to resort to loans destinated to finance various objectives, short deadlines are to be avoided, which would trigger a high pressure on the reimbursing capacity as well as the long-distance deadlines that would generate significant rates of interests and comissions. On the other hand, asking for loans from the domestic market is to be taken into consideration while the foreign currencies resources used for financing the deficit of the cash flow should be obtained in a portion as large as possible, by means of services and assets exports. Acquired this way, these resources should be used especially for financing various types of projects in the field of economy and less likely to cover the budget deficits or the cash flow.

The total amount of additional incomes drawn by the local or central public administration authorities, or by public institutions, which is the total amount of the additional incomes of the budgetary system, represents the Limit of Romanian public debt, which is annually assigned by vote according to the law. The reason for establishing this limit resides in the significant lay triggered by exceeding this debt limit, as a result of the significant increase in the rates of interest, commissions and costs regarding the service of public debt in the current year. Establishing the restrictions pertinent for the limit of Romanian public debt encompasses the analysis of level values, or those related to the structure and the dynamics concerning internal and external public debt. According to the Maastricht Treaty, the total amount of public debt cannot exceed 60% of Gross Domestic Product. The relevant data account for Romania having the lowest level of debt in comparison to most Union member states, but to USA as well (go to the chart no. 5.6). Romania has a moderate rate of public debt as the level of external debt is way under the top agreed limit. The sustainability of external public debt is best accounted by the value of the rate of external debt service, which puts forth the report between the public debt service and the exports of assets and services. The public debt of Romania was sustainable during most of the period analyzed (1990-2006), excepting the year 1999, a year which stands for the end of a period of economic crisis that started back in 1990, emphasized by negative important rise of GDP (domestic gross product) and by decreases in the main macroeconomic values.

The monetary resources of each state puts forth different characteristics, depending on each country and its level of economical growth, the ability to compete with foreign economies on external markets, the balance of the public internal and external debt, etc. From this perspective, foreign financing targets on one hand the countries that register significant deficit in the balance payments and of the budget, as well as the countries which do not have external deficit, but intend to invest in their infrastructure or in different types of socio-economic projects. In the case of a pregnant financial deficit (in the governmental sector – the budgetary deficit, but also in the non-governmental sector – real economical sector), the state can go for adjustment instead of diminishing the foreign currency resources or of gold. Gradual adjustment supposes an active collaboration between International Financial Institutions, not only concerning credit granting, but also with respect to establishing some regulations regarding economical structural adjustment. International Financial Institutions acknowledged to grant assistance as well as credits to ensure an equilibrium to the balance of payments or to various investments plans are the following: The International Monetary Fund and The World Bank Group.

The main objectives of IMF resides in: promoting the equilibrium of foreign currencies and in avoiding the competitiveness of the foreign exchange currency, decreasing the term and the degree of risk for the external balance payments, supporting a multilateral system concerning current transactions between its members and taking out the foreign exchange currencies barriers which hinder the rise of international trade, and inspiring trust to its members by granting temporary access to its general resources of The Fund on the basis of relevant guarantee thus providing them with the opportunity of adjusting the unbalances in payments, without affecting the international stability and by promoting international cooperation by means of a permanent institution which will put forth the mechanism for consulting and cooperation concerning international monetary issues, by faciltating the expansion and gradual growth of the international commerce and contributing thus to promoting and maintaining high levels of use of labour force, etc.

The World Bank was founded at the same time with IMF in 1944 out of the need to alloting some necessary financial resources to rebuilding badly injured economies by the World War Two. At first, The World Bank was represented by BIRD, founded in 1944 with the headquarters in Washington. As time went by, a couple of new instituion joined them: International Financial Corporation (IFC), founded in 1956, and The International Association for Development (IAD), founded in 1960.

Regarding BIRD, its main objectives were: granting financial assistance especially for developing countries, giving out credits to governmental organisations, to public or private institutions for investments plans in the field of agriculture, energetic and industry, education, health and to support financial investments of the developing member states by granting loans for needs that demand expenses in foreign currencies, supporting private enterprises from developing member states, guaranteeing the loans obtained by the member states from the international finacial market and so on.

The reimbursement of the governmental public debt represents an unconditional and final obligation of the state to pay for the assets, the rates of interest, the comissions and some other costs related to contracted or guaranteed reimbursable financing. The expenses regarding the services of the rating agencies and for measuring the country risk, the comissions, the rates of interests, the value of the discount and some other expenses concerning the comitment to reimbursable financing on behalf of the state are to be paid out of the state budget. The reimbursing scheme of the financial debt of Romania must ensure an equilibrium between the current debt and the reinforced debt in order to avoid close deadlines which would put some pressure on the capacity to reimburse of the state, but also to avoid the accumulation of payment rates of interest as a result of contracting some loans on a medium and long term.

The management of the Romanian public debt aim at reducing the price of the service of the public debt and the reducing of the risks associated to the portfolio of the governmental public debt. The risks related to the governmental public debt are: the market risk, the refinancing risk, the liquidity risk, the credit risk, the offset risk and the operational risk. The management of the relevant public debt assumes the processing of an arbitration strategy between the immanent risks and prices of the public debt. The report between the cost and the risk varies from the economic status of each country. Generally speaking, the more vulnerable the economic and financial impact, the more risks that are to be evaluated; in reverse order, the less debts the country has and less vulnerable is at the possible financial and economic crises, the less the risks and so the costs related to the debt decrease. In difficult situations the strategy considered has to decrease the related risks of the public debt to avoid the the inability to respect the bounds deadlines and thus losing credibility on the loan assests market. Thus, the decreasing of risks has an essebntial role no mater the related prices of this strategy.

The state loans are used according tot the legal provision, the Government being the authority to contract internal and external loans only by the Ministry of Public Finances. The alternative of loans for consumption or investments must be fitted through the strategy concerning public debt. In the internal public debt distribution, the largest weight on the entire period is held by the contracted public debt for the financing of the budgetary deficit. During 1990-2006, the Romanian external debt was made mainly for consumption needs, with a slight decreasing weight loans for this destination in the last year of analysis. If the public loan can lead to the dimishing of the specific fluctuation, at a certain point, and to temporarily sustain the activity of certain sectors of the economy, it is unlikely to bring positive contributions to the Economics on long term. On long term, the public debt contributes to the economic growth provided it finances public expenses or tax decreases, whose contribution to the potential of economic growth was proved. The only viable destination that can be loaned is the accomplishment of efficient investments.

An informational system of public debt is an integrated ensemble of means, methods and human and technical operations to picking, delivering and analyzing data, the acquiring and keeping, the analysis and turning account the financial information needed for the devices that have functions concerning the management of public debt. The public debt computational technique assumes the achieving of the following: the picking of data, the processing of data and acquiring the financial information through computers, the keeping of the financial information, the deliverance of the financial information towards the users and the analysis and using of these financial information for the specific activities, The annual reports concerning public debt, the annual budgetary reports, the monthly official gazette and so on, structured by the National Bank of Romania and the Ministry of Finances and Economics, contain numerous tables of financial data structured on column and lines. These situations (data tables, diagrams) concerning the evolution of public debt, of the budgetary deficit, of the deficit of the balance of external payment and so on, are achieved using the Microsoft Excel table processing calculation. The working instrument of the Excel table processing calculation for preparing these situations is represented by the calculation electronic paper (Spreadsheet). Excel allows for data post processing in tabular form and building the corresponding graphs. Updating (the modification of the formulas, of the data and so on), calculating again automatically or manually, handling different card indexes (combination, extraction, copying and so on) can be made with the aid of this table calculation processor.