

THE EVOLUTION AND STRUCTURE OF PUBLIC EXPENDITURE IN THE LOCAL BUDGET OF SUCEAVA

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Abstract

In this paper we intend to analyze the structure and evolution of public expenditure financed from the local budget of Suceava. This scientific approach is of great importance both for the theory of local public finances and for the members of local communities in general and in particular of Suceava municipality. In the first part of the article, we defined the notion of local public spending and presented the factors that influence their level and structure.

In the second part of the paper, we made the analysis of the evolution and structure of public expenditure in the local budget of Suceava based on the data from the Annual implementation accounts drawn up for this budget during the period 2018-2022. The research reveals that during this period the level of public spending in the local budget of Suceava had an upward trend in both nominal and real size. Thus, during the analyzed period, the total public expenditure in nominal size from the local budget of Suceava increased from 208,366,047 lei in 2018 to 347,399,264 lei in 2022.

Keywords: *local budget expenditure, local budget, functional classification, economical and social development*

JEL Classification: H72, H83

I. INTRODUCTION

The main part of local public finances is the local budget that the law ([Parliament of Romania, the law, 2006](#)) Defines it as the document by which the incomes and expenses of administrative-territorial units are planned and approved each year. It reflects the requirements of financial resources necessary for the implementation of social, cultural, economic, public services and development actions within the competence of public administration authorities, as well as the way of procuring financial resources during a financial year Thus, through local public expenditure, local public administration authorities finance activities and projects aimed at the economic and social development of local communities.

In the scientific literature ([Ichim, 2015](#), [Voinea, 2011](#), p. 51) local public expenditure is defined as „*sums approved and considered from local budgets, and, from the budgets of public institutions financed in whole or in part from local budgets, from the budgets of institutions financed entirely from own incomes, from the budgets of external and internal loans, from the budget of non-reimbursable external funds, within the limits and according to the destinations established by the respective budgets, in compliance with the legal provisions*”. Expenses from local budgets are grouped ([Popescu, 2002](#), p. 229, [Popeanga, 2002](#), p. 179, [Voinea & Rusu, 2008](#), p.196) according to several criteria to ensure the identification of the financed actions and the influence exercised using local financial resources. According to the budgetary classification of the

local budgets revenues and expenditures, the expenses are viewed from two points of view: functional and economic. This classification in force, contained in Annex no. 2 of Law no. 273/2006 of local public finances is the basis for the elaboration of local budgets, their implementation, and the preparation of the budget implementation account.

For the analysis of the structure and evolution of expenditure from local budgets of interest is their functional classification because it allows us to formulate value judgments regarding the overall structure of expenditure to be financed from the budget of the local community, the specific weight to be given to each category of local expenditure, the ranking of the importance of the expenditure destinations and their proper prioritization (Oprea & Cigu, 2013, p. 63).

II. FACTORS THAT INFLUENCE PUBLIC LOCAL EXPENDITURE

The evolution and structure of expenditure in local budgets is determined by the action of economic and social factors that differ from one administrative-territorial unit to another.

Thus, a first factor of influence on the expenditures from the local budgets is the degree of economic development of the territorial administrative units. To the extent that the local public administration authorities promote programs and actions of economic development, money resources are made that can be directed to finance expenditure from local budgets.

A second factor of influence on public spending is urbanization, which involves the development and implementation of programs for the modernization of localities in order to increase satisfaction with some public services. These can lead to increased spending of this nature from local budgets.

As I mentioned in another paper (Ichim, 2022), the degree of urbanization influences the expenditures of the local budgets because the creation and development of urban centers, namely, the transformation of rural localities and their adaptation to the requirements of a superior civilization attracts a high collective consumption of financial resources. Urbanization has become an important factor in increasing public spending in cities and municipalities, by allocating financial resources to finance public works, leisure places, schools, etc, hospitals or places of culture. The structure and number of population in a territorial administrative unit, the network of social cultural institutions are other variables that influence the expenditures of local budgets.

The population structure of a locality refers to the population distribution by age, sex, occupation, education level, etc. For example, a locality with a predominantly young population will need more investment in education and social services, while a locality with a predominantly elderly population will need more investment in healthcare and elderly care. On the other hand, a locality with a growing population will need more investment in infrastructure and public services (schools, kindergartens, libraries, cultural institutions).

The competence of local public administration authorities established by law in providing services to residents of territorial administrative units will influence the expenditures of local budgets. Thus, more extensive competences of local public administration authorities in providing local public services require a higher volume of expenditure to be carried out through the respective local budgets.

The way of exercising the power and the structure of the local public administration bodies, the functioning of the departments within the local public administration authorities exert influence on the expenditures from the local budgets. In the context of the reduction of expenditures for public authorities, the need for administrative-territorial reorganization of Romania was sometimes invoked. The administrative breakdown of the last years combined with a financial crisis at national and global level has weakened the financial strength of the territorial administrative units and many

mayors no longer have the necessary funds for their own functioning. The merging of localities with a population of less than 4,500-5,000 would mean a consistent economy of financial resources by eliminating a significant number of local administrations, with many of the current employees. Thus, thousands of local councillors, hundreds of communal secretaries and hundreds of mayors would disappear. On the other hand, the lack of a road infrastructure, the large distances between the last village to the center of the commune would mean the removal of the administration from the citizens.

