

# A BRIEF ANALYSIS OF THE PUBLIC INSTITUTIONS BUDGET: THEORETICAL AND PRACTICAL APPROACHES

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**ABSTRACT.** In this paper, we will mainly focus on the new budgetary tendencies of the Public Institutions, financed entirely or partially from the state budget, in the desire to highlight the newest aspects found at the level of the activities carried out in the public sector. The article highlights the official data provided by the National Institute of Statistics on the Cluj County budget execution, structured by items of revenues and expenditures. The contribution of Cluj County was pursued both at national level, and at the level of the North-West region, based on a budget execution analysis for a period of 5 years, namely between 2013 and 2017.

The article will also review the methods of substantiating the budgetary indicators, based on both classic and modern methods. The present article embeds the theoretical and practical aspects of public institution financing, being built from an interdisciplinary, economical and legal perspective, by using the integral research method that combines both quantitative and qualitative analyses.

In order to accomplish this research, we will use the most relevant scientific resources of maximum topicality, implicitly the official data identified on the site of the Cluj County Council.

**Keywords:** budget, Public Institutions, revenues, expenditures, Cluj County Council

**JEL classification:** H60, H61, H72

**Recommended citation:** Pop. A.M., *A brief analysis of the public institutions budget: theoretical and practical approaches*, Studia UBB Negotia, vol. 63, issue 4 (December), 2018, pp. 69-93, doi:10.24193/subbnegotia.2018.4.03.

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## INTRODUCTION

The debate focused on the budgets of public institutions, as a theoretical contribution and a practical approach, is of the utmost importance in today's global economic and financial context, dominated by the following trends recognized by the World Bank experts: decentralization, globalization, and competitiveness. All these processes have a major impact on local government, by bringing back the importance of local budgets and the extent to which they ensure the sustainability of these processes. Also, according to the most up-to-date opinions, the regional policy of the European Union has new valences, being amplified and adapted to the 21<sup>st</sup> century. Among its characteristics is the fact that it brings to the attention of the specialized public, and not only, the budget issue and the public financing of the local economies. Thus, local authorities have become important partners and actors in the allocation and use of European support, starting with the community budget cycle 2013-2020 (Bechiş, 2013).

From a legislative perspective, Romania's budgetary framework as a Member State of the European Union complies with the requirements of the European Union budgetary framework in order to strengthen the Union's budgetary surveillance and ensure the fulfillment of the obligations under the Treaty on the Functioning of the European Union and other treaties concerning the European Union, ratified by our country to avoid excessive public deficits (Dobre, 2015). According to the first two paragraphs of Law no. 270 of 2013, the budgetary planning is drafted by the Ministry of Public Finance and is based on macroeconomic and budgetary forecasts that are compared to the most recent forecasts of the European Commission and, where appropriate, to those of other international independent bodies.

Based on Law no. 500/2002 on Public Finances, which was subsequently published in the Official Gazette no. 597 of August 13, 2002, budget means the document whereby revenues and expenditures or, as the case may be, only expenditures, are planned and approved each year, depending on the system of financing public institutions.

From a legal perspective, the public budget is defined as the document through which public revenues and expenditures are planned and approved each year. On the other hand, the budget is a legal act, because it is an actual law, debated and approved by the legislature every year. From a legal perspective, budget revenues are monetary obligations unilaterally set by normative acts for all legal and natural persons who make taxable income or who have taxable goods. From another perspective, one should make clear that the budget is not just a simple list of revenues and expenditures, but also an economic policy tool that can stimulate economic development or correct certain imbalances, if necessary (Duma, 2017). The budget is not just a financial document; its legal content does not disappear, but it becomes a section of the economic budget, and of the national economy budget. We can insert here an accounting principle, the economic prevalence over the legal (Lazăr and Inceu, 2003).

According to the specialists in the field, the budget is the most important act in public life, representing the financial expression of the state action program for one year. In this context, the budget highlights several aspects that require investigation:

- from a legal perspective, the budget requires the study of various rules or norms relating to its content, its presentation, its adoption by the Parliament, the execution and the control of its execution, based on a clear accounting of the state finances and on the specification of the Government and the Parliament's authority in the budgetary field;
- from the economic point of view, the state intervenes and imposes taxes and expenditures at the budget level, specifying that the funds that pass through the budget account have a significant weight in the GDP;
- from a technical point of view, one considers relevant the processes of preparation and elaboration of the budget, including the methods of forecasting and evaluation of the various categories of revenues and expenditures included in the budget;
- from the perspective of political aspects, the budget is considered an expression of the Government's manifestation options in the economic, social, educational, cultural, military fields (Mișu and Bumbac, 2008).

At national level, the budgetary system is structured according to the administrative-territorial division and consists of the central state administration budget (state budget) and the local budgets of the counties, municipalities, towns and communes, in addition to the state social insurance budget. In the light of the Public Finance Law no. 500/2002, in addition to these budgetary structures, one might add the budgets of public institutions financed entirely or partially by the state budget, the state social insurance budget and the special funds budget, as the case may be; the budgets of public institutions financed entirely from their own revenues; funds from external loans contracted or guaranteed by the State and whose reimbursement, interest and other costs are secured from public funds; the budget of the non-reimbursable foreign funds (Oprea and Cigu, 2013).

