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Accounting of Public Institutions- New Approaches of Partnership Contracts

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Abstract— The combination between irredeemable external funds with private public partnership represents an objective that the EU Commission has been working at for many years. Particularly, there was a need to highlight the necessity of adapting the chart of accounts of public institutions, the budgetary classification to the evolution of contractual relations of public institutions, the partnership contracts, the research contracts, the energetic efficiency contracts etc. The prospect of approaching the subject partnerships is new and unique in this field .The research methodology applied is based on observation and practical experience of testing theoretical approaches and new methodologies and ideas. It extensively considers desk surveys of the existing documentation and success stories existing in the field.

Keywords— European System of Accounts ESA95, energetic efficiency contracts partnership contracts, research contracts.
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1.General accounting framework

The need for relevant, objective information emanates from the entity's relation with the field of activity and requires an adequate offer. The accounting information delivered sistematically by the practitioners of economical entities should be subservient for all the users of accounting products.

In the case of Romania, national accounting is attempted to be positioned between two accounting cultures – the traditional continental accouting and the anglo-saxon accounting. Due to the comunist indoctrination, customs and the many legislative changes, the Romanian accountant that works in the public system demonstrates an aversion to change and he still needs to be said what/ how/ when to act.

Therefore, the way it is illustrated in art. 20 (weak articles) from chapter analysis of "Internal Environment" of the "Strategic Plan of the Ministry of Public Finances 2010-1013" approved by Order of Ministry of Public Finances no. 19/2010, there are
"Relatively frequent changes in the fiscal-financial regulations that have an undesirable impact upon the adaptation of these regulations within the domain of public accounting, State Treasury, the administration of revenues and the informatics system".

The International Accounting Standards (IAS/IFRS/IPSAS) bare a cultural knowlage difficult to assimilate, they are based on the professional reasoning (that was not taken into consideration during the centralized period) and principles according to which a single problem might have multiple solutions (a fact that leads to controversies when confronted with the control board that might have some other solution). However, no matter their form, the International Accounting Standards are permanently changing, are becoming more and more complex therefore the Romanian accountant must become an international one, holding to the principles and conditions of international accounting.

To converge means „to tend toward an intersection point, a common conclusion or result" [1]. In the accounting domain, convergence is a relatively new term, introduced in 2001 by the International Accounting Standards Board in the context of defining the objectives. One of these objectives states the following: „To collaborate actively with the national standards' regulation boards in order to identify qualitative solutions so that national accounting standards achieve the convergence with the accounting standards established by IASB" [2].

According to the Romanian explanatory dictionary the conformity is defined as "a relation between two resempling or identical entities, matching, congruence, identity. The accounting conformity is the process that determines the congruence between the presented regulations' content and the elaboration of financial statements, representing an harmonization of the national regulations to the regulations presented by the regional and international accounting standardization boards".

We adhere to the following conclusion according to which „Convergence represents the integration on a national basis of IAS/IFRS/IPSAS principles and theoretical background, respectively embracing some of the accounting processes stipulated by the international standards whereas standardization within accounting domain designates the consistency among and attunement to the accounting standards of various states in the european level" [3]
„For Romania, the improvement of the indicators system at local level and harmonizing the methodology and the contents of the indicators with the European and international requirements is a priority, incumbent mainly on the National Institute of Statistics but also upon the other central and local

public administration institutions. This is however not only necessary but also possible" [4]

According to the position document no. 11 "Economical Monetary Union", Romania has committed to report after the European System of Accounts ESA 95.The classification of public institutions is necessary in order to circumscribe the Public Administrations' area, its division into subsectors, but is also necessary for defining the modalities of the financial statements' aggregation.

The introduction of subsectors' reporting is based on the 2009 internal and external reporting requirements established by the enactment of the Order of the Ministry of Public Finances no. 629/2009 regarding the approval of the Methodological Norms for the elaboration and deposition of public institutions' financial statements and also on some 2009 monthly financial reports with subsequent modifications and addenda (Order of the Ministry of Public Finances no. 2290/2009, Order of the Ministry of Public Finances 2941/2009).

