

Addendum to Fiscal Council's preliminary opinion on the State Budget Law, Social Insurance Budget Law for 2018 and Fiscal Strategy for 2018-2020

On November 29th, 2017, the Fiscal Council received from the Ministry of Public Finances (MPF) the letter no. 446157 dated to November 28th, 2017, requesting under art. 53, paragraph (2) of the Fiscal Responsibility Law no. 69/2010 republished (FRL), the opinion on the Report on the macroeconomic situation for 2018 and the projection for the period 2019-2021, the draft of the Budget Law for 2018, the draft of the Social Insurance Budget Law for 2018, the Fiscal Strategy for 2018-2020 and the corresponding explanatory note and the draft of the ceilings law of certain indicators specified in the fiscal framework for the year 2018. The Fiscal Council states that it has received the set of documents necessary for the elaboration of its opinion Wednesday afternoon, November 29th.

Given that the government meeting for approving the aforementioned documents was scheduled for Wednesday, December 6, 2017, and the insufficient time available for a complete opinion, the Fiscal Council drew up a preliminary opinion. This text completes and revises the above-mentioned preliminary opinion.

Assessing compliance with fiscal rules

The budget construction for 2018 targets a deficit (according to the national / cash methodology) of 2.97% of GDP, the same as that envisaged for the current year. The draft budget accommodates massive pressures to increase current spending (mainly in personnel and social assistance expenditure) and a slight reversal of public investment spending on projects with European non-reimbursable funding, with downside pressures on the level of budget revenues, in the context of moving the social contributions from the employer to the employee (with a 2 percentage point reduction in their aggregate level), the reduction of the income tax rate (from 16% to 10%), the disappearance of exceptional income from the distribution of dividends from the reserves accumulated by state-owned companies and the return of the amounts collected from the vehicle first registration fee. The widening of the budget deficit (as a percentage of GDP) is expected to be avoided as a result of the reduction of the share transferred to the second pillar of the pension system (from 5.1% to 3.75%), the reintroduction of the additional excise duty on fuels, new sources of exceptional revenues (heavy water sales and frequency concession for mobile operators) and substantial additional VAT revenue due to an expected improvement in collection. Adding to these elements are measures to control expenditure on goods and services and a small expansion, relative to the projected level of 2017, of capital expenditure for projects with exclusively national funding

which, in the context of a rapid increase in real and nominal GDP, are likely to represent sources of diminishing the budget deficit expressed as a share of GDP.

The National Commission for Economic Forecasting (NCEF) projection shows faster real GDP growth compared to potential GDP, which implies that the excess demand, which emerged in 2017 (according to the assessments of the NCEF and the European Commission), is widening. A surplus of excess demand while maintaining the level of the actual deficit as a percentage of GDP leads to a positive fiscal impulse and a deepening of the structural imbalance of public finances, with fiscal policy projected to continue a pro-cyclical conduct in 2018. As a consequence, the already existing (from 2016) deviation from the medium-term objective (defined as a structural deficit of 1% of GDP) continues to increase in 2018, with the mid-term fiscal-budgetary projection taking into account a narrowing of it starting 2019, but the elimination of this deviation is not ensured by the levels of budget deficit envisaged at the end of the forecast horizon.

The situation described above is in flagrant contradiction with the fiscal rules set up by the FRL, as evidenced by the extensive list of derogations included in the draft law of State Budget and and the draft of the ceilings law of certain indicators specified in the fiscal framework for the year 2018. The list of derogations from the FRL provisions includes:

- Articles 6 and 7, which formalize in the national legislation the provisions of the Treaty on the Functioning of the European Union in terms of the reference values for the budget deficit and public debt;
- Article 14 para. 1, according to which in case of identifying a deviation from the medium-term budgetary objective or the timetable for adjustment to it, the Government approves or submits to Parliament for approval a set of measures meant to correct this deviation;
- Article 26 para. 3, according to which the companion law on the approval of the limits specified in the fiscal-budgetary framework comprises the medium-term budgetary objective and the adjustment path towards it.

Moreover, the recently approved GEO no. 90/2017 (on some fiscal measures, amending and completing some normative acts and extending some deadlines) introduces additional derogations from:

- Article 29, paragraph 4, in the sense of abandoning the requirement that the statement of responsibility is signed by the Prime Minister and the Minister of Public Finances in order to certify Fiscal Strategy's compliance with the FRL, the targets or limits established by the fiscal rules and with the principles of fiscal responsibility;

- Article 30 paragraph 4, which requires the Government to submit to the Parliament an annual budget that complies with the principles of fiscal responsibility, fiscal rules, the Fiscal Strategy and any other provisions of the FRL;
- Article 30 paragraph 5, which establishes that in the absence of the compliance conditions referred to in the previous paragraph, the statement should mention the deviations, as well as the measures and deadlines until which the Government will ensure compliance with the principles of fiscal responsibility, fiscal rules and the Fiscal Strategy.

