

**BABES-BOLYAI UNIVERSITY OF CLUJ NAPOCA  
FACULTY OF ECONOMIC SCIENCES AND BUSINESS MANAGEMENT**

**PH-D THESIS**  
**RESOURCE MANAGEMENT COMMITTED TO  
SUPPORT PUBLIC ACTION IN UNITS  
INTEGRATED INTO THE NORTH-WEST OF  
ROMANIA**

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# ABSTRACT

## Contents

Introduction and the stage of knowledge .....	5
1. Regional development: concepts, means of achievement, measuring indicators .....	10
1.1. Basic concepts regarding regional development. ....	10
1.2. Institutions for regionalization. ....	12
1.3. Regional development in European Union. Contents; Typology; Ways of Achievement.....	14
1.4. Regional development and interconnection with Local Autonomy in Romania.....	19
1.4.1 Territorial-administrative structures for regional development.....	20
1.4.2. National structures for regional development.....	23
1.5. Analysis on regional development in Romania.....	25
2. The Budget of Local Administration - Instrument of Resources Allocation within a territory.....	44
2.1.Financial mechanism of resource allocation within a territory.....	44
2.2.Contents and components of the financial mechanism within a territory.....	45
2.3.Local and Financial Autonomy.....	52
2.4.Traditional contents and modern significance of the budget.....	63
2.5.Local budgetary principals.....	69
2.6.Local budgetary process.....	73
2.6.1. Budgetary process: definition, stages, features.....	73
2.6.2. Local Budgetary System.....	75
2.6.3. Stages of Local Budgetary Process.....	79
2.7.Local Finances in some European Countries.....	89
2.8.Local Public Finances in Romania.....	91
2.9.Local Budgetary Income and Expenditures.....	94
2.9.1. Contents and Local Budgetary Income.....	95
2.9.1.1.Presentation of the main category of local budgetary income.....	105
2.9.1.2.Technical elements and fiscal resource feature.....	109
2.9.1.3. Main Local Taxes.....	111
2.9.2. Local Budgetary Expenditures.....	119
2.10. Analysis of the ways of execution of the Northern Western Region Budget.....	121

2.11. Analysis of the Budgeted Income of the Northern Western Region.....	122
2.11.1. Budgeted Expenditures of the Northern Western Region.....	136
2.11.2. Budgetary Performance of the Northern Western Region.....	159
3. Analysis of the way of administration of the financial resources of the Northern Western Region.....	166
3.1. Balance Sheet – Evaluation Instrument within Local Administration Financial Resources.	166
3.1.1. Balance Sheet Assets and its role within Local Administration Financial Resources.....	167
3.1.1.1. Structures and Evaluation way of non-current Assets.....	168
3.1.1.2. Evaluation ways of current Assets.....	173
3.1.2. Balance Sheet Liabilities- reflection of Financial Sources within the County Administration Activity.....	177
3.1.2.1. County Administration Debts in Northern Western Region.....	177
3.1.2.2. Registered income in advance and ways of evaluating it.....	180
3.1.2.3. County Administration Equity.....	180
3.1.3. Assets and liabilities’ dynamic analysis of County Councils.....	185
3.1.3.1. Assets dynamic analysis.....	185
3.1.3.2. Liability dynamic analysis of County Councils.....	188
3.2. Balance Sheet Structure Analysis by means of financial ratio.....	191
3.2.1. Assets Analysis by means of structure ratio.....	193
3.2.2. Liability Analysis by means of structure ratio.....	199
3.2.3. Financial Balance Analysis by means of ratio.....	202
3.3. Liquidity and Solvency Analysis within Local Administration.....	209
3.3.1. Liquidity Analysis by means of financial ratios. ....	209
3.3.2. Solvency Analysis within Local Administration.....	216
3.4. Performance Analysis within Public Administration in Northern Western Region.....	227
3.4.1. Conceptual Dimensions on Profitability of County Administration.....	227
3.4.2. Method of Performance Analysis based on Value Indicators.....	233
3.4.3. Financial Performance Analysis of Local Administration using the Method of ratios.....	242
3.4.3.1. Operational Activity Short-term Analysis of Local Administration.....	247
3.4.3.2. Operational Activity Long-term Analysis of Local Administration.....	251
4. Public Debt and Local Administration Rating.....	254
4.1. Concept of Local Public Debt.....	254