The managerial circuit regarding the commitments activity is based on the principle of separating the attributions of the people that have the capacity of credit release authority from the attributions of the people that have the capacity of accountants.

Credit release authorities for the budgets mentioned in art.1 para.(22) in Law "Public Finances" no.500/2002 are authorized to commit, clear and authorize expenditures throughout the budgetary exercise, within the limit of the approved budgetary credit, while the payment of the expenditures is carried out by the people that, according to the law, bear the general title of accountant.

There was a need to re-approach the following concepts: commitment credit, budgetary credit, multiannual actions defined like this:

"The commitment credit represents the maximum limit of the expenditures to be made during the budgetary exercise and within the apptoved limits.

The budgetary credit is the budget approved sum, representing the maximum limit for the enactment and payment during the budgetary year of the commitments contracted during the budgetary exercise and/or from previous exercises for multiannual actions, respectively budget payments for other actions can be engaged, enacted and executed.

Multiannual actions represent programmes, projects and other similar actions occuring on periods longer than one year and which generates credit commitments and budgetary credits".

Among the multiannual actions according to budget financed actions (with the greatest impact due to the sums and number of implementing beneficiaries) the following can be listed:

- programmes of public investment which are presented in the budget annexment of main credit regulators;
- programmes financed through irredeemable pre-adherence external funds, as well as projects and programmes financed through irredeemable post-adherence external funds afferent to European Union Cohesion politics, common agricultural and fishing politics but also other post-adherence facilities and instruments.

It is necessary that the whole budget (not just the budget for multiannual actions – so far limited to investments, loans, irredeemable external funds) ceases to be a planning act strictly limited to a budgetary exercise, and to allow it to become of the commitment credits due to the existence of specific activity sectors, so as not to be in contradiction with the principles of commitments' accounting.

"Inter-relational ("service") growth means performance growth. The plural approach points out mainly qualitative features rather than quantitative ones, including information approach. The modern service economy allows width of horizons, the preponderance of pluri-disciplinary approaches (social, political, ecological, moral, human etc.; not only the strict and rigid narrow-economic view) and also makes it necessary, from now on"[5]

2 Partnership agreements

2.1 Introduction

Europe: Actions or events in one area of the world determine effects that are perceived around the world. Globalisation is a phenomenon that cannot be ignored and affects the environment of public funded projects as well. Often, when we refer to globalisation we understand a liberalised economy, movement of more goods and services into markets, fostering integration of international markets, encouraging private economic activities like transport, trade, migration, investment, travel (Cartwright, 2004) [6].

Simultaneously with the physical development of the business environment and the awareness of the negative effect of the increasing tertiary needs over the life standards, the European Union introduced a qualitative investment: non-refundable funds. [7]

The public funds represent a significant source of financing taking into account the amounts available through Government programmes. The financing source can be both national and international, or a combination of these. Various international financing institutions (IFI) provide financial assistance as grants (non-reimbursable funds) or as long or medium term loans, like European Commission, European Bank for Reconstruction and Development, European Investment Bank, World Bank, Asian Development Bank, etc. There are also public funds supporting the joint ventures initiatives of nationals in other countries, like the German Government (GTZ), Swedish Government (SIDA), The Netherlands Government (MATRA), etc.

This financial help is given by EU Member States in order to raise the level of added value into society through economic activity and in accordance with the horizontal policies. These sustainable principles are actually the means through which the added value is accomplished. [8]

Presently, Romania benefits of the EU Structural and Cohesion funds, implemented through the Operational Programmes in a co-financing structure from the National Fund.

A growing collection of international policy principles, treaties, laws, regulations and standards sets up common rules for activities in a global environment. Each International Financing Institution (IFI) or donor on has defined its strategies and procedures to follow in provision of assistance, from the project definition to implementation and evaluation and that are applied in all the regions and countries benefiting from these funds. For example, European Union is providing financial assistance through various programmes established to support initiatives in different fields or areas, like pre-accession programmes (PHARE, ISPA, SAPARD, IPA), Structural Funds (ESF, ERDF) and Cohesion Fund, cross-border cooperation programmes (CBC, INTERREG, URBAN 2, LEADER, EQUAL), rural development programmes (EAFRD), research and pilot programmes (FP, SAVE), education and training programmes (COMENICUS, ERASMUS, GRUNDTVIG, TEMPUS, LEONARDO DA VINCI, SOCRATES, e-LEARNING), ACP countries programmes (European Development Fund), SMEs programmes (European Investment Fund), natural disasters programmes (Solidarity Fund), justice, freedom and security programmes (ARGO, AGIS, DAPHNE, PERICLES, HERCULES), transport programmes (MARCO POLO, TENs), environment programmes (LIFE) etc. All these programmes connect the nations and regions in a common purpose.

