

## **STATE BUDGET AND BUDGETARY PROCEDURES IN ROMANIA**

**George Dorel POPA**  
**“Ovidius” University of Constanta**  
**Faculty of Law and Public Administration**  
**Constanta, Romania**  
*popageorgedrd@yahoo.com*

**Abstract:** *In Romania, the budget process is governed by the Constitution and the Law of Public Finance no. 500/2002, act that includes the elaboration of the draft budget, approving the state budget, budget execution and budget control. All these activities are carried out in a legal way and administrative-institutional way, presenting features from country to country. The budget shows many traits in common: it is a decision process, because its essence consists in allocating budgetary resources for public goods such as education, health, national defence and so on. On the other hand is an essentially political process because allocation decisions budgetary resources are determined by the political groups, the mechanism of representation and voting, is a complex process with many participants (schools, hospitals, ministries, etc.). The budgetary process is a cyclic process, as it follows a well-defined calendar as a consequence of yearly and advertising budget. In conclusion, the budget process is a set of consecutive stages of development, approval, execution, control and reporting of the state budget, which ends with the approval of its execution account.*

**Keywords:** *budget, financial law, revenues and expenditures.*

### **1. INTRODUCTION**

In the historical evolution of public finances a special moment was the appearance of the state budget. Further evolution of the state budget has been determined primarily by the need to correlate public spending with public revenues, each year. Public Accounting Act from 1864 is a step forward, because for the first time this document stipulated all state revenues and expenses necessarily to fulfil public services. Those revenues and expenses have been arranged according to the law and allowed for each year to form the general budget of the state. The state budget could be considered politically as an act of running the state, but he is also an assessment document because it indicates the expenditures will be made in the future. State budget revenues should be evaluated and all funds should be set at the disposal of the state to cover economic, social, military, public order and environmental needs. In terms of purely economic, budget express economic relations is manifested in cash, in the gross domestic product placement in connection with performing the functions and duties of the state. The budget appears as a financial action plan of the state, which is provided and authorized revenues and expenses for a limited period of one year. In conclusion, on the one hand, the budget is a document that authorizes the legislative power of the revenues and budget expenditures, and on the other hand, the public budget is a planning document for incomes and expenditures over a period of one year. Regarding the nature of the state

budget there are several theories. The state budget would be an administrative act, according to some opinions ensuring economic and social rights for citizens, right to education, cultural activities, and freedom to associate.

Other experts say that would be a legislative act. Finally, according to some theorists, it would have a political nature that will explain the fact is adopted by Parliament. Should be taken in consideration, the fact that, the Parliament is consist of different political parties, having different political options.

## **THE BUDGETARY PRINCIPLES**

In the preparation, approval and execution of the state budget, activates a set of rules known as the basic principles of the budget process. Budgetary principles in Romania have both a technical and a political significance. On the one hand, are considered necessary for the proper management of public finances, on the other hand are designed to facilitate the control of Parliament over the Government. The elaboration and execution of the state budget on the following principles:

- the principle of universality,
- the principle of publicity,
- the principle of unity,
- the principle of yearly periodicity,
- the principle of specialization,
- the principle of monetary unity,
- the principle of budgetary balance,

### a) The principle of universality.

According to this principle, the state budget must include all incomes and expenditures. It follows therefore that no income and no budget expenditure should not be done outside the budget framework. Applying this principle enables Parliament to know the total revenue the state will collect it and will be given their destination. This Parliament is entitled by adopting the annual budget law and the legal norms contained in the Public Finance Act.

### b) The principle of publicity.

According to this principle, the public budget, in all its components, is to inform the public. The project budget is referred to the general public and professionals. During parliamentary debates, which are public, are subject to approval by the major budgetary provisions. Then, after the official adoption of the law on the state budget, which is published in the Official Gazette, which gives the possibility of knowledge of its provisions.

### c) The principle of unity.

Applying this principle requires development each year to a single state budget, to be submitted in all income and all expenses of the annual budget. Bringing together in one documents all public revenues and expenditures allow clear presentation of state resources and their destinations. Also, a budget unit enables easily establish the relation

between income and expenditure and to know if the budget was prepared balanced deficit or surplus.

d) The principle of yearly periodicity.

Annually state budget has two different meanings, namely: the first refers to the time period for which the budget is prepared and approved, and the second, the period of time that are collected revenues and expenditures (budget execution). This principle requires that the budget be approved each year by Parliament. Limit to one year parliamentary authorization is based on political considerations and technical reasons. In finance theory is estimated that implementation of the budget, collection of revenues and expenditures authorized for each fiscal year could be organized by the state early taking in account the foreseeing financial necessity.

