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# COORDINATES OF THE BUDGETS OF REVENUES AND EXPENDITURES OF THE RURAL LOCALITIES

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**Abstract:** *The study has two main objectives: exploring the budget coordinates of Romanian communes with the purpose of first, identifying regional differences and second, analyzing the projects selected for European financing through measure 322 of the National Program for Rural Development. The study uses 2010 data on the budget of revenues and expenditure of the rural localities (supplied by the Directorate for Local Fiscal and Budgetary Policies within the Ministry of Administration and of the Interior), as well as data on the projects selected for European financing through measure 322 of PNDR (“Renovation and development of villages, improving the basic services for the rural economy and population and valorization of the rural legacy), provided by the Agency for Payments for Rural Development and Fisheries. The underlying data for these analyses reveal significant gaps between the possibilities of financing development using the budget revenues of rural localities both at the regional and intra-county level. These gaps contribute to higher inequalities between areas with intense economic activity and poor areas, preventing a balanced development of the rural areas. Polar typologies can be thus noticed: the communes close to urban centers from the developed regions that can provide, largely from their own funds, the expenditures for the development of the public infrastructure, and the poor communes where the financing of the projects of local development depends on the allocations from the central budget and on the success of accessing European funds.*

*Keywords: rural development, infrastructure and public utilities, local budgets, European financing*

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## I. Introduction and methodology

Significant changes can be seen in the Romanian rural space in the last decades. Differences in development at local and regional levels increased. This study analyzes how these differentiations appear at the level of local budgets. The paper

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has two main objectives regarding the budgetary coordinates of the Romanian communes in the last period. The first objective is to describe and classify the budgets of revenues and expenditures of the Romanian rural localities, as they are registered in the official government statistics. This type of approach is interested in exploring the local budgets of the Romanian communes and with this aim the article emphasizes their financial details and presents the main sources for financing local projects. The second objective could be linked to the analysis of those projects selected for European financing through measure 322 of the National Program for Rural Development (NPRD, 2012). Both objectives discuss the possibilities of financing rural development projects.

Keeping in mind these considerations, this study aims to explore the premises for the development of rural localities in Romania on the basis of local budgets and European funding. The structure of the paper is organized as follows: *the first part* of the study explores the coordinates of the budgets of revenue and expenditures in 2010 using public statistics supplied by the *Directorate for Local Fiscal and Budgetary Policies*, within the Ministry of Administration and of the Interior (2012)<sup>1</sup>. The paper will point out some regional differences and the main gaps between counties. The second part of the study will focus on exploring the budgets of the *top 100 richest local rural administrations*, aiming to identify the main features of the localities that belong to this category. The last part of the article will be concerned with the characteristics of the winning projects of NPDR measure 322 - “*Renovation and development of villages, improving the basic services for the rural economy and population and valorization of the rural legacy*”, and this section will be based on figures provided by the Agency for Payments for Rural Development and Fisheries for the end of 2011<sup>2</sup>.

## II. Theoretical approaches

The Romanian rural environment has an important deficit of community life conditions, of public utilities and of transportation infrastructure (Mărginean, 2006). Therefore, the improvement of the rural standard of life depends, largely, on the progress of the life conditions ensured at the community level. Solving these problems is the task of the local authorities. However, most times budget constraints do not allow the local authorities to run large investments in the area of public utilities using local funds (Institute for Public Policy, 2010). There are large differences between rural localities in terms of the budgets of revenue and

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<sup>1</sup> Public data on the budgets of revenues and expenditures available at: [http://www.dpfbf.mai.gov.ro/sit\\_ven\\_si\\_chelt\\_uat.html](http://www.dpfbf.mai.gov.ro/sit_ven_si_chelt_uat.html) [Accessed March 2012]

<sup>2</sup> List of winning projects available at <http://www.apdrp.ro/content.aspx?item=2100&clang=RO> [retrieved on 03.05.2012]

expenditure, and these differences yield developmental gaps between communes (Dărășteanu, 2010). Thus, the most developed rural localities, located with predilection in peripheral areas of important urban centers have important advantages relying on the size of the population and the specificity the economic activities. At the opposite end, communes from poor areas have a significant deficit of public utilities and infrastructure caused by a lack of public financial resources. Therefore, the coordinates of the local budget of revenues and expenditures represents the main determinant in the process of development of the communes. In the case of the most developed rural localities the budget could sustain all the necessary investments in public services and infrastructure (Institute for Public Policy, 2010). However, for most Romanian rural localities, local budget coordinates doesn't allow such important investments. For these communes there are two main factors that may improve their state: the allocations of public resources from the central budget for projects of rural development and programs of European financing (Tarnovschi, 2010).