In particular, local budgets highlight specific local administration actions that are mostly financed from their own revenues, but they are also fed by means of balancing from the state budget in the form of quotas and amounts deducted from the income tax and the amounts deducted from the value added tax. In Romania, at present, the legal regime of local budgets is established by Law no. 500/2002 on local public finances, by the Local Public Administration Law 215/2001 and the Law 571/2003 on the Fiscal Code governing the legal frameworks regarding the building tax, the land tax and fees, the tax on the means of transportation, the fees for the issuance of permits, certificates, endorsements, and other fees.

Through the current legislation, a modern budget has been set up at the level of local revenues and expenditures, reflecting the flow of local administration revenues and expenditures and this new legality corresponding to the concepts found in most western states with an economy based on free competition.

From this perspective, our county has adapted to the new European requirements regarding the public financing of the local economies, the diminishing of regional gaps and the integration of our country in the territorial cohesion policy of the European Union. The transition was made from a traditional budget centered on means to a budget focused on programs carefully detailed on the activities required

to carry out the new multi-annual economic planning leading to sustainable economic growth. Modern instruments specific to financial management include the general administrative-territorial unit budget, the program budget, the expenditure financing plan, the functional and capital budgets, and the multi-annual budget.

## **LITERATURE REVIEW**

In the light of the scientific literature consulted which constitutes the documentary basis of the article, it has been ascertained that in the last decades, the approach focused on the budget of the public institutions represents an important research topic, frequently investigated and adopted to the present circumstances both in the Romanian and foreign scientific communities. In this context, from the perspective of the Romanian reference literature, we note the following bibliographic articles and books signed by:

Rus Borodi (2015) presents the situation of the public budget of Romania in the period of the global economic decline, treating the causes of the budget shortage between 2008 and 2012. Păun and Brezeanu (2013) treated the theoretical aspect of public expenditures from an economic point of view, the subsystems of public expenditures, the dichotomy public versus budgetary expenditures and public versus private expenditures.

Stancu and Șerban (2009) had realized a theoretical approach regarding the budgetary procedure process in public institutions, insisting on the principles of the budgetary procedure: budgetary universality, balance, reality and specialization, unity, income unaffectedness, annual frequency and publicity. Tabără (2010) highlights the importance of the local council and county councils as deliberative authorities and elected mayors as executive authorities. Theoretical approaches and applied representative studies from the local literature are signed by Zai and al. (2013) which allocated a special chapter for the public sector revenues and another one to public expenditures, both problems being analyzed in the context of the European situation.

Lazăr and al. (2012) focused on public budgets, scientific approaches widely discussed which were focused on traditional contents and modern understanding of budget, budget principles, budgetary process, a general overview on local budgets in Romania, a study regarding the decentralization of the budgetary expenses in the EU between 1999 and 2010, and also the budget preparation methods. Roman and Moșteanu (2014) have addressed important topics on budget and local autonomy, budgetary process of public institutions, beside the revenues and expenditures of public institutions.

From the foreign literature, there were select the publications signed by Willoughby (2014) which had focused on the budgeting at all levels of U.S. government- federal, state and local and in a sample of government around the world. Sedmihradská and Haas (2013) concluded that institutions influence fiscal performance, inventorying three channels through which increased transparency may limit excessive public expenditures resulting in budget and public debt. Harvey (2002), Rubin (2007), Shah (2007), Wildavsky (2001) and others treated about the public finance, public budgeting and local public financial management.

## **MATERIALS AND METHODS**

The research methodology is based on the study of scientific articles, specialized papers, legislative norms issued by national authorities, implicitly our own theoretical and practical experience. The present article is structured in two major sections: the first focuses on the theoretical aspects, and the second highlights the practical side through the case study on the revenue and expenditure budget of the Cluj County Council.

This article integrates the theoretical and practical aspects of public institution financing, being built from an interdisciplinary, economical and legal perspective, by using the integral research method that combines both quantitative and qualitative analyses. In order to determine the sustainable economic growth of the Cluj County, we used both direct and indirect observation, by accessing the official data disseminated by the Cluj County Council, the National Institute of Statistics and the Ministry of Public Finance.

The processing of these economic data leads us to draw a first conclusion regarding the budget evolution of the Cluj County Council, which differs from one period to the next as a direct consequence of the economic development of the North-West Region, also characterized by certain territorial disparities.

Cluj County is one of the six counties of the North Transylvania Region (North-West), with: Bihor, Bistrița-Năsăud, Maramureș, Satu Mare and Sălaj. The area of the region represents 14.32% of the country's surface, with a strategic positioning, being situated on the border with Hungary and Ukraine. Cluj County is considered one of the most important parts of the region, starting from its economic potential for national development.

Economic growth can be accelerated by accessing the three component factors of potential GDP: capital, labor force and productivity. If we refer to capital, we need to consider a better absorption of European funds, and an increased attraction of foreign direct investments. As far as the labor force factor is concerned, we need to consider measures to improve the health system, reform the education system, and in terms of productivity, we must consider the reforms in transport, infrastructure, agriculture, and increasing funding for research development.

In the light of these prerequisites, the analysis for our country shows that, due to some of the above mentioned factors, the share of local budgets in the total revenues of the general consolidated budget differs from one financial year to another, details to which we will return with clarifications in the section on quantitative research.