In the European Union four fundamental freedoms are promoted for the EU Member States: free movement of goods, free movement of services, free movement of capital, free movement of people, creating the premises and developing a global internal market (europa.eu/index_en.htm) [9].

Another example is The World Bank (WB). WB works with a borrowing country's Government and other stakeholders to determine how financial and other assistance can be designed to have the largest impact. The assistance is provided to support development various initiatives in strategic sectors like, water and wastewater, power, roads, transport, rural development etc. (www.worldbank.org) [10].

The project is a temporary set of activities undertaken in order to create a product/service unique. The project also represents the original idea of an institution to contribute to the overall objective proposed by the EU by launching a program. Elements that contribute to sustainable economic development projects are actually the key elements of their structure. ".[11]

Objectives of the projects are of two categories. The general objective is an overall goal (is more qualitative) while the specific objectives are the quantified (quantitative) form of the general ones. Another essential element of structure that monitors the implementation of projects is the structure of work packages. Work packages are types of activities that are grouped by characteristics, divided into sub-activities to be performed easily and accurately. They are interdependent in relation to each sub-activity. Indicators are numerical qualitative and quantitative factors which quantify the impact of an activity [12].

As more financing programmes are not limited to one country's borders and have international dimensions, implications of globalisation cannot be overlooked

The EU's Sustainable Development Strategy aims, in tandem with the Lisbon Strategy for growth and jobs, for a more prosperous, cleaner and fairer Europe. Sustainable Development is an overarching concept.

The EU Treaty requires the integration of sustainable development into all European policies, so that they contribute in an integrated way to meeting economic, environmental and social objectives.

The Renewed EU Sustainable Development Strategy identifies seven key challenges:
(i) climate change and clean energy,
(ii) sustainable transport,
(iii) sustainable consumption and production,
(iv) conservation and management of natural resources,
(v) public health,
(vi) social inclusion, demography and migration, and
(vii) global poverty and sustainable
(vii) development challenges.

The EU SDS constitutes a general framework within which the Lisbon Strategy embodies a driving force of a more dynamic economy by stressing the importance of growth and job creation. Both strategies take account of mutual complementarities that exist between the economic, social and environmental objectives that need to be jointly developed. Both strategies further strive to foster the necessary structural changes in which the Member States' economies gain strength to face the globalisation challenges by creating equal conditions which stimulate the thriving of dynamics, innovation and creative entrepreneurship and simultaneously ensuring social justice and healthy environment.[13]

The role of public authorities is important, in their position as Contracting Authorities (defined like the Government of the beneficiary country, the legal person governed by public or private law concluding the contract, or on behalf of which the contract is concluded with the Consultant, the entity which is making the actual payment for the contract) or Beneficiaries (the public entity/entities mentioned in the Project Fiche, who benefit directly of the project result, who are directly responsible for the project implementation from technical point of view) of these projects. An active public authority contributes to a smooth implementation and better secure achieving project results.

Development of infrastructure represents a national objective as defined by the Romanian Government policies. The National Development Plan (NDP) for 2007-2013 sets out specific objectives in line with Lisbon Strategy and Göteborg objectives, which include the national development priorities related to infrastructure: developing and modernizing transport infrastructure, protecting and improving the quality of the environment, diminishing development disparities between country regions.

