Fiscal Council's Opinion on the Half-Year Report Regarding the Economic and Budgetary Situation and
Fiscal Council's Opinion on the Draft Budget Revision for 2014

On July 29th 2014, the Fiscal Council received from the Ministry of Public Finances by letter no. 16086/29.07.2014 *The draft of the budget revision for 2014, The explanatory note and the Government Ordinance project regarding the draft of the budget revision for 2014,* as well as *The explanatory note and the Government Ordinance project regarding the draft of revised social security budget for 2014*, requesting the Fiscal Council's opinion under article 40, paragraph (2) of Law no. 69/2010. In addition, the Fiscal Council also received *The half-year report regarding the economic and budgetary situation* of which conclusions, alongside the Fiscal Council's opinion on it, should be taken into account in the construction of the budget revision proposal in accordance with article 15, paragraph (1) of the Fiscal Responsibility Law (FRL) as amended and supplemented.

1. The budget execution at the end of June 2014

Both revenues and expenditures were, at the end of June 2014, significantly below the semester program corresponding to the initial form of the general consolidated budget (GCB). Thus, according to the annexes *of the half-year report regarding the economic and budgetary situation*, the total revenues of the GCB were below the amount programmed by about 4.5 billion lei, and the expenditures by about 9.4 billion lei, generating a favorable impact at the level of the budget deficit (namely a deficit lower than the target set for the first semester) of 4.9 billion lei.

The largest contribution to the developments described above – more than half, was due to the underperformance of the European funds absorption whose ultimate beneficiary is the state (only these transit the consolidated general budget), which had an impact on both the revenue and expenditure side of the budget; thus, the reimbursement claims related to projects funded by external post-accession grants were lower by 2.8 billion lei compared to the amounts proposed in the initial budget, the failure to implement these projects also involving cost savings compared to the programmed level of about 4.4 billion lei[1]. There is also a significant underachievement compared to the initial program in the case of tax revenues, social security contributions receipts and non-tax revenues, of which the sources are detailed below.

At the level of tax revenues, the gap between the program for the first semester and the actual revenues is about -954 million lei, and the sources are as follows:

[1] The failure to implement an investment project draws cost savings greater than the revenue loss from the amounts reimbursed by EU – therefore this will have a diminishing impact on the budget deficit, since the cost of the investment objectives include both the co-financing supported by the Romanian state and the ineligible expenses for reimbursement from the EU (e.g.. compensation for expropriation).

- **An achievement rate of only 96.4% of the revenue program in the case of personal income tax, which resulted in a revenue shortfall of 426 million lei.** Thus, the receipts related to this category of revenues increased by only 0.6% compared to the revenues recorded in the first 6 months of the previous year (compared with a programmed dynamic of 4.4%), while the number of employees increased, during January-May 2014, compared to the same period of previous year, by 0.8%, and the annual growth of the gross salary for the same period was 4.95%. This evolution raises questions especially if it is considered in correlation with the dynamics of the social security contributions receipts, which have mostly the same tax base, and at the level of which the unfavorable differences from the initial program are substantially lower. We consider that the unfavorable evolution of the personal income tax revenues reflects a significant decrease in the effectiveness of collection, but there are some signs of revenues recovery in the last month of the semester (in June, the revenue flows exceeded those registered in June 2013 by 8.9%).

- **An achievement rate of only 94.3% of the revenue program in the case of VAT, materialized in a receipts gap of -1.49 billion lei, corresponding to an annual growth of only 1.9% compared with a programmed one of 8.1%.** We also consider that this development reflects a significant decrease in the effectiveness of collection, especially given the high annual growth rate of retail sales volume (8.2% in the period January-May 2014 in real terms), even if the underperformance of the program is explained in some extent by: a) the execution of the compensation scheme which led to the clearing of budgetary overdue payments, which generated revenues of 257.2 million lei compared to a programmed level of 425 million lei (negative impact of 168 million lei at the level of VAT receipts); b) the three months postponement of the excise duties increase on fuel (excise falls under the tax base of VAT), which generated a revenue gap of -164 million lei on the VAT receipts. Moreover, the substantial underachievement of the investment expenditures compared to the program[2] was likely to generate a VAT receipts shortfall compared to the program – it has the potential to be significant, given the amounts involved, but its precise quantification is impossible in the absence of relevant information regarding the size of intermediate consumption implied by these investment projects: the underperformance of these expenditures generates, on one hand, minuses to the collected VAT (of about 1.26 billion lei, given the differences of the