The above elements emphasize FRL's full inoperability, the concern over the objective of a balanced budget position as defined by the FRL and the European Treaties being replaced by avoiding exceeding the 3% of GDP reference value for the actual budget deficit. The Fiscal Council has already addressed this issue in its opinions in the context of the annual budget laws for 2016 and 2017, its considerations issued then remaining relevant. In short, such a behavior leads to the vulnerability of public finances position, the failure to create or maintain fiscal space in "good times" (as a result of a pro-cyclical fiscal policy) depriving it of the possibility to act in a stabilizing sense in an inevitable downward phase of the business cycle. Moreover, the concerns regarding the fiscal policy stance in Romania and the deliberate disregard of relevant European Treaties are shared by the European Commission, Romania already being subject to a Significant Deviation Procedure initiated in June 2017: the initial recommendation for a structural adjustment of 0.5% of GDP in 2017 was not met, thus a recommendation of a structural adjustment of 0.8% of GDP in 2018 was made on 5th December. The draft budget, which targets an identical deficit (as a percentage of GDP) as in the previous year, in the context of a widening excess demand (even according to the NCEF's extremely favorable estimates for potential GDP growth), ignores these recommendations - a budget that would comply with the latest recommendation should target an actual deficit of around 2% of GDP in 2018.

The general consolidated budget in 2018 - problems and risks

Beyond deficit target's lack of compliance with the FRL and the relevant European Treaties, the Fiscal Council already identified in the context of the preliminary opinion problematic aspects in the budgetary construction likely to cause a major deviation from the deficit limit envisaged in the absence of compensatory measures. First, the Fiscal Council assessed the macroeconomic scenario underlying the draft budget as being rather inappropriate from the perspective of a prudent budgetary construction, considering that the risk balance is inclined towards recording less favorable macroeconomic developments than those taken into account, mainly in the context of particularly high uncertainties related to private sector behavior in response to recent changes in the Fiscal Code (i.e. the transfer of social contributions from employer to employee). These risks are added to those of introducing some fiscal arbitrage possibilities by

capping the calculation base for revenues from independent activities and the more favorable regime for micro-enterprises. Second, a potential overvaluation of VAT revenues of at least 3 billion lei was identified, even when the official macroeconomic scenario was used, their projected level including additional revenue from measures to increase collection efficiency of 4.9 billion lei, inherently uncertain and impossible to assess *ex ante*. Third, the Fiscal Council identified a high probability of not realizing exceptional capital revenues from heavy water sale (1 billion lei in the budget projection) given the size of world exports and Nuclearelectrica's acquisitions. Finally, an insufficient budgeting for social assistance expenditure was identified.

Compared to the preliminary opinion, following the availability of preliminary execution at the end of November, the Fiscal Council reduces the size of its assessment regarding the potential insufficient budgeting for social assistance expenditure to about 1.5 billion lei: thus, the assessment of the insufficient size of social assistance expenditure related to the social security budget by about 500 million lei is maintained, but the Fiscal Council estimates that the allocation of social assistance expenditure at the state budget level appears to be insufficiently budgeted by about 1 billion lei and discards its objections regarding the amount of allocations related to the local budgets.

Fiscal Strategy (FS) 2018-2020 - budget construction beyond the 2018 horizon

Similar to the fiscal-budgetary strategies of previous years, in the current iteration of the FS (2018-2020), the authorities' attention is exclusively concentrated on the first year covered by FS, while not giving the same attention to medium-term budgetary projections, being manifested the temptation to generate with an extremely high easiness fiscal consolidation in the medium term, in the absence of rigorous substantiation of revenues and expenditures, and concrete details of the assumptions underlying the trajectories of the revenue and expenditure aggregates¹. Beyond the 2018 horizon, the year for which the structural deficit is projected to widen, 2019 and 2020 should bring a structural fiscal adjustment of 0.46 pp and 0.49 pp (the ESA 2010 headline deficit decreases by 0.58 pp and 0.56 pp of GDP in 2019 and 2020 respectively, while reductions in cash headline deficit are 0.39 percentage points and 0.69 percentage points of GDP, respectively) at the end of the period covered by the strategy persisting a deviation of 1.2 percentage points of GDP from the medium-term objective.

