The evolution of government debt internal and external to Romania in the current economic context generated by the economic crisis.

Author’s: 1) Mariana Man, 2) Maria Macris 3) Bogdan Ravas

Department of Economic Sciences, University of Petrosani, 20, Universitatii Street, postal code: 332006, Romania

ABSTRACT:
The objective of the hereby work is to identify, within public debt, the prevailing part played by the two components of governmental public debt, namely internal governmental public debt and external governmental public debt, while considering both components as extremely important for the economic administration of a country in the present day context of financial crisis. With a view to make clear the analyzed phenomenon, we have employed an important amount of statistic data in order to carry out the research dealing with the dynamics of Romania’s governmental public debt during the period 2001-2010 which emphasized the main tendencies displayed by its evolution and which influence the measures meant to improve the management of public debt.

Key words: governmental public debt internal, governmental public debt external, financial crisis, external loans, gross domestic product, budget deficit financing.

1. INTRODUCTION

Under the present circumstances, one may state that the issues determined by the administration of public debt have become an absolute priority both in case of the world’s developed countries and in case of those displaying an economy in development or in transition. Accordingly, the administration of external governmental public debt becomes a priority when compared with the administration of internal governmental public debt which detains a secondary part. Specialized Romanian and foreign works emphasize the issue of public debt not as a recent phenomenon, but as one exhibiting a history whose evolution is long lasting and is made particular according to stages which proved to be real shortcomings for debtor countries. (Man and Macris, 2012) These obstacles have been, on the one hand, determined by the poverty and the poor administration of the funds of debtor countries, and, on the other hand, by the loaners who also played a part in the occurrence of certain financial crises (Sturzenegger and Zettelmeyer, 2006). Under such circumstances, Romania too has witnessed a very difficult period which regards the administration of external public debt and which was especially serious at the beginning of the 1980s.

Our concern when undergoing a research relying upon an extremely important topic at the level of macro – systems, namely that of governmental public debt, implies a quite complex approach as it also deals with facing the multitude of economic issues of indebted countries. Consequently, we have attempted to carry out a research whose main coordinates are the two components of governmental public debt, namely internal governmental public debt and external governmental public debt as both of them are extremely important due to the fact that their administration may expose a country’s economy to major risks. It is quite obvious that both the technical issues and the institutional ones imply a series of pertinent questions. Among them the following ones may occur: defining the concept of public debt; the goal of contracting public debt; the debt margin of a country; creditors’ interests in directing funds towards the demanding countries; settling the optimum level of external and internal public debt; public authorities involvement in regulating the aspects regarding public debt; identifying the instruments of the public debt employed; identifying the optimum structure of internal and external public debt; opportunities of minimizing the costs associated with the public debt portfolio; identifying the training level of the specialists in the field as well as the level of absorption capacity on internal market.

The arguments that support our option for such a topic are mainly the following ones: national interest, the topic’s importance for the theoretical and methodological evaluation and hierarchy settling focusing upon governmental public debt and its turning to good account within a specific system; nevertheless, the prevailing argument of the proposed research evidently is financial crisis. The crisis has determined shocks upon the financial markets for all the types of assets including the
instruments of public debt. (Reinhart and Rogoff, 2010).

The researches made by the large number of specialists and professors in the field of public debt have had an extremely important contribution to its analysis over the years. In the case of Romania, one may emphasize the major contributions of certain well-known specialists and members of the teaching staff in the field, such as: Daianu and Vranceanu (2002), Calin (2006), Dascalu (2008), Dima (1999), Holt (2009), Zaman and Georgescu (2010), and Tanasie (2012); their works represent the foundation of the development and rigorous implementation of the concepts and working methods of the evaluation of the manner of evolution of internal and external governmental public debt under the present-day circumstances of an economy which is deeply affected by the economic crisis.

We have also noticed that the issue of public debt has been studied by world-wide specialists in the field too, who, owing to their contributions, have tried to improve it with a view of carrying out the demands of adaptability to the specific character of each international economy; accordingly, one should stress the scientific approaches of the following authors: Modigliani and Sutch (1994), Klein (1994), Baddel (1996), Cassard and Folkerts-Landau (1997), Piga (2001), Brix and Schick (2002), Dornbusch and Fischer (1997), Dornbusch and Draghi (2008), Gonzalez (2006), Reinhart and Rogoff (2009, 2010) as well as a series of institutions such as: the International Monetary Funs and the World Bank.

