

Fiscal - Budgetary Policy and Fiscal Administration in Romania in the Period 2020-2023

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Abstract

The paper is based on a report from the budget for the period 2020-2023 which was prepared based on art. 35 paragraph (2) of Law 500/2002 on public finances, with subsequent changes and additions and is based on the deductions of the Fiscal-Budgetary Strategy for the period 2020-2022 and the provisions of the medium-term macroeconomic framework 2018-2023 (autumn 2019 provision).

In this paper we presented the main developments of the macroeconomic framework in the reference period in the context of the international framework, the main goals and strategic priorities that Romania has to meet by 2023, and the changes that will be made for the budget deficit policy. to directly help economic development.

Key words: public finances, state budget, fiscal-budgetary policy, budget deficit

J.E.L. classification: H6, H61, H62

1. Introduction

The most important characteristics of the budget construction for 2020 and the horizon 2021-2023, which will support Romania's effort for a resilient economy, to face the challenges of the future are:

- The draft budget is outlined on an economic framework with an economic increase of 4.1% assumed for 2020 and an average annual rate of 4.1% for the entire period 2021-2023, much higher compared to the one calculated to be recorded in EU countries (1.2% in the euro area and 1.4% of the EU as a whole, estimated for 2020, according to the EU autumn forecast). In the circumstances of a difficult international framework, Romania has a conception of fiscal and budgetary policies that amplify and keep the economic increase constant, being aware that it must use all its powers to stabilize the economic resistance.

- Investments are the engine of economic growth and job creation, with multiplier fruit and direct contribution to gross fixed capital formation. For 2020, investments are valued at 4.5% of GDP, higher by 6.1 billion lei than in 2019.

- At the same time, the budget considered reducing budget deficits over the reference horizon. The cash budget deficit target for 2020 is estimated at 3.59% of GDP, and the loss of ESA at 3.58% of GDP, continuing to reach 1.94% of GDP in 2023, thus falling within conditions of European regulations.

The measures underpinning the budget construction for 2020 and the 2021-2023 outlook, as well as the downward change in the medium-term budget deficit, signal the clear trend of phasing out pro-cyclical fiscal policy, with 2020 being the first step towards a return to the goal. budget deficit below 3% of GDP provided for in the Maastricht Treaty.

According to the coordinates of the budget construction for 2019 and the horizon 2019-2022, the basic criteria of this draft budget also result: realism, avoiding the waste of public money, transparency, performance, efficiency.

In the future, Romania has a number of determinations: strengthening multiannual programming, keeping public debt within acceptable limits, sound public budget, committed to supporting useful structural reforms, sufficient fiscal room for maneuver in case of economic difficulties and / or contamination, the efficiency of public policies that must be expressed in the performance of the business environment, entrepreneurship, and the agility of the workforce, goods and services, improving collection, but also increasing the absorption potential of European funds, stimulating a correct attitude on increasing wages based on increasing labor productivity, goals that once achieved, can lead us to the hope of keeping Romania in the top of EU economies and thus raising the living standards of members of society.

Throughout its development, Romania must send a message of trust and responsibility, for joining the Eurozone to become a reality, to prove an authoritarian political vision for the European project, for all Member States to work for a prosperous and firm Union.

2. Literature review

The notion of public budget is a basic component of the science of finance, and can be analyzed from a legal point of view, but also from an economic point of view. Thus, from a legal point of view, the public budget represents the document through which public revenues and expenditures are provided and approved every year. The budget provides for financial resources for a certain period of time, as well as how to use them. As it is a document that must be approved by the Parliament for each budgetary indicator, being constituted for a period of 1 year, it can be stated that the state budget is mandatory (Carmen C., 1998).

In Romania, the notion of national public budget was introduced in 1991, by the Romanian Constitution and by the law of public finances of that year, which included the state budget, the state social insurance budget and the local budgets.

Analyzed from an economic point of view, the public budget highlights the existing macroeconomic correlations between the level of public revenues and expenditures and the evolution of gross domestic product, as well as the role of economic policy instrument it plays (Beck M., Rațiu M.A., 2013). The budget represents a financial plan at macroeconomic level through which revenues and expenditures are forecast both in the short term, at the level of one year, and in the medium term with the help of program budgets, especially for public investments. The state budget expresses the economic relations in monetary form that arise in the process of distribution of the gross domestic product, in accordance with the objectives of economic, social and other policy of each period.