The difference between central and local budgets is based on the different competences of national and local authorities (Oprea, 2010, Ichim, 2010). This means that there exists a complementary relationship in terms of revenues and expenditures between the national and local budgets. In recent years the process of decentralization increased the abilities of the local authorities and expanded the role of the local budgets (Bunescu & Cristescu, 2012; Oprea, 2010). The five main sources of revenue for the establishment of communal budgets are: *“part of the VAT, part of the income tax, EU contribution to the local projects of investments, tax on buildings, land and automobiles and state subsidies”* (Association of Romanian Communes, 2012, 33). Thus, the revenue forming the budget of the rural localities can be classified by *own revenue or financial allocations from the state budget or from European projects*. For the Romanian reality, the communal budgets depend heavily on the state budget, the proportion of own incomes being, most times, very low. In this way, procedures of balancing the local budgets are very important for ensuring the cash flow for the local authorities (Bunescu & Cristescu, 2011). Most of the taxes are collected by Ministry of Finance through the district directorates and later they are shared between central, county and local authorities (Bunescu & Cristescu, 2011). According to Law 273/2006 regarding the local public finances, the main own revenues collected by the local budgets are: *part of the profit tax, part of the income tax, the taxes and duties on property, the taxes of specific services and the revenue from interests* (Oprea, 2010). For these revenues, local authorities are free to decide the way of spending, unlike the allocations from the public budget or from the European funds, which target specific categories of expenditures, which the local authorities cannot change (Bunescu & Cristescu, 2011). The European funds for the development of rural infrastructure are, next to the own funds and to the funds received from the central budget, one of the main

sources of financing the development of the conditions of life within the community (Tarnovschi, 2010). Because most of the rural localities cannot run large investments due to small revenues from their local budgets, European funds are the only viable way available to local authorities to make large-scale investments (Association of Romanian Communes, 2012). Even though it is too soon to quantify the actual results of these financial allocations since most such projects are still undergoing implementation, the descriptive analysis of the characteristics of the selected projects may reveal several concrete dimensions of the importance of these funds for the development of communes in Romania.

The EU has allocated 45 billion Euros in 2007-2013 for the Central and East European member states to run programs for rural regions (Farcas, 2010). These financial allocations rely on the proportion of the rural areas in these states, as well as on the features of the agricultural sector. Most of these funds, over one third of the total amount, was allocated to Poland (16.9 billion), while Romania has available 8.9 billion and Bulgaria 4.9 billion (see Table 1 for further details). These kind of funds are allocated on the basis of three main axes of the LEADER program. Axis 1 aims to increase the competitiveness of the agricultural sector by using 18.7 billion Euros for investments which to increase farm productivity. Romania has 3.9 billion Euros for this axis. Axis 2, with a total of 15 billion Euros, aims to improve the environment and to arrange the national territories (2.2 billion for Romania); axis 3, with 9.2 billion Euros, aims to increase the quality of life in the rural areas by making public works and investments in infrastructure (2.4 billion Euros for Romania).

**Table 1.** Funds for rural development allocated for the new EU member states for the interval 2007-2013 (million Euros)

	Axis 1	Axis 2	Axis 3	Leader	Total
<b>Bulgaria</b>	1204	777	877	77	2937
<b>Czechia</b>	840	1945	635	175	3595
<b>Estonia</b>	347	334	118	85	886
<b>Hungary</b>	2366	1626	690	272	4956
<b>Latvia</b>	649	365	259	32	1306
<b>Lithuania</b>	930	824	275	137	2167
<b>Poland</b>	7187	5546	3430	787	16951
<b>Romania</b>	3967	2293	2473	235	8969
<b>Slovakia</b>	835	1242	358	74	2510
<b>Slovenia</b>	399	588	132	34	1153
<b>Total</b>	18727	15542	9251	1910	45432

Source: Fargacs, C., 2010, p.16

The ideology behind the allocation of resources for rural development aims to perform concerted actions in support of economic initiatives, to supply financial support in order to improve village infrastructure and to increase the professional skills of the population by providing training services for several target groups (Dărășteanu, 2010). Thus, the development of rural areas must come via improved conditions of life for the population on the basis of higher agricultural productivity through the development of associative forms and farms and through the economic development of the rural areas by the establishment of micro-enterprises and capitalizing on the touristic potential that many of these areas have (Mihai et al, 2010). The European funds that public authorities can access and that impact the development of rural areas are available through the *European Agricultural Fund for Rural Development (EAFRD)* and through the funds included in the *Structural Funds*. The available EAFRD funds can be accessed through the National Program for Rural Development (NPRD) 2007-2013; within it, three measures (lines of financing) intended for rural development are open for application by the local authorities: *measure 32 “Renovation of the villages”*, of the priority axis 3 (“*Quality of life in the rural areas and diversification of the rural economy*”), through which over 1.5 billion Euros have been allocated in 2007-2013 for works of construction, modernization and development of facilities and services in rural areas; *measure 125 “Improvement and development of the agricultural and forestry infrastructure”*, of the priority axis 1 (“*Enhance the competitiveness of the agricultural and forestry sector*”) with a total budget of 604 million Euros available for the construction and improvement of agricultural and forestry roads and to restore the irrigation systems. *Measure 313 “Improving the touristic services”*, of the priority axis 3, with 544 million Euros available for the design, construction and development of touristic facilities and services (Dărășteanu, 2010).