From another perspective, in order to reduce the expenses involved in the functioning of the administrative apparatus, we support the opinion (Ichim, 2013) that the administrative-territorial structure could be rethought in the sense of building a new administrative level with its own budget of revenues and expenses, as well as, with decision-making power under the immediate authority of the central administration to stimulate local and regional development. The new regional construction of Romania would involve the abolition of the counties and the transformation of the eight development regions into the form of local government with legal personality. This approach would enable a better knowledge of regional issues with easier identification of development needs that can call for European funds and bridging regional development gaps.

III. THE ANALYSIS OF THE EVOLUTION AND STRUCTURE OF LOCAL PUBLIC EXPENDITURE IN THE BUDGET OF SUCEAVA MUNICIPALITY

In order to reflect the place and role of local public spending in the local budget of Suceava, we will conduct an analysis of their dynamics and structure in the period 2018-2022 based on the data from the annual accounts execution prepared for the budget of Suceava municipality.

III.1. THE ANALYSIS OF THE EVOLUTION OF PUBLIC EXPENDITURE IN THE LOCAL BUDGET OF SUCEAVA MUNICIPALITY

Because during the period under analysis there was a high rate of inflation, we will analyze the dynamics of local public spending in the local budget of Suceava in nominal size and in real size. The centralized situation of the expenditure chapters financed from the local budget of Suceava in nominal size is presented according to the table below.

Table 1. Public expenditure from the local budget of Suceava in the period 2018-2022 (in nominal expression)

METRICS	YEAR				
	2018	2019	2020	2021	2022
Expenses for general public services	26.471.693	30.627.503	32.000.741	34.559.308	37.661.464
Expenses for defence, public order and national security	10.033.091	11.421.774	16.044.736	12.724.426	12.795.943
Social-cultural expenses	83.947.056	104.722.924	99.548.233	121.386.524	145.707.798
Expenses for services, public development, housing, environment and waters	50.723.726	46.232.619	57.814.867	68.492.360	66.823.050
Expenses for economical affairs	37.190.481	57.579.066	129.540.590	113.525.963	84.411.009
Total expenses	208.366.047	250.583.886	334.949.167	350.688.581	347.399.264

Source: processed data collected from the annual execution accounts of Suceava during the period 2018-2022

The graphical representation of the evolution of public spending in the local budget of Suceava is suggestive to highlight the size of the different categories of expenditure capturing their place and role in the local community.

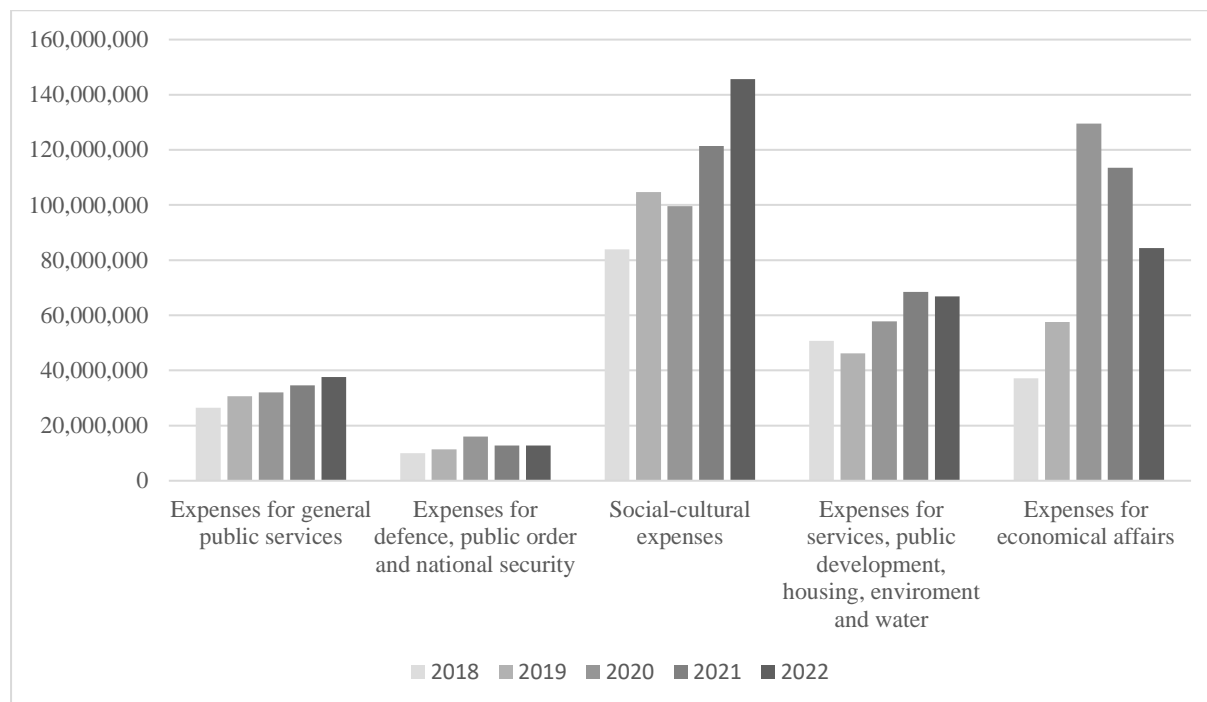


Figure 1. Evolution of public expenditure in the local budget of Suceava in the period 2018-2022 (in nominal expression)