The Fiscal Council expresses his reservations about the medium-term dimension of some expenditure aggregates, which appear as to be unlikely low compared to the macroeconomic

¹ An example in these regard is VAT revenue for 2019, which increases by only 2.5% compared to the level projected for 2018. Given the magnitude of the dynamics of nominal private consumption projected for 2019, such a trajectory is consistent either with a possible further reduction in the VAT rate (not referred to anywhere in the FS text), provided that the revenue surplus of the 2018 corresponding to an improving in payment compliance would be considered as permanent, or with a no change policy scenario in which the 2018 NAFA residual is viewed as a temporary phenomenon.

scenario assumptions underpinning the medium-term budgetary projection and other expected budgetary parameters. Thus, one of the major sources of fiscal consolidation in 2019 is the increase of only 3.7% of the personnel spending compared to 2018, while the macroeconomic scenario of NCEF shows wage dynamics in the public sector (in a narrow sense, excluding army forces and assimilated personnel) of 11.5% (a realistic number due to the gradual implementation of the Unified Wage Law and the impact propagated in 2019 of the wage increases to be made starting 1st March 2018). If we assume that the wage bill dynamics would be 11.5%, in line with the projected average salary for the public sector (in a narrow sense) and ignoring the projected increase for the number of employees in the public sector (1%), the amount of personnel spending would be about 6 billion lei (0.6% of GDP) higher than the one advanced in the expenditure projection of 2019, which, *ceteris paribus*, would not only lead to the absence of any structural fiscal consolidation, but even a widening of the headline deficit. It should be noted that the average salary in the economy, used in the projection of revenues from social contributions and personal income tax, depends on the dimension taken into account for the wage dynamics in the budgetary sector.

Another element that raise problems in the medium-term projection is that of the SSC social assistance expenditure, for which the projected increases do not appear consistent with the announced developments in the pension point in the years 2019 and 2020. Although in the text of the medium-term strategy there is no reference of the pension point value in the years 2019 and 2020, the projected dynamics appear below those that would prevail if the pension point should evolve according to the trajectory in the government program that provides values of 1,265 lei from April 1st, 2019, and 1,400 lei from April 1st, 2020. This trajectory would imply an average growth of 16.5% and 11.6% in 2019, respectively in 2020, while the projected growth of SSC social assistance spending is only 14.1% and 7.8% respectively. According to the above-mentioned trajectory of the pension point, the expenditure would be higher by 1.5 billion lei (0.16% of GDP) in 2019 and by 4.4 billion lei (0.4% of GDP) in 2020.

To these elements is added in 2019 the probable over-estimation, in relation to the dynamics forecasted by NCEF for the average gross wage and the number of employees (8.3% and 3.8%), of the expected revenues from social insurance contributions, projected with about 2 billion lei (or 0.2% of GDP) higher.

Given the above, the extreme favorable trajectory of the economic growth projected on medium term and the potential under estimation of social assistance expenditures in the year 2018, the Fiscal Council considers that, in the case of no change fiscal policy scenario, the balance of risks is tilted overwhelmingly toward budgetary deficits higher-than-expected in the Fiscal Strategy 2018-2020.

The above opinions and recommendations of the Fiscal Council were approved by the Chairman

of the Fiscal Council, according to article 56, paragraph (2), letter d) of Law no. 69/2010, republished, after being approved by the Council members through vote, on 21th of December, 2017.

21st of December 2017

Chairman of the Fiscal Council,

IONUȚ DUMITRU

Annexes

Annex no. 1: Fiscal policy measures and their impact according to MPF

Fiscal policy measures - budgetary revenues	Budgetary Impact (million lei)	Revenue category
Total	15,248	
Increase of the excise duties for energy products in two stages: 15 September and 1 October 2017	2,707	Excises
Increase of the dividends distributed by national companies from 50% to 90%	1,082	Non-tax revenue
Increase of taxation base in the case of payments made by legal entities for unemployed persons with disabilities starting 1 September 2017.	700	Social contributions
Selling heavy water from the state's reserve	1,000	Capital revenue
Reducing transfers to the second pillar of pensions to 3.75% starting 1 January 2018 (as opposed to maintaining the 2017 quota)	2,600	Social contributions
Maintaining the monopoly tax according to GO no. 5/2013, 6/2013 and 7/2013 (windfall tax)	959	Other taxes on goods and services
Sale of 5G frequency bands licenses	1,300	Taxes on using goods, authorizing the use of goods or on carrying activities
Split VAT payment, optional as of 1 October 2017 and mandatory from 1 January 2018	4.900	VAT
Measures taken by NAFA to improve the collection		

Source: Ministry of Public Finance

Fiscal policy measures - budgetary spending	Budgetary Impact (million lei)	Spending category
Total	3,719	
Change in the value of the pension point to 1.100 lei as of 1 July 2018 (6 months of the year)	3,119	Social assistance
Increase in minimum pension (6 months)	600	Social assistance