[2] At the end of June, capital expenditures represented only 69.3% of the half-year program – lower by 2.13 billion lei than the programmed expenditures and by 2.34 billion lei compared to the capital expenditures recorded in the first semester of 2013, the projects funded by external post-accession grants accounted only 51% of the programmed level – lower by 4.4 billion lei, and the expenditures related to the projects funded from reimbursable funds represented 81.5% of the programmed level – lower by 54.4 million lei.

investment expenditures from the program), but also minuses to the deductible VAT (unquantifiable in the absence of data regarding the size of intermediate consumption), and the VAT revenues in the budget execution are registered on a net basis, representing the difference of the two aggregates. Under the conditions in which the investment expenditure is accelerating in the second semester of the year so that their volume to converge to the annual programmed levels, it is expected that the VAT revenue losses recorded in the first semester to be recovered to a certain extent in the second part of the year. The information included in the text of the Half-Year Report regarding the annual evolution of the VAT revenues – respectively the diminishing receipts from penalties for delay and the increasing VAT refunds – are not relevant, in the Fiscal Council's opinion, for explaining the deviations from the program: the receipts reduction from penalties for delay was generated by their amount change from July 1st, 2013, and have already produced effects in the second half of the previous year and have been therefore anticipated in the first year budgetary programming, while the VAT refunds increase did not exceed the growth rate of VAT collected, being only the effect of the increase in annual terms of the economic activity volume.

- **An achievement rate of only 97.4% of the revenue program in the case of excises, which resulted in a receipts gap of -301 million lei.** Given that the excises revenue program had as hypothesis the fuel excise increase from January 1st, 2014, and the actual receipts occurred while the measure in question was delayed by three months (the revenue losses, entirely reflected in the first half year budget execution, represent 683 million lei), to this postponement being added the reimbursement measure of a part of the additional excise to the large carriers, we consider that the execution reflects a better than programmed excise collection, whose maintenance in the second half of the year would be liable to compensate the negative impact of the discretionary measures above mentioned and thus would not lead to the reduction of excise revenues for the entire year compared to the initial annual program.

The unfavorable evolutions above mentioned in the case of tax revenues were partially offset by higher than programmed receipts as follows: a) the corporate income tax (+261 million lei); b) the property taxes (+507 million lei) – caused by higher than initially estimated special structures receipts (as it was in fact predictable, according to the Fiscal Council's estimates[3]); c) other taxes on goods and services (+431.5 million lei) – caused by higher than programmed

[3] The Fiscal Council expressed its reservations regarding the size estimated by MPF of the special structures tax impact in the Fiscal Council's Opinion on State Budget Law, Social Insurance Budget Law for 2014 and the updated version of the 2014-2016 Fiscal Strategy (http://www.fiscalcouncil.ro/Fiscal_Councils_opinion_14_11_2013.pdf)

receipts from the clawback tax and from the additional income tax as a result of the natural gas prices deregulation.

In the case of the social security contributions, the receipts program was achieved in a proportion of 98.3%, the revenues being lower than programmed by about 478 million lei. The 5.6% annual growth rate recorded, appears as consistent with the annual growth of the number of employees and of the average salary (0.8%, e.g. 4.95%, during January-May 2014), but as the reporting basis, in the present case the receipts of the first semester of 2013, continued to be affected by the staggered repayments of the unconstitutional health contributions receipts from the period January 2012-April 2013 recorded as negative revenues, the annual growth rate appears as artificially increased in terms of economic interpretation. After the adjustment related to the receipts of the first semester of 2013, it is also noticeable a collection efficiency loss (the adjusted annual growth rate of the revenues being only approximately 3.4%, compared with an annual increase of the wage bill of about 5.8%), which, however appears to be lower than in the case of the personal income tax receipts.