Source: author's own processing

From the 1st table and the graph above it is clear that in the period 2018-2022 all five chapters of expenditure in the local budget of Suceava (in nominal expression) had a trend breeder. It is noted the doubling of the amounts allocated for the expenses for economic affairs from 37.190.481 lei in 2018 to 84.411.009 lei in 2022. Also, in the case of social-cultural expenses we notice a significant increase from 83.947.056 lei in 2018 to 145.707.798 lei in 2022, however, they recorded a decrease in 2020, explained by the manifestation of the COVID-19 pandemic, which led to the closure of school units and the banning of artistic cultural manifestations. The other categories of expenditure recorded moderate increases in the period under review.

To illustrate more suggestively the dynamics of total public spending financed from the local budget of Suceava, we will graphically represent them in the figure below.

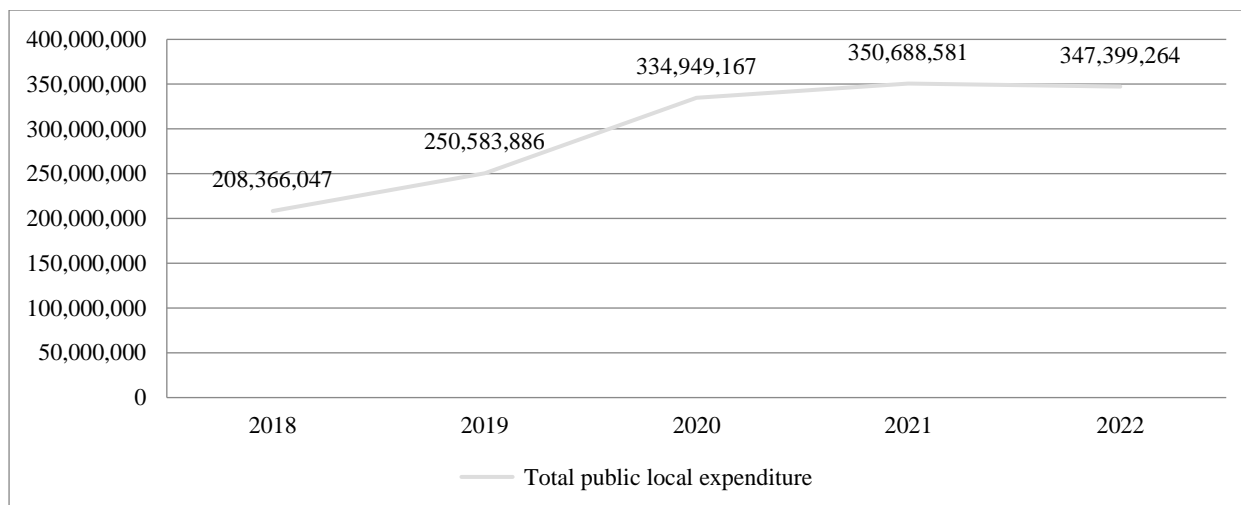


Figure 2. Evolution of total local public expenditure in nominal size from the local budget of Suceava in 2018-2022

Source: author's own processing

It is noted that in the analyzed period the total public expenditure in nominal size from the local budget of Suceava increased sharply in the first part of the interval from 208.366.047 lei in 2018 to 334.949.167 lei in 2020. This is due to the increase of approximately four times of local public expenditure for economic affairs financed from the local budget of Suceava municipality. In the second part of the analyzed period, the growth has subsided, the total local public expenditure reaching 347.399.264 lei in 2022.

In the continuation of the research, we will make some assessments on the level and evolution of local public expenditure in the local budget of Suceava in real size that take into account changes in prices in the economy and ensure comparability of data over time using the consumer price index (inflation rate). The volume of local public expenditure in real size is calculated by the formula:

$$\text{Formula 1 } Ch_r = \frac{Ch_{nom.}}{I_{pc}} \times 100, I_{pc} - \text{consumer price index};$$

Table 2. Public expenditure from the local budget of Suceava in the period 2018-2022 (in actual expression)