Aims
The goal of our research – which is part of our operational approach – that regards the dynamic analysis of the level of internal and external governmental public debt is to identify the tendencies displayed by its evolution that determine positive consequences upon the process of improving the management of governmental public debt. In order to reach such a goal, we set forth as main objectives of the carrying out of our research the following ones: the improvement of the manner of analyzing internal and external governmental public debt through implementing the method of case study and the analysis and evaluation of the results that come out of the case study which determine the decision of elaborating certain guide-lines targeting the improvement of the management of governmental public debt.

2. METHODOLOGY
In order to carry out this operational approach - as we have previously mentioned – we have identified as a research method the case study which belongs to the range of devices and methods employed by scientific research in general and by economic and social research, in particular. As a method of scientific research, the case study implemented in the field of economic sciences, exhibits a complex structure that includes the planning of the methodology of research, the manners of collecting data and information as well as the devices that are specific for their analysis. Under such circumstances, the case study targets the display of the manner according to which the theoretical and methodological aspects of the audit of governmental public debt interact with the concrete and pragmatic features of the process of improving the management of governmental public debt.

When comparing the hereby research with those undergone by public debt specialists, we should stress that our aim is to elaborate an analysis of public debt relying on the data provided by the statistic information given by the Ministry of Public Finances as a sole administrator of Romanian’s governmental public debt whose evolution has been dominated by the stand-by agreement with IMF and EU (Tanasie, 2012) as well as on our own calculations reached owing to the statistic data at our disposal. As a consequence, our research designing also relies on a fundamental empirical research.

3. ANALYSIS

3.1. FINDINGS REGARDING THE DYNAMICS AND STRUCTURE OF INTERNAL GOVERNMENTAL PUBLIC DEBT DURING THE PERIOD 2001 – 2010

The research shows an evolution of internal governmental public debt and a dynamics whose tendencies are displayed by Table 1. As the exhibited data indicate, during the period of the study, internal governmental public debt systematically increased; at the end 2010 it was more than 10.69 times higher than at the end of 2001.
Table 1: Structure of internal governmental public debt during the period 2001 – 2010