Development of infrastructure at European standards is also one of the four thematic priorities, as mentioned within the National Strategic Reference Framework (NSRF) for 2007-2013. NSRF is the national strategic document that creates the links between the Romanian development priorities and the Community ones. It explains how the European Structural Instruments are implemented in Romania for the programming

period 2007-2013. The Structural Funds and the strategic actions are implemented through the Sectoral Operational Programmes (SOPs). The infrastructure investments are financed through the following SOPs:
-*Regional Operational Programme (ROP),* financed through European Regional Development Fund (ERDF) – infrastructure projects for regional development, urban growth, local infrastructure, social infrastructure,
-*Sectoral Operational Programme Environment (SOP Environment),* financed through European Regional Development Fund (ERDF) and Cohesion Fund (CF) – infrastructure projects for environmental infrastructure, water and wastewater systems, waste management systems, rehabilitation of historically contaminated sites, natural risk prevention,
-*Sectoral Operational Programme Transport (SOP Transport),* financed through European Regional Development Fund (ERDF) and Cohesion Fund (CF) – modernization and development of transport systems,
-*Sectoral Operational Programme Increase of Economic Competitiveness, financed through European Regional Development Fund (ERDF)* – energy related infrastructure, IT&C infrastructure, R&D infrastructure.

Responsibility for public money requires paying special attention to assessing Government actions. Taking this into account, the evaluation of projects funded from public funds should focus on selection of projects relevant for the community, in line with the established priorities. As at programming level the evaluation is considered as a process that allows independent analysis of the benefits of a public funded intervention, the evaluation of the applications for financing should aim to select projects based on their impact, their efficiency and effectiveness, their continued relevance for the beneficiaries needs, their results sustainability etc. Each EU member state has developed its own strategy of sustainable development, in compliance with the decisions of the European Council and with the provisions of Agenda 21. In this context, each European Union member state is aiming at a set of indicators allowing quantification of the sustainable development. [14]

2.2 The general legal framework regarding the external irredeemable funds

Starting with 2009, the external irredeemable funds were subjected to a new budgetary approach.

Therefore, according to article no. 8 (1) for 2009, the financing of expenses related to the projects/ submitted projects that meet the eligibility criteria for financing comply with the principle of total or limited reimbursement of expenses to the beneficiaries.

The financing of projects is ensured by:the state budget through the main credit regulators who benefit from these kind of projects (the state budget might also include projects financed by European non-refundable funds (FEN) and run by institutions subordinated to the authority of the Ministry of Transportation and Infrastructure and of Ministry of Environment and Forests),the social insurances stare budgets,the special funds budgets, the territorial-administrative units' budgets, the budgets of public institutions entirely or partially financed from proper revenues.

The inclusion of post-adherence external funds in the budget is made the following way: chapter 45 "Sums delivered by EU/other grants to executed payments' account and prefinancing"; described by the sources of financing according to each budget 01-10, subchapter 01-18, specified by funds; paragraphs: 01 – Sums collected in the account of payments executed in the current year; 02 – Sums collected in the account of payments executed in previous years; 03-Prefinancing.

The revenues from co-financing and the Value Added Tax are included in the budget the following way: Chapter 42.02.20 "Financial assistance from the state budget to local budgets necessary to sustain the projects in progress financed by post-adherence FEN"; Chapter 42.10.39 "Financial assistance from the state budget to public institutions entirely or partially financed by proper revenues for projects financed by post-adherence FEN".

Expenses – Annex I – The economic classification is reflected in Title 56 the following way: article 01-20, funds and programmes; line 01-"National financing", 02-"EU Financing", 03-"Ineligible expenses", regardless of the nature of expenses (investments, salaries etc.)

The report of actual expenses (account 6xx according to its nature) follows the structure of the budgetary classification.

2.3 Problem Formulation

Due to the ambiguous legal framework, usually the sums received by the leader of a project and owed to the partners or which are registered as revenues in the moment of delivery and as expenses in the moment of validation misrepresent the nature of the operation.

2.4 Problem Solution

For the correct representation of this kind of operation, we present the following accounting monograph and we advocate for the completion of the functions of Debtors/Creditors accounts with the cases of this kind, described in analytics such as

- Debtors – sums to be received from the leader/distinct analyzer of the project/leader at the level of the partner who pays for services, salaries until the sums are reimbursed;

- Creditor – sums to be reimbursed at the level of the leader for what is supposed to be given out to the partners/ sums to be received from the leader/ distinct analyzer of the project/ leader. The leader and the partners include in the budget only the sums necessary for the total financing of the activities they carry out. The leader is the one responsible for the implementation of the project.