The funds available through the *Structural Funds* can be accessed through the Regional Operational Program (ROP), particularly through the priority axes 3 (“*Improvement of the social infrastructure*”) and 5 (“*Sustainable development and tourism development*”) and through the Sectoral Operational Program Environment (SOP Environment), through axis 2 (“*Development of the systems of integrated waste management*”). Among these sources of financing, *measure 322 (“Renovation of the villages”)* of NPRD, is the most substantial source and had the highest level of contracting. Rural authorities had contracted the entire allocated amount, slightly over 1.5 billion Euros for the interval 2007-2013, by the end of 2011. The total amount requested by the 3000+ applications exceeded almost 5 times the available funds. This characteristic makes *measure 322* one of the most attractive lines of European financing

### III. Characteristics of the budgets of revenues and expenditures of rural localities

#### *Inter-county differences of the budgets of revenues and expenditure in rural localities*

The characteristics of the budgets of revenue and expenditure in the different rural localities are quite different both in terms of the available funds and in terms of their sources and of categories of expenditure. Thus, the communal budget is a solid basis for the analysis of rural localities socio-economic characteristics and of local directions of development. This is so because the main element in any project of development is its financial dimension. According to the data of the *Directorate for Local Fiscal and Budget Policies* (Ministry of Administration and Interior, 2012), the total revenue for the budget of the 2860 communes was 11.2 billion RON in 2010, almost a quarter of the revenue of all the administrative-territorial types of units across Romania. The average total revenue by commune was 3.93 million RON, while the average own income was 1.39 million RON. In absolute figures, the total revenue was 2.5 times higher in 2010 than in 2005, an increase that may be due to the implementation of decentralization policies, under which local authorities instead of central structures managed part of the funds allocated for public sector activities. At the same time, the consolidated income of the rural localities budget reached 2.2% of the GDP (Association of Romanian Communes, 2012). In 2008-2011, the revenue from the communal activities decreased slightly due to the “decrease of the share from the VAT, due to the reduction of the *Governmental Fund of reserve* and due to the lower resources allocated from the *Program of development of the rural infrastructure and sports facilities*” (Association of Romanian Communes, 2012).

By group of size in 2010, almost half of the communes had revenues between 2.5-5 million RON, while just 93 localities could be classified as very rich communes (budgets in excess of 10 million RON), as seen in Table 2. The average budget size at the county level follows rather closely the state of the regional economic development, while at the intra-county level, a strong association can be noticed between the size of the budget and several characteristics of the localities, such as number and activity of the local and active economic agents and the total population.

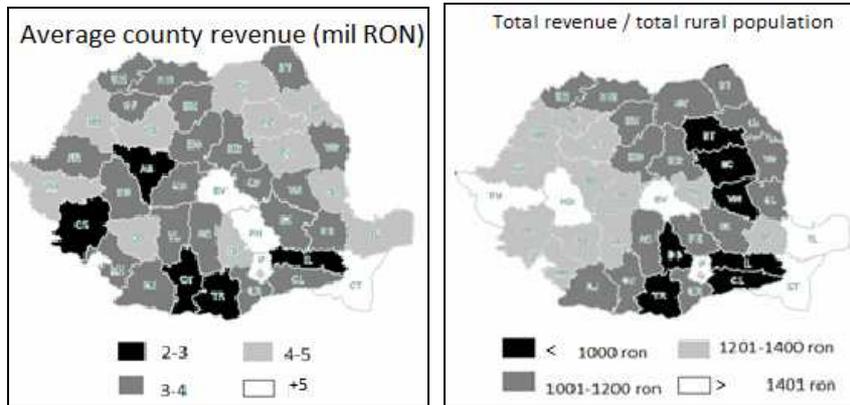
**Table 2.** National distribution of the communes by size of the total revenues to the budget in 2010 (RON)

	Number	Percent
below 2.5 million	862	30.1
2.5 - 5 million	1368	47.8
5 million - 7.5 million	398	13.9
7.5 million - 10 million	139	4.9
over 10 million	93	3.3
Total	2860	100.0