In Romania, public finance law states that budget year coincides with the calendar year, starts at January 01 and ends at December 31.

e) The principle of budgetary specialization.

According to this principle, budget revenues should be budgeted and approved by Parliament. The budget sources and public costs should be incurred by categories and destinations according to their economic content. Also, Parliament approves maximum level of each expenditure could be made (there is no exceptions on this area). According to this principle, the group of incomes and expenses is done in a particular order based on specified criteria, in a process called budget classification.

f) The principle of the monetary unity.

According to this principle, stipulated within the Public Finance Act, "all budgetary operations should be carried out in local currency". Introducing this principle was absolutely necessary, representing a means of ensuring the unity of expression in matters of enforcement revenues and expenditures.

g) The principle of budgetary balance.

The basic requirement of this principle lies in that the state budget must be balanced at all times. The public revenues cover all public expenditures and a balance during budget execution should be kept. The budget deficit is covered, usually by state loans and monetary issues, but just as temporary solutions. The related interest payments are affected by future income, which contributes to increasing the deficit and balance the budget at the expense of issuing money has negative consequences on the national economy.

## **THE PROCEDURES OF THE STATE BUDGET IN ROMANIA**

In most countries the draft budget is prepared by Government and the responsibility for drafting the budget rests with the Ministry of Finance. Development of draft budget is based on the objectives of the ruling party (or coalition of parties) which has a parliamentary majority. The result of the elaboration of the draft budget documents is presented by the Government for examination and approval of the Parliament. Usually, they contain explanatory memorandum and the bill of the budget, which includes provisions on the size of revenues and expenditures, proposals to amend the law relating to income and expenditure necessary for the budget to be approved. Moreover, the draft

of the budget includes annexes, in which is shown the structure of revenues and expenditures. Act no.500/2002 of public finances provides a preliminary stage of elaborating draft budget which is based on macroeconomic and social indicators, fiscal policy objectives and budget for the budget. Government will approve them until May 15 and inform the committees on Budget, Finance and Banks of Parliament on the main orientations of its macroeconomic policy and public finance. Each Minister has the obligation until July 15 of each year to submit to the Ministry of Finance to draft budget proposals for each Ministry. The whole draft budget and their annexes shall be submitted as completed until August 1 of each year. Ministry of Finance examines all draft budgets, discussing their main loan. In case of divergence of income and expenditure figures included in the budget proposal, the jurisdiction lies in the hands of the Government. Ministry of Finance, based on the draft budget, prepares the draft budget law and the draft state budget, which they submitted to the Government until September 30 of each year. After considering the Government Budget Proposal and the draft state budget the draft shall be submitted to Parliament for debate and approval. According to Romanian law, the state budget should be approved by the Parliament in joint session of the two chambers - the Chamber of Deputies and the Senate. This reveals the importance that is given by the fundamental law of the state budget. On the other hand, this solution is justified by the desire to eliminate the blockage of parliamentary activity. Draft State Budget, together with the draft law approving this budget is submitted to Parliament by the Government, together with the report on the economic and financial situation of the country. According to parliamentary procedure, to examine and approve the state budget law should be taken few steps:

- Examination of the draft budget law and report to the Government by committees of each chamber;
- Opinions of committees should be transmitted to budget and finance standing committee, along with any amendments made, the amendments should be issued on the right time and conveyed to the right committee;
- The general debate of the draft budget law in the plenum of the two chambers in the present Government;
- Debate on the articles of the draft law;
- Adoption law approving the state budget on the vote, which can be open or secret. After adoption by the Parliament in joint Rooms draft budget law becomes law, not organic law but an ordinary law.

