

The Economic-Financial Analysis for Obtaining Repayable Funds at the Territorial Administrative Units

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Abstract: In our approach through this article we have proposed to solve some problems in relation to public budgets. We live in a world where resources are limited and authorities are looking for ways to help meet the needs of the population. Although the taxes collected from the population are the basic source of financing the public activities and services, they are not always sufficient to achieve all the proposed objectives. Therefore, the authorities need to find new sources of revenue in order to ensure the operating expenses of all public services and at the same time to achieve the proposed investment objectives. In order to obtain additional resources the territorial administrative units can obtain reimbursable funds necessary for achieving the investment objectives and the urban development as well as finding ways to make possible the execution of the budget in such a way that the economic and social life of the administrative units can be improved. The result of our approach consisted in identifying possibilities for improving the execution of budget revenues and expenditures, at the same time, allowed us to develop some conclusions about the reimbursable funds contracted by the Territorial Administrative Unit of the Galati Municipality.

Keywords: public budgets; tax; budget revenues and expenditures

JEL Classification: H61

Introduction

The public debt comprises all the amounts borrowed by the central public authorities, by the administrative-territorial units and by other public entities, from natural or legal persons on the internal market and abroad and remaining to be repaid at one time.

The public debt can be:

- governmental public debt - the totality of the internal and external financial obligations of the state, at a given time, coming from the loans contracted directly or

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guaranteed by the Government, through the Ministry of Public Finance, on behalf of Romania, from the financial markets;

- local public debt - the totality of internal and external financial obligations, of the local public administration authorities, at one point, originating from loans contracted directly or guaranteed by them from the financial markets;

- public debt - the governmental public debt to which the local public debt is added. In order to evaluate the public debt to Romania, any obligation, expressed in foreign currency, is calculated in national currency, using the exchange rate communicated by the National Bank of Romania, valid on the last day of the reporting period.

The loans contracted or guaranteed by the local public administration authorities are part of the public debt of Romania, but they are not obligations of the Government, and the payment of the public debt service related to these loans will be made exclusively from the local budgets and through loans for the refinancing of the local public debt.

The local public administration authorities can contract or guarantee internal and / or external loans in the short, medium and long term, for making public investments of local interest, as well as for refinancing the local public debt, according to the law, only with the approval of the Local Loan Authorization Commission. Reporting and recording of local public debt is done according to the methodological norms issued by the Ministry of Public Finance.

In order to achieve several investment objectives, the Territorial Administrative Unit of Galați Municipality has contracted repayable loans over a long period of time. The loans helped the municipality to ensure the availability necessary for the payment of the investment works and at the same time from the own incomes there were ensured the operating expenses of the Territorial Administrative Unit and subordinated public services.

The specialized legislation stipulated the conditions for granting loans by such units - the administrative-territorial units are not granted loans if the annual debts (due rates, interest and commissions related to them, including the loan to be contracted in that year), exceed the limit of 30% of the arithmetic average of own incomes, diminished by the incomes from the capitalization of some goods during the last 3 years prior to the year in which the request for the authorization of the repayable financing is to be contracted.

Since 2001, the Municipality of Galați has contracted reimbursable funds necessary to achieve the investment objectives. The first credit agreement amounted to 52,000,000 lei signed with BRD Galați, for a period of 16 months, grace period of 4 months, interest rate 45%, administration fee of 0.06%.

The second and third contracts were signed in December 2006 for the purchase of an ambulance and special vehicles for a period of 3 years. The contracted amount was of 782,250 lei with an interest of 8.5% per year, without administration fee.

In 2008, a loan of 33,600,000 lei was contracted from RaiffesenBank SA for a repayment period of 12 years, 24-month grace period ROBOR 6M 10.35%, administration fee 0.35%.

On the basis of G.E.O. 51/2010, the Ministry of Finance grants loans to local public administrations thus, with the exception of the provisions of articles 61 and 63 of Law no. 273/2006 regarding the local public finances, with the subsequent modifications and completions, in 2011 the Ministry of Public Finance grants to the administrative-territorial units loans from the revenues obtained from privatization, registered in the current account of the State Treasury, with an interest of 6.25%, with a repayment term of maximum 5 years, with a grace period of one year, within the limit of 1,500,000 thousand lei, for the payment of the outstanding payment obligations registered by them on December 31, 2010 towards the economic operators supplying goods, services and works, including with respect to the economic operators providing the public service for the production, transport and distribution of the thermal energy in a centralized system, not paid at the date of the loan request. The period for granting the loan is established in the loan agreements concluded with the administrative-territorial units.

At that time, the Territorial Administrative Unit had outstanding payments, which determined to accept the reimbursable financing contract in the amount of 3,033,210 lei with an interest of 6.25%, grace period 12 months, without administration fee.