Compared to the programmed level, the non-tax revenues accounted 94.1%, being lower by 478 million lei. The Ministry of Public Finances explains this difference by cashing dividends from state-owned companies that were initially planned in the first semester, in July 2014, which means that the underachievement of the revenues in the first half of the year should not negatively affect the receipts over the entire year.

On the expenditure side, all the expenditure categories, except the personnel spending – which was higher than programmed by 107 million lei, registered below programmed levels at the end of the first semester. More than half of the 9.4 billion lei deviation of the total expenditures compared to the half-year program target was recorded by the projects funded by external post-accession grants already mentioned, also a major deviation being registered in capital expenditures, whose achievement ratio is only 69.3% of the half-year program (-2.13 million lei). An underperformance of lower magnitude compared to the program can be observed in the case of expenditures related to: goods and services (96% of the program, e.g. -740.3 million lei), transfers for public entities (49.2% of the program, e.g. -518 million lei), social assistance (98.6% of the program, e.g. -503.7 million lei), subsidies (achievement degree of the program of 96.7%, e.g. -110 million lei) and interest (98% of the program, e.g. -131 million lei).

In conclusion, the budget execution at the end of the first half of the current year reveals an underperformance of about 1.2 billion lei at the level of the budgetary revenues, excluding the EU funds absorption below estimates, as well as the underachievement of the non-tax revenue program, given that this was caused by the postponement of the dividends receipts compared to the initial program. The underperformance of the budgetary revenues was more than compensated by significant cost savings compared to the program, which resulted in a significantly lower level of the budget deficit, both compared to the previous year and to the half-year program.

The Fiscal Council recommends to the Ministry of Public Finances to include in the text of the report on budget execution relevant explanations regarding the reasons that caused the non-compliance of the half-year revenue program for each affected category and not only to limit to state or explain the variations compared to the situation recorded in the previous year. Such explanations, along with proposals to remedy the deficiencies noted, are even more necessary as these deviations from the program have not been caused by significant variations of the macroeconomic bases with respect to the scenario considered in the construction of the initial budget; quite the contrary, the macroeconomic bases developments have been significantly more favorable. Moreover, the Fiscal Council's recommendation merely enunciates the obligations of the MPF according to the provisions of article 30, letter j) of the Fiscal Responsibility Law, under which *the half-year report regarding the economic and budgetary situation* should include "explanation for any failure to collect the forecasted revenues, indicating the measures taken and planned to improve the collection".

2. The draft budget revision for 2014

Compared to the original approved budget, the draft budget revision increases revenue by 1.54 billion lei and expenditure by 1.81 billion lei, while the upward revision of the deficit is 270 million lei. If the budget deficit and that of personnel expenses, both expressed as percentage of GDP, remain at 2.2% and 7.3% of GDP, as defined by the Law no. 355/2013 regarding the approval of ceilings for some indicators specified in the fiscal framework for 2014, thus ensuring the fiscal rule established by article 6 letter a) of FRL, the proposed nominal levels of the GCB deficit, the GCB primary deficit, the personnel expenses and the total expenses excluding the financial assistance from the EU and other donors exceed the thresholds of the above mentioned Law no. 355/2013[4], this being inconsistent with the fiscal rules imposed by article 6 letters b) and c) of FRL, article 9 paragraph 2 which prohibits increasing the personnel expenses during the budgetary revisions, article 16 which prohibits increasing total expenditure of the GCB during revisions otherwise than to pay the debt service and Romania's contribution to the EU budget and article 18 paragraph 4 which reaffirms the mandatory limits established by law for the next budgetary year. Moreover, the draft budget revision uses again derogation from the above mentioned articles, having negative effects on the credibility of the fiscal rules stated by the FRL, given that the derogation itself tends to become a rule rather than an exception as it would be normal.

