

INSTITUTIONAL PUBLIC FINANCE ROMANIAN SYSTEM

SISTEMUL INSTITUȚIONAL ROMÂN AL FINANTELOR PUBLICE

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Abstract. *Elaboration, implementation and monitoring budget process is leading by Public Finance Law and the others laws. MFP is responsible in elaboration of the annual budget laws, rectification laws, and the laws for approving annual execution accounts. These projects are presented by MFP in Govern and are assumed by the Govern, in order to be send to the Parliament.*

Keywords: *Public budget, incomes, budget outlays, fiscal, programming*

Rezumat. *Procesul de elaborare, execuție și monitorizare a bugetului este guvernat de Legea Finanțelor Publice precum și de alte acte normative (reglementări guvernamentale, instrucțiuni, metodologii, etc.). Ministerul Finanțelor Publice are principala responsabilitate în elaborarea legilor anuale ale bugetului, a legilor de rectificare, precum și a legilor privind aprobarea contului anual de execuție. Aceste proiecte sunt prezentate de Ministrul Finanțelor Publice în Guvern și sunt asumate de Guvern, pentru a fi trimise spre aprobare Parlamentului.*

Cuvinte cheie: *Buget public, venituri, cheltuieli bugetare, programare, fiscalitate.*

The budgetary legal frame

The public finance law, adopted in 2002, anticipate that the Parliament pass the annual bills of the budget and also pass the rectification bills, drawn up by the Government in the macro-economical strategy assumed context.

According to this Law, the Parliament cannot approve the amendments to the budget that lead to a majority of the budget deficit, the Government being the one in charge to establish the maximum level (the high water mark) of this indicator.

The budgetary context consists in five major phases: the budget draw up; discussing the project budget and adoption of the budget at the legislative level; the budget execution; implementation, monitoring; approving the general execution account.

In case when the budget law hasn't been adopted, with at least 3 days before the ending of the budgetary year, the Government will carry out the attributions predicted in the previous year budget, and the monthly expenditure limits cannot exceed, as a general rule, 1/12 from the previous year budget.

The state budget (public budget) – step by step

We represent the main bench-marks of the budget draw up calendar:

- 31st of March – macro-economic and social indicator's forecast for the budgetary year for which the budget is drawn up, and also for the next 3 years, is

realised by the organizations in charge. These indicators will be actualised during the budgetary process.

- 1st of May – The Ministry of the Public Finance transmits to the Government the goals of the fiscal and budgetary policy for the budgetary year for which the budget is drawn up, and also for the next 3 years, together with the expenditure limits established for the main credit's ordinators (the Ministries and Governmental Agencies).

- 15th of May – The Government inform the Parliament about the main directions of its macro economical and public finance policies.

- 1st of June – The Ministry of the Public Finance transmits to the main credit's ordinators a frame-letter in which is presented the macro economical context that is the background for the budget draft and for the methodology to drawn up the budget, but also the expenditure limits, approved by the Government.

- 15th of June – the change of the expenditure limit will be made by the Government, at the Ministry of Public Finance proposal, taking into account the proposal of the main credits's ordinators.

- 15th of July – the main credit's ordinators have the duty to transmit the budget draft for the next year to the Ministry of Public Finance, taking into account the expenditure limit and the predictions for the next 3 years.

- 1st of August – The budget draft handing in and the final annex, to the Ministry of Public Finance.

- 30th of September - The Ministry of the Public Finance, according to the budget draft received from the main credit's ordinators but also according to its own budget, elaborates the budget's law draft and the budgets drafts. These drafts/projects are transmitted to the Government.

- 15th of October – After the Government adoption of the annual budget law draft and the budgets draft, those documents will be transmitted to the Parliament for adoption.

- 31st of December – the Parliament adopt the Budget draft/project.

- 1st of January (next year) – Initiation of the budget approved by the Parliament.

The institutional frame for the coordination, implementation and administration of the comunitary / public funds

In the following period, the co-financing from the structural fund and from the Cohesion Fund will become an important resource for the National Development Plan policies. The EC, since December 2005 has decided that the structural and cohesion fund's allocation for Romania, should reach the 3.78% of the national GDP.