In countries such as France, the concept of national economy budget or economic budget in England or the USA is used. This is considered an estimated document that includes forecasts on the activity of economic agents in the country, as well as forecasts on the formation and use of public budget sources, both for the current year and next (Macovescu A., Christmas A., Tudor G., 2017).

In our country, the state budget is the main component of the budgetary system, in which are concentrated most of the financial resources needed to finance the main socio-cultural, economic, national defense, maintenance of central state bodies (Beck M., Gherghina S., 2013). The state budget is formed on the basis of the financial plans of the ministries and central institutions through which the respective actions are carried out, as well as the expenditure plans generated by the central bodies of the state administration, the financial plans regarding the functioning of courts, prosecutor's offices and national defense. The state budget also includes the budget of the Senate and the budget of the Chamber of Deputies, etc.

The national public budget is the main financial instrument of the state - the financial balance at macroeconomic level - which serves to size the financial resources of the state, to establish their destinations and to substantiate the financial balance, over a period of time, usually for one year.

The explanatory dictionary of the Romanian language defines the budget as "a balance of the incomes and expenses of a state, of an enterprise for a determined period". Specialists in the field have formulated several definitions of the budget, as follows:

- the budget is a financial plan that includes the public revenues and expenditures of the state over a certain period of time;
- the budget is a forecast of revenue and expenditure for a given period, an evaluation and comparative table of revenue to be met and expenditure to be incurred;
- the state budget is considered as an act containing the prior approval of public revenues and expenditures;
- the budget is the act by which the annual revenues and expenditures of the state are provided and authorized;
- the set of accounts that describe for a calendar year all the resources and all the expenses of the state.

Being the most important mechanism through which the functions of public finances are transposed in life, the state budget is the closest instrument of state intervention in the economy, through its budgetary and fiscal policies (Beck M., Gherghina S., 2013).

3. Research methodology

The development of the national economy, the increase of the gross national product, the increase of the labor productivity, the decrease of the production costs and the improvement of the quality of the products determined the annual increase of the revenues of the state budget.

The state budget manifests its role through the following functions: the function of mobilization, distribution and use (distribution) of money resources; control function..

Regarding this paper, we can say that the way in which this paper is structured shows the main evolutions of the macroeconomic framework in the reference period in the context of the international framework, the main goals and strategic priorities that Romania has to meet by 2023, as well as the changes that will be made for the budget deficit policy to directly help economic development.

The paper analyzes the results obtained in the case of Romania, highlighting the macroeconomic and budgetary evolutions and trends for the period 2019-2023. In this paper were processed the series of statistical data taken from the State Budgets on the website of the Ministry of Finance, as well as data provided by the National Institute of Statistics.

The research method used is a descriptive, comparative one that analyzes: the fiscal administration policy with the strategic objectives of ANAF in the short and medium term, the reduction of tax evasion and fraud and the improvement of relations with taxpayers.

4. Budget projections for the period 2021-2023

After a period of pro-cyclical fiscal easing, during which the budget deficit widened due to the rapid growth of budget expenditures that could not be supported by a similar evolution of revenues, the year 2020 notes the reversal of the trend towards this deficit trend.

In structural terms, there is a deviation from the Medium Term Budget Objective (in English, abbreviated: MTO) determined for Romania, but at the end of the planning horizon an adjustment of the structural balance of over 1.5pp compared to 2020 is guaranteed.

However, the deviation from the MTO occurs with the maintenance, on the whole planning horizon, of a sustainable level of public debt below 40% of GDP, the final objective of the European rules on the budget deficit being thus assured.

Tabel no. 1 - Revenue, Expenditure and Balance of the general consolidated budget (% of GDP)

	2020 Estimation	2021 Estimation	2022 Estimation	2023 Estimation
CASH INCOME	31,9	31,7	32,2	32,2
EXPENSES cash	35,5	35,0	34,8	34,0
The cash balance	-3,59	-3,34	-2,53	-1,76
ESD methodology salary	-3,58	-3,44	-2,77	-1,94
The structural balance	-3,39	-3,24	-2,62	-1,85

Source: Data processed from the 2020 budget report

Budget revenues

The calculation of the evolution of the revenues collected from the main categories of taxes and fees for the period 2020-2023 is based on the most up-to-date projection of the macroeconomic indicators described in the Autumn 2019 Forecast of the CNSP, the estimated revenues for the year and the estimated revenues.

