

SUMMARY FOR THE DOCTORATE THESIS:

LOCAL PUBLIC FINANCE AND REGIONAL DEVELOPMENT

Keywords: region, economic and social cohesion, inter and intra-regional disparities, local autonomy, financial independence, territorial administrative decentralization, degree of self-financing, effective control.

Starting from the conviction that at the moment the local government finances a leading role in regional development and the financial phenomena have an impact on economic, social and political developments I was interested in relations between local public finance, decentralization and regional development policy. This explains the choice of the thesis, whose title is "Public finances local and regional development.

For the modern state, public finance, especially local ones, are no longer just a means of managing revenues and expenses of administration, but above all a means of local authority intervention in the economy. That is why, studying the tools, techniques and methods by which local government may intervene in the economic life of the entity may be a matter of actuality. Being aware of the complexity of this problem I only focused on several directions, which I considered priority strategies for sustainable development, setting objectives which lead to a reduction intra and inter regional disparities by showing the value of local and regional potential.

Combining fundamental theoretical aspects, with studies and practical analysis, the paper is structured in six chapters, of which the first three were aimed at addressing regional development issues in the European Union and our country and in the last three I focused on the role of public finances, on the need to reform the budget process and make the best use of financial control.

To achieve the most relevant analysis of regional development policy, the **first section** of the paper entitled "**Theoretical basis for regional development and architecture**" (*pages 5-26*) we used as a starting point the theoretical and conceptual evaluation of regional science, whose origins we have identified in the economic and social, classical, neoclassical and Keynesian thinking.

Analyzing the five schools of economic thinking on regional development, I recognized so many ideas, which created the theoretical approach to regional development issues and outlined possible ways in which demand can be stimulated and controlled. Each design has more or less emphasis on different variables, which it seemed relevant at a time of prosperity or poverty interpretation of regional economies, thus providing a wide range of ideas.

The interpretation of the level reached in development, setting goals for regional development and especially the solutions proposed for achieving these objectives were the subject of several theories which I appreciated as interesting to look into.

How economic development in terms of progress and prosperity is inextricably linked to territorial organization and evolution of the geographical area called "region", on this notion I focused on this term, following its conceptual and applicative evolution. Regarding Europe, I noticed that in terms of legal status, the term region as the term regionalization, cover very different political and administrative realities.

The way we find in the EU countries diversity of regional and local administrations I exemplified by presenting the "European Experience of regions and regional development, which allowed me to get an overview of issues facing the region, the advantages and disadvantages that it has in one way or another.

The comparative study of regional and local administrations in the EU revealed that:

- ✚ We witness a very heterogeneous landscape of regions and their development level, Europe is composed of a veritable patchwork of regions that have evolved and developed differently and at different speeds;

- ✚ The disparities between regions are a consequence of several factors: different rates of development of regions, the uneven distribution of technical infrastructure within countries and social development of its poor, demographic imbalances, the existence of natural factors and different economic resources from one region to another; the different ways of behavior, from one region to another of the local initiative and the spirit of the urban-household.

In my attempt to complete the study of regional development policy, I consider it necessary, as in **the second chapter - "Economic and Social Cohesion Policy of the European Union (pages 27-55)** to address economic and social cohesion policy, the which includes among its instruments of regional development at Community level intervention. I wanted to bring into question an area currently under consolidation: territorial cohesion as an expression of balanced development, consistent and harmonious planning, in terms of economic activities, social, facilities, accessibility and environmental quality, the existence conditions Living and working field for all citizens, wherever they are.

In the conditions of the economic and social cohesion policy of the EU is closely related to European integration a parallel presentation of the main steps towards cohesion and integration processes has allowed me to do a series of findings and formulate several conclusions:

- ✚ each step of the process of achieving economic and social cohesion is an expression of European solidarity and a requirement for economic efficiency and global competitiveness;

- ✚ improving economic and social cohesion is actually a corollary of a single market without internal frontiers, and the benefits of an enlarged market created by the removal of all barriers preventing free movement of goods, services, people and capital should be able to reap all the equally;

- ✚ Not all Member States and especially not all regions of their components are well equipped and prepared to face increased competition in the new environment created, the less developed regions not being able benefit properly from the new conditions.