INDICATOR	YEAR				
	2018	2019	2020	2021	2022
Expenses for general public services	25.300.289,6	29.497.739,6	31.180.688,9	32.897.961	33.094.432,3
Expenses for defence, public order and national security	9.589.114,98	11.000.456,5	15.633.573	12.112.733	11.244.238,1
Social-cultural expenses	80.232.300,5	100.859.987	96.997.206,5	115.551.189	128.038.487
Expenses for services, public development, housing, environment and waters	48.479.141,7	44.527.226,2	56.333.301,2	65.199.771,5	58.719.727,6
Expenses for economical affairs	35.544.758,7	55.455.134,4	126.220.978	108.068.504	74.174.876,1
Total expenses	199.145.605	241.340.543	326.365.747	333.830.158	305.271.760
Consumer price index (%)	104,63	103,83	102,63	105,05	113,80

Sursa: processed data collected from the annual execution accounts of Suceava from 2018-2022 and the data from the Statistical Yearbook of Romania on Consumer Price Indices

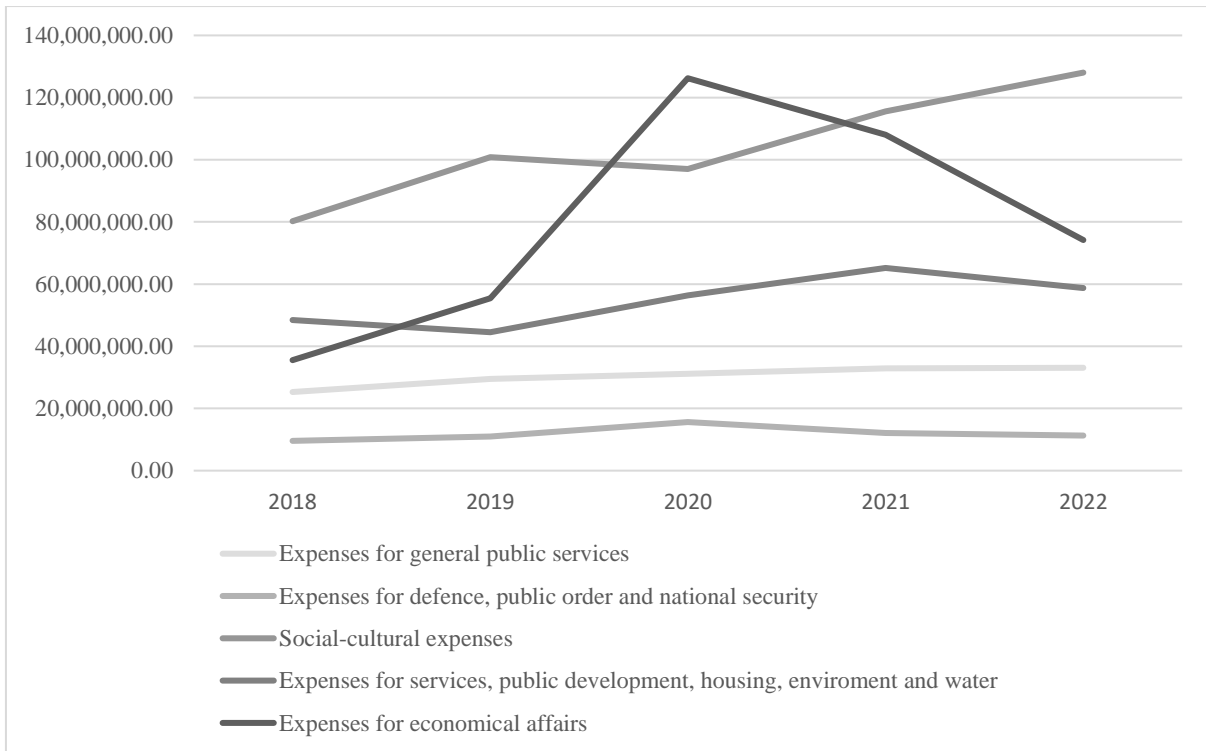


Figure 3. Evolution of local public expenditure in real expression from the local budget of Suceava in 2018-2022
Source: author's own processing

In real expression, the total local public expenditure from the local budget of Suceava increased steadily each year from 199.145.605 lei in 2018 to 333.830.158 in 2021 after which they registered a significant decrease to the value of 305.271.760 lei in 2022. We note that this decrease is due to the reduction in the volume of two categories of expenditure, namely expenditure on economic affairs and expenditure on services and public development, housing, environment and waters. We note that the social cultural expenditure registered an appreciable increase in the analyzed period from 80.232.300,5 lei in 2018 to 128.038.487 lei, except for 2020 when they registered a decrease of up to 96.997.206,5 lei.

III.2. THE ANALYSIS OF THE LOCAL PUBLIC SPENDING STRUCTURE IN THE LOCAL BUDGET OF SUCEAVA MUNICIPALITY

The analysis of the structure of local public spending involves addressing their internal composition by reference to their total volume at a given time. (Ichim, 2022) For this purpose we use an indicator known as a specific share of expenditure (abbreviated „g”), expressed as follows:

$$\text{Formula 2 } g_i(\%) = \frac{Ch_i}{Ch_t} \times 100$$

where: g_i – share of local public expenditure “i” in total local public expenditure

Ch_i – volume of local public expenditure “i”;

Ch_t – total local public expenditure.