<table>
<thead>
<tr>
<th>No.</th>
<th>Indices</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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<tr>
<td>1.0</td>
<td>Total internal governmental public debt in million Euro</td>
<td>3 294.5</td>
<td>3 368.1</td>
<td>2 799.4</td>
<td>3 633.5</td>
<td>4 386.0</td>
<td>7 637.4</td>
<td>11 598.9</td>
<td>15 434.8</td>
<td>19 942.6</td>
<td>22 939.32</td>
</tr>
<tr>
<td>2.0</td>
<td>Total internal governmental public debt in million Lei, out of which:</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2.1</td>
<td>According to the type</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Direct</td>
<td>9 185.4</td>
<td>11 761.2</td>
<td>11 510.1</td>
<td>14 411.4</td>
<td>16 127.7</td>
<td>25 827.3</td>
<td>41 874.4</td>
<td>61 523.1</td>
<td>84 349.2</td>
<td>98 180.3</td>
</tr>
<tr>
<td></td>
<td>Guaranteed</td>
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<td>10 797.6</td>
<td>10 714.3</td>
<td>12 166.1</td>
<td>13 877.7</td>
<td>24 243.7</td>
<td>39 918.3</td>
<td>59 429.0</td>
<td>80 290.2</td>
<td>90 109.5</td>
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</tr>
<tr>
<td></td>
<td>Multilateral</td>
<td>9 122.8</td>
<td>11 761.2</td>
<td>11 510.1</td>
<td>14 411.4</td>
<td>16 127.9</td>
<td>25 827.3</td>
<td>41 874.4</td>
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<td>84 349.2</td>
<td>98 180.3</td>
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<td>25 827.3</td>
<td>41 874.4</td>
<td>61 523.1</td>
<td>84 349.2</td>
<td>69 905.00</td>
</tr>
<tr>
<td>2.3</td>
<td>Interbank treasuries certificates in Lei; and currency State obligations</td>
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<td>5996.2</td>
<td>4325.8</td>
<td>6027.6</td>
<td>1 330.0</td>
<td>1 086.0</td>
<td>2 514.8</td>
<td>8 106.9</td>
<td>23 432.2</td>
<td>32 659.2</td>
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<tr>
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<td>2 666.4</td>
<td>2 414.2</td>
<td>4 426.7</td>
<td>3 119.1</td>
<td>6 885.4</td>
<td>9 505.7</td>
<td>23 146.3</td>
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<tr>
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<td>Euro</td>
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<td>59.7</td>
<td>55.0</td>
<td>240.6</td>
<td>142.4</td>
<td>396.8</td>
<td>867.9</td>
<td>841.8</td>
<td>5 888.4</td>
<td>0.0</td>
</tr>
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<td></td>
<td>Cash management instruments Loans from treasury's general account in order to temporarily finance the deficit of State budget Loans approved according to special laws</td>
<td>1 641.7</td>
<td>2 171.4</td>
<td>3 613.8</td>
<td>3 629.5</td>
<td>8 044.6</td>
<td>19 839.2</td>
<td>29 407.8</td>
<td>39 594.7</td>
<td>28 134.4</td>
<td>27 507.4</td>
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<td>2.5</td>
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<td>1 733.9</td>
<td>849.1</td>
<td>2 099.6</td>
<td>2 175.2</td>
<td>1 386.2</td>
<td>2 152.0</td>
<td>1 557.8</td>
<td>3 668.7</td>
<td>3 929.3</td>
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<tr>
<td></td>
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<td>16 127.9</td>
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<td>61 523.1</td>
<td>84 349.2</td>
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<tr>
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<td>U.S. Dollars</td>
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<td>9 233.6</td>
<td>9 245.2</td>
<td>11 180.2</td>
<td>12 908.0</td>
<td>24 461.9</td>
<td>40 473.6</td>
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<td></td>
<td>U.S. Dollars</td>
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<td>2 527.6</td>
<td>1 982.8</td>
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<td>Ruble</td>
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<td>41.0</td>
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<td>156.9</td>
<td>166.8</td>
<td>18 697.3</td>
<td>42 290.8</td>
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<td>2.6</td>
<td>Interbank treasuries certificates in Lei and currency State obligations</td>
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<td>11 510.1</td>
<td>14 411.4</td>
<td>16 127.9</td>
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<tr>
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<td>Euro</td>
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<td>8 167.6</td>
<td>7 939.6</td>
<td>9 657.1</td>
<td>9 383.6</td>
<td>20 951.3</td>
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<td>8 289.5</td>
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<td>10.9</td>
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<td>21.6</td>
<td>530.7</td>
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<td>40 084.8</td>
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<td>2.7</td>
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<td>11 761.2</td>
<td>11 510.1</td>
<td>14 411.4</td>
<td>16 127.9</td>
<td>25 827.3</td>
<td>41 874.4</td>
<td>61 523.1</td>
<td>84 349.2</td>
<td>98 180.3</td>
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<tr>
<td></td>
<td>Euro</td>
<td>6 483.7</td>
<td>9 131.2</td>
<td>7 994.6</td>
<td>9 897.9</td>
<td>9 526.0</td>
<td>21 322.0</td>
<td>32 790.2</td>
<td>50 368.4</td>
<td>57 475.0</td>
<td>47 048.0</td>
</tr>
<tr>
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<td>Euro</td>
<td>6 489.8</td>
<td>10 041.8</td>
<td>10 600.6</td>
<td>12 071.3</td>
<td>13 810.3</td>
<td>24 044.3</td>
<td>38 807.8</td>
<td>59 032.3</td>
<td>79 936.5</td>
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<td>1 684.8</td>
<td>1 659.7</td>
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<td>240.6</td>
<td>142.4</td>
<td>396.8</td>
<td>867.9</td>
<td>841.8</td>
<td>664.8</td>
<td>1 321.8</td>
</tr>
</tbody>
</table>
According to the above data, we have carried out the structural analysis of the following components of internal governmental public debt:

**Structural analysis of internal governmental public debt according to its type**

Along the ten years analyzed by our research, within the total amount of internal governmental public debt, a share of about 92% represents direct internal governmental public debt while guaranteed internal governmental public debt represented an insignificant share of about 8%. Guaranteed governmental public debt increased as a share within the total amount of governmental public debt in 2010 with 0.9% as compared with 2009; this happened as a result of emitting: guarantees given according to the governmental program entitled “The First Home”; guarantees given according to the program of thermal rehabilitation; guarantees given according to the support program for the beneficiaries of the projects in fields that are a priority for Romanian economy financed out of the structural instruments of EU; State guarantees given to SC FORD Romania SA.