These funds solve the co-financing necessities of the local authorities and private organizations. For this aspect, a major goal of the Governmental macro economical policies is to rise the absorption capacity of the comunitary funds. We mention that institutional framework of the comunitary funds administration has been created, once the Government Decision no. 497/2004 has been adopted,

and the Ministry of Public Finance has been designated as a coordinating national authority in order to schedule and implement the structural and cohesion funds.

Another major step in the optimisation of the comunitary funds administration is the foundation, in 2005 of the Certification and Payment Authority, under the command of the Ministry of Public Finance, which is in charge with the certification of the expenditures realised during various projects, and with the delivery of the fund demands to the European Commission. This authority detain as the global budgetary position the structural and cohesion funds and the own national contribution.

The budgetary policies will also facilitate the access to the structural funds and to the Cohesion Fund, through the allocation of important resources from the budget. The Government also takes into account the supplementary actions in order to maximise the absorption capacity of the resources, from the structural funds and from the Cohesion Fund, especially through the development of the absorption capacity of the public administration and also through the efficiency of those resources, regarding:

- specialised structures setting up, inside of the competent organisations, in charge with the comunitary funds allocation;
- employment of a sufficient number of personnel (staff);
- training of the personnel involved in the comunitary funds allocation;
- definition and implementation of the specific procedures, in accordance with the comunitary rules and principles.

Improvement of the mid-term budget planning

In 2006, the Romanian Government has initiated a reform process through the introduction of the strategic planning system at the central public administration level. This system will be implemented in two stages: elaboration of the management component of the strategic plans – during the first stage and the budgetary programming component – in the second phase. The goals of the strategic planning system are represented by the development of the governmental action, efficient management of the public policies, the development of the connexion between the public policies planning and the budget drawn up, but also the development of the coherence and efficiency in public funds spending.

Between the priorities aimed by this strategic planning system, we mention:

- a) development of the elaboration and substantiation of the sectorial policies, through the development of the procedures, methodologies, and standards system development in the field of public policies;
- b) institutional efficiency and rationalization;
- c) improvement of the sectorial policies coordination with the governmental program, with PND or other national strategies self-comprehensive (for example the Lisbon Strategy) and correlation of the strategies with the existent resources in the consolidated budget;
- d) improvement of the correlation of the sectorial policies/programs with the budgetary programming through the improvement of the mid-term budgetary planning system;

e) focus on the public funds utilization, in the budgetary planning process, through the improvement of the programs based budget system: defining the objectives SMART manner, defining the results/outputs/effects that will be obtained, systems and procedures of creation and collection of the monitoring indicators.

In 2007, The General Secretariat of the Government collaborates with the Ministry of the Public Finance in order to detail the instructions and the methodology of the 2008 budget elaboration and to offer assistance to the ministries, in order to elaborate the Methodology for Strategic Planning, Program based Budgetary Component and also the Methodology regarding the establishment of the performance indicators for the budgetary programs.

Fiscal Administration Reform

The Government has begin the reform process of the incomes administration in order to develop the efficiency of collection, reduction of the voluntary conformation task, and improvement of the services for the tax payers, promoting the integrity and transparency also.

The major problem for the collection and administration of the taxes is the lack of a functional IT system and also the slow exchange of information regarding the declarations, payments and forced execution. Moreover, an important part of the VAT deduction is submitted to a preventive control and the control for selection is dominated by the works re-directed by other institutions (General Attorney, for example).

The main actions to be taken in the future period are regarding:

- additional development of the IT system, in order to allow a crossed verification/check, on time, of the payment declarations, self-acting delivery of the payment notifications and beginning of the forced execution process;
- delegation of the control responsibilities from the centre to the regional directions and development of an national control strategy.

In such manner is also included the institution of an analysing and identification system based on risk, in the domain of the tax payer's control, in order to save resources and growing the efficiency of forced execution process.

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