I also considered important to analyze how, regulations and reference documents adopted at Community level (Community Strategic Guidelines on Cohesion 2007-2013, the Integrated Guidelines for Growth and Jobs 2005-2008 OPs) and authorized institutions (Committee of the Regions - CoR Directorate General for Regional Policy - DG Regio, Regional Development Commission - kings, European Bank of Investments - EIB) allow the implementation of regional policy measures.

The result of the analysis was that, on the one hand, all the regulations, programs, guidelines and strategic lines adopted ensure an effective regulatory framework and necessary in the implementation of regional development policy and structures created advisory, legislative or executive permit application cohesion.

Because the process of reducing disparities and strengthening economic and social cohesion, the EU has created the financial contributions of member countries, Structural Funds and Cohesion Fund, their approach we used it as a starting point in identifying the

role that these funds play in supporting economic and social restructuring of regions. We found that, the last wave of enlargement has called into question the thorniest issues on the usefulness and effectiveness of Structural Funds in achieving economic convergence. From the theoretical point of view, the use of EU funds at least two major implications, closely interlinked: first, generate substantial economic growth ("growth boost"), on account of increased demand for certain goods and services related to the sectors receiving investment and, secondly, reduce disparities ("catch-up process"), on account of infrastructure development and human resources.

From studying the new Member States in the pre-accession have concluded that the absorption of EU funds requires an effective administrative structure, a coherent legislative framework, an inter-ministerial coordination and inter-institutional, but also effective management, through all phases specific to the programming, implementation, monitoring and evaluation. For Romania, the lack of strategic parts, weakness of administrative capacity and limited budget available for co-financing have fueled the main concerns of local authorities in accessing funds.

We can appreciate that, beyond the debate on effective capacity of absorption and, respectively, correct and effective use of EU funds, real prospect of an effective and efficient institutional reform throughout the company appears to be extremely valuable.

We cannot end the chapter on the policy without an assessment of disparities and imbalances in inter-regional and intra-regional levels of economic development in European community countries, assessment that I made through an analysis of GDP value per capita, considering it the most relevant indicator, which is, in fact, based on policy decisions regarding the allocation of Structural Funds and other financial instruments. Analysis revealed several aspects, some of them paradoxical, namely:

- ✚ following the January 1, 2007 accession to the European Union, Romania and Bulgaria within the EU, the territory increased by 8.6% and 6.3% the population, but the Union's GDP, measured in terms of purchasing power standard, only increased by 1%, less than any other previous expansion;

- ✚ from a general point of view for the European Union, the period of 2006-2008 has been beneficial, occurring approximately equal values of GDP per capita, with a maximum in the case of Luxembourg (253 PPS, the percentage of EU average) and a minimum in Bulgaria (PPS 40);

- ✚ regional disparities are greater in highly developed countries such as Germany, France, Belgium, Austria or Great Britain;

- ✚ 43% of the income and 75% of investments in research and innovation focuses only on 14% of European territory, the so-called pentagon between London, Hamburg, Munich, Milan and Paris.

Therefore, if we are to reduce regional disparities in a more sustainable level in a reasonable time, the policy continues to be essential to support regional development, particularly in new Member States and new EU regional policy, must be based on diversity, opportunities and challenges offered by the regions of Europe.

The third chapter, entitled "Regional Development Policy in Romania" (pages 56-109) I considered to be particularly important in the work architecture, while the regional development issues is a relatively recent history in our country, the Romanian widening regional disparities mitigation measures until after the start of EU accession negotiations.

The chapter begins with an overview of steps taken by Romania to the definition of the eight development regions, followed by an analysis of levels of socio-economic development of our country compared with other EU countries, Romania's regions between them, but also in other parts of Europe.