Source: Ministry of Public Finance

Annex no. 2: The evolution of the budgetary aggregates in the period 2017-2018

Mil. lei	Preliminary execution for 2017 according to MPF *	Swap exec. 2017	Preliminary execution for 2017 according to MPF (without swap)	The draft budget 2018	The planned swap for 2018	The draft budget 2018 (without swap)	The draft budget 2018 – Prelim. execution for 2017	The draft budget 2018 – Prelim. execution for 2017 without swap	The draft budget 2018 / Prelim. execution for 2017	The draft budget 2018 / Prelim. execution for 2017 without swap	Prelim. execution for 2017	The draft budget 2018	The draft budget 2018 – Prelim. execution for 2017
	1	2	3=1-2	4	5	6=4-5	7=4-1	8=6-3	9=4/1	10=6/3	11	12	13=12-11
	without swap, % GDP												
TOTAL REVENUE	256,804.7	1,425.0	255,379.7	287,521.7	1,020.0	286,501.7	30,717.0	31,122.0	12.0%	12.2%	30.3%	31.6%	1.2%
Current revenue	234,411.4	1,425.0	232,986.4	257,274.0	1,020.0	256,254.0	22,862.6	23,267.7	9.8%	10.0%	27.7%	28.2%	0.6%
Tax revenue	139,992.7	708.9	139,283.8	145,135.9	521.6	144,614.3	5,143.2	5,330.5	3.7%	3.8%	16.5%	15.9%	-0.6%
Corporate income tax	46,717.4	327.2	46,390.2	38,598.9	298.0	38,300.9	-8,118.5	-8,089.3	-17.4%	-17.4%	5.5%	4.2%	-1.3%
Profit	14,525.6	131.1	14,394.5	15,020.3	148.0	14,872.3	494.7	477.8	3.4%	3.3%	1.7%	1.6%	-0.1%
Wages and income tax	30,216.6	196.1	30,020.5	20,803.4	150.0	20,653.4	-9,413.3	-9,367.2	-31.2%	-31.2%	3.6%	2.3%	-1.3%
Other taxes on income, profit and capital gains	1,975.2		1,975.2	2,775.2		2,775.2	800.0	800.0	40.5%	40.5%	0.2%	0.3%	0.1%
Property tax	5,430.4		5,430.4	5,824.4		5,824.4	394.1	394.1	7.3%	7.3%	0.6%	0.6%	0.0%
Taxes on goods and services	85,865.9	296.5	85,569.4	98,666.8	184.0	98,482.8	12,800.8	12,913.3	14.9%	15.1%	10.2%	10.8%	0.7%
VAT	52,846.0	296.5	52,549.5	61,308.2	184.0	61,124.2	8,462.2	8,574.7	16.0%	16.3%	6.2%	6.7%	0.5%
Excises	26,645.4		26,645.4	30,218.5		30,218.5	3,573.0	3,573.0	13.4%	13.4%	3.2%	3.3%	0.2%
Other taxes on goods and services	3,399.4		3,399.4	3,814.8		3,814.8	415.4	415.4	12.2%	12.2%	0.4%	0.4%	0.0%
Taxes on using goods, authorizing the use of goods or on carrying activities	2,975.1		2,975.1	3,325.3		3,325.3	350.2	350.2	11.8%	11.8%	0.4%	0.4%	0.0%
Tax on foreign trade and international transactions	945.6		945.6	1,042.0		1,042.0	96.4	96.4	10.2%	10.2%	0.1%	0.1%	0.0%
Other tax revenue	1,033.4	85.2	948.2	1,003.8	39.6	964.2	-29.6	16.0	-2.9%	1.7%	0.1%	0.1%	0.0%
Social security contributions	71,855.8	716.1	71,139.7	91,811.8	498.4	91,313.4	19,956.0	20,173.7	27.8%	28.4%	8.4%	10.1%	1.6%
Non-tax revenue	22,562.9		22,562.9	20,326.3		20,326.3	-2,236.5	-2,236.5	-9.9%	-9.9%	2.7%	2.2%	-0.4%
Capital revenue	799.7		799.7	1,843.6		1,843.6	1,043.9	1,043.9	130.5%	130.5%	0.1%	0.2%	0.1%
Grant	18.4		18.4	2.7		2.7	-15.7	-15.7	-85.3%	-85.3%	0.0%	0.0%	0.0%
Amounts received from the EU in the account of payments made and prefinancing	212.3		212.3	103.5		103.5	-108.8	-108.8	-51.3%	-51.3%	0.0%	0.0%	0.0%
Amounts collected in the single account (State budget)	0.0	0.0	0.0	0.0		0.0	0.0	0.0			0.0%	0.0%	0.0%