4.2. Management of Local Public Debt.....	258
4.2.1. Main Principles of debt management.....	258
4.2.2. Instruments of Local Public Debt.....	260
4.2.2.1. Municipal bonds.....	262
4.2.2.2. Loans from commercial banks and other credit institutions.....	263
4.2.3. Institutions in charge with Local Public Debt.....	264
4.3. Factors generating Local Public Debt.....	265
4.4. Local Public Debt forms and characteristics.....	267
4.4.1. Internal Local Public Debt.....	269
4.4.2. External Local Public Debt.....	270
4.4.3. Internal Public Debt vs. External Public Debt.....	271
4.5. Risk Management Strategies generated by Public Debt.....	273
4.6. Local Administration Rating in Northern Western Region.....	280
4.6.1. Financial Information Role in Local Administration Rating.....	280
4.6.1.1. Rating Function on Financial Market.....	281
4.6.1.2. Risks reflected in the Rating of Evaluation Agencies.....	281
4.6.2. Rating Agencies and their Products.....	283
4.6.2.1. <i>Standard &amp; Poor's Ratings Group</i> Rating Agency and its Products.....	286
4.6.2.2. <i>Moody's Investors Service</i> Rating Agency and its Products.....	288
4.6.2.3. <i>The System of Fitch-IBCA</i> Agency.....	289
4.7. <i>Evaluation Methods of Local Entities' Rating</i> .....	293
4.7.1. <i>Stickney Model</i> .....	294
4.7.2. An Analysis Model of Local Administration Rating.....	296

## **INTRODUCTION AND THE STAGE OF KNOWLEDGE**

Every Organization, both public and private, needs to become an outcome-oriented system, focused on the customer.

Stephen G. Haines

### **KEY CONCEPTS**

Financial-economic analysis, regions, regionalization, regional development, indicators, local analysis, rating.

To sum up, public finances can be considered the support and catalyst for Democracy and development at a local level, and local budgets can be defined as an income and expenditure balance of an administrative-territorial entity over a year.

The decision of the country's regional development shall have as a starting point the outcome to be achieved and namely: the development of the economic-social environment and therefore, promoting the specific and regimes' competitiveness.

The motivation for choosing such a research theme results from the necessity of knowing and understanding the dynamics of economic-social environment in Northern Western Region of Romania, but also to offer correct answers to questions presenting a real interest not only in specialty literature, in academic environment, as well as in daily life.

The purpose of the research is to perform an analysis both qualitative and quantitative of the major structural modifications (of methods) and trends which appear within public policies, and their objectives, the instruments used to this purpose and the pathway towards a real economy in the context of some financial crises at the level of economy, but especially in the context of the most recent global financial crises and recession following it.

The research strategy taken into consideration is a complex one: inductive, deductive, transversal, with case studies, quantitative and qualitative.

In terms of research methodology, an important part of the thesis has taken into consideration the fundamental research such as the quantitative and qualitative analysis.

Regarding its structure, I have to mention that the thesis consists of four chapters which I hope will comply with the requirements of the aimed research.

**The first chapter** entitled "Regional development: concepts, means of achievement, measuring indicators" introduces concepts regarding regional development with its concepts and effects on economy.

The indicators highlighting the regional level are also analyzed in detail, with emphasis on Northern Western Region of Romania.

**The second chapter** regarding “The Budget of Local Administration - Instrument of Resources Allocation within a territory”, reviews the different approaches of the contents of the resource allocation mechanism within a territory, local public finances, local budget which exist in specialty literature. At the same time, I have made a summary of the most important indicators highlighting the execution method of the budgetary resources. This chapter presents as well a statistical study based on some econometrical models regarding the effects of financial storage and use in Northern Western Region of Romania.