**Structural analysis of internal governmental debt according to the creditor**

During the analyzed period, 2001-2010, internal governmental public debt was exclusively contracted from the private banking system. We consider that such a policy provided a sure income and placements in assets with no risk, except for year 2010 when 29.3% represented multilateral loans and 71% of the contracted debt was sourced in the private banking system.

**Structural analysis of internal governmental public debt according to the type of instrument**

While at the beginning of the analyzed period, within the total amount of internal governmental public debt, treasury certificates represented 52.03%, State obligations represented 11.47%, and the loans from the general account of the State treasury in order to temporarily finance State budget deficit represented 17.87%. At the level of year 2010, the share of these instruments within the total amount of internal governmental public debt is displayed as follows: treasury certificates represented 33.27%, State obligations represented 34.65%, and the loans from the general account of the State treasury in order to temporarily finance State budget deficit represented 28.02%, according to the data in Table 2.

### Table 2: Share of the instruments of internal governmental public debt within the total amount of internal governmental public debt

<table>
<thead>
<tr>
<th>Year</th>
<th>Share of interbank treasury certificates in Lei and currency</th>
<th>Share of State obligations</th>
<th>Share of State loans</th>
<th>Share of financial leasing</th>
<th>Share of cash management instruments</th>
<th>Share of the loans from the general account if State treasury in order to temporarily finance</th>
<th>Share of the loans approved according to special laws</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>52.03</td>
<td>11.47</td>
<td>0.68</td>
<td>0.00</td>
<td>0.00</td>
<td>17.87</td>
<td>7.95</td>
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<tr>
<td>2002</td>
<td>50.98</td>
<td>15.94</td>
<td>0.51</td>
<td>0.00</td>
<td>0.00</td>
<td>18.46</td>
<td>4.11</td>
</tr>
<tr>
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<td>37.58</td>
<td>23.17</td>
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<td>0.00</td>
<td>0.00</td>
<td>31.40</td>
<td>7.38</td>
</tr>
<tr>
<td>2004</td>
<td>41.83</td>
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<td>1.67</td>
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<td>2005</td>
<td>8.30</td>
<td>27.45</td>
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<td>0.00</td>
<td>0.00</td>
<td>49.88</td>
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<td>2006</td>
<td>4.20</td>
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<td>0.00</td>
<td>0.00</td>
<td>76.81</td>
<td>5.37</td>
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<tr>
<td>2007</td>
<td>6.00</td>
<td>16.44</td>
<td>2.07</td>
<td>0.11</td>
<td>0.00</td>
<td>70.23</td>
<td>5.14</td>
</tr>
<tr>
<td>2008</td>
<td>13.18</td>
<td>15.45</td>
<td>1.37</td>
<td>0.15</td>
<td>2.97</td>
<td>64.36</td>
<td>2.53</td>
</tr>
</tbody>
</table>

*) includes the guarantees emitted by the governmental program entitled “The First Home”;
**) includes the loan for SNN and the credit guaranteed by the State for SRI

Source: Romania’s Ministry of Public Finances
As one may notice, the analysis of the above data shows that the loans from the general account of State treasury in order to temporarily finance State budget deficit compared with the total amount of internal governmental public debt registered a particular dynamics; the circumstances were determined by the level of the availabilities existing at the State central treasury. During the ten years analyzed, the share of this instrument within the total amount of internal governmental public debt witnessed important variations: 17.9% in 2001, 76.8% in 2006, and 28.02% in 2010.

**Structural analysis of internal governmental public debt according to its initial maturity**

The findings of our case study based on a structural analysis of internal governmental public debt after its initial maturity, may be considered as pertinent and represent the foundation of the management of liquidity risk. As a result, during the analyzed period, within the total amount of internal governmental public debt, internal governmental public debt contracted for a short term detained the most important share, with margins ranging between 58.18% and 81.12%.