Mil. lei	Preliminary execution for 2017 according to MPF *		Preliminary execution for 2017 according to MPF (without swap)	The draft budget 2018	The planned swap for 2018	The draft budget 2018 (without swap)	The draft budget 2018 – Prelim. execution for 2017	The draft budget 2018 – Prelim. execution for 2017 without swap	The draft budget 2018 / Prelim. execution for 2017	The draft budget 2018 / Prelim. execution for 2017 without swap	Prelim. execution for 2017	The draft budget 2018	The draft budget 2018 – Prelim. execution for 2017
	1	2											
	without swap, % GDP												
Amounts received from the EU/other donors in the account of payments made and pre-financing for financial framework 2014-2020	21,362.9		21,362.9	28,297.9		28,297.9	6,935.0	6,935.0	32.5%	32.5%	2.5%	3.1%	0.6%
TOTAL EXPENDITURE	281,772.7	1,425.0	280,347.7	314,481.3	1,020.0	313,461.3	32,708.6	33,113.6	11.6%	11.8%	33.3%	34.5%	1.3%
Current expenditure	263,571.6	1,255.0	262,316.6	293,825.7	850.0	292,975.7	30,254.1	30,659.1	11.5%	11.7%	31.1%	32.3%	1.1%
Personnel	69,617.0		69,617.0	81,175.5		81,175.5	11,558.5	11,558.5	16.6%	16.6%	8.3%	8.9%	0.7%
Goods and services	39,549.0		39,549.0	39,926.8		39,926.8	377.8	377.8	1.0%	1.0%	4.7%	4.4%	-0.3%
Interest	10,498.3		10,498.3	12,096.8		12,096.8	1,598.5	1,598.5	15.2%	15.2%	1.2%	1.3%	0.1%
Subsidies	6,862.5		6,862.5	7,210.3		7,210.3	347.8	347.8	5.1%	5.1%	0.8%	0.8%	0.0%
Total Transfers	136,303.7	1,255.0	135,048.7	153,048.0	850.0	152,198.0	16,744.3	17,149.3	12.3%	12.7%	16.0%	16.8%	0.7%
Transfers for public entities	2,162.0	733.3	1,428.7	2,132.8	850.0	1,282.8	-29.2	-145.9	-1.4%	-10.2%	0.2%	0.1%	0.0%
Other transfers	12,154.2	521.7	11,632.5	13,385.5		13,385.5	1,231.3	1,753.0	10.1%	15.1%	1.4%	1.5%	0.1%
Projects funded by external post-accession grants	544.5		544.5	317.2		317.2	-227.3	-227.3	-41.7%	-41.7%	0.1%	0.0%	0.0%
Social assistance	93,177.8		93,177.8	98,620.4		98,620.4	5,442.6	5,442.6	5.8%	5.8%	11.1%	10.9%	-0.2%
Projects funded by external post-accession grants 2014-2020	23,268.2		23,268.2	32,826.9		32,826.9	9,558.7	9,558.7	41.1%	41.1%	2.8%	3.6%	0.9%
Other expenditure	4,997.0		4,997.0	5,765.1		5,765.1	768.1	768.1	15.4%	15.4%	0.6%	0.6%	0.0%
Reserve funds	400.2		400.2	83.2		83.2	-317.0	-317.0			0.0%	0.0%	0.0%
Expenditure funded from reimbursable funds	340.9		340.9	285.1		285.1	-55.8	-55.8	-16.4%	-16.4%	0.0%	0.0%	0.0%
Capital expenditure	18,201.1	170.0	18,031.1	20,655.7	170.0	20,485.7	2,454.5	2,454.5	13.5%	13.6%	2.1%	2.3%	0.1%
Financial operations	0.0		0.0			0.0	0.0	0.0			0.0%	0.0%	0.0%
Payments made in previous years and recovered in the current year	0.0		0.0	0.0		0.0	0.0	0.0			0.0%	0.0%	0.0%
SURPLUS(+)/DEFICIT(-)	-24,968.0		-24,968.0	-26,959.6		-26,959.6	-1,991.6	-1,991.6	8.0%	8.0%	-3.0%	-3.0%	0.0%

* According to second budget revision.