Source: Processing of the data on the execution of the budgets of revenues and expenditures of the administrative-territorial units, Ministry of Administration and Interior, Directorate for Local Fiscal and Budgetary Policies, (2012), [http://www.dpfbf.mai.gov.ro/sit\\_ven\\_si\\_chelt\\_uat.html](http://www.dpfbf.mai.gov.ro/sit_ven_si_chelt_uat.html)

The differences in terms of the average county revenue (Figure 1) shows that the poorest local rural administrations are in Alba, Caras-Severin, Ialomita, Olt and Teleorman Counties, with values of 2-3 million RON. However, most of the counties fall into the category of 3-4 million RON (21 counties), while eleven counties have an average county revenue of 4-5 million RON. Only four counties (Ilfov, Brasov, Prahova and Constanta) reported average county revenue in excess of 5 million RON. An example of these differences is the fact that while 20 of the 32 communes from Ilfov County reported revenues in excess of 20 million RON, almost two thirds of the communes from Teleorman County reported revenues below 2.5 million RON. The data differ quite a lot if we relate the total revenue to the total population of the county. On the background of a lower total population, Hunedoara County holds one of the top positions in terms of total revenues/rural inhabitant, 1870 RON/person, being outmatched only by Ilfov County with a total revenue/rural inhabitant of 2097 RON/person. The threshold of 1500 RON is also exceeded by Brasov, Constanta, Timis and Tulcea Counties (the latter county also has a very low rural population). The category of counties with the lowest revenues/rural inhabitant includes the counties of Teleorman, Călărași, Ialomita, Dâmbovita, Neamt, Suceava, Bacău and Vrancea, with revenues lower than 1000 RON/villager. The national distribution of this indicator shows that the countries from western and central Romania have significantly higher average revenues to the commune budget than the counties from Moldova and Muntenia.

**Figure 1.** County classification by revenues to the budget of the communes, in 2010 (RON)

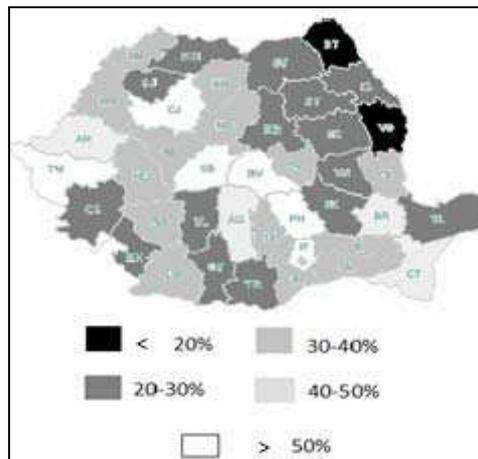


Source: Processing of the data on the execution of the budgets of revenues and expenditures of the administrative-territorial units, Ministry of Administration and Interior, Directorate for Local Fiscal and Budgetary Policies, (2012), [http://www.dpfbf.mai.gov.ro/sit\\_ven\\_si\\_chelt\\_ua.html](http://www.dpfbf.mai.gov.ro/sit_ven_si_chelt_ua.html)

At the national level, the average own revenue to the budget was almost 1.4 million RON in 2010; 1141 communes (39% of the total) had an own revenue to the budget of 0.5-1 million RON, while 294 communes collected own revenues lower than 500 thousand RON. The differences between the local budgets of the developed counties and of the poor counties are even more obvious if we calculate the proportion of the own revenue to the total budget (Figure 2). Thus, the value of this indicator exceeds the threshold of 50% in the developed counties, while sinking below 25% in the poorest counties. The data for 2010 show that the highest average own revenue to the total budget was reported in the counties of Ilfov (67%), Timis (59%), Cluj (53%), Sibiu (51%), Brasov (51%) and Constanta (50%), while the lowest values, which correspond to the highest levels of dependency on the financial allocations to the central state budget, were reported in the counties of Vaslui (17%), Botosani (19%), Iasi (23%), Olt (23%) and Maramures (25%). If we exclude from the analysis the amounts distributed from the central budget, the ratio of the funds collected from own revenues by the counties with a developed rural environment compared to the ratio of the funds collected from own revenues by the counties with the largest number of poorly developed communes, becomes extremely large, reflecting the differences of the economic activity of the rural localities from these counties. The average own revenue in Ilfov County (8.1 million RON) is about 12 times higher than that of

counties such as Vaslui (0.64 million), Olt (0.68 million) or Botosani (0.71 million).