In 2012 the Municipality of Galați, through the negotiation procedure, received reimbursable financing, in the amount of 60,986,599 lei, for financing some investment objectives.

The financing obtained after the approval of the Commission for the authorization of the local loans, can be used in 2012 the amount of 27,507,684 lei, and in 2013 the amount of 33,478,915 lei repayment period 120 months. Interest rate ROBOR 6M + MARGIN of 1.57% per year and management fee 0.10% applied to the credit balance. The level of indebtedness of the territorial administrative unit for 2012 is 8.35%.

In order to obtain the loan, we have analyzed the own incomes achieved during the last 3 years and we have an average of 260,467 thousand lei, in 2013 the own achieved incomes are in the amount of 277,344 thousands lei and with a debt limit 30% in the amount of 83,203 thousands lei. The rates, interest and commissions related to the loan amount to 22,491 thousand lei. The loan will run for a period of 120 months and the indicators of the local public debt service will be influenced only by the indicator - the annual service of the local public debt, which in the next 6 years

will show an increase of 50% compared to 2013, and in the next years a decrease by up to 45%.

The degree of indebtedness represents the ratio between the annual debt service and the own revenues of the territorial administrative unit. In 2013, the debt ratio is 8.11%, in 2014 it increases by 2.32 hours to 18.80%, and in the following years it bears a decrease of 0.82%.

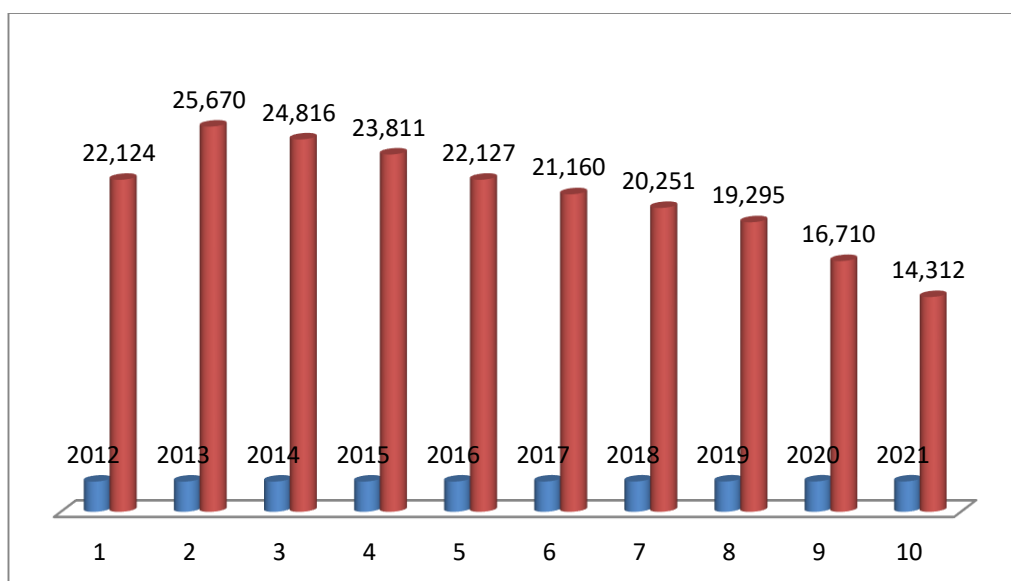


Figure 1. Situation regarding local public debt service for the years 2012-2021 - thousands lei

In 2014, by the Decision of the Local Council no. 60, it was approved the contracting of a loan from the European Bank for investments in the amount of 100,000 thousand lei, approved favorably by the Commission for authorization of the loans by the Decision no. 3572 / 03.04.2014. Grace period 3 years, reimbursement period 7 years, ROBOR 3M plus margin of 2.25% per year applied to the credit balance, commission of granting 1% of the value of the credit, commitment fee 0.50% per year - 0, 1% year applied to the defaulted amount, and early repayment commission 1% per year-2% per year applied to the capital of the anticipated loan. The draws related to the contract were approved based on the decisions issued by the Local Loan Authorization Commission.

The graph below shows the degree of indebtedness of the local budget of Galați Municipality following the contracting of repayable financing on December 31, 2014.

