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Analysis of the Degree of Decentralization of Vicovu de jos

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Abstract: The local authorities in a certain community have revenues from the local budget that are often much lower than what is needed. If in the first article of this magazine we analyzed the degree of financial decentralization of the Municipality of Suceava, the seat of the county, we want to study the situation at the level of a medium-level commune in Suceava County. Although the authorities know the situation in the respective locality, they know what public services its residents still need, the lack of money in the budget makes it impossible to provide certain services, the spending of money from the budget being restricted by the existence of other administrative requirements that must be met.
Due to lack of funds, local authorities will not be able to demonstrate that they can provide quality public services to citizens. The lack of administrative decentralization that is not duplicated by financial decentralization will be doomed from the start.
Thus, the main reason for choosing the topic of this article resides in the need to know the degree of financial decentralization, the financial position and the share of own revenues in the total revenues of a certain locality, to see to what extent the local authority in a commune of average level can satisfy the needs of the population.

Keywords: *Financial decentralization; local authorities; quality indicators; decentralization; self-financing capacity.*

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1. Introduction

Financial decentralization is perhaps the most important component of the decentralization process, given the fact that local authorities, who know the needs of the community best, must have the financial resources to satisfy those needs, by providing public services. However, local decentralization without the financial component is difficult or even impossible to achieve (Drăcea, 2007, p.92).

Local authorities, regardless of their size, must be able to fulfill their obligations in relation to the provision of public services, without being hindered by financial constraints.

In order to study the degree of financial decentralization, I have chosen, as a study, the case of the commune of Vicovu de Jos, a medium-level commune within Suceava County. We want to see to what extent the local budget of the commune allows the local authorities to provide the necessary public services to the residents.

Vicovu de Jos commune is a territorial administrative unit where a rural population lives, located in the triangle formed by the localities of Sucevița, Putna and Rădăuți, being bordered to the north and north-west by Vicovu de Sus, Bilca, to the west by Obcina Mare, with Putna, and in the southern part with Voitinel. To the east it borders Voitinel commune and Gălănești commune (Local Council Vicovu de Jos, 2022).

The town hall of Vicovu de Jos commune provides public services for a local community of about 6,235 inhabitants, with fluctuations from one year to the next, of which 185 are of Roma ethnicity (National Institute of Statistics, 2011). The active population is represented by 3200 people, most of them working in agriculture and forestry. The total number of homes is 1,810 and the living area is about 56,200 square metres (Vicovu de Jos town hall, 2022).

The objective of this article is to study some indicators, such as: the self-financing capacity of local authorities, the degree of financial dependence of local authorities and the general degree of coverage of expenses according to their own incomes, in order to be able to see the degree of financial decentralization of the Vicovu de Jos commune.

2. Self-financing capacity of local authorities

The self-financing capacity of local authorities or the degree of financial decentralization shows the weight that the municipality's own revenues have in the total local budget (Dogariu, 2010, p.68).

The self-financing capacity is perhaps the most important indicator with the help of which we can measure the degree of financial decentralization of a locality, and it requires the provision of public services to be done by one's own forces, with resources from the local budget.

The higher the level of own income relative to total income, the more freedom has the locality to spend the income to satisfy the needs that arise in the respective community. Thus, the higher the own incomes, the higher the degree of autonomy of the Vicovu de Jos commune in providing public services.

We will use the following calculation formula:

$G_{df} = \frac{Vp}{Vt}$ x100, wherein

G_{df} – self-financing capacity of local authorities or the degree of financial decentralization

Vp – own revenues

Vt – total revenues

According to the data obtained from the Vicovu de Jos town hall regarding local budgets, applying the formula above, we find the following:

Table no. 1 Financial data regarding the own revenues and total revenues within local budget of Vicovu de Jos, in 2019

NO.	INDICATORS	VALUE
1.	Total revenues	15.451.273.00
2.	Own revenues	3.134.269.00

Source: Local budget of Vicovu de Jos town hall in 2019

$$G_{df\ 2019} = \frac{Vp}{Vt} \text{ x100} = \frac{313426900}{1545127300} \times 100 = 20\%$$

Table no.2 Financial data regarding the own revenues and total revenues within local budget of Vicovu de Jos, in 2020

NO.	INDICATORS	VALUE
1.	Total revenues	10.969.916.00
2.	Own revenues	2.906.123.00

Source: Local budget of Vicovu de Jos town hall in 2020

$$G_{df\ 2020} = \frac{Vp}{Vt} \text{ x100} = \frac{290612300}{1096991600} \times 100 = 26,49\%$$