**Figure 2.** Proportion of the own revenue to the total budget of the counties in 2010



Source: Processing of the data on the execution of the budgets of revenues and expenditures of the administrative-territorial units, Ministry of Administration and Interior, Directorate for Local Fiscal and Budgetary Policies, (2012), [http://www.dpfbf.mai.gov.ro/sit\\_ven\\_si\\_chelt\\_uat.html](http://www.dpfbf.mai.gov.ro/sit_ven_si_chelt_uat.html)

Based on these characteristics, we may conclude that the total revenue of the rural localities is determined by two dimensions: *the developmental level of the localities* and *the total population*. In the first case, the larger localities draw important funds from the central budget to finance public services, and the localities with high levels of economic development reported large volumes of own revenues given the large available taxation basis. Broken down by categories of expenditure, the *expenditure with the budgetary staff* represents the utilization of the local budget from the commune. The highest rates of public funds utilization are recorded in the counties of Teleorman (58% of the total expenditure), Vrancea (53%), Bistrita – Năsăud (52%), Ialomita and Brăila (each with a proportion of 50% of the total expenditure). The funds used to pay the budgetary staff represents almost a third of the total expenditure in the counties of Ilfov, Constanta, Brasov, Sibiu, Tulcea and Timis. In absolute figures, the largest average expenditure of the communes used to pay the budgetary staff were reported by the counties of Ilfov (2.8 million RON), Iasi (2.2 million), Brasov (2.2 million), Suceava (2.1 million) and Bacău (2.1

million), counties in which the average population of the communes is significantly higher than in the other communes.

On average, each commune from Romania allocated 587 thousands RON from its own budget for expenditure on insurances and social assistance. The minimal guaranteed income and aid for disabled persons represent the bulk of these expenditures. Thus, the available data show that the largest expenditure amounts related to the total rural population were reported for the counties of Mehedinti (148 RON/inhabitant), Vaslui (141 RON/inhabitant), Satu Mare (136 RON/inhabitant), Vrancea (134 RON/inhabitant), Călărași (125 RON/inhabitant) and Dâmbovita (120 RON/inhabitant). The average budgetary funds allocated to services of public development varies from 2.1 million RON in Ilfov and less than 0.4 million in Teleorman, Vrancea, Călărași, Brăila and Ialomita counties. Significantly higher amounts compared to the average national expenditure of this type (0.58 million/commune) were reported in the rural localities from Constanta (1.3 million), Brasov (1.2 million), Tulcea (1 million), Timis (0.81 million) and Caras-Severin (0.8 million) counties.

On this basis, the distribution of the funds allocated to the development projects of local infrastructure highlight an emblematical situation for the evolution of the Romanian rural environment after 1990: the increasing gaps between localities. The highest rates of development of the local infrastructure were recorded in the developed counties in wealthier rural localities that already have a high level of the public utilities and local transportation infrastructure. On the other hand, the poor rural localities recorded extremely low progresses in these directions. From the general data outlined so far we may conclude that the local budgets of the communes are vary greatly among regions both in terms of revenues and expenditures. The wealthiest localities with high incomes and with a large proportion of own revenues are to be found in developed counties such as Ilfov, Sibiu, Constanta, Brasov and Timis. On the other hand, the lowest budgets are to be found in the counties whose rural areas remained strongly connected to the traditional agricultural activities (Vaslui, Botosani, Teleorman, Călărași, Mehedinti, Olt).

The structure of revenues to the budget in these counties does not allow the counties to make large investments in infrastructure projects or in networks of public utilities because of the very limited funds collected by the authorities from the local taxes and dues, and allocations from the state budget are not enough to run such projects. For these communes, the only viable way towards development is to access European funds. Actions in this coming period should focus on increasing the local capacity to access and implement such projects.

### *Characteristics of local budgets in the communes with the highest revenues*

For the budget analysis of the *wealthiest rural localities* we selected the top 100 units produced by the hierarchy of the revenues collected to the local budgets in 2010. From this perspective, the approach we propose is a brief illustration of the category of communes having available the most substantial revenues, which may provide relevant information on those particular localities. This grouping gathers, with some exceptions, the most developed rural localities in Romania with a very high standard of life provided by public utilities and services available through the local authorities. Thus most of the communes included in this category are significantly different from the average profile of the rural localities in Romania, both in terms of the budget coordinates and in terms of the conditions of life provided to the population. Thus many of the communes analyzed can be included, in terms of the specificity of the local economic activities and of the occupational coordinates of the population, in the category of the communes displaying a strong process of development and that evolve towards an urban residential status.

