

BUDGET EXECUTION, A TOOL FOR SUBSTANTIATING THE FINANCIAL RESOURCES FOR FUNDING SUSTAINABLE DEVELOPMENT PROJECTS

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Abstract: *The epistemological positioning of the scientific research takes a constructive approach and tries to answer the research hypothesis: “Does the analysis of the budget execution bring its contribution to the substantiation of the financial resources that are needed to carry out regional and local sustainable development programmes and projects?”. This research study is based on the analysis of the budget execution accounts of the ministry that manages the financial resources for supporting the sustainable development at regional and local level.*

Keywords: *financial resources; budget execution; accounting information system; sustainable development.*

JEL Classification: *M41, M42, H83.*

1. Introduction

The purpose of this approach is to examine the information which the budget execution account provides, as a component of the public institutions’ accounting. The budget execution account is the synthesis accounting document that includes all the financial operations during a financial year in terms of the revenues that are being received and the payments that are being made within the approved budget structure.

2. Problem Statement

In this context, the analysis of the budget execution accounts was carried out to determine the representative execution indicator, i.e. the “Budget execution rate” (BER), for every year in the analysis. Thus, the “Budget execution rate” was quantified as the ratio between the amount of payments/expenditures incurred within a budget year and the budget appropriations amount that is approved for the same budget year:

$$\text{BER} = \frac{\text{Expenditures}_n}{\text{Appropriations}_n} \times 100 \quad (\%)$$

Expenditures n = amount of payments/expenditures incurred within the “n” budget year

Appropriations n = amount of budget appropriations that is approved for the “n” budget year

The interpretation of the economic and social phenomenon under review was made based on the calculation formula of this indicator in order to confirm or refute the research hypothesis.

3. Research Question

To prove the research hypothesis “Does the analysis of the budget execution bring its contribution to the substantiation of the financial resources that are needed to carry out regional and local sustainable development programmes and projects?”, an analysis of the

budget execution for 2016 - 2021 period was performed (a case study based on the example of the ministry that is the object of the research).

4. Research Methods

The approach of the expenditures/payments' evolution in the 2016 - 2021 period involved the use of chain-based index and fixed-base index in order to observe the consumption trend of the financial resources.

Therefore, the calculation formulas required the determination of a ratio between the expenditures/payments amount in the year under review and the expenditures/payments incurred in the previous year to determine the chain-based variation.

The fixed-base variation involved the calculation of the indicator as a ratio between the value of payments/expenses within the last year under analysis and the value of payments/expenses within the first year under analysis.

5. Analysis of the budget execution related to the categories of expenditures allocated for sustainable development

The analysis of the approved categories of expenditures in the 2016 - 2021 annual budgets highlighted the fact that financial resources were allocated only for certain categories of expenditures to implement sustainable development programmes and projects: "Transfers among public administration units", "Projects financed from external non-reimbursable funding within the 2014 - 2020 financial framework", "Other transfers", "Subsidies", "Capital expenditures", "Projects financed from external non-reimbursable funding within the 2007 - 2013 financial framework", "Expenditures on reimbursable funding programmes".

The 2016-2021 budget execution accounts for the expenditure categories above provided relevant information on the payments under the development programmes and projects which were approved within the annual budgets.

In this respect, the table below shows the cumulative budget execution related to the sustainable development expenditures, in relation to the approved annual budgets:

Table 1. Budget execution for the regional and local development expenditures 2016-2021

Categories of expenditures	2016 - 2021 Budget execution		
	Total amount (lei)	Total expenditure (lei)	BER (%)
Transfers among public administration units	18,277,798,000	29,681,946,908	162.39%
Projects financed from external non-reimbursable funding within the 2014 - 2020 financial framework (FEN 2014-2020)	9,785,845,000	3,884,110,785	39.69%
Other transfers	5,602,633,000	4,244,466,475	75.76%
Projects financed from external non-reimbursable funding within the 2007 - 2013 financial framework (FEN 2007-2013)	1,560,588,000	744,398,565	47.70%
Subsidies	1,009,572,000	70,084,532	6.94%
Capital expenditures	522,450,000	425,597,948	81.46%
Expenditures on reimbursable funding programmes (FR Projects)	375,000,000	240,928,842	64.25%
Total	37,133,886,000	39,291,534,055	105.81%

Source: Data processed by the author based on information from the COFOG3_MDRAP_2016-2021, Budget Implementation Reports

The analysis of the 2016 - 2021 budget execution accounts showed that the financial resources in the budgets were fully spent in case of the "Transfers among public administration units" category.

In relation to the "Capital expenditures" category, 81.46% of the financial resources were spent, as approved in the investment lists, as annexes to the annual revenue and expenditure budgets.

Also, the representative indicator "Budget execution rate" (BER) recorded 'attractive' values also for "Other transfers" and "Reimbursable funding programmes", i.e. 75.76% out of the total budget allocated for other transfers, and 64.25% out of the total budget allocated to reimbursable funding programmes aiming at the housing construction for young people.

At the opposite end, the "Projects financed from external non-reimbursable funding within the 2014 - 2020 financial framework" had a budget execution ratio of only 39.69%. This indicates that the ongoing and/or partially completed projects/programmes, which were granted non-reimbursable funding, would be continued in the next financial framework, i.e. 2021-2027.