[4] The thresholds are exceeded by 50 million lei by the GCB deficit, by 166 million lei by the primary deficit, by 85 million lei the personnel expenses and by 1.59 billion lei by the total expenditure excluding the financial assistance the UE funds and other donors

However, the exceedances, except the one corresponding to total expenditure, are minor. In the case of the total expenditure increase, it is exclusively due to the introduction of a new swap scheme in order to clear the outstanding obligations to the GCB, having a symmetric impact on revenue and expenditure, equal to 748 million (a neutral impact on the budget deficit), to which is added the impact of a change in the accounting treatment of the sale transactions from the state reserves in order to harmonize with the Regulation no. 966/2012 *regarding the financial rules, applicable to the general budget*: thus, if until now, these operations were highlighted in net terms in the budget[5], the regulation quoted above requires all income and expenses to be registered without any adjustment against each other, which leads to higher income and expenditure of 917.2 million lei (the capital revenues and expenses are affected).

At the level of revenues, the budget revision envisages their increase by 1.54 billion, but after adjusting for the impact of the swap scheme (with impact on VAT and social contributions) and the changes in the accounting treatment of sale operations of goods from the state reserves (with impact on the capital income) that artificially increased revenues by 1.66 billion, the earnings appear to be adjusted slightly negative, i.e. by 128 million lei. The income aggregates to the level of which are identifiable failures to fulfill the program targets due to lower collection efficiency in the context of the midterm-execution, are negatively reviewed, as the low collection efficiency is extrapolated to the full year where appropriate. Thus:

- The estimates of receipts from the personal income tax are lowered by 1.274 billion lei compared to the initial budget (at the end of the first semester they were below the target with 426 million lei),

- The VAT receipts estimates, excluding the impact of the newly introduced compensation scheme (692 million lei), have been revised downward by 1.75 billion lei. At the end of the first semester they were below the scheduled level by 1.54 billion lei, but part of this deviation is explained by the difference between the assumed and the actual execution of the original compensation scheme in amount of 850 million lei (168 million lei), as well as the three-month postponement of the introduction of the additional excise on fuel (164 million lei), factors that will not generate similar deviations in the second semester. In addition, as shown in the section related to the budget execution at the end of the first semester, the underperformance of the investment expenses and their presumed acceleration in the second half of the year towards the convergence to the annual budgeted amounts are likely to generate acceleration at the level of VAT receipts corresponding to this period.

[5] For instance the difference between the amounts received from selling stocks and the amounts used for purchase products for the state reserve stocks.

- The social contributions receipts estimates, without the impact of the newly introduced compensation scheme (56 million lei), are expected to be lower than those from the initial budget by 504 million lei, accommodating an underperformance of 478 million lei. **It should be noted that the social contributions revenue projection for 2014 does not include the negative impact of the measure already approved by the Parliament to reduce the employer's social security contribution by 5 pp. starting from October 1st, 2014 (estimated at about 1.1 billion lei at the level of income and 850 million lei at the level of budget deficit).**

In contrast, other categories of budgetary revenues have been significantly increased, reflecting the developments already manifested at the end of the first semester, and the developments that are very likely in the second semester, as well:

- The estimates on the corporate income tax have been revised upward by 423 million lei, reflecting the extrapolation of the positive deviation from the level scheduled at the end of the first semester (261 million lei), but also a revenue loss due to the introduction of the profit tax exemption for reinvested profits, estimated by the MPF at 137.5 million lei. However, **as stated in its opinion from May 8th, 2014[6], the Fiscal Council does not support the MPF's impact estimation on the introduction of the profit tax exemption for reinvested profits which it considers undervalued, estimating a negative impact of at least 475 million lei for 2014 (so a revenue loss by 338 million lei higher than the one considered by the MPF);**

- The estimates on property taxes have been revised upward by 1.26 billion lei, mainly due to the difference between the initial estimates on tax receipts from special constructions (488 million lei) and the tax declarations submitted by the taxpayers showing revenues of about 1.5 billion lei. Moreover, the scheduled level for this category of income corresponding to the first semester was exceeded by 500 million lei by the actual receipts;