Source: Ministry of Public Finance

Annex no. 3: The evolution of the budgetary aggregates in the period 2018-2019

Mil. lei	The draft budget 2018	FS projection 2019	FS projection 2019 - The draft budget 2018	FS projection 2019/ The draft budget 2018	The draft budget 2018	FS projection 2019	FS projection 2019 - The draft budget 2018
					% GDP		
	1	2	3=2-1	4=2/1	5	6	7=6-5
TOTAL REVENUE	287,521.7	311,373.1	23,851.5	8.3%	31.67%	31.86%	-0.19%
Current revenue	257,274.0	277,963.0	20,689.0	8.0%	28.34%	28.44%	-0.11%
Tax revenue	145,135.9	150,966.0	5,830.1	4.0%	15.99%	15.45%	0.54%
Corporate income tax	38,598.9	42,021.9	3,423.0	8.9%	4.25%	4.30%	-0.05%
Profit	15,020.3	16,353.9	1,333.6	8.9%	1.65%	1.67%	-0.02%
Wages and income tax	20,803.4	22,692.6	1,889.2	9.1%	2.29%	2.32%	-0.03%
Other taxes on income, profit and capital gains	2,775.2	2,975.4	200.2	7.2%	0.31%	0.30%	0.00%
Property tax	5,824.4	6,361.4	537.0	9.2%	0.64%	0.65%	-0.01%
Taxes on goods and services	98,666.8	100,411.9	1,745.2	1.8%	10.87%	10.28%	0.59%
VAT	61,308.2	62,827.7	1,519.5	2.5%	6.75%	6.43%	0.32%
Excises	30,218.5	31,878.6	1,660.2	5.5%	3.33%	3.26%	0.07%
Other taxes on goods and services	3,814.8	3,476.6	-338.2	-8.9%	0.42%	0.36%	0.06%
Taxes on using goods, authorizing the use of goods or on carrying activities	3,325.3	2,228.9	-1,096.4	-33.0%	0.37%	0.23%	0.14%
Tax on foreign trade and international transactions	1,042.0	1,137.9	95.9	9.2%	0.11%	0.12%	0.00%
Other tax revenue	1,003.8	1,032.9	29.1	2.9%	0.11%	0.11%	0.00%
Social security contributions	91,811.8	105,188.0	13,376.2	14.6%	10.11%	10.76%	-0.65%
Non-tax revenue	20,326.3	21,809.0	1,482.6	7.3%	2.24%	2.23%	0.01%
Capital revenue	1,843.6	884.2	-959.4	-52.0%	0.20%	0.09%	0.11%
Grant	2.7	2.7	0.0	-0.3%	0.00%	0.00%	0.00%
Amounts received from the EU in the account of payments made and prefinancing	103.5	59.6	-43.9	-42.4%	0.01%	0.01%	0.01%
Amounts collected in the single account (State budget)			0.0		0.00%	0.00%	0.00%

Mil. lei	The draft budget 2018	FS projection 2019	FS projection 2019 - The draft budget 2018	FS projection 2019/ The draft budget 2018	The draft budget 2018	FS projection 2019	FS projection 2019 - The draft budget 2018
					% GDP		
	1	2	3=2-1	4=2/1	5	6	7=6-5
Amounts received from the EU/other donors in the account of payments made and pre-financing for financial framework 2014-2020	28,297.9	32,463.7	4,165.8	14.7%	3.12%	3.32%	-0.21%
TOTAL EXPENDITURE	314,481.3	336,591.6	22,110.3	7.0%	34.64%	34.44%	0.19%
Current expenditure	293,825.7	314,220.7	20,395.1	6.9%	32.36%	32.16%	0.21%
Personnel	81,175.5	84,147.7	2,972.1	3.7%	8.94%	8.61%	0.33%
Goods and services	39,926.8	40,777.0	850.2	2.1%	4.40%	4.17%	0.22%
Interest	12,096.8	12,547.4	450.5	3.7%	1.33%	1.28%	0.05%
Subsidies	7,210.3	7,115.8	-94.4	-1.3%	0.79%	0.73%	0.07%
Total Transfers	153,048.0	169,041.9	15,993.9	10.5%	16.86%	17.30%	-0.44%
Transfers for public entities	2,132.8	2,318.0	185.1	8.7%	0.23%	0.24%	0.00%
Other transfers	13,385.5	12,694.3	-691.2	-5.2%	1.47%	1.30%	0.18%
Projects funded by external post-accession grants	317.2	135.2	-182.1	-57.4%	0.03%	0.01%	0.02%
Social assistance	98,620.4	110,331.0	11,710.6	11.9%	10.86%	11.29%	-0.43%
Projects funded by external post-accession grants 2014- 2020	32,826.9	37,872.3	5,045.4	15.4%	3.62%	3.88%	-0.26%
Other expenditure	5,765.1	5,691.1	-73.9	-1.3%	0.63%	0.58%	0.05%
Reserve funds	83.2	107.0	23.8	28.6%	0.01%	0.01%	0.00%
Expenditure funded from reimbursable funds	285.1	484.0	198.9	69.8%	0.03%	0.05%	-0.02%
Capital expenditure	20,655.7	22,370.9	1,715.2	8.3%	2.28%	2.29%	-0.01%
Financial operations					0.00%	0.00%	0.00%
Payments made in previous years and recovered in the current year	0.0	0.0	0.0	0.0%	0.00%	0.00%	0.00%
SURPLUS(+)/ DEFICIT(-)	-26,959.6	-25,218.5	1,741.2	-6.5%	-2.97%	-2.58%	-0.39%