Structurally, the situation of budget execution in terms of the expenditure categories which were provided for the 2016-2021 regional and local sustainable development is the following:

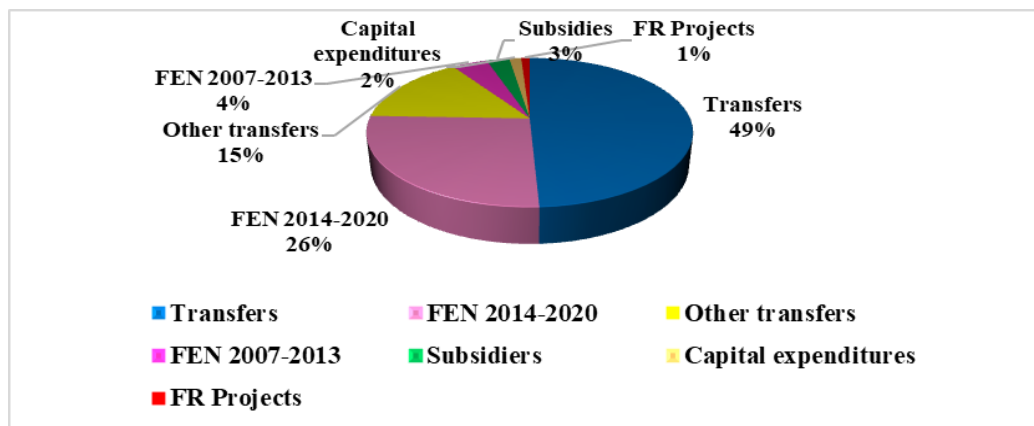


Figure 1. Structure of the 2016-2021 budget execution in terms of the regional and local sustainable development expenditures

Source: Data processed by the author based on data from the 2016-2021 budget execution accounts

In relation to the period under the scientific research, it was found that 49% out of the financial resources were spent. They were used to support the programmes/projects the public administration carried out and they are recorded in the budget accounts at "Transfers among public administration units".

As mentioned before, this expenditure category recorded in its turn 'nonuniform' variations throughout the budget execution process. The variations were measured by the calculated value of the expenditure indices for the period under review.

Another category of expenditure, that is noteworthy for this analysis, is the "Projects financed from external non-reimbursable funding for the 2014-20 financial framework" category, which reaches 26% of the budget execution structure for the period under review.

This expenditure category consumed financial resources to a lesser extent due to the public authorities' inability to attract this class of "appropriate" funding for the regional and local development.

The opportunity to fund programmes/projects arises from the non-reimbursable nature of the EU funding - in high percentages, and the co-financing, although to a lesser extent, from national public resources.

However, the economic and social phenomenon, which is analysed in relation to the public funding consumption, that is quantified in the budget execution process, indicates that the 'task' of implementing programmes and projects which aim at developing the local and regional communities is also supported by the state budget and to a lesser extent from external non-reimbursable funding.

The comparative analysis of the expenditure category "Transfers among public administration units" and of the category "Projects financed from external non-reimbursable funding within the 2014-2020 financial framework" emphasizes the trend of the economic and social phenomenon related to the implementation of development programmes/projects which are implemented mostly from national funding resources.

Although external non-reimbursable funding is a development opportunity that should not be 'missed', this study demonstrates the inability of the public authorities to access these types of funding, which involve zero funding costs through the value of the calculated indicators.

The expenditure category "Other transfers" reaches 15% of the total budget execution for the period under review. Together with the two expenditure categories above, it aggregates 90% of the total public funding consumption in the period 2016-2021.

The remaining expenditure categories reach 10% of the total budget execution within the period under review. This means that the development programmes and projects that were implemented with the reimbursable funding, subsidies from the state budget, and non-reimbursable funding within the 2007-2013 financial framework are not as 'significant' as the development projects and programmes which benefited from funding under the expenditure categories presented above.

6. Conclusions

The dynamics and structure analysis of the expenditure categories related to the sustainable development reveals that, in the period 2016-2021, "Transfers among public administration units" was the category that benefited from substantial financial resources. It was followed by the "Projects financed from external non-reimbursable funding within the 2014-2020 financial framework" category.

The comparative analysis of the expenditure categories "Transfers among public administration units" and "Projects financed from external non-reimbursable funding within the 2014-2020 financial framework" pointed out that the financial resources allocated from the state budget were consumed in a higher proportion higher than the financial resources allocated from the EU budget on a non-reimbursable basis.

The expenditure category "Transfers among public administration units" is "detailed" at the level of the administrative-territorial units and other entities in the public administration, in budgetary and financial accounting, namely in accounts associated with assets under construction.

In terms of the funding source, this expenditure category is financed from the state budget for the scope the annual budgets provide.

Although it is the state budget to provide with the financial resources which are needed to achieve the investment objectives included in the regional and local development programmes/projects, this funding source of is not sufficient to complete the development investment objectives.

Consequently, the state budget funding source is complemented by the EU budget funding. Thus, the latter is an opportunity for the public administration to access this sort of non-reimbursable funding.

The consumption of financial resources allocated to this expenditure category from external non-reimbursable funding shows the capacity and ability of the ministry under review to access and consume such financial resources.

Under these circumstances, the value of the "Budget execution rate" (BER) of 39.69%, shows that the ministry was unsuccessful in spending the non-reimbursable funding within the allocated annual budgets, and this led to delays in achieving the investment objectives intended within regional and territorial development programmes/projects.

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