Table no. 3 Financial data regarding the own revenues and total revenues within local budget of Vicovu de Jos, in 2021

NO.	INDICATORS	VALUE
1.	Total revenues	11.107.724.00
2.	Own revenues	2.910.467.00

Source: Local budget of Vicovu de Jos town hall in 2021

$$G_{df\ 2021} = \frac{Vp}{Vt} \text{ x100} = \frac{291046700}{1110772400} \times 100 = 26,20\%$$

The higher this ratio between own revenues and total revenues, the greater the degree of financial decentralization, reflecting the state of local autonomy in the respective community. The increase in the amount of own revenues at the local level leads to a strengthening of local autonomy and management capacity (Bilouseac, 2013, p.94).

We note that the own revenues constitute only 20% of the entire local budget of the Vicovu de Jos town hall in 2019. In 2020 the own revenues of the Vicovu de Jos town hall represent 26.45% of the institution's total revenues, and in 2021 the own revenues contribute with 26.2% to the local budget.

We can say that in 2019 own revenues have a fairly small share of own revenues in consolidating the local budget, the percentage being 20%. Although in the next two years the share increased to a percentage of 26.49% in 2020, and respectively 26.2% in 2021, the own revenues of the Vicovu de Jos commune are still reduced.

The small share of the county's own revenues is the first indication of the lack of self-financing capacity, and as a consequence of the low degree of financial autonomy.

3. The degree of financial dependence of local authorities

This degree of dependence is given by the weight of the quotas and amounts broken down from the income tax, the amounts broken down from the value added tax, as well as the budget transfers received by the local authorities from the state budget in the total income from the institution. (Dogariu, 2010, p.68)

We can say that this indicator is given by the involvement of the central public administration in supporting the public administration at the local level. This shows that the degree of financial dependence of local authorities is inversely proportional to the local autonomy of the respective unit, that is, the higher the degree of financial dependence, the lower the local autonomy will be.

We will use the following formula to calculate the degree of dependence of local authorities:

$G_{D_{loc}} = \frac{CS_d}{Tv_{loc}}$ x100, wherein

$G_{D_{loc}}$- represents the degree of financial dependence of the local authorities

CS_d – represents the quotas and amounts broken down from the income tax

Tv_{loc}- represents total income from the institution

We will calculate the degree of financial dependence during three consecutive years, 2019, 2020 and 2021.

Table no. 4 Financial data regarding the quotas and amounts broken down from the income tax and the total incomes of the local budget of Vicovu de Jos, in 2019

NO.	INDICATORS	VALUE
1.	Total incomes	15.451.273.00
2.	Quotas and amounts broken down from the tax income	12.603.616.00

Source: Local budget of Vicovu de Jos in 2019

$$G_{D_{loc}} = \frac{CS_d}{Tv_{loc}} \times 100 = \frac{1260361600}{1545127300} \times 100 = 80{,}57\%$$

Table no.5 Financial data regarding the quotas and amounts broken down from the tax income and total income from the local budget of Vicovu de Jos, in 2020

NO.	INDICATORS	VALUE
1.	Total incomes	10.969.916.00
2.	Quotas and amounts broken down from the tax income	8.073.602.00

Source: Local budget of Vicovu de Jos town hall in 2020

$$G_{D_{loc}} = \frac{CS_d}{Tv_{loc}} \times 100 = \frac{807360200}{1096991600} \times 100 = 73.59\%\%$$

Tabel no.6 Financial data regarding the quotas and amounts broken down from the tax income and total income of the local budget of Vicovu de Jos, in 2021

NO.	INDICATORS	VALUE
1.	Total incomes	11.107.724.00
2.	Quotas and amounts broken down from the tax income	8.822.795.00

Source: Local budget of Vicovu de Jos town hall in 2021

$$G_{D_{loc}} = \frac{CS_d}{Tv_{loc}} \times 100 = \frac{882279500}{1110772400} \times 100 = 79.42\%$$

In order to have a wide local autonomy, it is effective that the degree of dependence of local authorities on the central administration is as low as possible. The degree of financial dependence of local authorities is inversely proportional to the self-financing capacity, i.e. the greater the degree of financial dependence the higher the self-financing capacity is, and vice versa.

In 2019, we have a very high degree of financial dependence on local authorities, even the highest of the three years analyzed, this denoting a huge weight of the quotas and amounts broken down from the income or value added tax in total revenues.

In 2020, the lowest degree of financial dependence is recorded in the three years, that is, it is the lowest weight that the quotas and amounts have broken down by income tax and value added.