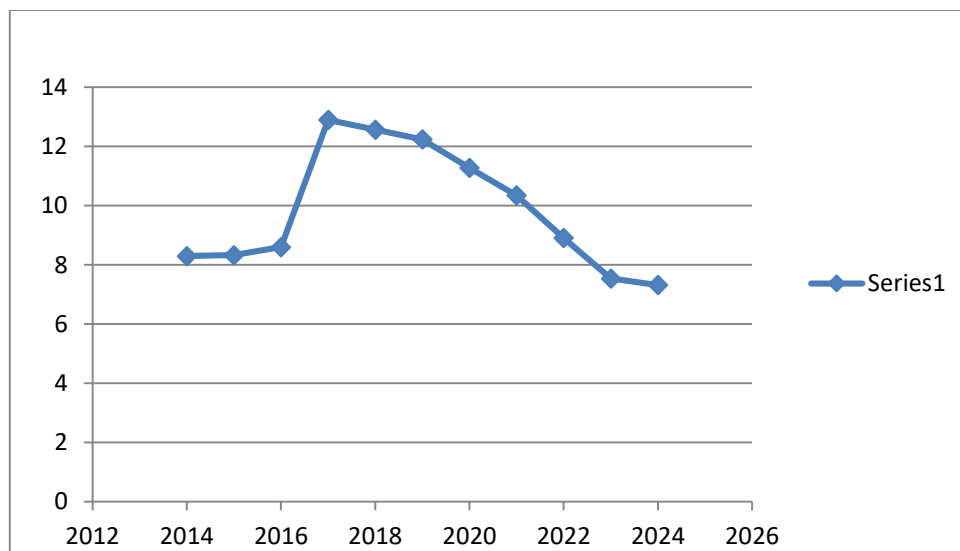


Figure 2. The degree of indebtedness during the service period local public debt for 2014-2026

Own revenues in 2014 increased by 2.61 percent compared to the achievements of 2013. The indicator The annual service of the local public debt took into account the repayments, the interest, the commissions from the previous loans. Compared to the reporting year 2013, the debt ratio in 2014 is 7.84% compared to 18.80% reported in 2013 for 2014. This decrease is due to own revenues in 2014 with 103.65% compared to the approved plan and of the grace period granted by the EBRD.

Following the loan from the European Bank for Reconstruction and Development the level of indebtedness of the Territorial Administrative Unit for the first 3 years remains recorded at 8.3%, and for the years 2017-2018-2019 it increases by 40%. It can be observed that the critical years for the unit territorial administrative for repayment of the contracted loans are 2017,2018,2019,2020. The analysis shows that the indicator - the annual service of public debt increases from 22,313 thousand lei in 2014 to 34,672 thousand lei in 2017, in 2018 to 33,775 thousand lei, in 2019 to 32,878 thousand lei, in 2020 to 30,300 thousand lei.

As we have presented above, the debt level in these years amounts to 12.57% compared to the arithmetic average of own incomes for the years 2011-2013. At the end of 2017, it can be observed that the realization of own incomes increased by 122.45% compared to the forecast from 2014 for 2017. Compared to the presented ones, we can see that the debt level estimated in 2014 for 2017 compared to the degree of debt achieved in 2017 it decreased by 3 percent.

In conclusion, the territorial administrative unit for the year 2017 was able to grant repayments, interest, commissions related to the loans contracted without having a big impact on the own achieved revenues.

Based on the Decision no.2276 / 2012 the Commission for the Authorization of Loans decided that in 2012 the territorial administrative unit can draw from the loan amounting to 27,507,684 lei and in 2013 the amount of 33,478,915 lei. The territorial administrative unit in 2012 carried out 8 draws in the amount of 26,723,796.19 lei, the amount was necessary to pay the suppliers for the investment objectives. So in 2012, the unit failed to consume all the limit granted by the authorization commission.

In 2013, a number of 17 loan withdrawals amounting to 11,465,191.20 lei were compared to the approved plan of 33,478,915 lei, the unit realized only 34.25% of the allocated funds. Given that the amounts are for the achievement of investment objectives, the unit must comply with the procurement procedures, cumbersome procedures and which often slow down the start of the work.

Compared to those presented based on decision no. 3339/2013, the Loan Authorization Commission redistributed the ceiling of the loan following the analysis of the carried out shootings, thus in 2014 the amount of 15,340,021.26 lei was transferred and in 2015 the amount of 7.456,821,73 lei.

Based on the decision in 2014, a number of 16 shootings were carried out in the amount of 15,340,021.26 lei. From the analysis carried out, the unit consumed 100% of the allocated limit. In 2015 the unit made 7 shootings in the amount of 7.456,821,73 lei. In conclusion, we note that the unit has consumed all the loan granted within the deadlines set by the Loan Authorization Commission.

Therefore, after analyzing the data we can draw some conclusions as follows:

- repayable loans can be considered as a source of income to the territorial administrative units in order to achieve investment objectives from public funds;
- repayable loans help territorial administrative units to attract non-repayable European funds. Here we can point out that it is not enough for the units to implement certain projects but they have to provide limits for their delimitation until the reimbursement of the amounts from the European Union.
- repayable loans help the communities by carrying out certain large-scale work without affecting the operating expenses necessary for public services;
- optimization of liquidity for budgetary expenses.

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