

**MINISTRY OF PUBLIC FINANCE**  
**Budget Department**

**Romania - Base line estimates for the medium term -**



## Romania - Base line estimates for the medium term

- PUBLIC FINANCE LAW no. 500/2002
- THE NEED FOR ELABORATION FISCAL RESPONSIBILITY LAW (**FRL**)
- OBJECTIVES OF **FRL**
- NEW ELEMENTS
- THE IMPORTANCE OF FRL IN PUBLIC FINANCE MANAGEMENT
- FOLLOW UP IN REFORM PROCESS

## Romania - Base line estimates for the medium term

- Pro- cyclical fiscal policy;
- Large budget deficits;
- Excessive public spending;
- Multiple budget amendment in 2005-2008, five adjustments/year.



**ECONOMIC AND FISCAL POLICY LED TO INTERNAL AND EXTERNAL  
IMBALANCES**



**FRL – Compliance of stand-by arrangement between Romania and the IMF ,  
to reform the budget process**

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### ➤ Reforming the budget process:

- ✓ *Introduce multi-planning;*
- ✓ *Limited budget revisions during the year;*
- ✓ *Create a council tax for an independent analysis of macroeconomic forecasts;*
- ✓ *Provides tax rules for total expenditure, expenditure staff and budget deficit;*
- ✓ *Create and manage the issuance of guarantees and other collateral requirements.*

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### ➤ Introduction of budgetary fiscal strategy - from FRL:

approved by Government and presented in Parliament.

- period: 3 years

- contain:

- 1). Macroeconomic framework –main macroeconomic indicators;
- 2). Budgetary fiscal framework;
- 3). Expenditures for medium term;
- 4). Declaration of responsibility;

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## ➤ Introduction of budgetary fiscal strategy:

- approved by **Government**, until 30 May and presented to **Parliament**.

- **Parliament approve :**

▪ Law draft for limits approval from the framework of budgetary fiscal

✓ budget indicators **for 2 years**.

• **Budget deficit - % from GDP**

• **Wages expenditures -% from GDP**

✓ budget indicators **for 1 year**

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implementation

**Government Decision 187/2010 regarding the elaboration of fiscal strategy for 2011-2013**

- **working group coordinator :**
- **special committee**
- **action plan for strategy set up.**

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➤ Introduction of expenditures framework on medium term – art. 20(3)FRL;

### **main objectives:**

- ✓ public expenditure management;
- ✓ programs on 3 years;
- ✓ link between spending and government policies



## **Romania - Base line estimates for the medium term**

- **Provides general parameters for the formulation of sustainable policy decisions by establishing rules regarding:**
  - ✓ **Revenue;**
  - ✓ **Debt;**
  - ✓ **Deficit;**
  - ✓ **Government expenditure;**
  - ✓ **Risk management;**
  
- **Prognosis of revenue and expenditure are well founded sectorial policies and strategies;**



## **Romania - Base line estimates for the medium term**

- **Strengthening fiscal discipline;**
- **Promoting a prudent fiscal policy;**
- **A new approach on allocation process of resources for ministries**



## **Romania - Base line estimates for the medium term**

➤ **MODIFYING AND UPDATED PUBLIC FINANCE LAW**

**THANK YOU!  
SEE YOU IN ROMANIA!**