Source: Ministry of Public Finance, Fiscal Council's calculations

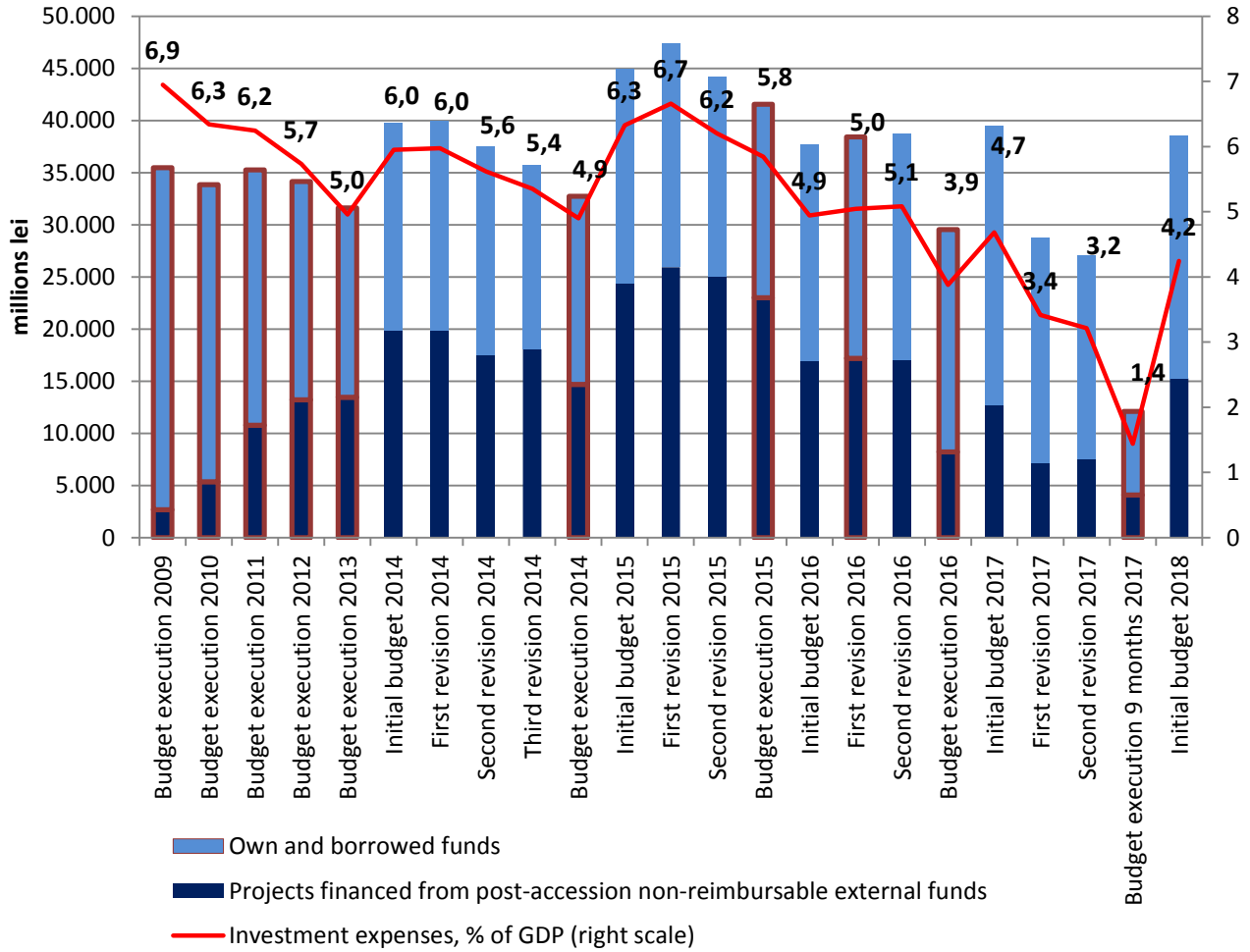
Annex no. 4: The evolution of the budgetary aggregates in the period 2019-2020