## **RESULTS AND DISCUSSIONS**

### **The principles and stages of the budgetary process**

The following budgetary principles are the basis for the development, approval and execution of budgets: the principle of universality, the principle of transparency and publicity, the principle of not affecting the budget revenues, the principle of budgetary reality, the

principle of monetary unit, the principle of unity, the principle of annuality, the principle of budgetary specialization, the principle of balance, the principle of solidarity, the principle of local financial autonomy, the principle of proportionality and the principle of consultation, which are discussed in Law no. 273/2006 concerning the Local Public Finances. These regulations have also been debated in the specialized papers. In this regard, we note the contributions of Bechiş (2013), Duma (2017), Georgescu (2011), Mişu and Bumbac (2008) and others.

At local level, the consecutive stages of the budgetary process consist of developing the draft budget, approving the local budget and executing the local budget based on the entire range of budgetary principles mentioned in the section above.

Until March 31 of each year, the competent institutions (NSI, NCP, NBR, NAFA) along with other responsible bodies elaborate the macroeconomic and social indicators for the budgetary year for which the draft budget is being developed, as well as for the next three years. Until May 1, the MPF will submit to the Government the objectives of the fiscal and budgetary policies for the budgetary year for which the draft budget is being developed and for the next 3 years, along with the expenditure limits set by the main credit authorizing officers.

Until May 15, these expenditures are to be approved, and the Parliament's Budget, Finance and Bank Committees are subsequently informed about the macroeconomic policy and public finances (Roman and Moşteanu, 2014). Between May 1 and May 15, the Government presents to the Fiscal Council the project for the fiscal budget strategy for approval. By May 30, the Government approves the fiscal budget strategy for the next 3 years, which will embody the macroeconomic framework underlying the fiscal budgetary policy, forecasts and the medium-term expenditure framework. Between June 1 and June 15, the local public authorities receive the sums allocated from the split amounts and quotas and transfers from the state budget. Until July 15, the OPC has the obligation to submit to the MPF the draft budget for the next budgetary year and the estimates for the next three years. The approval of the budget for the public institutions, until the approval of the budget law, is done within the limit of 1/12 of their provisions embodied in the draft



budget. The budget execution involves the collection of budget revenues and the payment of those expenditures approved from the budget. The completion of the execution is an accounting process that aims to regularize the accounts and close the revenues and expenditures accounts necessary to establish the deficit-surplus. The execution of the state budget ends on December 31st (Roman and Moșteanu, 2014). The control of the budget execution remains the responsibility of the MPF, which requires regular reports regarding the degree of use of public funds by the OPC, which are needed to better monitor the budget execution.

NAFA monitors and controls the uniform, fair, but non-discriminatory application of the legislation focused on taxes, fees, social contributions and budget revenues. At the same time, this institution exercises the operative and unforeseen control over preventing, detecting and combating any acts and deeds from the economic, financial and customs fields, which have as effect the tax evasion (Roman and Moșteanu, 2014). The Court of Accounts is the only institution that certifies the accuracy and veracity of the data enclosed in the verified annual execution accounts for each budget.

The annual draft budget is developed by the credit authorizing officers along with its forecast for a period of three years, accompanied by the public investment program, detailed on objectives and years of execution (Lazăr and Inceu, 2003).

The annual frequency of the budget is both an advantage and a disadvantage, taking into consideration that the budget allocation can be maintained in the next budgetary year if it has a social utility. In contrast, the multi-annual budgets have the advantage of providing long-term funding for some investment objectives, but may also lead to certain disadvantages if it turns out that the objective does not prove its usefulness. The program budgets, planned in a multi-annual manner, represent a modern management of public money and have well-established objectives structured by years (Dobre, 2015). Even more, the multi-annual budget requires detailed information regarding the development and use of the local financial resources in stages over several budgetary exercises, also taking into account the priorities of the local government investment policies.

The approval of local budgets and of the budgets of public institutions and services of local interest is obtained as follows:

- local budgets are approved by local councils, county councils and the general council of Bucharest;
- the budgets of public institutions and services entirely financed from extra-budgetary revenues are approved by their boards of directors, along with the credit authorizing officers;
- the budgets of public institutions and services, entirely or partially financed from local budgets, are approved by local councils, and depending on their subordination, it is necessary the approval of the senior credit officers. (Bechiș, 2013), (Mihu and Bumbac, 2008).

The revenues and expenditures provided in local budgets are distributed quarterly, based on the local revenue collection timelines and the expenses required period. After the approval of the local budgets, they are submitted to the General Directorates of Public Finance, which group them by categories of administrative-territorial units and are added to the county's own budget.

The execution of the local budgets involves all the operations for the realization of the revenues from the taxpayers, economic agents and individuals who have the obligation to pay in due time the fees and taxes due to the local administrations, as well as the execution of the expenditures foreseen and authorized by the local budget (Lazăr and Inceu, 2003). The practical applications require a correct estimation of the budget expenditures and revenues based on economic and macroeconomic revenues in assessing their impact.

The budgetary execution is reflected in the budget execution account and ends on the 31st of December of each year. Any revenue not collected or any expenditure not made will be entered in the next year local budget. This execution account shows the degree of fulfillment of the level of economic and financial indicators. The main credit authorizing officers draw up accounting reports on the budget execution, which are submitted to the General Directorates of Public Finance, which, after their centralization, forward them to the Ministry of Public Finance (Mihu and Bumbac, 2008).

## **The revenues and expenditures of local budgets**

The budgetary revenues and expenditures are established in accordance with the budgetary classification developed by the Ministry of Public Finance, using the following groups: the economic classification, the functional classification, the departmental classification and the classification by financing sources (Georgescu, 2011). Thus, according to the Public Finance Law, the revenues are structured on chapters and sub-chapters, and the expenditures on parts, chapters and sub-chapters, titles, articles, as well as paragraphs and sub-paragraphs, as the case may be.