**The third chapter** entitled “Analysis of the way of administration of the financial resources of the Northern Western Region” starts with a balance analysis which, in our opinion is one of the macroeconomic key-factor, playing such an important role, not only in ensuring financial stability for County Administration, but, as well in ensuring resources for the economic growth of the analyzed region, as well as in diminishing the unemployment rate. This chapter also presents a short theoretical description of concepts regarding the performance of obtaining profit by County Administrations, as well as an analysis of the patrimonial account resulted for each county and for the entire Northern Western Region of the country. The final part of this chapter exposes a statistical study of the main correlations between the performance indicators and balance indicators of the Northern Western Region.

The chapter concludes with the presentation of the main ways of ensuring balances within County Councils from the Northern Western Region of Romania.

The fourth chapter points out the public history and rating of the Local Administration aiming at answering the active issue of administrations’ public debt, as well as evaluating public debt by means of a system correlated with indicators. The second part of the chapter we stopped to analyze the rating of County Administrations, which represents a proof of the inability regarding the activity performed by these over the analyzed period.

In the context of the globalization, the states are considered, on one hand, to small to face the problems which appear at a global level: economic, security, fiscal policies, currency policies, resulting in the creation of a superstate Union, and, on the other hand, they are considered to large to deal efficiently with the problems of the citizens, whom can be offered efficient solutions, especially at a regional or local level.

With the purpose of highlighting the aspects related to regional development, it is important to clarify the aspects making the difference between *regionalism* and *regionalization*.

The starting point of regionalization is achieved by the elimination of regional imbalances, by means of decentralization or de-concentration at regional level of some activities, competent authorities being previously at central level. This is encountered in local administration actions which are the expression of central political will to grant local autonomy.

The analysis performed pointed out that the Northern Western Region's Gross Domestic Product (GDP) sums up in 2005, 34323,1 billion lei representing 11,28 % of the Romania's Gross Domestic Product. The regional GDP's weight value in the national GDP has been almost constant during the analyzed period, with the following values: 2005-11,88 %; 2006- 11,84 %; 2007-11,79%; 2008-11,77%; 2009-11,81%; 2010-11,82%; 2011-11,80%; in the following period it is foreseen that the indicator shall maintain the level of the year 2011-11,81% respectively.

Improving the lack of equality up against national level can be found in regards to interregional disparity index of GDP per inhabitant among regions, and in the region with minimum registered value in Northern Eastern Region. A slight decrease of the gap can be found as a result of a regional superior economic growth in less developed regions.

On the other hand, by improving the lack of equality of the interregional disparity index of average net monthly salary, a slight decrease between minimum registered values can be pointed out in the Northern Western Region during 2011-2012.

The discrepancy attenuation process between the developed regions and the ones left behind is a long term one and can be achieved in successive stages. Even though, the economic growth rhythms are superior to the areas with a low development level, the economies in the developed regions do not come to a standstill, but they are also ranged on an increasing trend, that can be noticed in the intensity of decreasing gaps. For this reason, the decrease of the territorial disparities must represent an essential component of the integration strategy in the European Union.

Administration is a vital component in our daily life. Every situation, in every moment of our life, we must face the so called administrative organization, even when, we walk on the street, or we go to work, we address ourselves to elected officials, or to a clerk in a city hall or whenever we watch television.

When we talk about public administration, we automatically think to all the administrative authority existing in a state, which deal with administrative issues and especially they wish to refer to problems in the field of finances, local budget and the entire budgetary process at the level of the local community.

Conceived as a solidarity policy at the European level, the regional policy is based mainly on financial solidarity, namely the reassignment of a part of the community budget, consisting of the contribution of the member states towards the region less prosper. Among the essential financial instruments for intervention used to sustain such a policy, there are the so called structural instruments, category which comprises structural funds such as: – European Regional Development Fund (ERDF) and Social European Fund (SEF) – and Cohesion Fund (CF).

In specialty literature there are few approaches regarding the analysis based on balance sheets in public institutions, but many more approaches of this kind in companies, that is why I considered the first dimension of the financial analysis in budgetary institutions is the resource analysis reflected in their balance sheet. The accounting department made available a summary situation to its users, and namely the balance sheet.