We may consider that the structure of internal governmental public debt according to its initial maturity has a tremendous impact upon liquidity risk. We should also emphasize the fact that, under the present circumstances of the increase of the refinancing needs of governmental public debt, the nowadays structure of the portfolio of internal governmental public debt where short term maturity loans contracted on internal market detain the most significant share within the total amount of internal governmental public debt, let the State face liquidity and re-financing risks.

There are two types of liquidity risks. One of them regard the costs or penalties investors should pay when attempting to cope market demands when the number of investors on the market considerably decreased or when the market is not sufficiently developed. This risk is relevant in case the management of public debt also administers liquid assets or when it employs derived instruments. The other type of liquidity risk, from the point of view of the borrower, regards the circumstances when the amount of liquid assets may rapidly decrease when certain nonanticipated cash flow obligations occur and/or when a possible difficulty appears in attracting liquidities through contracting short term loans. Re-financing risk occurs when public debt should be re-financed at extremely high costs or under extreme circumstances when it cannot be refinanced at all. In case of emergent countries administering such a risk is quite an important issue. (Guidelines for Public Debt Management, 2003).

**Structural analysis of internal governmental public debt according to the interest’s rate**

During the analyzed period, our case study emphasizes the fact that there was no balance between fixed interest rate loans and variable interest rate ones contracted on internal market.

<table>
<thead>
<tr>
<th>Year</th>
<th>Fixed Interest Rate</th>
<th>Variable Interest Rate</th>
<th>Total % of Internal Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>27.78</td>
<td>6.98</td>
<td>34.76</td>
</tr>
<tr>
<td>2010</td>
<td>33.27</td>
<td>0.00</td>
<td>33.27</td>
</tr>
</tbody>
</table>

Source: Romania’s Ministry of Public Finances and author’s calculations

Table 3: Share of internal governmental public debt with fixed/variable interest rate within total amount of internal government public debt


<table>
<thead>
<tr>
<th>Year</th>
<th>Total amount of internal governmental public debt (million Lei)</th>
<th>Fixed interest rate of internal governmental public debt (million Lei)</th>
<th>Share of internal governmental public debt with fixed interest rate within total amount of internal governmental public debt (%)</th>
<th>Internal governmental public debt with variable interest rate (million Lei)</th>
<th>Share of internal governmental public debt with variable interest rate within total amount of internal public debt (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>9 185.4</td>
<td>2 701.7</td>
<td>29.4</td>
<td>6 483.7</td>
<td>70.6</td>
</tr>
<tr>
<td>2002</td>
<td>12 665.1</td>
<td>3 533.9</td>
<td>27.9</td>
<td>9 131.2</td>
<td>72.1</td>
</tr>
<tr>
<td>2003</td>
<td>11 510.1</td>
<td>3 515.5</td>
<td>30.5</td>
<td>7 994.6</td>
<td>69.5</td>
</tr>
<tr>
<td>2004</td>
<td>14 411.4</td>
<td>4 513.8</td>
<td>31.3</td>
<td>9 897.7</td>
<td>68.7</td>
</tr>
<tr>
<td>2005</td>
<td>16 127.9</td>
<td>6 601.9</td>
<td>40.9</td>
<td>9 526.0</td>
<td>59.1</td>
</tr>
<tr>
<td>2006</td>
<td>25 827.3</td>
<td>4 505.3</td>
<td>17.4</td>
<td>21 322.0</td>
<td>82.6</td>
</tr>
<tr>
<td>2007</td>
<td>41 874.4</td>
<td>9 084.3</td>
<td>21.7</td>
<td>32 790.2</td>
<td>78.3</td>
</tr>
<tr>
<td>2008</td>
<td>61 523.1</td>
<td>11 154.7</td>
<td>18.1</td>
<td>50 368.4</td>
<td>81.9</td>
</tr>
<tr>
<td>2009</td>
<td>84 349.2</td>
<td>26 894.2</td>
<td>31.9</td>
<td>57 455.0</td>
<td>68.1</td>
</tr>
<tr>
<td>2010</td>
<td>98 810.3</td>
<td>51 132.3</td>
<td>51.75</td>
<td>47 048.0</td>
<td>46.61</td>
</tr>
</tbody>
</table>

Source: Romania’s Ministry of Public Finances and author’s calculations

Our case study emphasizes the fact that during the whole analyzed period, the most important share within the total amount of internal governmental public debt was detained by variable interest rate loans contracted on internal market. We also consider that such a structure of internal governmental public debt has as a result the maintaining of a risk of interest rate. It is commonly known that a wrongly structured public debt, either it deals with due terms, interest rate or the currency which expresses it, was, in time, the decisive factor in initiating and extending economic crises.