Based on Article 5 of Law 273 from June 29, 2006, the local budget revenues consist of: own revenues consisting of: taxes, fees, contributions, other payments, other revenues and quotas deducted from the income tax; amounts deducted from some budget revenues; subsidies received from the state budget and from other budgets; donations and sponsorship. Out of these, the local taxes and fees are established by the local and county councils within the limits and conditions of the law. The task of identifying, settling and tracking the collection of local revenues is attributed to the specialized services that are organized at the level of the local and county councils.

The local budgetary revenues are classified in accordance with the specific procedures for collection and identification in: ordinary revenues and extraordinary revenues. Another classification relates to the financing of local activities which requires transferring a part of the revenues generated from taxes and fees at central level from the central budget to the local collectivity; dividing the tax between the central budget and the local budget; taxes on the same bases as those of the state; local taxes on separate bases (Bechiş, 2013).

The expenditures entered in the county budgets, according to the functional classification, include: public authorities and external actions; general public services; interest; general transfers between different levels of administration; defense; public order and national security; education; health; culture; recreation and religion; insurance and social assistance; housing, services and public development; environment protection; general economic, commercial and labor actions; fuel and

energy; agriculture, forestry, fish farming and hunting; transport and other economic activities. According to the economic classification, the expenditures are structured in current expenditures (for operating the public institutions, including the payments for personnel, materials) and capital expenditures (investments), for the purchase of goods, equipments, buildings, etc.

According to Dobre (2015), both revenues and expenditures can be dimensioned by using several types of methods. On this line, if traditional methods use the history of the last five budgets or the previous budget, and set a certain direction – a certain “trend” that will apply to the future budget, it is noticed that modern methods are based on the cost-benefit analysis and take into account more variants to meet the budget targets. The cost-benefit analysis facilitates the centralization and ranking of projects based on profitability, on the present value of the net benefit of each project, calculated as follows:

$$NPV = \sum_{t=1}^T \frac{C_t}{(1+r)^t} - C_0$$

where  $C_t$  represents the net cash inflows over the given period;  $C_0$  represents the initial investment;  $r$ - discount rate,  $t$ - the number of the time period. The projects with the highest NPV indicator have priority. The cost-benefit analysis is particularly useful for assessing the infrastructure projects (Dobre, 2015).

The local budget presents itself as an operative financial balance that includes revenues and expenditures and, for their substantiation and operationalization, all EU Member States have been found to have generally valid rules:

- making payment directly from the collected revenues is prohibited, unless the law so provides;
- budgetary expenditures are targeted and limited, being authorized by specific laws and by the annual budgetary laws;
- no expenditure can be entered in the budget, nor can it be committed and executed from these budgets, unless there is a legal basis for that expenditure;

- no expenditure from local public funds can be committed, ordained and paid, unless it is approved under the legislation in force, it is not budgeted and has no sources of funding;
- after the approval of local budgets, normative acts with implications for them may be approved, but with the specification of the sources for covering the decrease of the revenues or the increase of budgetary expenditures related to the budgetary year for which the respective local budgets were approved (Oprea and Cigu, 2013).

If the local institutions' own resources are not sufficient, local budgets may contract loans from the current account of the State Treasury to cover certain shortfalls; they can also benefit from the special purpose transfers from the state budget or they can apply for loans from commercial banks or from other credit institutions (Georgescu, 2011).

At local level, the competencies for drafting, approving and administering the budgets are attributed to the local councils, the county councils and the General Council of Bucharest, as the case may be. The local decision-making system is conceived as a democratic architecture similar to the central one, integrating a local deliberative body (local or county council) and an executive one (the mayor or the president of the county council) associated with different specialized structures (committees, departments, services, offices) such as the Budget Commission, the Local Public Finance Directorate, the Financial Accounting Service, etc. The General Directorates of Public Finance are obliged to provide specialized assistance in carrying out the specific tasks, in particular providing technical assistance for the development and execution of local budgets, working with the administrative-territorial authorities (Oprea and Cigu, 2013).

For the county budget, the president of the county council acts as the main credit authorizing officer, prepares the draft budget of the county and the account for the closure of the budget year and submits them for approval to the county council, under the terms and conditions stipulated by the law, follows the way of achieving the budgetary revenues and proposes to the county council the adoption of the necessary measures for their collection on time, and initiates, with the approval of the county council, negotiations for contracting loans and the issuance of securities on behalf of the county.

The county council is the authority of the public administration, created at county level for the coordination of the activity of the communal, town and municipal councils, in order to achieve public services in the county's interest. It performs several tasks, among which we mention in this section the following: approving, on the proposal of the president of the county council, the own budget of the county; credit transfers; the use of the budgetary reserve and the closure account of the budget exercise; contracting and/ or guaranteeing loans, as well as the contracting of local public debt by issuing securities on behalf of the county; establishes county taxes and fees; approval of technical and economic documentation for investment works of county interest; sale, concession or rental of the county's private property (Oprea and Cigu, 2013).

In order to better manage the local budgetary revenues and expenditures, specialized services or departments such as the Directorates of County Public Finance are involved.