The commune with the highest revenues in its budget in 2010 was Chiajna (Ilfov County – see Table 3 for the list of the top ten localities), whose administration managed 36.8 million RON, more than the funds available to many small towns from Romania and equal with the amount available to several important towns such as Dorohoi, Caransebes, Oltenita, Cernavodă or Târgul Secuiesc, and close to the revenues collected to the budget of the municipalities of Urziceni, Drăgășani and Fălticeni. Otherwise, over 90% of the revenue collected by the Chiajna commune is its own revenues because the locality capitalizes on its state of economic development provided by its vicinity with Bucharest (and important investments in new economic activities after 1990). By category of expenditures, the most important funds available in the budget of Chiajna commune were allocated for activities in the fields of *culture, leisure and religion* (20% of the budget); *education* (18%), *public development* (13%) and *public services* (10%).

Lumina commune from Constanta County has the second largest revenue collection of all the budgets of the rural localities; however, in 2010 it received 8.5 million ROM as subsidies from the public budget for investments in the development of the local infrastructure. Thus, the total revenue to the local budget reached 21.4 million RON. Dragomiresti commune from Ilfov County ranks third, with total revenue of 20.5 million RON. The communes from Ilfov County are the wealthiest. 20 of the 100 surveyed communes are located in this county. The distribution by county shows nine communes in Prahova, eight in Constanta, seven in Iasi, six in Suceava, four each in Bacău, Bihor, Brasov, Neamt

and Timis, three in Cluj, two each in Arges, Dolj, Gorj, Maramures, Olt, and Tulcea, and one commune each in the counties of Arad, Giurgiu, Hunedoara, Harghita, Mehedinti, Mures, Sibiu, Satu Mare, Vâlcea and Vaslui.

**Table 3.** The most substantial revenues to the local budgets in 2010  
(million RON)

Commune	County	Total revenue	Own revenue	Expenditure for public services	Expenditure for education	Expenditure for insurances and social assistance	Expenditure for public development	Observations
Chiajna	Ilfov	36.8	33.7	3.5	6.7	0.5	4.6	
Lumina	Constanta	21.4	10.2	1.9	2.3	0.5	11.7	Subsidies of: 8.5
Dragomirești	Ilfov	20.5	15.2	3.6	5	0.4	3.3	
Jilava	Ilfov	19.5	11.9	3.9	3.2	1.4	6.8	
Adu-nații Copăceni	Giurgiu	19.3	5.2	1.3	3.2	0.9	6.9	Subsidies of: 6.2
Brazi	Prahova	18.7	16.2	2.4	3.1	0.8	3.1	
Prejmer	Brasov	18.1	11.6	1.7	4.2	0.9	10.8	
Vidra	Ilfov	17.2	6.1	3.6	3.9	1.2	7.5	
Florești	Cluj	17.1	13.6	2.8	2.6	1.1	3	

Source: Ministry of Administration and Interior, Directorate for Local Fiscal and Budgetary Policies, 2012, [http://www.dpfbf.mai.gov.ro/sit\\_ven\\_si\\_chelt\\_uat.html](http://www.dpfbf.mai.gov.ro/sit_ven_si_chelt_uat.html)

22 of the surveyed localities entered this revenues list due to the substantial subsidies which they received from the state budget, as subsidies directed towards specific targets. Thus, among the 100 communes, are localities whose own incomes represent a tiny proportion of the total revenue to the local budget, such as Botești (Neamt County, own revenues – 5%), Deleni (Vaslui County, own revenues 5%) or Botești (Neamt County, own revenues – 6%). Another category of communes with important revenues are those which managed to draw funds from other sources, particularly non-reimbursable European funds. Included in this category are the communes of Drăgușeni – Botoșani (with drawn funds of 10.2 million RON), Osica de Sus – Olt (8.6 million), Hălăucești – Iasi (83 million), Vama – Suceava (7.9 million) and Baia – Tulcea (7.9 million). Thus, of the surveyed 100 communes, 33 had investments from European funds exceeding 1 million RON, while 58 localities didn't spend any money, or they spent less than 100 thousands RON.

In 32 of the surveyed localities although the proportion of own revenues from local taxes and dues doesn't exceed 25% of the total revenues, these localities

managed to run significant investments of infrastructure using subsidies received from the central budget. For these localities, which are actually poorly developed communes, their inclusion in the category of the communes with substantial budgets is temporary, being conditioned by the public funds for infrastructure. As the investment programs end in these areas, the local budgets will decrease considerably.

Generally, however, we may identify several socio-economic characteristics which are common to most rural localities included in this category. In terms of demography, most localities are communes with large population, which had drawn important flows of internal urban-rural migration. Most of them developed recently as residential areas, due to their location next to large towns and to the developed public infrastructure. The economic life of most localities included in this category grants then a non-agricultural status, both in terms of economic activities, and in terms of the occupational structure of the population. At the same time, their budget has a high proportion of own revenues (47% as average own incomes of the 100 rural localities), and half of them allocated in 2010 more than 20% from their budget to *expenditures for public development*.