-The leader's collection of the prefinancing from the Management Authority/ the Payment and Certifying Authority

5XX = 458
"Available account " = "Deposits received from MA/PCA"

The transfer of prefinancing into the partners' accounts

461 = 5xx
"Debtors-/ad" = „Available account"

Deduction of the prefinancing assigned to the partners

462 = 461
"Creditors" = "Debtors"

-to the partners
collecting the prefinancing from the leader

5xx = 462
"Available account " = creditors"

registering the reimbursmnet request delivered to the leader

461 = 775
"Debtors-"= "Financing from external post-adherence irredeemable funds"

Deduction of the prefinancing

462 = 461
"Creditors" ="Debtors"

Reimbursement of sums from the leader

5xx = 461
"Available account " ="Debtors

Likewise, the matter of the type of credit to be engaged must be clarified, in case annual contracts are being signed in the context of a multiannual project.

Taking into consideration that a multiannual program also includes necessary expenses for which annual contracts are being signed, these expenses are being engaged in the limit of commitment credits, so as at the end of the multiannual process, the guarantee credits will be equal with the budgetary credits, summed accordingly to the implementation period of the programme/project.

We also take into consideration the possibility of including the collaborations among public institutions in participating to the projects financed by external irredeemable funds similarly to the partnerships.

Similar problems also arise in the case of research contracts signed between universities and public institutions, when they also do not receive financing from the contract authority to cover for the years they executed payments from proper revenues.

Therefore we recommend that the budget of a certain project must include the budgetary credits at the level of the commitment credit thus the payments executed equal the sum of commitment credits.

Nevertheless, according to article A1 from Annex 1 at Norms for the elaboration and deposition of public institutions' financial statements in 31st December 2008 approved through Order of Ministry of Economy and Finances no. 3769/2008: "(…) The following operations: the transfer of sums from an available account to another one by money order, the restitution of liabilities to treasurers, the restitution of auction participation liabilities, the restitution of other sums collected illegally etc., although representing payments, they are not included in the budgetary scheduled payments that were previously employed and dissolved (…)". In conclusion, these issues should not be presented in annex no. 6 and annex no. 7 "The public institution's execution account - Expenses", of the public institution.

"The EU should act in a particular manner showing solidarity and cohesion to the new members since their increase and development will bring in benefits to everyone. At the same time, the community policy re-formation is compulsory: not only for funds economizing but also for promoting better policies. When we make a decision regarding this kind of changes we should take into account the goals of the Lisbon agenda and also the need for innovation and increase"

"Regarding the structural expenses, certain measures are necessary adapted to the needs and priorities of the new members as well as the regional integration of the Central and Eastern Europe. Major investments will be necessary both in the environment and infrastructure as well as in human resources and education. An innovative method should be identified of using
the EU budget to support other policies like research and development. Concerning the budget income share, a more impartial, transparent and stable system is required. Over the entire continent, the EU should provide
the result people expect, helping the mature economies to be innovative and the less mature ones to complete their change."[15]

3.1The general framework regarding the CPE services within the Romanian public sector

Sustainable development al local level presents a big interest for the local authorities and not only for them but for all the users of local information (researchers, students, economic agents etc.)
It promotes partnership as a key element of good governance. [16]

Public private partnerships (PPPs) are developed as a way of fulfilling public tasks in partnership between a public sector authority and a private enterprise. The agreement shares the risk of the project while, generally, the public entity retains the ownership of the project and the private entity transpose the project into practice. This approach develops new dimensions in the new global era. The partnership shows the common interest of the parties involved, joined efforts, understanding of the each limitations. The PPPs are mainly established for infrastructure related projects and represent a key element for delivering modern, high quality, more competitive public services. For example, the PPPs developed by UK Government have three broad objectives in mind, namely:
- to deliver significantly improved public services, by contributing to increases in the quality and quantity of investment,

- to release the full potential of public sector assets to provide value for the tax payer and wider benefits for the economy,
- to allow stakeholders such as the users of the service, tax payers and employees to receive a fair share of the benefits of the PPP.