- The revised estimates on excise revenue confirm the initial ones, given that the negative deviation from the program which reflects the postponement of the introduction of the additional excise on fuel is expected to be fully recovered in the second semester considering unchanged the positive difference between the actual receipts and those from the program registered in the first semester;

- The estimates on receipts from other taxes on goods and services have been revised upwards by 808 million lei (the surplus over the semester program was 431.5 million lei), given the extra revenues estimated to be received from the tax on additional

[6] http://www.fiscalcouncil.ro/Opinion_Fiscal_Council_tax_exemption_reinvested_profits.pdf

revenues resulting from the deregulation of the natural gas prices (432.4 million lei) and the clawback tax from the health sector (350 million lei);

- The estimates of non-tax revenues have been revised upwards by 707.83 million lei due to the additional revenues estimated to be received by the Ministry of Economy from the sale of emission allowances for greenhouse gases (726.0 million lei);

- The capital income estimates have been revised upward by 1.08 billion lei, of which 917 million lei come from the change in the accounting treatment of transactions which imply the sale of goods from the state reserve above mentioned.

At the level of the budgetary expenditures, the increase of 1.81 billion lei is also explained largely by the impact of the swap scheme meant to clear the obligations due towards the GCB[7], plus the impact of the change in the accounting treatment of sale and purchase operations from the state reserve (with impact on capital expenditure of 917.2 million lei), without which the increase would have been only 142 million lei. The categories of expenditures have been revised compared to the initial allocations, as follow:

1. The personnel expenses have been revised upward, excluding the newly introduced compensation scheme (15 million lei), by 289 million lei, without explaining the reasons of this change;

2. The expenses with goods and services have been revised upward, excluding the newly introduced compensation scheme (224 million lei), by 830 million lei;

3. The transfers between the public administration’s units have been revised upward by 251 million lei;

4. The contingency reserve fund has been increased by 292 million lei;

5. The interest expenses have been revised downward by 116 million lei;

6. The subsidies have been revised downward by 250 million lei;

7. The capital expenses, adjusted for the newly introduced compensation scheme impact (400 million lei), but also for the impact of the change in the accounting treatment regarding the sale and purchase operations from the state reserve (917 million lei), have been revised downward by 1.15 billion lei.

Despite the significant failure to absorb the European funds, whose final beneficiary is the state – compared to the program for the first semester, the revenue achievement degree is 49%,

[7] The impact on expenditure is also 748 million lei, of which 400 million lei for the capital expenditures, 224 million lei in goods and services, 60 million lei other transfers, 41 million lei social assistance and 15 million lei personnel expenses.

while the expenditure achievement degree is 51% - the budgetary revision does not modify the initial estimates regarding these categories. In the Fiscal Council's opinion, the estimates from the draft budget appear unlikely to materialize[8]. Although this underperformance should not lead to an increase in the deficit, but on the contrary, given that the failure to implement investment projects involves both lower reimbursement requests and savings in terms of co-financing and ineligible expenses, the failure to absorb European funds is obviously not desirable, given the costs on economic growth both in terms of direct effects and those propagated, but also the major risks associated with the disengagement of these funds.

Also, the Fiscal Council recalls that the proposed budget amendment does not include the impact of the reduction with 5 pp of the employer's social security contribution starting from October 1st, 2014, a law which was approved by the Parliament, but not yet signed by the President. Since the explanatory memorandum attached to the proposal for amending the Tax Code above mentioned indicates that the source of coverage for the current year's impact is represented by the additional revenues from the tax on special constructions, and the latter ones already exist in the current form of the revised budget without leading to a reduction in the budget deficit, the Fiscal Council notes that any legislative proposal implemented at the initially envisaged deadline has no coverage in the current budget, so the compliance with the deficit target would likely involve a significant further reduction in public spending.