#### IV. Access of the local authorities to the funds for the development of rural areas

Most communes from Romania submitted projects to get funds for local infrastructure investments from *measure 322* ("Renovation of the villages") of NPRD ("National Program *Rural Development*"). The criteria used for project selection favored the applications run by localities with a medium of high level of poverty, with deficit of rural infrastructure and which didn't use previous European funds for similar investments. The integrated projects aligned to the objectives assumed by the strategies for local of county development or to Regional Master Plans were also favored. The winning applications were determined by classification according to a scoring grid with a maximum of 100 points (Table 4).

Table 4. Scoring grid for *measure 322*

No.	Selection criteria	Score
1.	Rural localities which didn't receive previously community support for similar investments.	10
2.	Rural localities with a high level of poverty:	Maximum 15
	- Localities with a high level of poverty (poverty rate 60%-89.6%)	15
	- Localities with a medium level of poverty (poverty rate 40%-59,9%)	10
	- Localities with a low level of poverty (poverty rate < 40%)	5

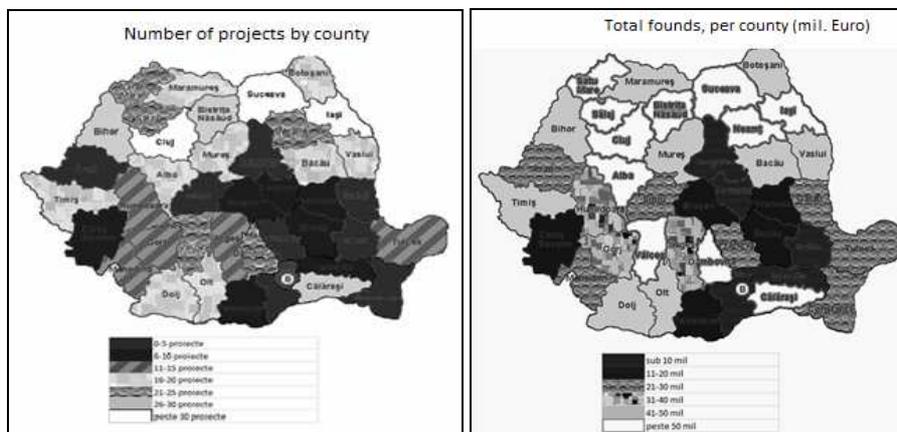
No.	Selection criteria	Score
3.	Projects in line with a strategy for local or county development.	5
4.	Integrated projects of investment	5
5.	Projects for investment in infrastructure of water/waste water in the rural localities with 2,000-10,000 p.e. identified in the Regional Master Plans, but which are not financed through SOP Environment	10
6.	Projects for investment in roads infrastructure which connect the villages with the main roads (county, national roads) or in other main ways of transportation (railways, river)	10
7.	Projects for investment in water supply infrastructure in the areas with insufficient water or with high incidence of drought periods	10
8.	Projects for investment in infrastructure of water/waste water in the areas with heavily polluted water or in the areas where the groundwater has high levels of nitrates which affect people's health.	5
9.	Projects for investment in social infrastructure - accomplished by NGOs and units of cult - accomplished by other beneficiaries	Maximum 15
		15 10
10.	Projects promoting the investments with the purpose to preserve the local specificity and the cultural legacy (traditional architecture, preservation of the material and immaterial legacy, promotion and organisation of festivals with local specificity. - accomplished by NGOs and units of cult, natural or legal persons - accomplished by other beneficiaries	Maximum 15
		15 10
TOTAL		100

Source: Ministry of Agriculture and Rural Development (2012), [http://www.mapam.ro/pages/dezvoltare\\_rurala/punctaje\\_de\\_selectie\\_masura\\_322.html](http://www.mapam.ro/pages/dezvoltare_rurala/punctaje_de_selectie_masura_322.html)

Most of the 617 project applications selected for financing have the authorities as applicant, while just 26 winning projects are run by *associations of intercommunity development*. Most winning applications came from Transylvania and from northern Moldova, while South-Eastern Romania has the lowest number of such applications. The distribution by county (Figure 3) shows that Iasi, Cluj and Suceava counties have more than 30 winning applications each (38, 34 and 33, respectively), while , Buzău, Covasna, Caras-Severin, Ialomita, Teleorman and Vrancea counties had less than five signed contracts each. An atypical situation is noticed in southern Romania concerning the neighboring counties Călărași and Ialomita. Thus, projects financed through measure 322 are implemented in 29 of the 50 communes from Călărași County, while in Ialomita, a county very similar

in terms of socio-economic structure, just 3 rural localities of the total 59 run such projects. The strongly imbalanced territorial distribution of the financed projects may be explained mainly by the lack of expertise of the local authorities to access these funds.