Total budget revenues increased in importance in GDP from 29.4% in 2017 to 31.4% of GDP in 2019. This development was mainly determined by the decrease in the share of fiscal revenues that maintained the declining trend (-1.3 pp) but which was offset by the increase in the share of social contributions (+2.4 pp), non-tax revenues (+0.3 pp) and amounts received from the EU (+0, 6 pp). In the medium term, revenues are projected to grow slowly to 31.9% of GDP in 2020 and 32.2% in 2022-23, further supported by the rise in the share of GDP in social contributions.

In the case of tax revenues, income tax revenues are estimated at an unchanged level of 1.7% of GDP over the entire forecast horizon corresponding to the evolution of the relevant macroeconomic base (nominal GDP growth), a level recorded in previous years as well. In the income tax collection in 2019 from the profit tax, a slightly accelerated dynamic of the component owed by the banking institutions can be taken into account and a continuation of this evolution is foreseen in the year 2020. At the same time, the non-profit sector tax recorded a slower transformation in 2019, although nominal GDP is projected to increase by 10.2%. In the medium term, the flexibility of income tax revenues relative to the dynamics of nominal GDP growth is maintained at an average of 1.

The importance of income tax receipts in GDP decreased uniformly from 3.5% in 2017 to 2.4% in 2018 and 2.2% in 2019 reflecting the impact of resetting the structure of taxation of salaries by sending contributions from employer, employee and tax rate reduction from 16% to 10%. Income tax revenues are projected to increase from 2.3% of GDP in 2020 to 2.6% of GDP in 2023, the evolution of which expresses the predicted dynamics of the wage fund in the economy and the valuable increase in pension income. According to the Autumn 2019 Forecast, the growth rate of average gross earnings in 2020 is estimated at 9.8% and then, to slow the grade to 7.0% in 2023, and the average number of employees will increase sharply approximately constant of 2% in the period 2020-2023.

VAT revenues have remained in recent years at a share of about 6.3% of GDP, reflecting the dynamics of final consumption of households, adapted to the components of self-consumption and non-profit institutions in the service of households. VAT revenues are estimated at 6.4% of GDP in 2020, representing a share similar to that forecast for 2019. For the next year, the calculations indicate a marginal increase of 6.5% of GDP mainly due to the introduction of improvement measures. VAT collection valued at 1.8 billion lei in the period 2020-2021. In the medium term, VAT revenues are projected to remain at 6.4% of GDP until 2023, reflecting the slowdown in the growth rate projected for household consumption.

Excise revenues represent a constant share of 3.0% of GDP in 2018 and 2019 and this level is expected to be maintained in the medium term, mainly reflecting slightly declining dynamics of real population consumption and inflation (average annual inflation). will be reduced from 3.1% in

2020 to 2.6% in 2023). The forecasts of the excise revenues include the increase of the stage of the total excise duty for cigarettes starting with the year 2020 for the correction of the inconsistency with the provisions of art. 10 para. (2) of Directive 2011/64 / EU.

Revenues from taxes on the use of goods, authorization of the use of goods or on the conduct of activities are estimated to increase by 0.1% of GDP in 2019 (0.3% of GDP adjusted by refunds of the car tax of 2.3 million lei) 0.6% in 2020, mainly due to the inclusion in the estimates and the validation of 5G licenses. In the medium term, these revenues remain at 0.4% of GDP. Estimated revenues from foreign trade tax and international transactions will remain at 0.1% of GDP over the entire forecast period, a level similar to that of previous years. The same evolution is estimated for the category of other taxes and fiscal fees.

Non-tax revenues are projected to decline from 2.9% of GDP in 2018 to 2.8% of GDP in 2019 (including additional dividends from state-owned companies). In 2020, non-tax revenues are projected at 2.5% of GDP and on a slightly declining trajectory to 2.3% of GDP in 2023. Receipts from social security contributions have increased significantly from 8.4% of GDP in 2017 to 10.8% of GDP in 2019, mainly reflecting the shift of contributions from the employer's attribution to the employee's attribution and significant dynamics of the wage fund in the economy. Contribution revenues are estimated at 11.0% of GDP in 2020, and in the medium term the growth trend will slow to 11.5% of GDP in 2023, reflecting the deceleration of projected increases in average wages. The assessments were made taking into account the legislative provisions in force, together with maintaining the transfer rate to Pillar II of pensions at 3.75% over the entire forecast horizon.

The amounts received from the EU on account of payments are estimated at 2.6% of GDP in 2020, and will progress towards the end of the multiannual European budget year at 2.9% of GDP in 2022.