Taking into consideration the analysis performed, the conclusion is that the solvency of the analyzed county councils is good. However, the debt level of the county administration does not generate significant risks for the continuation of the activity.

The profitability of a public administration is indissolubly connected to its performance, even if between the two concepts the sign of equality can not exist. The approach on profitability is a commonly known concept in the analysis on companies and less in the analysis of the public administration performance.

In our opinion, the local administration efficiency is conditioned by the performance of a rational efficient profitable activity.

In market economy, the rational economical activity is the activity which generates an **excess** which is also found in the account of the patrimonial earnings. The excess activity of the local administration is not very studied by specialty literature, but this can be studied just as the term profit, commonly met in economic entities.

The ROE indicator shows a growth during the period 2008-2010 from 1,36% in 2008 to 6,74% in 2010 and a decreasing level of the indicator from 5, 94% in 2007 to 1,36 in 2008, and from 6,74% in 2010 to 6,08% in 2011. Seen from a further



activity point of view, it is found that the equity funds do not generate enough profit and for this reason, a more thorough analysis is to be performed regarding the components of these equity funds, especially of provisions and other funds, which are actually registered funds, and which do not contribute practically to making profit.

Just as shortly presented in the third chapter, the public debt is a subject of great interest, problem analyzed over the time, and which produced different tragedies to countries in debt. Romania is among the countries affected by the phenomenon, which during the 80s had quite a difficult period regarding public debt management, especially regarding the external debt. The solution to this difficulty came with the change of the political regime. The public authorities during the communist period were concerned with the payment of the entire external debt accumulated up to that moment, which had been a positive consequence of the communist regime.

The international financial crisis determined more than ever that rating agencies such as: Moody's, Standard & Poor's, Fitch IBCA and Thomson Bank Watch draw up quarterly reports regarding the rating of banks, great corporations, municipalities and countries for emphasizing the risk to which the investors exposed themselves. For this reason agencies are processing a series of financial and non-financial information regarding the standing of the securities of the issuers on financial market.

The financial information which is taken from financial situations, prognoses, domestic and international investment programs, after being selected and adjusted, shall lay the basis of the rating of those evaluated.

In our opinion, by means of the LICOS system is being created an universal financial language, which anyone is able to speak and understand. An important result can be considered the improvement of communication, which allows both a better understanding of the basic concepts and a commitment to reach a uniform quality and a reinforcement of every institution, at an individual scale, by improving the short operational areas.

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The standardization of the financial information eliminates thus the diversity and offers an efficient effective instrument to compare the performances of the budgetary institutions at a national scale.

A very important aspect of the LICOS comparative ratings is the objectivity, because in the registration system, the quality indicators are not included for they are in our opinion, subjective. This is an important difference in regard to other rating systems, which gives to the managerial team a draft based on a subjective and general judgment of the analyst.

Besides the utility it has as a managerial instrument, the LICOS system gives the opportunity to a more unified supervision. The budgetary institutions can make use of the financial indicators produced by LICOS in order to perform a quarterly or monthly analysis of all the key areas of a budgetary institution activity. These evaluations are very important for observing the *trends* and for *detecting the adverse* operating *areas* of the budgetary institutions.

By the standardization of the financial key indicators, all the involved parts aim at the same thing: *what is considered important for the one, who analyzes, is also important for the manager of the budgetary institution.*

In the unfolded research, we took into consideration the fact that in order to evaluate the audit risk; one should evaluate the rating of budgetary institution established by a system such as LICOS.

There are two basic methods by means of which the probability of bankruptcy can be indirectly estimated. The rating at every debt level is one thing and the association of the bankruptcy probability another thing. Follow the example below:

**As a general conclusion**, one may purport that the financial analysis is able, by means of procedures and methods, by financial system indicators and by means of the rating system, based on a correlated system of indicators, to correctly evaluate the errors, frauds and the risk to which a budgetary institution is permanently exposed to.