Thus we observe that in the first year, 2019, we have the highest degree of dependence, following that in the following year we have a sudden decrease, of approximately 7 percent, which later in the following year will be covered reaching a percentage almost similar to the from the year 2019.

The analysis clearly shows that the financial dependence of the Vicovu de Jos commune is high, not undergoing significant changes in the last three completed budget years.

IV. The degree of coverage of local expenses attributed to own revenues brought to the local budget

The proportionality with which the total expenses of the local budgets are borne based on the own revenues is another very important indicator, through which the financial autonomy of the respective administrative-territorial unit is shown.

The degree of coverage of local expenses attributed to own revenues brought to the local budget is directly proportional to financial autonomy, i.e. the highest degree of coverage of local expenses covered by own revenues reflects the greatest financial autonomy of the local public administration (Dogariu, 2010, p.69).

To calculate the degree of coverage of local expenses on account of own revenues, we will use the following formula:

$GA_{VP}= \frac{VP_{loc}}{Cht_{loc}}$ x100, wherein

GA_{VP}-represents the degree of coverage of local expenses on account of own revenues

VP_{loc}- represents own revenues of local authorities

Cht_{loc}- represents total expenses of local jurisdiction

Table no.7 Financial data regarding own revenues and total expenses from the local budget of Vicovu de Jos, in 2019

NO.	INDICATORS	VALUE
1.	Own revenues	3.134.269.00
2.	Total expenses	15.491.707.00

Source: Local budget of Vicovu de Jos town hall in 2019

$$GA_{VP}=\frac{VP_{loc}}{Cht_{loc}}\times 100= \frac{313426900}{1549170700}\times 100=20,23\%$$

Table no.8 Financial data regarding own revenues and total expenses from the local budget of ei Vicovu de Jos,in 2020

NO.	INDICATORS	VALUE
1.	*Own revenues*	2.906.123.00
2.	Total expenses	11.045.855.00

Source: Local budget of Vicovu de Jos town hall in 2020

$$GA_{VP}=\frac{VP_{loc}}{Cht_{loc}}\times 100=\frac{290612300}{1104585500}\times 100=26{,}3\%$$

Tabel nr.9 Financial date regarding own revenues and total expenses from the local budget of Vicovu de Jos, in 2021

NO.	INDICATORS	VALUE
1.	Own revenues	2.910.467.00
2.	Total expenses	11.790.859.00

Source: Local budget of Vicovu de Jos town hall in 2021

$$GA_{VP}=\frac{VP_{loc}}{Cht_{loc}}\times 100=\frac{291046700}{11790085900}\times 100=24{,}68\%$$

The degree of coverage of local expenses attributed to own revenues has the same oscillation as the self-financing capacity.

The lowest value of the degree of coverage of local expenses attributed to own revenues is in 2019, this fact denotes that the provision of financial resources to public authorities was made through the granting of subsidies and amounts by the central authority, but also through the dominance of broken down quotas from the payroll tax.

The highest value of the degree of coverage of expenses attributed to own revenues is in 2020, that is, in this year own revenues had an important weight to cover local expenses. The degree of coverage of the expenses of Suceava county from its own revenues is between 20-26%, so it can be firmly stated that the survival of the administrative-territorial unit is the prerogative of the government system, considering however the fact that subsidizing the operating expenses of some services local is ensured by legal regulations from the central level.

4. Conclusions

Through decentralization, a number of public services have been transferred to the local level, but this approach must also be accompanied by the allocation of the necessary local financial resources.

The analysis of the Vicovu de Jos commune budget also expresses a characteristic reality of the majority of local revenue and expenditure budgets. Thus, the situation resulting from the analysis of the degree of financial decentralization at the commune level can be seen as an indicative result for the entire local administration at the local level.

Following the analysis of the local budget of the commune of Vicovu de Jos for the last three years, we can realize the own powers on which the institution relies in providing public services to the population.

In accordance with the transfer to the local level of a series of public services, without ensuring the necessary resources on account of own revenues, the degree of financing expenses through own revenues reaches 20-26% in the years 2019-2021.

As can be seen, the own incomes are not very high, which shows us that the degree of independence is low, the local community not having a wide availability of investment for the needs of the citizens.

We can see that in the pandemic years 2020-2021 the degree of coverage of expenses increased a little, a few percent, which means a greater involvement on the part of local authorities.

But financial dependence remains quite high; the presented analysis shows exactly what is missing from an effective local public administration. Real local autonomy cannot function with good results without ensuring the financial resources necessary for administrative authorities, institutions and services of local interest.

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