

LOCAL PUBLIC INVESTMENTS - PRESENT ISSUE

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Abstract: Investing resources in local public interest objectives locally involves taking risks caused by the operation and efficiency level established. Uncertainty and risk are found everywhere (even local), combined in different proportions, so that for any conscious process that took place in every industry, uncertainty can be eliminated.

Key-words: local public investment, public investment decision, timeliness, efficiency,

1. THE ROLE OF LOCAL PUBLIC INVESTMENTS

The paper analyzes the characteristics of investment process in the public sector under the current drastic budgetary constraints. Implementation of local public investment is required to achieve sustainable development at the local level. Analysis process regarding the opportunity involve assessment and determine the degree to which each theme is transformed into a project, can solve a problem of local importance putted on discussion, is synchronized with the needs identified above and is achievable through various training resources. What we must not forget is that public investments are considered effective when expectations of community are fully satisfy and the spending of public money is made on the principles of rationality.

Human communities have realized that investment action core is the motive power of development, being an aggregate of actions whose goal generates a multiplier effect in society, based on a correlation with present or future needs at the local level, but also opportunities technical performance and demonstrated economic and financial analyzes of the advantages of this process running.

Investment can be seen as a bridge between generations, as proposed by implementing lead to the creation of new jobs for the younger generation, but the legacy of fixed capital, which it receives, from the previous generations. Investment projects implemented are the primary means to exploit new technological solutions offered technical and scientific research. Putting local government strategy, public authorities, public projects is achieved by using investment resources over a well defined in time and space, national or local.

Literature reveals that the concept about the state underwent significant changes depending on the historical stage of economic development. Thousands of years the classical doctrine it targeted limiting the powers of the State (which the contemporary literature it called pure public goods, namely national defense, foreign affairs and justice). The role of the modern state has enabled the expansion of its responsibilities to provide a wide range of goods and services that could be offered to the public more effectively by producing them in the public system, compared to the private sector. The goods about we speaking can be sustainable or not, and so we come to the concept of public investment.

As we know, the investments involves the use of financial funds to achieve a good or service that allows exploitation over a long period, in a production process, generating profit. Thus, the notion of investment is inextricably linked with the need for productive capital accumulation. On the other hand, the state target is not the profit but to satisfy social needs of members of his society. The state participation in the achievement of these objectives is because that the private company is only interested in financial gain, if possible in a timely fashion, in order to recoup the investment. Investment objectives do not always produce the expected yield of a private or can be in a situation in which the private does not recover the capital invested. Another reason for the state or local government made these investments is the fact that the state pursued profitability is not only economically viable, but also social. The gain realized from public investment should not be sought only in the form of financial flows

generated, but also as social advantages enjoyed by other taxpayers.

Public investment is an area of broad interest to the science and practice of public finance for several reasons. Firstly, they are linked to the achievement of one of the basic functions of the state, namely the provision of public goods to meet the collective needs of society, increasing welfare. Second, public investment involves significant public funds, shall hold office for medium or long-term effects on the development of the nation. The implementation will provide a high level of economic development embodied in sustainable economic growth.

It is known that at a regional level, the essential task parties elected mayor in addition to the embodiment of the character of the village, is to support the harmonious living in the contemporary standards of civilized countries, to community members. In this regard, local authorities must correctly identify the needs of the village, to translate the idea into a project and seek funds that could finance the investment. To meet this commitment to the citizens who elected him, there must be a coherent and realistic strategic vision as much as possible close to their expectations, but also the resources necessary to implementing the projects [Stoian, 2002]. The authorities should effectively exploit existing opportunities in the area. Therefore, it should be the starting point of investment initiated by local authorities, "project idea" appear after thorough studies on the need / usefulness in the community. Meanwhile, local authorities have the visible result Priority projects to bring the votes as many countries mandate future.