## **THE EXECUTION OF THE ANNUAL STATE BUDGET**

State budget execution procedures include legal acts and operations through which the public revenues, and as a corollary, public expenditure is made. Thus, the third phase or stage of the budgetary procedure is the execution of the annual state budget. The aim of this phase is to carry out collection of taxes and other public revenues and public expenditures according to the destinations set of state budget law. Specifically, important attributes are set to the Ministry of Finance , such as those on the distribution of quarterly revenue and public expenditure, budgetary appropriations, transfers to local budgets,

introducing changes in the budgets of the principal loan and structure of the state budget, based on legal provisions stipulate units, actions or tasks from one ministry to another, cancellation of loans identified as being without justification, development work weeding general account annual state budget execution, preventive control and management of public revenues and expenditures. To organize the execution of the state budget, a particularly important role it has distribution quarterly revenues and expenditures set by the annual budget law. Pursuant to the Law of Public Finance quarterly distribution of income and expenditures take place according to the legal terms. Quarterly distribution of revenues and expenditures approved in compliance with all of these perfectly, ensuring achievement balanced state budget, including the budgets of the principal loan provided separately in the state budget, because the only way we can reflect any disparity between income and expenses of certain quarters and can proceed to the allocation of public expenditure according to the proportion achieving budgetary revenues in each quarter. Approving quarterly distribution of income and expenditures is given by law, the Ministry of Finance, which approves the expenditure headings, and within them, the titles of the principal loan proposal, approved quarterly distribution. The Ministers approves quarterly distributions for their budgets and budgets of secondary and tertiary loans, respectively. Finally, approval and distribution of approved secondary authorizing officer for budgets and budgets budget spending units. Completion of the execution of the state budget year coincides with the calendar year and respectively 31 December each year. Pursuant to the framework law, any income is earned and any accrued expense, liquidated and ordered , within budgetary provisions and not paid until December 31 will be charged or will be paid, as appropriate, account budget next year. Unused budgetary appropriations are cancelled until the end of the straight. Availability of external funds and public funds to co-finance the financial contribution of the European Union, remaining at the end of the budget year in accounts implementation structures, is reported in the following year. Ministers prepare annual accounts of the execution of the state budget, including the annexes shall include the revenue planned budget, final budget provisions and collections made. The expenditure budget appropriations initial and final budget appropriations still pay effectuate. In based on the financial statements of the principal loan, house accounts on execution of the state budget presented by the authorities which, by law, have the task, and after checking and analysing them, the Ministry of Finance prepares the annual general account execution of the state budget, including its annexes, which shows the Government. After the government proceeds to analyse them, present them to the Parliament. Annual general account of the execution of the state budget law is approved by the Parliament after its verification by the Financial Court. In case of money surplus, Parliament decides, on a proposal from the Government, the use of financial surplus, taking into account the possibility to allocate at least a portion of it to create a fund of the state treasury, which is kept in the account state treasury, opened at the National Bank of Romania. All states pay a special attention to the national reserve, as a financial insurance. In case of general account annual state budget execution results in a deficit Parliament tasked all the proposal of the Government, to decide the best way to cover the deficit, and actions necessary to prevent in the future

recurrence deficits. These decisions of the Parliament have a special importance, especially in the yearly implementation of the state budget.

## **THE CONTROL OF THE BUDGET EXECUTION**

State budget assumes that revenue earned and expenses incurred to carry out under the control of government agencies with responsibilities in budget control. Thus, control of budgetary execution tasks are performed by the following bodies:

- Parliament (Chamber of Deputies and Senate) who have a purely political control.
- The Court of Auditors, which has judicial control.
- Government, exercising administrative and financial control using specialists from different agencies.

Political control is performed by the Romanian Parliament in the general prerogatives of executive control activity. Moreover, as mentioned previously, Parliament debates and approves the annual general account of the execution of the state budget, thus giving a discharge to the Government. Parliamentary oversight is exercised on request or on its own and follows the evolution of budget execution. Judicial control over the execution of the state budget is exercised by the Court. Annually, this institution report to the Parliament on the accounts of the government budget concerning the expired budgetary year, including cases of mismanagement. Financial or administrative control of specialized executive power exercised by the government is exercising on general management executive activity in the area of public finances, the goal periodically examines the financial situation in the economy, the national public budget execution and establishes measures to improve the balance financially. At the Government level, it works a control body of the Prime Minister who, according to legal duties, could perform control actions regarding the execution of the state budget. The main objective of this control is the management and use of state budget by public institutions and companies, as well as the accuracy and reality of their financial recordings. There is also a form of self-control of Ministries and other central bodies of public administration, which is oriented to respect legality, appropriateness and efficiency of using budget funds. In conclusion, control of budget execution has a double determination. First, it is determined by political reasons, in that Parliament is concerned that the Government in implementing its program, to fit in the permit, which was granted , that to realize the full revenue and not exceed approved budget allocations established for each destination. Secondly, the control is determined by financial reasons, the government is interested in the proper management of public funds by avoiding waste and preventing and combating fraud and other related penal offences.

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