A new approach is the PSPPs as a development PPPs, referring to public social private partnerships. We can say that it represents an extension of the PPPs in social and educational services. For the public side of the partnership this means that solutions are found for public tasks of the common good or welfare provision, firstly through a cooperative form of outsourcing (including financing) and secondly by involving additional partners from private and social entities in doing things which the state has responsibility for. For the private side of the partnership it provides possibilities for new kinds of business activity through the cooperation with the state and social entities. In this way, social entities have the opportunity to act in their ideal role of intermediaries between the state and private sectors. [17]

3.2The adaptation of EU stipulations into the Romanian legislation

In 2008, the Government Ordinance no. 22/2008 transposed into the Romanian legislation the EU Directive 2006/32/CE8 regarding the energetic efficiency to final users and energetic services.The aim of this directive is to improve the level of energetic efficiency and to line up to the economic methods of reducing the energy expenses.

The Government Ordinance 22/2008 defines the energetic services that constitute the foundation for the energetic performance contracts. electricity, natural gas (including the natural liquid gas), liquid oil gas, any fuel used for heating and cooling (including the heating and cooling district networks), coal, lignite and peat, the transportation fuels (besides the one used in aviation and marine) and the biomass the way it was defined by Directive 2001/77/CE of European Parliament and Council in 27th September 2001 regarding the promotion of electricity obtained from regenerable energy resources on the internal electricity market are considered to be universal services by the EU regulations.

The same ordinance also defines for the first time in the case of Romania the energetic services companies (ESCOs). These are authorized individuals and legal persons offering energetic services and/or other measures for the improvement of energetic efficiency within the consumer's enclosure or appliance and who, as a consequence of the services offered, accept a certain degree of financial risk. The payment for these services is based partially or entirely on the improvement of energetic efficiency and meeting the other performance criteria established by the parties involved.

At present, there is a legal breach regarding the authorization of EBSCOs since there is no state organization responsible for EBSOs in particular.

For the implementation of energetic performance contracts, the Romanian ensures financial instruments for energetic economies: 1) Public funds; 2) Financial assistance; 3) Tax reductions; 4) Commercial loans; 5) Funding by tertiary; 6) Energetic performance contracts; 7) Contracts granting the energetic economies; 8) Contracts for energetic outsourcing; and 9) Other contracts of the same nature that are made available on the market by the public institutions or the private organisms to cover partially or entirely for the initial cost of the measures for the improvement of energetic efficiency.

The transposition of EU Directive 2006/32/CE into the Romanian legislation and the creation of a strong strategic and institutional framework constituted the main factor for starting the debate at a superior decision-making level regarding the CPE models and the assistance measures necessary for the their implementation at a local level.

3.3 National strategic framework

The preliminary conditions for a system to monitor the energetic efficiency within buildings were met officially through the introduction of the Government Ordinance no. 22/2008 regarding the control and planning of the energetic consumption. This ordinance oblige the large and middle municipalities (with more than 20000 inhabitants) to elaborate a "Energetic Master Plan" (EMP) and to implement adequate reporting procedures. These two measures offer the decision-making organs data that helps them to manage the buildings supply efficiently. The obtained data are also used by the organs which have an impact at national level on the planning and establishment of frameworks for energetic efficiency programmes.

GO 22/2008 incorporates the national policy for the efficient energy use (and also the energetic performance contracts) within the energetic national policy. The national policy for the efficient use of energy establishes the targets to be achieved as well as the necessary mechanisms that could contribute to an increase in the level of efficient use of energy for the final users, following the requirements of the European Community. (According to the stipulation of EU Directive 2006/32/CE art.1).

Its objectives are the creation of some market conditions favorable for the energetic services and the improvement of the level of energetic efficiency for the final users.Romania has engaged in reducing the energy consumption with13,5% by 2016, relatively to the medium level of energy consumption between 2001 and 2005.

The National Strategy for Energetic Efficiency (approved by Government Resolution no. 163/2004) and the National Action Plan for Energetic Efficiency (approved by Government Resolution no. 1661/2008) presents specific measures for the achievement of these objectives.