In order to have a modern budget, a state must meet the following requirements: the generalized application of the European System of Accounts (ESA) or Public Finance Statistics; an orderly evolution of budget expenditures; of the monthly budget deficit; balancing the budget over a cyclical interval; achieving higher expenditures and budget deficits within 3% of the FDP in times of recession; and in periods of economic growth, budget in balance (surplus); the budget must be implemented through ceilings and margins of commitment appropriations and budget appropriations; the use of an objective method of ranking the budgetary projects (Dobre, 2015)

### **Case study: local budget of the Cluj County Council**

From the very beginning it is necessary to mention that we did not aim at an exhaustive inventory of the expenditure and revenue indicators of the Cluj County Council, we will focus on some of the information gathered in the centralized table below for the 2013 – 2017 timeframe. The data set was extracted from the official website of the Cluj County Council, the National Institute of Statistics and the Ministry of Public Finance. From the perspective of regional development, Cluj

County was integrated into the North-West Region, which is considered to be a growing region, reporting economic results higher than the national average of the country, being ranked fourth, after the regions Bucharest-Ilfov, South and Center (Bechiş, 2013).

**Table 1.** The evolution of the revenue and expenditure budget in the 2013-2017 timeframe, centralized and expressed in thousand lei

No.	Indicators	2013	2014	2015	2016	2017
1	Total revenues, of which:	513,152.95	598,411.24	574,179.66	489,044.36	571,370.77
	Subsidies from the state budget	59,057.00	74,592.89	88,126.17	27,865.09	41,225.46
	European Regional Development Fund	1,229,326.13	179,634.93	141,690.83	61,583.22	89,135.20
	European Social Fund	540.80	1,304.29	59.43	47.92	-
2	Surplus 31.12	12,772.17	14,209.40	20,613.58	19,772.61	50,285.06
3	Total expenditures, of which:	525,925.12	612,620.64	594,793.24	508,766.97	621,655.83
	Personnel expenditures	72,813.79	79,231.00	83,161.00	123,620.39	172,298.85
	Goods and services	37,861.63	42,613.93	49,191.97	89,843.81	94,563.32
	Reserve fund	400.00	500.00	3,500.00	2,000.00	500.00
	Transfers between public administration units	104,093.00	78,391.00	85,966.00	86,193.00	98,250.00
	Capital expenditures	77,375.00	106,212.36	42,309.00	4,950.77	-
	Social assistance	13,522.00	13,980.50	11,926.00	11,784.00	13,461.26
	Other expenditures	12,800.00	13,250.00	13,905.00	20,158.00	22,468.00
	Capital expenditures	27,354.00	14,664.30	21,672.66	64,407.64	72,362.81
	FEN projects 2007-2013	179,705.70	263,777.55	249,275.17	37,563.14	5,100.00
	FEN projects 2014-2020	-	-	-	55,227.00	137,091.34

Source: own calculations, best one, <https://www.cjcluj.ro/>

The evolution of the Romanian economy has been and still is strongly influenced by the external transformations which came with the accession of our country to the structures of the European Union as of 1<sup>st</sup>

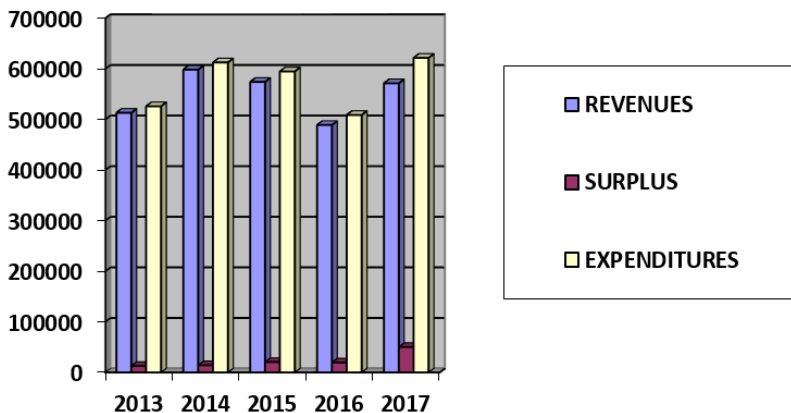
of January 2007. From the same year, as a member state of the European Union, through the Structural Funds, Romania received non-reimbursable external funds (FEN) from the European Regional Development Fund (ERDF), the European Social Fund (ESF), and the European Agricultural Fund for Rural Development (EAFRD), the Cohesion Fund (CF), and the European Fisheries Fund (EFF). Financial allocation meant around EUR 33.5 billion in total (out of which approximately EUR 19.2 billion came under the Convergence objective, EUR 8.3 billion were for agricultural and fisheries funds, and EUR 455 million came under the European Territorial Cooperation objectives). Through contracting the EU structural funds, the state authorities, implicitly the local ones have proposed to solve the issues related to exceeding the dislocation of regional disparities, a better cooperation with the state institutions involved in order to increase the capacity to get the highest benefits from such opportunities in the national economy.

From the above table, also represented graphically, it can be noticed that for the 2013-2017 timeframe, the highest value of the local budget revenues of the Cluj County is registered in 2014, and the lowest value was registered in 2016.

This situation is due to the 30% share of the total revenues of the European Regional Development Fund, with an increase of 146.12% in 2014 compared to 2013, and a decrease of 26.78% in 2015 compared to the previous year. In terms of achieving revenues from the European Development Fund, we observed a fluctuation in the analyzed period, registering the lowest share of the total revenues in 2016, i.e. 12.59% compared to 2017 when the share was of 15.60% of the total revenues from this budget chapter.