The Fiscal Council considers the current budget revenue projections as generally realistic, while formulating reservations about the European funds and the profit tax forcasted revenues, in the latter case in the context of the significant differences between its impact assessment and the one of the MPF, exposed in the Opinion from 8th of May 2014.

Finally, the **Fiscal Council notes that the negative revisions of the budgetary revenues estimates are concentrated at the level of some aggregates whose current year level is likely to influence their projections in the coming years, and the compensatory increases in revenues are in a significant extent temporary** – the additional legislation on suplimentary taxation of income from liberalizing gas prices expires at the end of the current year, and revenues from the sale of emission allowances for greenhouse gas are by definition temporary (one-off). **This phenomenon is likely to create additional pressure on the budget construction in the coming years in order to meet the deficit targets, especially if we take into account the adverse impact on the budget revenue which is expected to be generated by the discretionary measures on which the Fiscal Council has recently expressed its view (in this case the exemption of reinvested profits and the reduction of the employer's social security**

[8] Moreover, the projections from the first revision have an obvious tendency to overestimate the performance from the end of the year, as shown in the table from Annex 2, despite the fact that every time the amounts scheduled after the first semester were realized less than half .

contribution). In addition, the first semester budget execution and the draft budget revision contain very few elements that can lead to optimism about the possibility of covering the revenue minuses generated by the above mentioned legislative changes only on the account of improving the collection efficiency.

The above opinions and recommendations of the Fiscal Council were approved by the Chairman of the Fiscal Council, according to article 43, paragraph (2), letter d) of Law no. 69/2010, as amended and supplemented, after being approved by the Council members through vote, on 31^{st} July 2014.

31^{st} July 2014

Chairman of the Fiscal Council

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ANNEX I – budget execution semester I 2014 vs. the half-year program	The half-year program 2014 with *swap* (mil. lei)	Budget execution semester I 2014 with *swap* (mil. lei)	Delta *swap*	The half-year program 2014 without *swap* (mil. lei)	Budget execution semester I 2014 without *swap* (mil. lei)	Sem. 1 2014/ Sem. 1 2013 without *swap*	Differences from the half-year program 2014 without *swap* (mil. lei)	The achievement degree of the half-year program without *swap* (%)	Differences from the half-year program 2014 with *swap* (mil. lei)	The achievement degree of the half-year program with *swap* (%)
	1	2	3	4=1-3	5	6	7=5-4	8=5/4	9=2-1	10=2/1
TOTAL REVENUE	**104,892.19**	**100,383.60**	**425**	**104,467.19**	**100,126.40**	**2.91%**	**-4,340.79**	**95.8%**	**-4,508.6**	**95.7%**
Current revenue	99,042.50	97,099.74	425	98,617.50	96,842.54	2.75%	-1,774.96	98.2%	-1,942.8	98.0%
Tax revenue	61,842.45	60,888.13	425	61,417.45	60,630.93	3.71%	-786.52	98.7%	-954.3	98.5%
Taxes on profit, wages, income and capital gains	18,197.07	18,191.78		18,197.07	18,191.78	5.37%	-5.28	100.0%	-5.3	100.0%
Profit	5,838.27	6,099.01		5,838.27	6,099.01	12.75%	260.74	104.5%	260.7	104.5%
Personal income tax	11,846.75	11,420.68		11,846.75	11,420.68	0.62%	-426.08	96.4%	-426.1	96.4%
Other taxes on income, profit and capital gains	512.05	672.10		512.05	672.10	33.33%	160.06	131.3%	160.1	131.3%
Property tax	3,188.51	3,695.11		3,188.51	3,695.11	34.99%	506.60	115.9%	506.6	115.9%
Taxes on goods and services	39,919.17	38,480.13		39,919.17	38,480.13	1.44%	-1,439.04	96.4%	-1,439.0	96.4%
VAT	26,166.64	24,675.09	425	25,741.64	24,417.89	1.86%	-1,323.75	94.9%	-1,491.6	94.3%
Excises	11,356.53	11,055.73		11,356.53	11,055.73	10.90%	-300.80	97.4%	-300.8	97.4%
Other taxes on goods and services	855.56	1,287.10		855.56	1,287.10	84.32%	431.54	150.4%	431.5	150.4%
Taxes on using goods, authorizing the use of goods or on carrying activities	1,540.45	1,462.20		1,540.45	1,462.20	-55.62%	-78.24	94.9%	-78.2	94.9%
Tax on foreign trade and international transactions (customs duty)	311.11	313.02		311.11	313.02	0.10%	1.91	100.6%	1.9	100.6%
Other tax revenue	226.59	208.09		226.59	208.09	-3.89%	-18.50	91.8%	-18.5	91.8%
Social security contributions	28,558.67	28,080.78		28,558.67	28,080.78	5.55%	-477.88	98.3%	-477.9	98.3%
Nontax revenue	8,641.39	8,130.83		8,641.39	8,130.83	-11.49%	-510.56	94.1%	-510.6	94.1%
Capital revenues	306.63	391.71		306.63	391.71	36.87%	85.08	127.7%	85.1	127.7%
Grants	11.53	170.06		11.53	170.06	253.55%	158.53	1474.9%	158.5	1474.9%
Amounts received from the EU in the account of payments made and prefinancing	5,531.53	2,711.09		5,531.53	2,711.09	-10.78%	-2,820.44	49.0%	-2,820.4	49.0%
Financial operations	-	-		-	-				0.0	
Amounts collected in the single account(State budget)		11.01							11.0	