The results that this indicator offers us demonstrate the importance of each category of local public expenditure in the policy of allocating local public revenue and show us the percentage dimension of each category of public expenditure total public expenditure from the local budget of Suceava.

Table 3 presents the centralized situation of the specific weight calculated for each chapter of expenditure financed from the local budget of Suceava.

Table 3. Share of local public expenditure in total expenditures from Suceava budget in 2018-2022

INDICATOR	YEAR				
	2018	2019	2020	2021	2022
Expenses for general public services	12,70	12,22	9,55	9,85	10,84
Expenses for defence, public order and national security	4,82	4,56	4,79	3,63	3,68
Social-cultural expenses	40,29	41,79	29,72	34,61	41,94
Expenses for services, public development, housing, environment and waters	24,34	18,45	17,26	19,53	19,24
Expenses for economical affairs	17,85	22,98	38,67	32,37	24,30
Total expenses	100	100	100	100	100

Source: author's own processing

Also, to highlight the structure of public expenditure in the local budget of Suceava, I will graphically represent the weights that each category of local public expenditure has in their total for each year of the period under review.

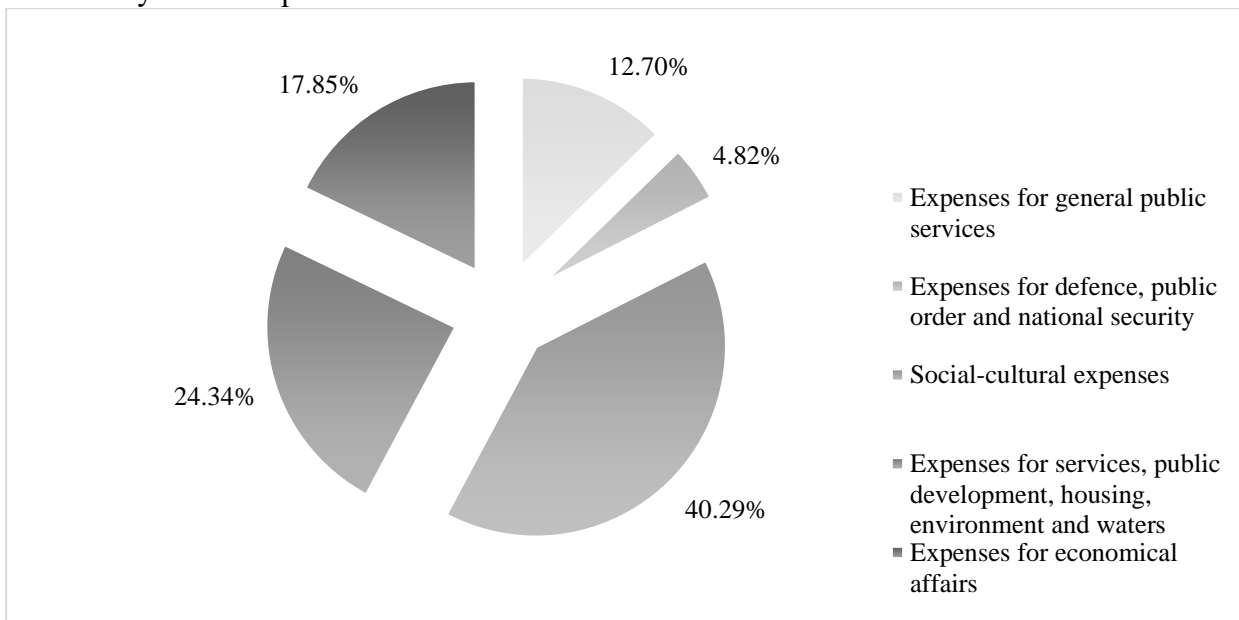


Figure 4. Structure of local public expenditure in the local budget of Suceava in 2018

Source: author's own processing

From the chart above, it turns out that in 2018 the social-cultural expenditure occupies the highest share (40.29%) followed by the expenditure of services and public development, housing, environment, and waters (24.34%) The lowest share in the total local public expenditure in the budget of Suceava is occupied by defence, public order and national security expenses.