The study revealed a number of problems faced by both Romania as a whole and each region, in particular:

- an increase in newborn rate and a negative balance of external migration, having a negative effect on the educational system and social security system;
- an employment rate of the population by 12.6 percentage points below the Lisbon strategy forecast and a doubling of the number of unemployed (in August 2009 versus the same month of previous year);
- an underdeveloped transport system having also a poor quality, with the highest traffic in the EU (165.8 tone-km/PIB) versus the EU average of 106.8, the effect being an overload existing transport infrastructure;
- a GDP per capita of only 45.8% of the EU 27 (Romania is the penultimate position of the EU27 average, ahead of Bulgaria) and at regional level, only half of Romania's regions had a higher GDP per capita than the national average.

How Romania has ensured the construction and operation of the institutional and legislative support necessary for regional development policy was another topic discussed in this chapter. We also analyzed the strategic and operational documents that Romania was ready to establish development priorities, focusing on assessing the impact of the use of structural instruments in regional development – Case where has been used the Hermine Model (to assess the NDP 2007-2013).

The conclusions I reached following the study of regional development policy in Romania were that:

- ✚ Regional policy in our country arose exclusively to meet the availability of financial assistance from the European Union;
- ✚ although currently there is this formal framework, uncertainties remain about the management capacity of the assistance and especially the effectiveness of monitoring and surveillance mechanisms;
- ✚ Regional policy as a political phenomenon in the political public was put in contrast with Romanian national idea, for which he remains a rather nebulous subject. Perhaps the reason why public authorities preferred, the establishment of eight development regions which do not provide an argument in their development and are obviously trying to avoid historical criteria;
- ✚ pre-access instruments have remained an exercise in public policy towards accession, the size of their "learning" is perhaps the most important;
- ✚ whatever view you take, must be underlines the fact that economic and social cohesion policy is a "value free" policy, but requires an explicit choice on the overall economic;
- ✚ The priorities proposed for future convergence, regional competitiveness and employment, and the territorial cooperation, are meant to optimize efforts to reduce disparities in the Community. In this sense, reducing the number of structural instruments and their objectives can only be a positive development for the efficiency of cohesion policy.

Given the role and functions of public finances in the procurement and distribution of state resources it needs for its tasks, I considered necessary to address the issue in the context of the **fourth chapter - "Public finances and their role in the Romanian economy" (pages 110-136)**.

In presenting the evolution of public finance, I have identified the key concepts raised in the literature, their forms of representation and the elements that characterize one form or another.

Starting from the principle that public finances are all the work done in the public sector of the economy I considered necessary debate about: What is and what is not

public? We found that, in its development, the public sector, has seen three paradigms: one liberal, one of the social welfare and another one of leadership, none of the three forms not remaining uncontested. Entering more into detail in the subject of the supporters, the promoted ideas, arguments and counterarguments I learned some general conclusions:

- The involvement of the state in the economy is a necessity for any economy, but also a possibility;
- forms of state involvement varies from country to country;
- public sector coexists with the private sector, manifesting complementary relationships and/or competition;
- Public choice is not always cost-benefit analysis based on giving priority to ethical principles and not automatically to the efficiency;
- social problems of security, income inequality, poverty, healthcare, macroeconomic policies and measures require a public character;
- The functioning of the public sector is not perfect, accounting for failure itself, that society can improve by a change in the government or interference by a private or mixed intervention.

In addressing the concept of public sector, I wanted to present the phenomenon of decentralization, where I treated these two forms, namely self-government, which regards all the powers of state - legislative, executive and legal power that the central government delegation, which is achieved through administrative decentralization and devaluation. The arguments for and against decentralization phenomenon we have examined three models of governance: absolutely central, decentralized and partially decentralized. The conclusion drawn was that decentralization can be seen in the public sector:

- ✚ providing expertise in tax matters in regional and local administrations, with the purpose of introducing new taxes and the granting of facilities to power the central government restriction on fiscal stabilizers (income tax and consumption taxes);
- ✚ autonomous decision making in the current public expenditure management by local governments;
- ✚ Local governments having the power to decide and control all public investment programs that do not concern the national level. Funding through grants budget is not subject to the approval of value and technical parameters of public works by the central government, but the condition of economic efficiency;
- ✚ The competence of local and regional elected public service delivery, with restrictions only in respect of: national quality standards and technical reliability and the non interference with market mechanism.