Out of the total revenues, it is noted that the subsidies from the state budget differed from one year to the next, the highest share being registered in 2015, representing 15.34% of the total revenues, amounting to 88.126,17 thousand lei, compared to the following year when the lowest amount allocated to this budget chapter was registered, namely 27.865,09 thousand lei, representing 5.70% of the revenues. A significant increase was achieved in 2017, with 16.84% more than in 2016 and 0.5% less than in 2015.





**Fig. 1.** The revenues, surplus and expenditures between 2013 and 2017

*Source: own interpretations, <https://www.cjcluj.ro/>*

In the context of the European Union’s economic and social cohesion policy, the Structural Funds (the European Fund for European Development and the European Social Fund), implicitly the Cohesion Fund, support and finance actions aimed at recovering gaps and developing the local economy. Thus, through the European Regional Development Fund, significant amounts have been allocated to support direct aid for business investment (SME focus) in order to create sustainable jobs; infrastructures related to research and innovation, telecommunications, environment, energy and transport; support through financial instruments such as venture capital funds, local development funds, etc. for regional and local development, which also encourage cooperation between cities and regions; technical support (Oprea and Cigu, 2013).

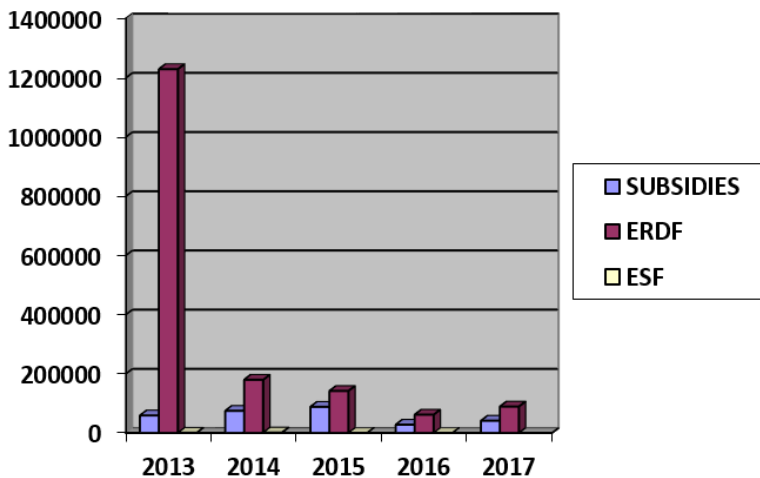
From the perspective of investment infrastructure development, attracting structural funds is very important at any hierarchical level. Romania’s integration into the structures of the European Union has provided our country with new opportunities to obtain financial resources in order to finance local public development projects from structural funds, aiming at recovering gaps in order to support the real convergence program.

The amounts allocated to the Cluj County local budget through the European Regional Development Fund (ERDF) in the period under

analysis differed from one year to the next. We must mention that the highest contracted value was of 179,634.93 thousand lei in 2014 and the lowest amount of 61,583.22 thousand lei in 2016.

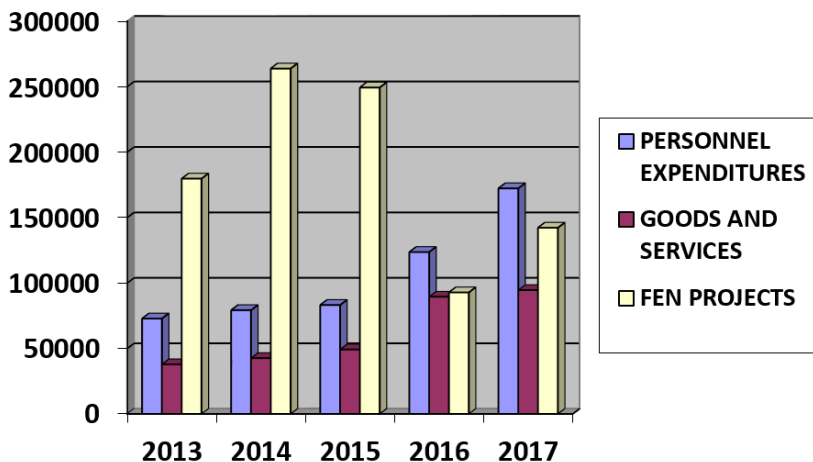
The major objectives of the Economic and Social Cohesion Policy for the 2007-2013 timeframe aimed at the convergence of the regions where the GDP per capita is below 75% of the European Union average; the regional competitiveness and employment; the European territorial cooperation for regions, counties and transnational areas. These objectives can also be extrapolated to the 2014-2020 timeframe.

The European Social Fund (ESF) has financed actions of lifelong learning and adaptation of workers and enterprises; the integration of unemployed women and immigrants into the labor market; as well as fighting discrimination in the labor market, reforming the education system, and improving human capital (Oprea and Cigu, 2013). It is necessary to mention the efforts made by the local authorities through the Cluj County Council to facilitate the social inclusion of those vulnerable groups. At the level of this category of funds, the highest contracted amount was in 2014, namely 1304.29 thousand lei, representing 0.22% of the total revenues.