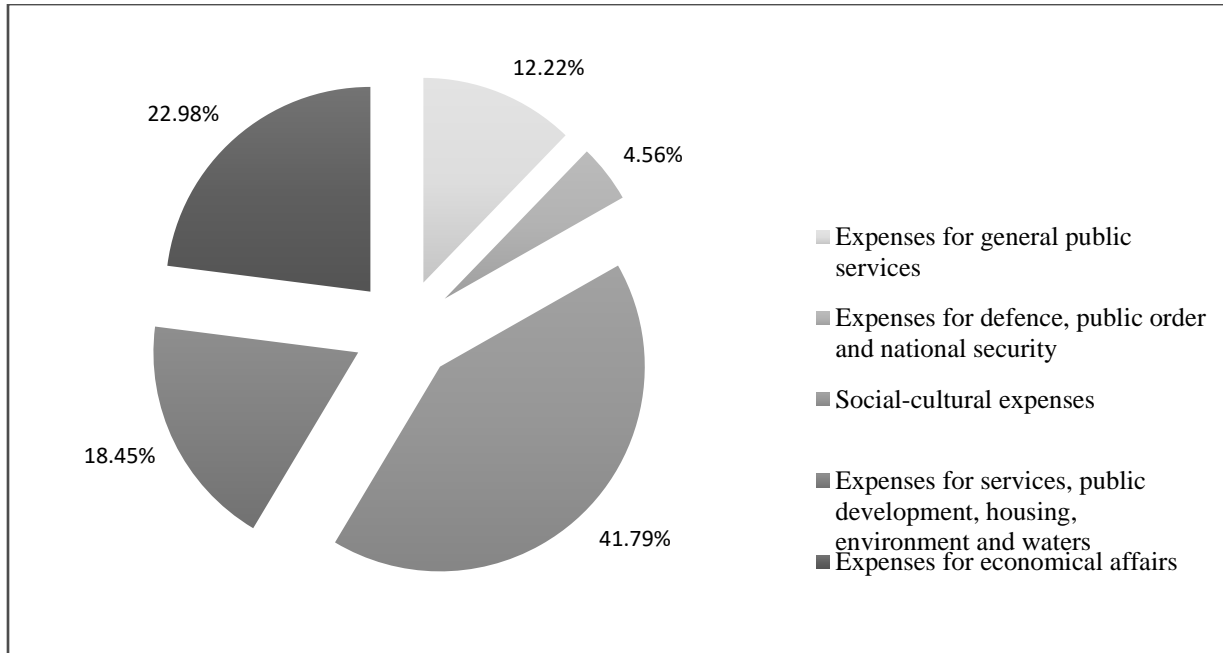


Figure 5. Structure of local public expenditure in the local budget of Suceava in 2019

Source: author's own processing

Comparing the shares of the local public spending categories in the total expenditure from the local budget of Suceava with those from 2018, we note that in 2019 the highest share is maintained for social-cultural expenditure (41.79%), followed by expenditure for economic affairs (22.98%) and the lowest share is the expenses for defence, public order and national security (4.56%). Therefore, we note that special importance is given to social and cultural spending by local authorities to promote social welfare, to improve the lives of citizens and to provide quality social and cultural services.

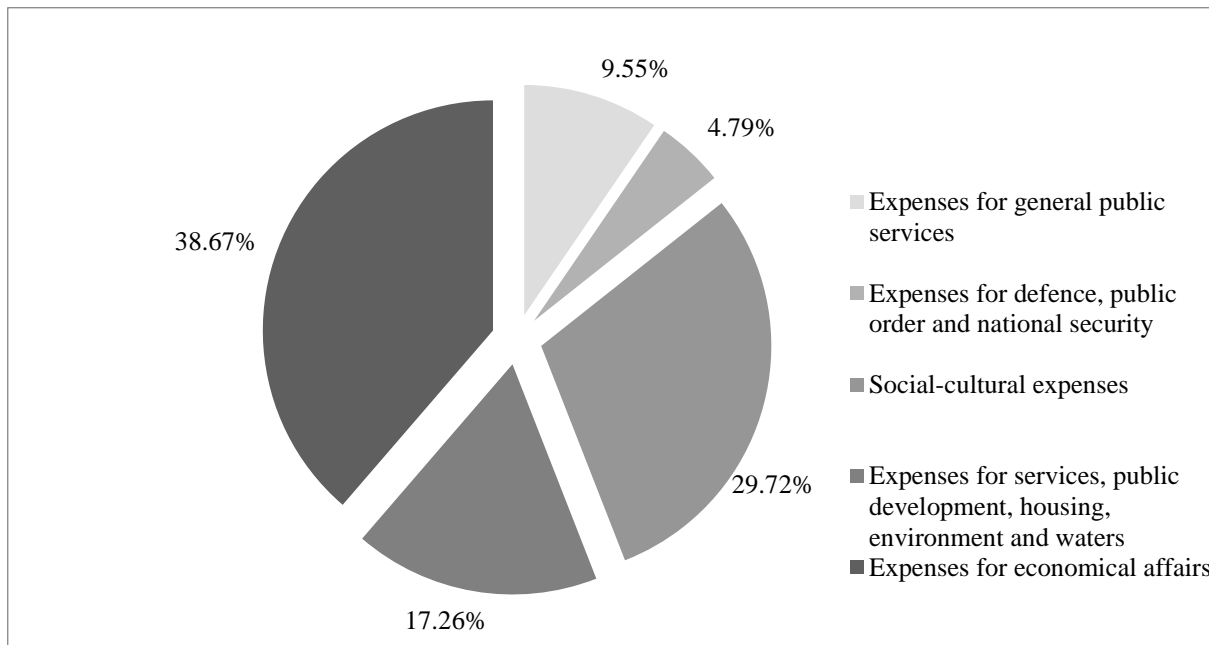


Figure 6. Structure of local public expenditure in the local budget of Suceava in 2020

Source: author's own processing

In 2020, there is a substantial change in the structure of public spending financed from the local budget of Suceava explained by the fact that the outbreak of the COVID-19 pandemic has led to containment measures social in order to prevent the transmission of the SARS-CoV-2 virus (Romanian Parliament, 2020).