Entering into the details of the local autonomy, financial independence and territorial administrative decentralization was motivated by the fact that the local state representative as manager of public resources has a primordial role in the development of key regional projects and the administration Structural Funds.

Territorial administrative decentralization, as the basic framework of development strategy should ensure a profound change, but the spread and distribution of powers between elected officials and powers between local authorities and state. Achieving such mutations involving the first approximation in a decentralized structure and organization of the various territorial entities, changing distribution of public powers conferred missions between those assumed by the state, national and territorial level, and those granted to local authorities. It is needed the increase in the freedom of managing

municipalities, county institutional mutation and transformation in local authority areas, having the same importance.

I believe that the transfer of power should not cause a withdrawal of any abilities of decentralized communities instead, they must provide them with powers in November. That is not to seek a redistribution of tasks between state and local current, but to give local authorities new missions, which have so far been exercised by the state. While the transfer of powers should be without prejudice to any rule of the state, but must make it possible to devote more of its fundamental missions related to national sovereignty.

In the fifth chapter of the project "**Reforming the budget process - the imperative of regional development**" (pages, 137-167) as a conceptual approach of the concept of budgetary process, the actors involved in budget preparation, but especially, the role that local budgets have in their capacity planning and management tools, I found it necessary to show a practical example of how sharing amounts deducted from certain income of the state budget can balance local budgets.

Using the budget implementation of Harghita county in 2008, I applied the criteria set by the current legislative framework, the result being that if administrative-territorial units with a low per capita income tax, in balancing the state budget shares be allocated larger amounts. Moreover, it is the role of the budget process, provided that the distribution amounts from the state budget to take into account objective, true and correct based, so as to ensure a reduction of imbalances between administrative units within the territorial districts.

I continued the practical study with an analysis at national and regional level of development revenues and expenditures of local budgets, which provided relevant information on regional development and local level and the degree of autonomy of a Community. this context, based on the budgetary implementation of national and regional level, with a customization level of the Harghita county, I calculated various indicators, which have established the dependence of local authorities, the degree of self-financing, investment capacity, noting that :

- ❖ in Romania the share of own revenues in total revenues of local budgets increased in recent years, from 21% in 2003 to 42% in 2006 and 47% respectively in 2008. 2009 saw a regression such, local revenues accounted for 44% of their total income. This trend is a consequence of changes in legislation that allowed the decentralization of various sources of income;

- ❖ same trend also applied to amounts deducted from the VAT, which if in 2003 represented only 31% of total local revenues, their share reached a maximum of 52% in 2006 and in 2009 the value achieved is 41%;

- ❖ I found that the South-West region, recorded the lowest share, both revenue (8.8%) and expenses (8.9%) at regional level in total revenue, but also expenditure in the county. At the opposite, Bucharest region is maximum up to 18.8% in respect of the income, 18.7%, respectively, in relation to expenditure;

- ❖ dependence of local authorities is manifested most strongly in the case of the North-East region (with a difference between the percentage of their income and the amounts deducted from tax in total revenue, of 26.4%), half of the regions of the country are above the national average prevalence in the state budget transfers;

- ❖ I reached the same conclusion from the analysis at national level of the share of their revenue in total local spending, "the degree of self-financing" of local authorities registering a maximum 51% in 2007, a visible improvement over 2003 when it was only 21%. Regionally, the lowest degree of self-financing you will find in the North-East

Region, with 31% followed by South-West and South, which is below the national average, 49%;