**Fig. 2.** The evolution of subsidies, ERDF and ESF between 2013 and 2017  
(see Annex 1 for details)

Source: own interpretations, <https://www.cjcluj.ro/>



**Fig. 3.** Other indicators between 2013 and 2017 (Annex 1 for details)

*Source: own interpretations, <https://www.cjcluj.ro/>*

The personnel expenditures differed from one year to the next, given the wage increases, and the data included in Table no. 1 and graphically presented above show that the lowest share (12.93%) in this budget chapter from the total expenditures was registered in 2014, and the highest share (27.72%) was registered in 2017. Earlier this year, Cluj ranked second in the country's net salary ranking, according to the latest official statistics.

The expenditures planned for implementing the European projects for the 2007-2013 and 2014-2020 timeframes show a fluctuating trend from one budget year to the next, the lowest share (22.87%) in this budget chapter of the total expenditures being registered in 2017, and the highest share (43.06%) being registered in 2014.

**Table 2.** The situations of revenues, subsidies and expenditures between 2013 and 2016

Elements	Macro-regions	2013	2014	2015	2016
<b>REVENUES</b>					
<b>TOTAL mil. lei</b>	TOTAL	48,092.6	53,666.20	61,462.90	59,518.10
	Reg NV	63,48.40	7,043.50	8,445.00	7,820.50
	Cluj	1,852.30	1,879.30	2,120.70	2,215.40
<b>Influences %</b>	<b>Cluj / reg NV</b>	<b>29.18</b>	<b>26.68</b>	<b>25.11</b>	<b>28.32</b>
	<b>Cluj / in total</b>	<b>3.85</b>	<b>3.50</b>	<b>3.45</b>	<b>3.72</b>
<b>SUBSIDIES mil. lei</b>	TOTAL	5,021.70	6,594.60	7,883.60	9,018.10
	Reg NV	634.00	873.50	1,240.20	1,213.80
	Cluj	139.40	156.90	184.40	253.00
<b>Influences %</b>	<b>Cluj/reg NV</b>	<b>21.99</b>	<b>17.96</b>	<b>14.87</b>	<b>20.84</b>
	<b>Cluj / in total</b>	<b>2.78</b>	<b>2.38</b>	<b>2.34</b>	<b>2.81</b>
<b>EXPENDITURES</b>					
<b>TOTAL mil. lei</b>	TOTAL	47,380.40	52,101.10	59,048.50	56,284.70
	Reg NV	6,122.10	6,869.10	8,175.50	7,631.50
	Cluj	1,747.70	1,835.80	2,053.50	2,031.40
<b>Influences %</b>	<b>Cluj/reg NV</b>	<b>28.55</b>	<b>26.73</b>	<b>25.12</b>	<b>26.62</b>
	<b>Cluj / in total</b>	<b>3.69</b>	<b>3.52</b>	<b>3.48</b>	<b>3.61</b>
<b>Surplus (+) /Deficit (-) mil. lei</b>	TOTAL	712.20	1,565.10	2,414.40	3,233.40
	Reg NV	226.30	174.40	269.50	189.00
	Cluj	104.60	43.50	67.20	184.00
<b>Influences %</b>	<b>Cluj/reg NV</b>	<b>46.22</b>	<b>24.94</b>	<b>24.94</b>	<b>97.35</b>
	<b>Cluj / in total</b>	<b>14.69</b>	<b>2.78</b>	<b>2.78</b>	<b>5.69</b>

Source: own calculations, best one, <http://www.insse.ro>

## CONCLUSIONS

Regarding the balance of the Cluj County budget execution, it can be concluded that throughout the analyzed period (2013-2017) there was a surplus registered at the end of each financial year, the largest surplus being registered in 2017, in the amount of 50,285.06 thousand lei, while the lowest was registered in 2013, in the amount of 12,772.17 thousand lei. The budget surplus had a growing trend over the period 2013-2015, with a slight decrease in 2016 compared to 2015 (of 4.08%), returning with a spectacular increase of 254.32% over the previous year, due to the progress of the local economy in certain sectors of activity: industry, construction and tourism.

Comparing the data provided by the National Institute of Statistics on the position of the Cluj County budget at the level of the North-West region and at national level, we can provide some conclusions by analyzing the main indicators: total revenues – the existence of an ascending trend in the period 2013-2015 (the revenues of Cluj County increased in 2016 as compared to 2015, while both at national and regional level their level decreased). We mention that the share of Cluj County's revenues in the total revenues of the national budget is maintained at an annual average of 3.5%.

Another indicator under analysis, namely the allocated subsidies, has known an ascending evolution over the entire period under observation at macro-regional, regional and county levels. The share of Cluj County subsidies within the total of macro-regional subsidies is maintained at an annual average of 2.5%.

Expenditures at all levels have seen an upward trend over the period 2013-2015, followed by a decrease in 2016 at national, regional and county levels. The share of Cluj County's expenditures within the total national expenditures is maintained at an annual average of 3.5%. The budget surplus registered an upward trend, both at the level of Cluj County and at national level in the period 2014-2016. We conclude that the analysis of the shares at macro-regional and regional levels for the period 2013-2016 has been made according to the official data provided on the site of the National Institute of Statistics.

The budget analysis at Cluj County level included the year 2017, using the official data consulted on the Cluj County Council website.