Tabel no. 2 - Revenues of the general consolidated budget - by types of income -

	-% of GDP-				
	2019	2020	2021	2022	2023
Total, of which:	31,4	31,9	31,7	32,2	32,2
Tax	1,7	1,7	1,7	1,7	1,7
Income tax	2,2	2,3	2,5	2,5	2,6
Property taxes and fees	0,6	0,6	0,6	0,6	0,6
Value added tax	6,4	6,4	6,5	6,4	6,4
Excise	3,0	3,0	3,0	3,0	3,0
Foreign trade tax	0,1	0,1	0,1	0,1	0,1
Other tax revenues	1,1	1,5	1,2	1,2	1,2
Social security contributions	10,8	11,0	11,1	11,3	11,5
Non-taxable income	2,8	2,5	2,5	2,4	2,3
Capital income	0,1	0,1	0,1	0,1	0,1
Donations	0,0	0,0	0,0	0,0	0,0
Amounts from the EU on account of payments made	2,6	2,6	2,4	2,9	2,7

Source: Data processed from the 2020 budget report

Budget expenditures

If by 2019 inclusive, total budget expenditures have significantly increased their share of GDP, starting with 2020 a correction of this trend will be made to help the goal of adjusting the budget shortfall.

Although in nominal terms the total expenditures increase in the medium term, compared to GDP there is a decrease of 1.5 pp compared to the level of 2020 due to the maintenance of their nominal dynamics below the GDP dynamics.

And in the structure, the majority of expenditure groups show the same downward trend as a share in GDP compared to the level of 2020. In the situation of social assistance expenditures, after the increase registered in 2021, this is on the downward trend. planning around the level of 11, 9% of GDP.

Tabel no. 3 - Expenditures of the consolidated general budget - by economic classification -
-% of GDP-

	2020	2021	2022	2023
Total, of which:	35,5	35,0	34,8	34,0
Personnel expenses	9,7	9,4	9,2	8,9
Goods and services	4,5	4,2	4,0	3,9
Interest	1,2	1,2	1,2	1,1
Grants	0,6	0,6	0,6	0,5
Social assistance	11,6	12,2	12,0	11,9
Other transfers	3,3	3,3	3,7	3,5
Investment expenses	4,5	4,0	4,1	4,1

Source: Data processed from the 2020 budget report

5. Romania's contribution to the EU budget, its financing and its net financial position

Romania's contribution to the EU budget

According to the commitments assumed by the Treaty of Accession of the Republic of Bulgaria and Romania to the European Union ratified by Law no. 157/2005, Romania, as a member state, takes part in the financing of the European Union budget corresponding to the unitary EU rules which are directly applicable from the date of accession. Thus, starting with January 1, 2007, Romania covers the payment of its contribution for the financing of the European Union budget within the system of own resources of the EU budget.

Tabel no. 4 - Romania's contribution to the European Union budget for 2020 and the estimate for 2021-2023
- thousand euros -

Name	Execution 2019	2020	2021	2022	2023
Contributions from customs duties	935.799,8	978.500,0	978.500,0	978.500,0	978.500,0
Contributions from the sugar sector	0,0	0,0	0,0	0,0	0,0
All contributions from own resources traditional	935.799,8	978.500,0	978.500,0	978.500,0	978.500,0
Contributions from the VAT resource	1.163.183,5	1.147.001,0	1.147.001,0	1.147.001,0	1.147.001,0
Contributions for correction / discount	529.808,6	570.109,1	570.109,1	570.109,1	570.109,1

granted to Great Britain					
GNI resource contributions	6.765.059,3	6.673.365,7	6.504.557,7	7.004.557,7	7.004.557,7
Contributions for reductions in favor Denmark, Austria, Countries Netherlands and Sweden	69.870,0	72.038,1	72.038,1	72.038,1	72.038,1
All contributions from own resources	9.463.721,2	9.441.014,0	9.272.206,0	9.772.206,0	9.772.206,0
Additional contributions and unforeseen	28.652,3	248.900,0	248.900,0	248.900,0	248.900,0
Romania's contribution to the EU budget	9.492.373,5	9.689.914,0	9.521.106,0	10.021.106,0	10.021.106,0

Source: Data processed from the 2020 budget report

These amounts are subject to change, therefore, on the one hand, according to EU procedures, automatic technical adjustments will be made to the indicators decided at the ACOR-Forecasts meeting, at the time of the production of the new macroeconomic indicators estimated by the European Commission, The degree of contribution of all Member States, and therefore also of Romania, will change depending on the negotiations at EU level in relation to the total volume of the European Union budget.