This determined that the degree of execution of the social cultural expenditure from the local budget of Suceava Municipality to be 61.62%. Analyzing the annual implementation account for the year 2020 of the local budget of Suceava we notice that the amounts approved in the initial budget for education expenses were 63,131,622 lei and payments were made of only 37,375,327 lei and for culture, recreation and religion, the amount of 58,249,392 lei was approved and the payments made of only 27,313,742 lei.

We note in 2020 the increase of the share of expenses for economic affairs in the total expenditure made from the local budget of Suceava to the value of 38.67%.

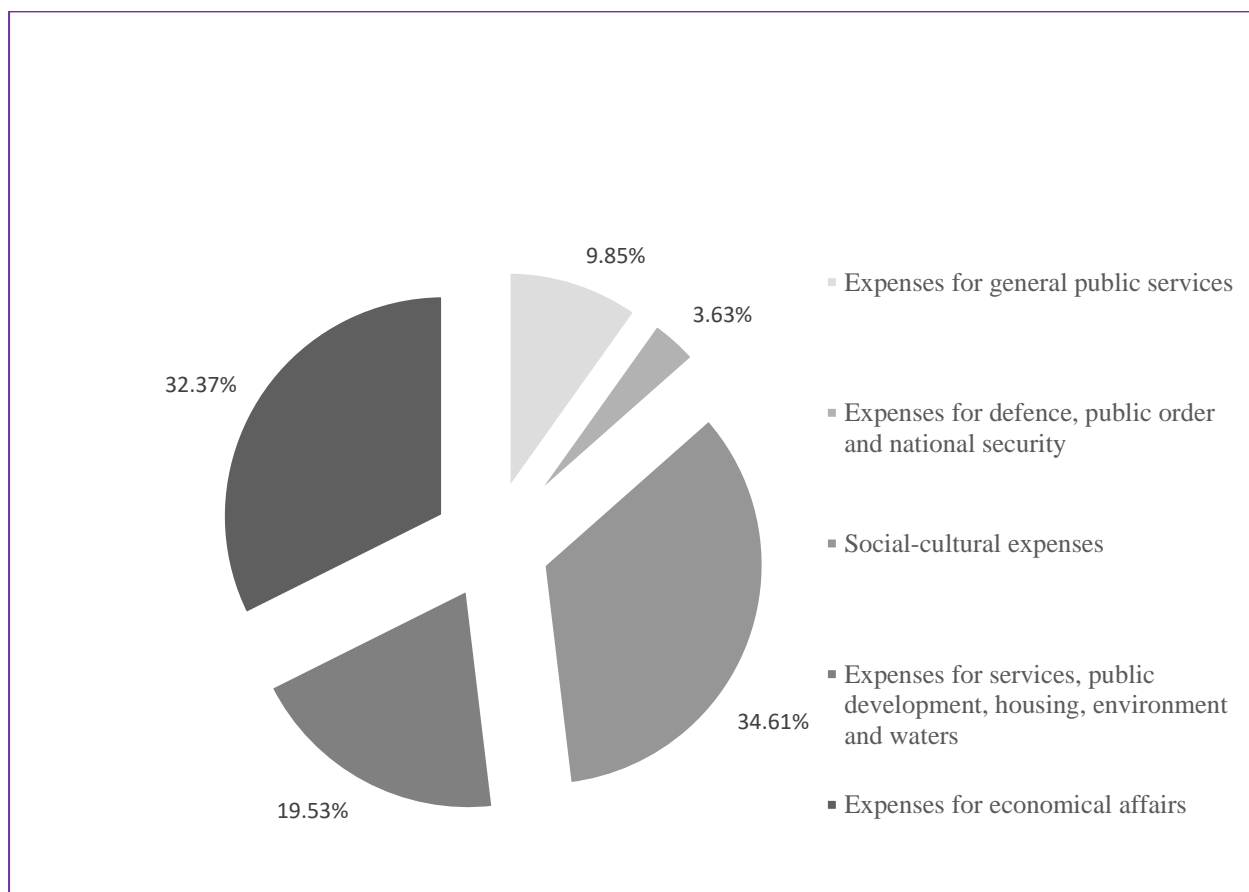


Figure 7. Structure of local public expenditure in the local budget of Suceava in 2021

Source: author's own processing

In 2021, the share of social-cultural expenses comes first with 34.61%, followed by spending on economic affairs that recorded a share of 32.37%. A low share, compared to previous years, is found in the chapter of public and national safety expenses 3.63%.