3.2. FINDINGS REGARDING THE EVOLUTION AND STRUCTURE OF EXTERNAL GOVERNMENTAL PUBLIC DEBT DURING THE PERIOD 2001 - 2010

One may notice, within the evolution of external governmental public debt, the existence of three distinct stages. Accordingly, during the period 2001–2005

External governmental public debt almost constantly increased from 8,820 million Euros to 10,947.2 million Euros. During the period 2006 - 2007 it decreased at 9,464 million Euros. In 2008 it registered a small increase, in 2009 it significantly grew up to 12,328.5 million Euros, while in 2010 it represented 19,703.3 million Euro. It means that in 2009 it grew with 26% as compared with 2008, and in 2010 with 59.8% as compared with 2009. Yet, in case we analyze year 2001 as compared with 2010, we may notice an increase of 223.4%.

Further, we have carried out the structural analysis of the following elements of external public debt:

Analysis of external governmental public debt according to types of creditors and due terms

The analysis emphasizes the structure of external governmental public debt during the period 2001 – 2010 according to types of creditors and due terms as well as its tendencies are displayed by Table 4.
Table 4: Structure of external governmental public debt during the period 2001 – 2010 according to types of creditors and due terms

<table>
<thead>
<tr>
<th>Year</th>
<th>External governmental public debt</th>
<th>Multilateral</th>
<th>Bilateral</th>
<th>Obligations</th>
<th>Private banks</th>
<th>Between 1 and 5 years</th>
<th>Between 5 and 10 years</th>
<th>Over 10 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>8 820.0</td>
<td>4 198.5</td>
<td>984.6</td>
<td>1 356.8</td>
<td>2 280.1</td>
<td>1 538.8</td>
<td>2 138.9</td>
<td>5 142.3</td>
</tr>
<tr>
<td>2002</td>
<td>9 173.4</td>
<td>4 273.2</td>
<td>881.7</td>
<td>1 750.0</td>
<td>2 268.5</td>
<td>1 277.2</td>
<td>2 081.1</td>
<td>5 815.1</td>
</tr>
<tr>
<td>2003</td>
<td>9 637.5</td>
<td>4 225.1</td>
<td>624.2</td>
<td>2 450.0</td>
<td>2 338.2</td>
<td>899.4</td>
<td>2 879.0</td>
<td>5 859.1</td>
</tr>
<tr>
<td>2004</td>
<td>10 270.5</td>
<td>4 248.7</td>
<td>496.3</td>
<td>2 450.0</td>
<td>3 075.5</td>
<td>921.3</td>
<td>3 113.1</td>
<td>6 236.1</td>
</tr>
<tr>
<td>2005</td>
<td>10 947.2</td>
<td>4 835.3</td>
<td>328.9</td>
<td>2 000.0</td>
<td>3 783.0</td>
<td>539.8</td>
<td>3 126.4</td>
<td>7 281.0</td>
</tr>
<tr>
<td>2006</td>
<td>10 066.3</td>
<td>4 664.6</td>
<td>193.8</td>
<td>2 000.0</td>
<td>3 207.9</td>
<td>354.2</td>
<td>2 577.7</td>
<td>7 134.4</td>
</tr>
<tr>
<td>2007</td>
<td>9 494.0</td>
<td>4 489.4</td>
<td>103.6</td>
<td>2 000.0</td>
<td>2 901.0</td>
<td>200.1</td>
<td>2 133.3</td>
<td>7 160.6</td>
</tr>
<tr>
<td>2008</td>
<td>9 792.6</td>
<td>5 151.4</td>
<td>78.5</td>
<td>2 150.0</td>
<td>2 412.7</td>
<td>91.6</td>
<td>2 034.2</td>
<td>7 666.8</td>
</tr>
<tr>
<td>2009</td>
<td>12 328.5</td>
<td>8 188.5</td>
<td>64.4</td>
<td>2 150.0</td>
<td>1 925.6</td>
<td>2.5</td>
<td>2 763.3</td>
<td>9 562.7</td>
</tr>
<tr>
<td>2010</td>
<td>19 703.3</td>
<td>6 521.8</td>
<td>78.8</td>
<td>0.0</td>
<td>13 102.7</td>
<td>4 299.3</td>
<td>4 575.0</td>
<td>10 829.0</td>
</tr>
</tbody>
</table>

Source: Romania’s Ministry of Finances

As the data displayed by Table 4 show, during the period analyzed by the research, external governmental public debt had a fluctuant evolution, attaining a climax in 2010.