- BREXIT - plugging the gap left behind by the UK's withdrawal from the EU (equal to the UK's contribution to the EU budget or other amount, depending on the outcome of the March 2019 agreement);
- The Multiannual Financial Framework 2021-2027 - still in the process of negotiation, expecting its completion in 2020. The agencies that influence the amount of RO contribution to the EU budget are:
 - New own resources - will give rise to changes in the share of the RO contribution to the EU budget in the total own resources;
 - Increasing the financing ceiling of the EU budget through the own resources system;
 - Other influences from the Internal and International Market.

Estimation of Romania's contribution to the European Development Fund for the period 2020 - 2023

According to Law no. 16/2008, Romania acceded to the Agreement signed in Luxembourg on June 25, 2005, amending the Partnership Agreement between the members of the African, Caribbean and Pacific Group of States, of the one part, and the other Member States, of the European Community, signed in Cotonou on 23 June 2000. In this context, since 2011, Romania has been contributing to the 10th and 11th European Development Funds (EDF 10 and EDF 11).

The table below shows the evaluation of Romania's contribution to the EDF for the period 2020-2023:

Tabel no. 5 - Romania's contribution to the European Development Fund for 2020 and the estimate for 2021-2023

- thousand euros -

Name	Execution 2019	2020	2021	2022	2023
Romania 's contribution to the European Development Fund	154.484,1	160.823,0	135.291,0	102.336,0	71.636,0
Current transfers abroad (to organizations international)	154.484,1	160.823,0	135.291,0	102.336,0	71.636,0

Source: Data processed from the 2020 budget report

These amounts may change depending on the decisions taken at EU level, in connection with the need for funds for payments to ACP states.

6. Conclusions

After a period of pro-cyclical fiscal easing, during which the budget deficit widened due to the rapid growth of budget expenditures that could not be supported by a similar evolution of revenues, the year 2020 notes the reversal of this deficit trend.

Total budget revenues increased in importance in GDP from 29.4% in 2017 to projected at 31.4% of GDP in 2019. In the medium term, revenues are expected to grow slowly to 31.9% of GDP in 2020 and 32.2% in 2022-23, further supported by the rise in the share of GDP in social contributions.

In the case of tax revenues, income tax revenues are estimated at an unchanged level of 1.7% of GDP over the entire forecast horizon corresponding to the evolution of the relevant macroeconomic base.

VAT revenues have remained in recent years at a share of about 6.3% of GDP, reflecting the dynamics of final consumption of households, adapted to the components of self-consumption and non-profit institutions in the service of households. VAT revenues are estimated at 6.4% of GDP in 2020, representing a share similar to that forecast for 2019.

Excise revenues represent a constant share of 3.0% of GDP in 2018 and 2019 and it is expected that this level will be maintained in the medium term, mainly reflecting slightly declining dynamics of real population consumption and inflation.

Revenues from taxes on the use of goods, the authorization of the use of goods or the carrying out of activities are estimated to increase from 0.1% of GDP in 2019 to 0.6% in 2020, mainly as a result of the inclusion in the valuation estimates.

Non-tax revenues are projected to decline from 2.9% of GDP in 2018 to 2.8% of GDP in 2019 (including additional dividends from state-owned companies). In 2020, non-tax revenues are projected at 2.5% of GDP and on a slightly declining trajectory to 2.3% of GDP in 2023.

The amounts received from the EU on account of payments are estimated at 2.6% of GDP in 2020, and will progress towards the end of the multiannual European budget year at 2.9% of GDP in 2022.

From the coordinates of the budget construction for 2019 and the period 2019-2022, derive the basic ideas of this draft budget: realism, efficiency, transparency, avoiding waste of public money, performance.

Throughout its development, Romania must send a message of trust and responsibility, for joining the Eurozone to become a reality, to prove an authoritarian political vision for the European project, for all Member States to work for a prosperous and firm Union .

By meeting the following challenges (strengthening multiannual programming, keeping public debt within acceptable limits, sound public budget, committed and supporting useful structural reforms, sufficient fiscal room for maneuver in case of own economic difficulties and / or through

contamination, efficiency of public policies that must be expressed in the performance of the business environment, entrepreneurship, and the agility of the workforce, goods and services, improving collection, but also increasing the absorption potential of European funds, stimulating a correct attitude to increase wages based on increasing labor productivity) which once achieved, can lead us to the hope of keeping Romania in the top of EU economies and thus raising the standard of living of members of society.

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