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**Annex 1:****The situation of the revenues and the expenditures between  
2013 and 2017 (thousand lei)**

<b>2013-2014</b>				
No.	Indicators	2013	2014	INFLUENCES(%)
I	TOTAL REVENUES	513,152.95	598,411.24	116.62
	SUBSIDIES FROM STATE BUDGET	59,057.00	74,592.89	126.31
	EUROPEAN REGIONAL DEVELOPMENT FUND	1,229,326.13	179,634.93	14.61
	EUROPEAN SOCIAL FUND	540.80	1,304.29	241.18
II	SURPLUS 31 DECEMBER	12,772.17	14,209.4	111.25
III	TOTAL EXPENDITURES, of which:	5,259,253.12	612,620.64	116.48
	PERSONNEL EXPENDITURES	72,813.79	79,231.00	108.81
	GOODS AND SERVICES	37,861.63	42,613.93	112.55
	RESERVE FUND	400.00	500.00	125.00
	TRANSFERS BETWEEN PUBLIC ADMINISTRATION UNITS	104,093.00	78,391.00	75.31
	CAPITAL EXPENDITURES	77,375.00	106,212.36	137.27
	SOCIAL ASSISTANCE	13,522.00	13,980.50	103.39
	OTHER EXPENDITURES	12,800.00	13,250.00	103.52
	CAPITAL EXPENDITURES	27,354.00	14,664.30	53.61
	FEN PROJECTS 2007-2013	179,705.7	263,777.55	146.78
	FEN POJECTS 2013-2020	-	-	-

<b>2014-2015</b>				
No.	Indicators	2014	2015	INFLUENCES (%)
I	TOTAL REVENUES	598,411.24	574,179.66	95.95
	SUBSIDIES FROM STATE BUDGET	745,982.89	88,126.17	11.81
	EUROPEAN REGIONAL DEVELOPMENT FUND	179,634.93	141,690.83	78.88
	EUROPEAN SOCIAL FUND	1,304.29	59.43	4.56
II	SURPLUS 31 DECEMBER	14,209.4	20,613.58	145.07
III	TOTAL EXPENDITURES, of which:	612,620.64	594,793.24	97.09
	PERSONNEL EXPENDITURES	79,231.00	83,161.00	104.96
	GOODS AND SERVICES	42,613.93	49,191.97	115.44
	RESERVE FUND	500.00	3,500.00	700.00
	TRANSFERS BETWEEN PUBLIC ADMINISTRATION UNITS	78,391.00	85,966.00	109.66
	CAPITAL EXPENDITURES	106,212.36	42,309.00	39.83
	SOCIAL ASSISTANCE	13,980.5	11,926.00	85.30



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	OTHER EXPENDITURES	13,250.00	13,905.00	104.94
	CAPITAL EXPENDITURES	14,664.30	21,672.66	147.79
	FEN PROJECTS 2007-2013	263,777.55	249,275.17	94.50
	FEN PROJECTS 2013-2020	-	-	-

**2015-2016**

No.	Indicators	2015	2016	INFLUENCES (%)
I	TOTAL REVENUES	574,179.66	489,044.36	85.17
	SUBSIDIES FROM STATE BUDGET	88,126.17	27,865.09	31.62
	EUROPEAN REGIONAL DEVELOPMENT FUND	141,690.83	61,583.22	43.46
	EUROPEAN SOCIAL FUND	59.43	47.92	80.63
II	SURPLUS 31 DECEMBER	20,613.58	19,722.61	95.68
III	TOTAL EXPENDITURES, of which:	594,793.24	508,766.97	85.54
	PERSONNEL EXPENDITURES	83,161.00	123,620.39	148.65
	GOODS AND SERVICES	49,191.97	89,843.81	182.64
	RESERVE FUND	3,500.00	2,000.00	57.14
	TRANSFERS BETWEEN PUBLIC ADMINISTRATION UNITS	85,966.00	86,193.00	100.26
	CAPITAL EXPENDITURES	42,309.00	4,950.77	11.70
	SOCIAL ASSISTANCE	11,926.00	11,784.00	98.81
	OTHER EXPENDITURES	13,905.00	20,158.00	144.97
	CAPITAL EXPENDITURES	21,672.66	64,407.64	297.18
	FEN PROJECTS 2007-2013	249,275.17	37,563.14	15.07
	FEN PROJECTS 2013-2020	-	55,227.00	-

**2016-2017**

No.	Indicators	2016	2017	INFLUENCES %
I	TOTAL REVENUES	489,044.36	571,370.77	116.83
	SUBSIDIES FROM STATE BUDGET	27,865.09	41,225.46	147.95
	EUROPEAN REGIONAL DEVELOPMENT FUND	61,583.22	89,135.20	144.74
	EUROPEAN SOCIAL FUND	47.92	-	0.00
II	SURPLUS 31 DECEMBER	19722.61	50,285.06	254.96
III	TOTAL EXPENDITURES, of which:	508766.97	621,655.83	122.19
	PERSONNEL EXPENDITURES	123620.39	172,298.85	139.38
	GOODS AND SERVICES	89843.81	94,563.32	105.25
	RESERVE FUND	2000.00	500.00	25.00
	TRANSFERS BETWEEN PUBLIC ADMINISTRATION UNITS	86193.00	98,250.00	113.99
	CAPITAL EXPENDITURES	4950.77	-	0.00
	SOCIAL ASSISTANCE	11784.00	13,461.26	114.23
	OTHER EXPENDITURES	20158.00	22,468.00	111.46
	CAPITAL EXPENDITURES	64407.64	72,362.81	112.35
	FEN PROJECTS 2007-2013	37563.14	5,100.00	13.58
	FEN PROJECTS 2013-2020	55227.00	137,091.34	248.23

Source: own calculations, based on <https://www.cjcluj.ro/>