❖ Analyzing the "expenditure rigidity" I could determine how limited is the autonomous decision of the local government authorities in prioritizing spending. I found that, for 2009, average whole county increased from 59.6% to 43.8% in 2008 and only 40% in 2007, adversely affecting investment in particular;

❖ I also calculated the "capacity investment" (the ratio of capital expenditure and total expenditure) in order to see the whole county funds allocated for development in a budget year. I found such an upward trend in investment spending during 2006-2008, followed by a dramatic decrease in 2009, when values were below those recorded in 2006;

❖ The analysis took into account a comparison between the county administrative-territorial units (municipalities, cities, communes), in terms of their level of self-financing, meaning that each entity has capacity to cover expenses on their income account. The research showed that, cities are distanced from other types of entity, reaching a high of 52.7% self-financing in 2009, to the county council, which has consumed about 17% of the county - two times the spending of five cities, with the same capacity for self-financing with them.

All these findings allowed me to conclude that:

✚ although the fiscal autonomy of local governments has substantially increased the effectiveness of transfer of responsibilities was seriously affected by the lack of administrative capacity, in particular low level of revenue collection and the unpredictability of revenue sources;

✚ Regarding the budget expenses I have identified as key issues: the over spending of the central government, the lack of clarity in expenditure assignment and frequent changes in distribution costs;

✚ There is a substantial lack of capacity to implement and manage development projects, especially if they include a component of community participation.

Starting from motto: "Who does not punish injustice, commands that it be done" the approach to the "**Financial control - local public finance management tool**" (*pages 168-219*) I considered it appropriate in **the last chapter** the thesis, given the role that knowledge is control by state, local government authorities of how material and financial resources are managed by public entities to obtain and spend public funds.

In this chapter I focus on how to organize and exercise the control of public money, the way all the methods, procedures and control techniques allow monitoring of local and central management of budgetary resources. By exemplifying both strategies, but also the performance of the most important control structures / Audit, NAFA (through fiscal and financial control, Financial Guard) and ECA, we tried to highlight strengths, especially those weaknesses that require improvement.

Considered for a long time wrongly and casual, a form of financial control, for the audit, I have spent a part of this chapter, especially now that tends to take place in our country and he deserves the role of law in process development and improvement of economic entities. As an alternative and complementary financial control, I approached all sides: both the internal audit - leverage the modernization of financial management, financial audit - which provide reasonable assurance regarding the financial statements, audit of performance - open judgments and interpretations based on reasonable arguments.

Following my analysis I determined that the current system of control / audit face many drawbacks:

- ✚ failure of financial control and taxation by not implementing control programs of all thematic actions required by law or those high-risk areas;
- ✚ disorganization and failure of proper financial control and often overlapping functions with the preventive control of delegated preventive control;
- ✚ there are overlaps in terms of financial control functions of various bodies and hence create the image, among the control and among various international organizations or foreign investors, there are too many financial institutions and control devices are not warrants;
- ✚ unequal development of different forms of control because they are not organized and monitored individually;
- ✚ The conduct by the external auditors of financial activities and internal audit of the controls, due to their extensive trend to replace the internal control.

In these circumstances, to improve the level of control quality I consider necessary:

- improve current methods of control through the introduction of electronic control and indirectly, and by developing new areas of control;
- the improvement of the risk analysis, which is the basis of the selection of contributors with a high fiscal risk, which are checked with priority, and their inclusion in a database which should contain not only quantitative data but also qualitative elements, with the possibility of accessing it in real time from the entitled persons;
- The implementation of a monitoring system and the correlation of the information held by ANAF, CCR and ORC.

I considered that for improving the quality of control/audit of the public resources, it could be assured on one side an increase in the budgetary income and on the other side an increase in the efficiency in maintaining the patrimony of the territorial administration units.

Compiling this work I tried to catch the theoretical parts, but also the applied part of the relationship between the public finances and the problem of regional development, my approach being able to represent a challenge and an incentive for additional documentation in this domain of interest.