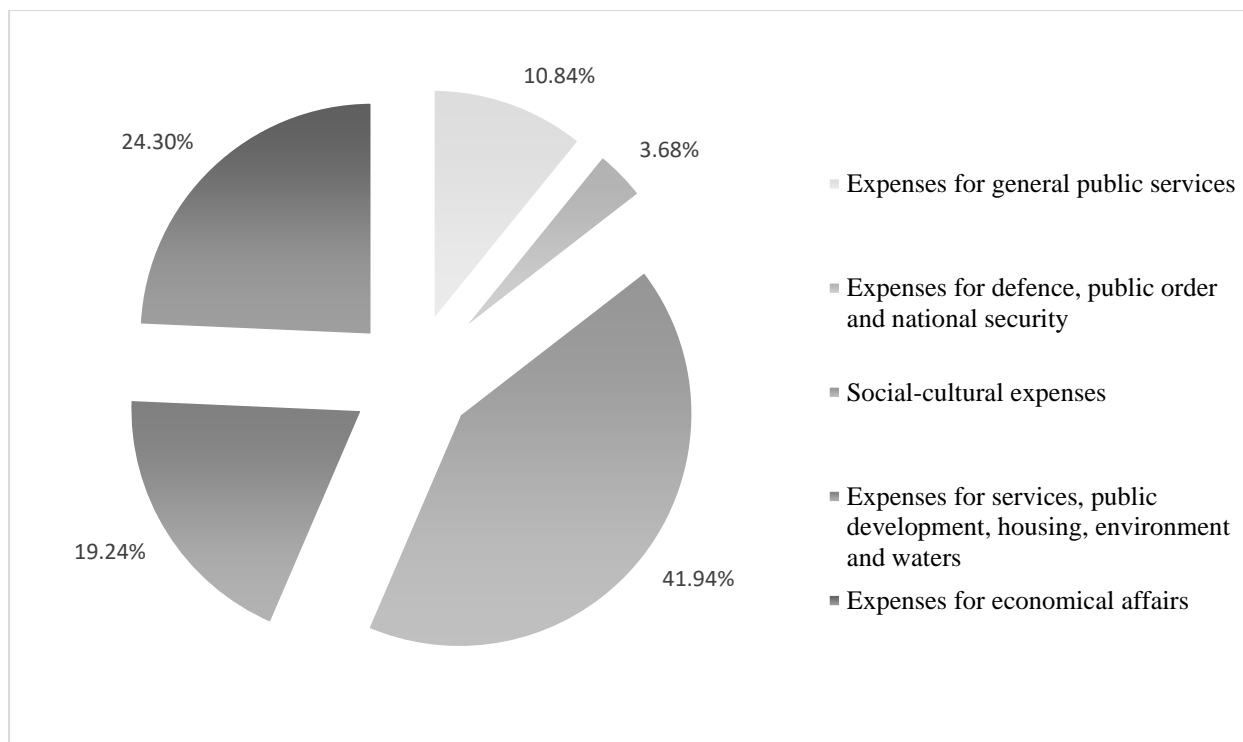


Figure 8. Structure of local public expenditure in the local budget of Suceava in 2022

Source: author's own processing

From the chart above, it follows that in 2022 the share of expenditure for social cultural actions returned to the percentage recorded before 2020 sign that the social-cultural life in Suceava entered the normal (41.94%). The share of expenditure for economic affairs (24.30%) and the Expenses for services, public development, housing, enviroment and waters are 3rd with a share of 19,24%.

During the period under analysis, we note that the share of general public services expenses in total public expenditure in the local budget of Suceava decreased from 12.70% (in 2018) to 9.55% in 2020, after which it increased to 10.84% at the end of the period.

IV. CONCLUSIONS

The research carried out in this article allows us to draw conclusions on the evolution and structure of public expenditure financed from the local budget of Suceava.

First of all, we consider that for the analysis of the structure and evolution of expenditure in local budgets it is correct to use their functional classification because it allows us to formulate value judgments regarding the overall structure of the budget the expenditure to be financed from the local community budget, the specific weight to be given to each category of local expenditure, the ranking of the importance of the expenditure destinations and their appropriate prioritisation.

We note that the evolution and structure of expenditure in local budgets is determined by the action of economic and social factors that vary from one administrative-territorial unit to another, including: degree of economic development of territorial administrative units, degree of urbanization, structure and number of population in a territorial administrative unit, the network of social cultural institutions as well as the competences of the local public administration authorities in providing services to the inhabitants of the territorial administrative units.

From the analysis of local public expenditure from the local budget of Suceava it follows that in the period 2018-2022 all five expenditure chapters (in nominal expression) had an increasing trend. It is noted the doubling of the amounts allocated for the expenses for economic affairs from 37.190.481 lei in 2018 to 84.411.009 lei in 2022. Also, in the case of social-cultural expenses we notice a significant increase from 83.947.056 lei in 2018 to 145.707.798 lei in 2022, however, they recorded a decrease in 2020, explained by the manifestation of the COVID-19 pandemic, which led to the closure of school units and the banning of artistic and cultural manifestations. The other categories of expenditure recorded moderate increases in the period under review.

From the perspective of the structure of public expenditure financed from the local budget of Suceava, we conclude that during 2018-2022 the social-cultural expenditure occupies the highest share, being around 41 % except for 2020 when there was a rebound, then the expenses for economic affairs follow. The lowest share in the total local public expenditure in the budget of Suceava is occupied by the public and national safety expenses that have shares of about 4%.

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