During the analyzed period, the growth rhythm of external governmental public debt was obviously inferior to the growth rhythm of internal governmental public debt. Accordingly, while external governmental public debt grew with 223.4%, internal governmental public debt grew with 696.3%.

Structural analysis of external governmental public debt according to types of creditors

During the analyzed period, one may notice that, within the structure of external governmental public debt according to types of creditors, the loans contracted from multilateral financial organisms detain the most important share, attaining, in 2010, 66.5% as compared with the loans contracted with private banks and other creditors.

Structural analysis of external governmental public debt according to due terms

During the analyzed period, external loans contracted according to terms ranging between 5 and 10 years as well as those contracted according to over ten years terms represented the majority while external loans contracted according to terms ranging between 1 and 5 years had an descendant trend. Thus, if in 2001, within the total amount of external governmental public debt, the loans contracted according to terms ranging between 1 and 5 years represented 14.65%, in 2009 they detained an insignificant share of 0.02%.

Structural analysis of external governmental public debt according to the objective it has been contracted for

The research shows that, within the total amount of the loans externally contracted, a percent ranging between 32.4% and 46.5% has regarded the loans externally contracted in order to support the payments balance, the consolidation of currency reserve, deficit financing, and refinancing governmental public debt. According to Law no. 313/2004 of public debt and to Law no. 312/2004 regarding the Statute of Romania’s National Bank, they agreed that the administration of currency reserve should be the exclusive responsibility of Romania’s National Bank.

Meanwhile, one may notice that in 2009 the share of external loans contracted with a view of financing priority projects for Romanian economy within total external public debt had the lowest level, namely 53.5%.

Table 5. Structure of external governmental public debt during the period 2001–2010 according to the objective it was contracted for
During the analyzed period, one may notice that Romania’s government, through the Ministry of Public Finances, contracted from international institutions and commercial banks 95 loans representing a total amount of 6 138.3 million Euro, 1 560.3 million USA Dollar (equivalent of 1 357.1 million Euro), 58 568.0 million Japanese Yen (equivalent of 453 million Euro), 42 000 million Korean Won (equivalent of 0.000858 million Euro), 35.0 million German Mark (equivalent of 17.9 million Euro) and 2 504.1 million lei (equivalent of 597.7 million Euro) meant to finance certain projects.

Table 6: Condition of loans contracted in order to finance projects during the period 2001 - 2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Loans contracted in order to finance projects</th>
<th>Denominated in million Euro, out of which:</th>
<th>Contracted value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Million Euro</td>
<td>Million USA dollar, denominate d in million Euro</td>
</tr>
<tr>
<td>2001</td>
<td>11</td>
<td>943.6</td>
<td>579.9</td>
</tr>
<tr>
<td>2002</td>
<td>7</td>
<td>485.2</td>
<td>333.0</td>
</tr>
<tr>
<td>2003</td>
<td>6</td>
<td>276.1</td>
<td>177.0</td>
</tr>
<tr>
<td>2004</td>
<td>7</td>
<td>576.7</td>
<td>406.7</td>
</tr>
<tr>
<td>2005</td>
<td>12</td>
<td>826.2</td>
<td>276.9</td>
</tr>
<tr>
<td>2006</td>
<td>12</td>
<td>1 690.5</td>
<td>570.2</td>
</tr>
<tr>
<td>2007</td>
<td>17</td>
<td>1 546.9</td>
<td>417.2</td>
</tr>
<tr>
<td>2008</td>
<td>3</td>
<td>367.5</td>
<td>367.5</td>
</tr>
<tr>
<td>2009</td>
<td>2</td>
<td>39.1</td>
<td>39.1</td>
</tr>
<tr>
<td>2010</td>
<td>3</td>
<td>957.2</td>
<td>395.0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>95</td>
<td>8 564.0</td>
<td>138.3</td>
</tr>
</tbody>
</table>