**Figure 3.** Distribution by county of the projects financed through measure 322 "Renovation of villages", data for the end of 2011



Source: Processing using the data with the beneficiaries of projects funded through measure 322 of NPRD, APDPR, 2012, available at <http://www.apdrp.ro/content.aspx?item=2100&lang=RO> [Accessed: May 2012]

In terms of financial coordinates, the data show that the average budget of the funded projects was almost 2.5 million Euros, which is roughly the budget of most winning projects. Only 29 projects had a larger budget (with a peak of 6 million Euros), while 16 funded projects required funds below 2 million Euros. Due to the relative symmetry of the allocated funds, the total amounts per county depended closely on the number of winning projects in each county (Figure 3). The most substantial funds earned through project contracts went to the counties of Cluj (107 million euro), Iasi (90 million Euros), Suceava (85 million Euros), Bistrița-Năsăud (73 million Euros), Bihor (70 million Euros), Călărași (69 de million de Euros), Satu Mare (67 million de Euros) and Sălaj (62 de million Euros). Thus, the local authorities from these eight counties collected more than 43% of the available funds, while the projects directed to the localities from the counties with the lowest number of winning projects (Brasov, Buzău, Covasna, Caras-Severin, Ialomita, Teleorman and Vrancea) summed less than 4% of the 1.5 billion Euros allocated for this line of financing.

Most winning projects concern large objectives of local infrastructure that combine the investments of establishment, modernization and expansion of water and sewage networks, including covering communal roads in asphalt and constructing or modernizing houses of culture. These kinds of projects aim to enhance the standard of living of the population by the integrated development of several types of investments. There are few projects with single objectives, and most of them focus on investments to modernize the road network. Practically, 40% of the funded projects include investments in the establishment, modernization and expansion of the tap water networks. At the same time, less than 50% of the 617 selected projects aim to establish or expand sewage networks, and 60% of the funded projects improve road and transportation networks. 335 projects (54%) aim to construct or renovate houses of culture and 63 intend to make investments for the construction of modernized kindergartens. In terms of investments in public utilities, connecting localities to the cooking gas network was the least targeted dimension: just 4 selected applications stipulated such works. Thus, the impact of these funds on the improvement of infrastructure is significant, even if we consider the fact that over 20% of the rural localities have been selected for investments with European funding. Even though it is still too early to evaluate the effect of these funds on the development of the infrastructure, we may notice the basic role of these funds for the development of the Romanian rural areas. The role of this source of financing the development of village infrastructure is important as the gap between the localities that can fund their development using their own funds and those unable to do so is increasing.

## V. Conclusions

Their own revenues are not enough for most communes to start large projects of infrastructure in the networks of public utilities or infrastructure. The development of living conditions at this level of the community depends in this case on allocations from the state budget or on accessing European funds. There is a small proportion of communes that can support their own development using their own funds, and this proportion consists of developed localities, most of which are located near large towns. In these localities the economic activities from the secondary and tertiary sector developed exponentially during the recent years and provided a substantial source of revenues for the local budget. Therefore we may notice the difference between communes with large own funds that can support from these funds development projects as opposed to the communes with precarious revenues that depend on external sources of financing. The data show that the developed counties (Ilfov, Constanta, Prahova, Brasov, Sibiu, Cluj, Timis), have most of the wealthy rural localities, while the counties from

southern Muntenia and Oltenia and from north-eastern Romania, where the rural environment depends on the agricultural activities, have mostly poor communes, with low revenues contributing to the local budgets, and where the collected funds are used mainly to pay the budgetary staff and the different forms of financial support for people included in the vulnerable categories.

The funds allocated for the development of the rural infrastructure through measure 322 of NPRD aim to balance the existing gaps in development; they are the only viable way to improve the living conditions of the population from the disfavored localities. As 20% of the rural localities in Romania run such type of projects (with an average budget of 2.5 million Euros), the next years are expected to bring important progresses at least in the access of the population to the basic infrastructure and utilities (running water, sewage, network of communal roads).

### Lyst of Acronymes

- ARC = Association of Romanian Cummunes (Asociația Comunelor)
- APDPR = Payment Agency for Rural Development and Fishery (Agenția de Plăți pentru Dezvoltare Rurală și Pescuit)
- EAFRD = European Agricultural Fund for Rural Development (Fondul European Agricol pentru Dezvoltare Rurală)
- IPP = Institute for Public Policy (Institutul de Politici Publice)
- MARD = Ministry of Agriculture and Rural Development
- MAI = Ministry of Administration and Interior
- NPRD = National Program for Rural Development (Programul Național de Dezvoltare Rurală)

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