To initiate a project of public investment is needed before any initiative that can come from a local authority structure from some non-governmental organizations, public or private companies (who have identified a problem partnership relationship with the state seeking to resolve them) [Bebeșelea, 2008].

Current economic and social situation is very difficult for both individuals and legal entities, which makes the role of promoting investment needed in the local community to fall to the State (or the local government). Everyone knows that at the forefront of public debate in recent years has floated the concept of achieving "public investment", just because the reach of any private entities but also for the need to comfort residents. If we talk about subjects' social and food safety "(a subject on) but also" economic and social stability "get all the major role of public investment by the state, without which it cannot reach these goals. It is known to all slogan this difficult period, showing that the crisis is only possible through investments, which I think it is fair, given that any project begun now will create demand for material resources, technical and human resources, thus enhancing the production of Profile sectors. Implementation of investment projects involve changes in employment within a region by generating jobs in sectors that prepare and implement investment actions, this has the effect of immediately relieving pressure factors generating unemployment. About the investments they can make a local authority in meeting the collective needs of society, so we can talk about investments to meet public interest objectives at the county or local level (a road, a bridge, sewer system realization the village, connection to electricity) and the investments made for the purposes of the current activities of local government (building a new facility, purchase of

fixed assets for current activities). Sometimes the state should intervene in the implementation of investment projects in the private sector because the amount of investment is high and investors do not have the funds. The investment cost is high and the deadline for entry tax shows that it is not cost effective or cost-effectiveness is low compared to other investment opportunities. There is also the possibility of funding from the state or local investment that will enter the public property of the state or municipalities and will be managed by state-owned businesses.

For a local public school to make an investment, it must first be characterized by reasonableness [Gyorgy, Tatu & Stoian, 2009], local need and opportunity. These judgments must be made with reference to the political, legal, economic, financial, social, commercial, technical, environmental and institutional.

The complexity of the issues facing local communities, especially economic issues, requires a meaningful analysis to answer topical questions that concern modern society, especially local authorities. Adopting an investment project involving local step consistent situational analysis, which will assess the strengths and weaknesses, risks and opportunities timing of the investment proposal, and the ability to improve or upgrade the existing situation due to the adoption of the project in the community.

All projects proposed to be funded must meet a responsible approach to environmental issues, thanks to a new philosophy of economic development in the context of globalization, i.e. this needs to be done without compromising the ability of future generations to meet their needs. The actuality is and the role it should play in solving large investment activities of the contemporary world problems namely environmental protection or restoration of ecological balance where it was broken. I will discuss these items in more detail in next subsections. Operation and sustainable development of government is determined by optimal combination of elements in the presence of a structure of adequate resources and research investments as recovery factors of ecological balance without degrading the standards of modern life, civilized. Key strategic objectives sustainable development is the investment from the perspective of resource consumption employing the future.

2. LOCAL PUBLIC INVESTMENTS BETWEEN THE NECESSITY OF IMPLEMENTATION AND TECHNICAL ECONOMIC DOCUMENTATION

2.1 The necessity of implementation of local public investments

The current context of economic development showed a significant emphasis placed on the social side of the investment processes [Stoian, 2008]. Accordingly, to solve problems of general utility for local territorial community members, local government seeks investment projects in the service sector public, which affects different decision making throughout the project life cycle. The project's success depends on management started to meet the social needs, but also projects have a long life cycle, creating difficulty in identifying economic effects. Determination and public projects in investment management is a major coordinated investment management, precisely because it is public money allocated investment.

It is too difficult to give a definition that reflects the complexities posed by public investment at the level of municipalities. **Local public investments** represent amounts that are distributed through local budgets and other local public funds that are included in the draft budget based on the public investment program [Voinea & Rusu, 2008].

The strategic priorities of commune are translated into practice through public investment projects, which is also known as 'public works'. The financial support of public works is called generic public investment that we can define "use of investment resources aimed at

creating the normal course of specific services to members of a local authority" [Stoian, 2010].