The increase of energetic efficiency within the public institutions will have a socio-economical impact. According to the current legal norms, the impact upon public institutions is of approximately 40 years, sometimes longer. The potential reduction of energy expenses for these buildings is very high.

In this context, the energetic performance contracts were perceived to be profitable, but the lack of experience and expertise at the level of these buildings' administrators, as well as the lack of some experimented ESCOs led to signing partial contracts, not entirely for energetic performance.

Priority Axis 4 “Increasing energy efficiency and security of supply, in the context of combating climate change” is part of the Operational Programme “Increase of Economic Competitiveness” and allows the financing of projects of investments within the energetic sector between 2007 and 2013 from public funds. The combination between irredeemable external funds with private public partnership represents an objective that the EU Commission has been working at for many years. Therefore the EC financial regulations (European Council Regulation no. 1083/2006 from 11th July 2006 that includes the provisions of the European Regional Development Fund, European Social Fund and the Cohesion Fund and which abrogate the (EC) Regulation no. 1260/1999) have established a general framework that allows the combination of EU funds with private public partnerships (Council Regulation (EC) no. 1083/2006).

Due to the many legal, financial and organizational barriers, a Green Card on this subject has not been created yet.

3.4Financing mechanisms

Energetic performance contracts may include, in addition to the energy supplier and the beneficiary of the means of improving the energetic efficiency, a tertiary that provides the capital for the certain measure.

The German energetic performance contract model stipulates that the payment of the capital provider is made from the savings obtained from the reduction of energy expenses, as a direct consequence of the implemented measures for the improvement of energetic efficiency.

The proprietors and legal administrators of public commodities subjected to some CPE projects may take commercial loans to finance the investment and the operational and maintenance expenses or they may resort to private financing by signing public private partnership (PPP) or concession agreements.

However, the local public administration authorities may contract or secure loans according to the law in effect, only with the permission of the commission for the authorization of local loans.

In accordance with the law of local public finances, the local authorities “are forbidden access to loans or to secure any kind of loan if the total annual debts representing the outstanding instalments of contracted and/or secured loans, the reprises and afferent commissions, including the ones afferent to the loan pursued for that year exceed the limit of 30% of the total revenues”.

The contracted or secured loans that ensure the prefinancing and/or the co-financing of projects that benefit from pre- and post-adherence EU funds are excluded from the rule of 30% of the total revenues of the particular authority.

3.5 The accounting operations applied to concessions

According to ESA95 regulations, when the assets (in the form of constructions or other structures) are counted as governmental assets registered in the State Balance sheet, the capital expenses are registered into the accounting the moment they arise, not at the end of the restoration period. The pay in instalments of the constructor may establish the moment in which the accounting registration is made.

However within Romanian accounting, the public institutions register the assets that come from private sources after the concession contracts expire and the commodities are amortized.

3.6 Conclusions and recommendations regarding the accounting of energetic efficiency contracts in public institutions

Since the economical operations in accounting are registered the moment they arise, the accounting cannot include future operations whose value is unknown.

Since the main objective of this kind of contractual relation is the economical efficiency not the technological solution and is necessary for the implementation of an accounting model that can highlight the value of the reduction in the energy invoice of the institutions as well as in the payment of services provided by different companies from the value of energy saving, we recommend that in order to monitor the efficiency, a extra-accounting evidence must be developed in which the amount of energy to be reduced is estimated for each period as a consequence of the restorations together with the amount of energy that was effectively saved during that period.

Moreover, the introduction of a budgetary-economical classification assigned to a code that reflects this type of economical efficiency contracts is recommended.

For now, Romania has a legal framework regarding the energetic efficiency services that follow the EU requirements through the adaptation of European Directives.

However, an authority that desires to implement CPE models will confront with practical difficulties associated with the modes of applying these regulations. There is a need for an institutional framework that can assist in the implementation of first CPE projects in Romania.

In conclusion, in order to simplify the understanding of the set of financial statements elaborated at the end of a period, we should shift the emphasis of cross examination of the various annexes of financial statements to the analysis presented within their footnotes and the understanding of the processes.

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