

Fiscal Council's opinion on the Romanian Government's initiative regarding "The hedging policy by the Romanian state of the risks related to Romanian investment abroad and exports to new markets outside the European Union"

The Fiscal Council received on 18.04.2016 from the Ministry of Public Finance (MPF) the letter no. 539238/11.04.2016 requesting, under art. 53, paragraph (2) of the Fiscal Responsibility Law no. 69/2010 republished (FRL), the opinion and the endorsement on the Romanian Government's initiative regarding "The hedging policy by the Romanian state of the risks related to Romanian investment abroad and exports to new markets outside the European Union". The project is accompanied by the estimation made by Eximbank S.A. of the direct impact on the budget deficit implied by the implementation of the proposed project.

According to the aforementioned law article, among the responsibilities of the Fiscal Council are "analyzing and issuing opinions and recommendations on the annual budget laws before approval by the Government and before submission to Parliament, on the supplementary budgets and other legislative initiatives that may have an impact on the budgetary targets, as well as assessing their compliance with the principles and rules specified in this Law", this project falling within the category of legislative initiatives with possible impact on government spending.

Essentially, the project envisages a better use of the institutional framework provided by the Law no. 96/2000 republished on the activity of Eximbank in the name and on behalf of the state, by increasing the role of Eximbank as an Export Credit Agency. Thus, it is considered a support for the exporters that identify export opportunities in non-EU areas where the risks are very high and cannot find solutions of protection on the private market insurance, by offering insurance policies for credit risk, whereby the state takes over the commercial and political risks of these exports, so that those opportunities are achieved.

The project proposal is accompanied by an assessment of the impact on the budget deficit, carried out by Eximbank, according to which in the pessimistic scenario, it could result in a negative impact on the budget deficit of 1.85 million lei in 2016, 5.99 million lei in 2017 and respectively 6.91 million lei in 2018, while in the optimistic scenario the impact could be favorable, respectively 1.18 million lei in 2016, 1.8 million lei in 2017 and 3.09 million lei in 2018.

Regarding the opportunity of the draft legislation, the Fiscal Council has no competences to adjudicate, given that the establishment of the ways to support export activities is the prerogative of the Government or other institutions. Concerning the conformity with the principles and fiscal rules stated in the Fiscal Responsibility Law, the Fiscal Council considers that, subject to the validity of the assumptions on which we cannot pronounce, the proposed project envisages in the pessimistic scenario reduced budgetary outlays relative to

the size of the general consolidated budget, whose increase can be easily accommodated by reducing other categories of expenditure so that the budgetary targets and rules stated by FRL can continue to be respected.

Regarding the endorsement of the project proposal, the Fiscal Council considers that it does not fall in the situations mentioned in the FRL which require its issuance, limiting to appreciate the compliance with principles and fiscal rules stated by the law.

The above opinions and recommendations of the Fiscal Council were approved by the Chairman of the Fiscal Council, under art. 56, paragraph (2), letter d) of the Fiscal Responsibility Law no. 69/2010 republished, based on the vote of the Fiscal Council members in the meeting on 27th April 2016.

27th April 2016

Chairman of the Fiscal Council,
IONUȚ DUMITRU