Any investment decision is based on an act, based the complex information and accurate data on the necessity, appropriateness, and operation scheduling of investment, the amount of expenditures and financial resources, input and output flows of funds throughout the investment operations, ensuring profitability and liquidity, while recovering their capital invested. In making investment decisions, a special significance for the study of opportunity and efficiency, based on multiple versions of the project, which is to choose the one that provides maximum results with minimum effort.

Timeliness is assessed in close correlation with the need to achieve efficiency and optimal time and the commissioning of the project implemented and raising funds. Need project started by the local authority is found in community priorities in regional development. The analysis takes into account the assessment of the suitability and determine the degree to which each theme is transformed into a project, solve a problem of local importance questioned, it is synchronized with the needs identified above and is achievable by involving various resources [Grigorescu, 2008].

Efficiency is reflected in the ratio of operating results or outcome of the investment and efforts or expenditures on investment. Indicators for assessing the efficiency of investment should allow both comparison with other projects in that branch and comparison with several projects for the same investment to enable an optimal solution. This will be studied in more detail in another chapter of this work.

In order to ensure the success of local electoral competitions, local governments turn to **public investment projects (PIP)** with order to meet the social needs of equipment and / or land use or municipal facilities localities. **Investment spending** counties, cities, towns and villages, county or local public institutions are financed from local budgets if included in investment programs of local authorities as an annex to the local budget approved by local councils, county or General Council of Bucharest.

2.2 Economic and technical documentation related to public investment

Currently there is a law of public investment, coexisting several legislative provisions that outline the legal framework for the investments financed by public funds. Regulating the duties and powers of decision-makers, but also coordinates ongoing mandatory investment processes have specific rules drawn. The rules governing the investment process continuously adapts to the evolution of society, being in constant transformation and harmonization with EU legislation which guarantees success in developed urban competition on two strategic axes: Image capital (internal identity and attractiveness plan external) and economic development. regulatory framework regarding the local public sector investment activity defines itself routed through a multitude of constraints, sometimes without continuity and well-defined goals.

Locally, central piece is the officer of credit, "legal person who has the duty to development and follow the expenditure of public funds by the principle of the destination" and its main task is execution budgetary expenditures. Depending on the jurisdiction, distinguish the following categories:

- Main officer of credit - embodied by the ministers, other central government leaders, or the local government mayor of county councils or mayors;
- Secondary officer of credit - subordinate leaders or other central institutions, which coordinate budgetary institutions;
- Tertiary officer of credit, leaders of public institution which use the funds properly.

Investment activities by local authorities (purchase of durables or purchase property within a

building) are controlled by distinct regulatory rules on public procurement.

A public investment is feasible if it satisfies all the following requirements: it is considered an emerging emergency for the local community there is a background note, can endure about long implementation period (minimum 2 years), there is sufficient interest for funding throughout the implementation, can be easily traced during execution, then have enough impact locally.

Knowing the rule that every public project must enroll in a program or strategy, the starting point is the theme - the idea that arises in the operational area, the departments or specialist services. For an investment project to local funding is required to be incorporated in the list of investment objects Annex to the budget and approved by the principal loan. Investments are made by category of expenditure *further investment, new investment and other investment expenses*. These expenses mentioned are treated separately by the main credit based on the substantiation (they will consider restrictions concerning the necessity, appropriateness and other specific indicators of investment and budget will be approved with local authorities to deliberative).

For funding from extra-budgetary funds, sponsorships or donations should be made separate lists, which must include the nature and intended amounts. Under the law, the principal loan bound to draw investment programs broken down by functional classification to be attached to its budget next year, and the forecast for the next three years. **Investment proposals** are reflected in **the investment** annually, attached to draft local budget. Improving the investment should consider the strategic aspects of local and regional community interest served concurrently with increased quality of life and delivery of local traditions.