Source: Romania’s Ministry of Public Finances

As Table 6 shows, during the period 2005 – 2007 most of the external loans meant to finance projects were contracted from international financial institutions and commercial banks, namely 4 loans representing 4 063.3 million Euro.
In 2010, out of the total amount of 9,469.8 million Euro (affluent to the loans contracted from international financial institutions and commercial banks in order to finance State budget deficit and to finance projects), only the sum of 957.2 million Euro was contracted with a view of financing three projects representing 9.5%.

Under such circumstances, we consider that the low level of contracting external loans meant to finance certain investment programs that are progress-determining on an economic level which might result in production increase and implicitly in creating new jobs with a view of achieving a durable economic growth, the external loans contracted in order to finance State budget deficit, and the refinancing of public debt increase commercial lacks of balance. It is known that when the contracted external loans are primarily meant for consumption, public debt is not sustainable irrespective of the level it ranges.

4. CONCLUSIONS

Our research includes a series of analyses and findings regarding the two components of governmental public debt and the manner they have influenced Romania’s economic activity in the present context of trying to diminish the effects determined by financial crisis. Accordingly, in case the government’s indebted strategies would be elaborated so that all their previsions appear in the subsequent evolution of public debt’s indices and the citizens would have efficient means in order to monitor governmental investment policy, the managers of public debt might use the borrowed funds exclusively for high profitability investments. Yet, practice has shown that the management of public debt is confronted with significant risks, the contributors having no opportunity to monitor the implementation of public debt.

Our scientific research focusing on the two components of governmental public debt has made us emphasize a series of recommendations regarding the improvement of the management of governmental public debt; we consider these recommendations as important and worth employing and implementing within the specific field, at a governmental level as well as at the level of the concerned ministry to develop a guide to measures to improve public debt management. They are formulated as follows:

- Ending the practice of emitting certain normative documents that represent exceptions from the legislation regarding public debt which has as a consequence the annulling of risk fund debits;
- Matching the national legislation regarding public debt with the methodology stipulated by the European National and Regional Accounts System of the Union (SEC95);
- Extending the instruments of public debt placed on the market also towards the use of the instruments meant for population;
- Contracting external loans meant to finance priority projects/programs;
- Carrying out multiannual projects according to the elements component of the portfolio of public debt with a view of analyzing the impact of associated costs upon the State’s fiscal condition;
- Restructuring the portfolio of governmental public debt in order to provide a balance between the fixed interest rate loans and variable interest rate ones contracted on internal market;
- Increasing the retrieving degree of the sums paid by the Ministry of Public Finances (as a guarantor) representing unpaid financial obligations of the economic operators subsequently loaned or guaranteed by the State as a result of the lack of their own financial liquidities when due terms occur;
- Assuming a pro-active part by the Ministry of Public Finances (as a sole administrator of governmental public debt) in the process of implementing the projects financed by loans contracted from international financial institutions and trade banks;
- Retrieving the sums paid by the Romanian State and representing initial commissions and engagement commissions in case of the loans for which the financing bank partly annulled sums of the loans as a result of the lack of performance in implementing the projects;
- Elaborating and approving a code of ethical and professional behavior applicable to specialized staff with specific responsibilities in contracting and administering public debt;
- Yearly revising the administration strategy of governmental public debt or as often as market conditions and/or financing requirements determine this.

As a result, a better correlation between the fundamental macro-economic indices, including the pressure from international financial institutions, is required in the following years in order to provide
the sustainability of governmental public debt and the credibility of Romanian economy. Providing sustainability is to be achieved through mixed fiscal and budget policies that should target the decrease of budget deficits, the increase of primary budget surpluses, and those measures of monetary policy with a view of providing monetary stability and the diminishing of governmental public debt.

Finally, when strenuous efforts of fiscal consolidation and structural reforms lack, explosive growths of the interests of the payment of public debt and of the expenditures afferent to the system of social insurances are going to be registered; and such a fact will be a real obstacle before a long term sustained recovery and a balanced economic growth.

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[20]. INTOSAI Debt Indicators (2010), ISSAI 5411, November, p. 11.