	FS	FS	FS projection	FS projection	FS	FS	FS projection
	projection	projection	2020 - FS	2020/ FS	projection	projection	2020 - FS
	2019	2020	projection 2019	projection 2019	2019	2020	projection 2019
					% GDP		
	1	2	3=2-1	4=2/1	5	6	7=6-5
TOTAL REVENUE	311,373.1	336,133.8	24,760.7	8.0%	31.86%	31.95%	0.09%
Current revenue	277,963.0	303,468.0	25,505.0	9.2%	28.44%	28.85%	0.40%
Tax revenue	150,966.0	163,668.8	12,702.8	8.4%	15.45%	15.56%	0.11%
Corporate income tax	42,021.9	46,226.3	4,204.4	10.0%	4.30%	4.39%	0.09%
Profit	16,353.9	17,601.7	1,247.8	7.6%	1.67%	1.67%	0.00%
Wages and income tax	22,692.6	25,434.1	2,741.5	12.1%	2.32%	2.42%	0.10%
Other taxes on income, profit and capital gains	2,975.4	3,190.5	215.1	7.2%	0.30%	0.30%	0.00%
Property tax	6,361.4	6,930.2	568.8	8.9%	0.65%	0.66%	0.01%
Taxes on goods and services	100,411.9	108,208.4	7,796.4	7.8%	10.28%	10.29%	0.01%
VAT	62,827.7	67,630.5	4,802.7	7.6%	6.43%	6.43%	0.00%
Excises	31,878.6	33,633.3	1,754.6	5.5%	3.26%	3.20%	-0.06%
Other taxes on goods and services	3,476.6	3,499.2	22.6	0.6%	0.36%	0.33%	-0.02%
Taxes on using goods, authorizing the use of goods or on carrying activities	2,228.9	3,445.4	1,216.5	54.6%	0.23%	0.33%	0.10%
Tax on foreign trade and international transactions	1,137.9	1,240.3	102.4	9.0%	0.12%	0.12%	0.00%
Other tax revenue	1,032.9	1,063.6	30.8	3.0%	0.11%	0.10%	0.00%
Social security contributions	105,188.0	117,325.1	12,137.2	11.5%	10.76%	11.15%	0.39%
Non-tax revenue	21,809.0	22,474.0	665.0	3.0%	2.23%	2.14%	-0.10%
Capital revenue	884.2	926.8	42.6	4.8%	0.09%	0.09%	0.00%
Grant	2.7	2.5	-0.2	-7.7%	0.00%	0.00%	0.00%
Amounts received from the EU in the account of payments made and prefinancing	59.6	21.2	-38.4	-64.4%	0.01%	0.00%	0.00%
Amounts collected in the single account (State budget)			0.0		0.00%	0.00%	0.00%
Amounts received from the EU/other donors in the	32,463.7	31,715.3	-748.4	-2.3%	3.32%	3.02%	-0.31%

	FS	FS	FS projection	FS projection	FS	FS	FS projection
	projection	projection	2020 - FS	2020/ FS	projection	projection	2020 - FS
	2019	2020	projection 2019	projection 2019	2019	2020	projection 2019
					% GDP		
	1	2	3=2-1	4=2/1	5	6	7=6-5
account of payments made and pre-financing for financial framework 2014-2020							
TOTAL EXPENDITURE	336,591.6	355,968.5	19,376.9	5.8%	34.44%	33.84%	-0.60%
Current expenditure	314,220.7	327,811.7	13,591.0	4.3%	32.16%	31.16%	-0.99%
Personnel	84,147.7	88,613.2	4,465.5	5.3%	8.61%	8.42%	-0.19%
Goods and services	40,777.0	42,674.0	1,897.0	4.7%	4.17%	4.06%	-0.12%
Interest	12,547.4	13,392.4	845.0	6.7%	1.28%	1.27%	-0.01%
Subsidies	7,115.8	7,270.7	154.8	2.2%	0.73%	0.69%	-0.04%
Total Transfers	169,041.9	175,192.7	6,150.8	3.6%	17.30%	16.65%	-0.64%
Transfers for public entities	2,318.0	2,389.3	71.4	3.1%	0.24%	0.23%	-0.01%
Other transfers	12,694.3	12,749.7	55.4	0.4%	1.30%	1.21%	-0.09%
grants							
Projects funded by external post-accession	135.2	97.5	-37.6	-27.8%	0.01%	0.01%	0.00%
Social assistance	110,331.0	116,929.5	6,598.5	6.0%	11.29%	11.12%	-0.17%
grants 2014- 2020							
Projects funded by external post-accession	37,872.3	37,011.5	-860.8	-2.3%	3.88%	3.52%	-0.36%
Other expenditure	5,691.1	6,015.2	324.0	5.7%	0.58%	0.57%	-0.01%
Reserve funds	107.0	107.0	0.0	0.0%	0.01%	0.01%	0.00%
Expenditure funded from reimbursable funds	484.0	561.8	77.8	16.1%	0.05%	0.05%	0.00%
Capital expenditure	22,370.9	28,156.8	5,785.9	25.9%	2.29%	2.68%	0.39%
Financial operations							0.00%
Payments made in previous years and recovered in the current year	0.0	0.0	0.0		0.00%	0.00%	0.00%
SURPLUS(+)/ DEFICIT(-)	-25,218.5	-19,834.7	5,383.7	-21.3%	-2.58%	-1.89%	0.70%

Source: Ministry of Public Finance, Fiscal Council's calculations

Annex no. 5: The evolution of investment expenses between 2009-2017 – planned level vs. execution (millions lei)



Source: Ministry of Public Finance, Fiscal Council's calculations