According duties, *Ministry of Finance* prepares public investment strategy, studying the proposals of the principal ie the content and form of information in investment programs required budgeting, establishing methodological standards and criteria for evaluation of investment projects in the programs; investment curricula (classification and prioritization of spending within the rescheduling loans) coordinate the monitoring of investment programs.

In the public entity for drafting investment and financing plan are cross following phases: review and study of the financial structure of the organization initiating the project, recognizing the needs of their project and means of finance forecast internal and external sources selection. The investment plan will result in public interest objectives met, only if they use prudent budgetary funds allocated and other resources available. When accepting project funding, under the background documentation prepared in advance, you get to plan implementation.

Main credit manages the funds according to community needs and allocates each component needed investment in the previously approved budget beach obtain financing. All they will have to make sure the investment objectives approved in run time. Through decentralization, who will administer the actual realization of the work stipulated in the investment projects in accordance with it are authorizing local budgets. The objectives underlying

3. CONCLUSIONS

In the conditions of the fundamental coordinate of the law state, the separation of powers, organizational and functional structures of government are placed at central (central government and state territorial administration) and local level (local government). As such, it is important to involve local authorities in improving the quality of life of its citizens after making public investments in areas of general interest to the local community.

I believe that local governments are better able to discern and to interconnect a whole puzzle consists of private economic structures of the area. LPA is the body itself from the administrative point of view and one that manages the welfare of the community; he leads by actions leading to economic growth of the area. The concept of local autonomy attribute is the ability and duty of local political structures to manage the human, natural and financial resources of the area.

As a local business management to be effective, it must fit into the concepts of sustainable economic development. This is done only if the local government and community consensus given the existing resources and enter into a commitment to partnership with the private sector to create jobs and stimulate economic activity in an economic area defined.

the development of local development strategy is well, is the primordial consideration in the development of regional strategy and local community acceptance strategy, is actions taken to support its accomplishment.

Conducting investment process under the law, will be monitored closely by the main spending budget execution all the way, taking care to draft the quarterly monitoring reports that the Ministry of Finance will issue [Voinea, 2011]. In relation to the evolution of prices they can update your own risk value of each new object is also subject to financial control law.

If the principal loan notes on the route to implement a deployment target of the investment process problems, we need to mention why monitoring report and possible measures to be taken to remedy this. When the chief authorizing officer finds that a project cannot run after the budget projection of objective reasons, the Ministry of Finance may require a redistribution of funds among the projects included in the investment program. Also in the grant agreement will be set all the duties and obligations of the parties.

Financial information and non-financial information regarding each objective are included in the investment program, are assumed by local governments and are key to the future success of the investment. A further requirement is that public investment projects to have approved technical-economic documentation regarding the necessity and opportunity of projected objective. When the administration wants to make a new investment and is forced to use public resources or external borrowings will need to develop technical and economic documentation for new investments, knowing that they accept certain values and some value limitation namely. The government for more than 25 million, the main officer of credit (for values between 4 and 25 million), other officers of credit, for values up to 4 million, but with the opinion of the main officer of credit.

The government allows a certain public investment takes place after contracting foreign loans guaranteed by the state only after studying the technical and economic documentation for, whatever category you fall amount. Locally, those who give their verdict on the correctness and appropriateness of drawing up a draft based on the financial security of the local budget (total or portions) are councils. When making local investments should avoid or exclude the consequences of accidental activities / natural disasters, according to the law, the principal loan approved technical-economic documentation and substantiation notes, but should also inform the deliberative authorities as soon as possible.

Any public investment project after feasibility studies, technical and economic indicators are submitted to the approve, by superiors in the jurisdiction established by law. Approval of economical indicators will be made by the Government after consulting the Interministerial Council for Advisory of National Interest Public Works and Housing, so that the main credit officer to prepare the draft law, to be submitted to the Government. Only after publication in the Official Gazette of the enactment investment objective will be introduced in the public investment program.

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