ANNEX I – budget execution semester I 2014 vs. the half-year program	**The half-year program 2014 with *swap* (mil. lei)**	**Budget execution semester I 2014 with *swap* (mil. lei)**	**Delta *swap***	**The half-year program 2014 without *swap* (mil. lei)**	**Budget execution semester I 2014 without *swap* (mil. lei)**	**Sem. 1 2014/ Sem. 1 2013 without *swap***	**Differences from the half-year program 2014 without *swap* (mil. lei)**	**The achievement degree of the half-year program without *swap* (%)**	**Differences from the half-year program 2014 with *swap* (mil. lei)**	**The achievement degree of the half-year program with *swap* (%)**
	1	**2**	**3**	**4=1-3**	**5**	**6**	**7=5-4**	**8=5/4**	**9=2-1**	**10=2/1**
TOTAL EXPENDITURE	**113,293.71**	**103,859.29**	**425.0**	**112,868.71**	**103,602.09**	**-0.31%**	**-9,266.62**	**91.8%**	**-9,434.4**	**91.7%**
Current expenditure	106,358.36	99,539.85	425	105,933.36	99,282.65	2.25%	-6,650.71	93.7%	-6,818.5	93.6%
Personnel	23,781.32	23,888.71		23,781.32	23,888.71	3.43%	107.39	100.5%	107.4	100.5%
Goods and services	18,286.45	17,546.18		18,286.45	17,546.18	5.66%	-740.27	96.0%	-740.3	96.0%
Interest	6,395.25	6,264.37		6,395.25	6,264.37	-0.95%	-130.88	98.0%	-130.9	98.0%
Subsidies	3,287.89	3,178.39		3,287.89	3,178.39	-4.69%	-109.50	96.7%	-109.5	96.7%
Total Transfers	54,313.88	48,423.04	425	53,888.88	48,165.84	1.86%	-5,723.04	89.4%	-5,890.8	89.2%
Transfers for public entities	1,018.89	500.95	425	593.89	243.75	14.96%	-350.14	41.0%	-517.9	49.2%
Other transfers	7,002.52	6,582.05		7,002.52	6,582.05	3.72%	-420.47	94.0%	-420.5	94.0%
Projects funded by external post-accession grants	8,902.88	4,530.35		8,902.88	4,530.35	-12.97%	-4,372.54	50.9%	-4,372.5	50.9%
Social assistance	35,701.66	35,197.98		35,701.66	35,197.98	3.40%	-503.68	98.6%	-503.7	98.6%
Other expenditure	1,687.92	1,611.71		1,687.92	1,611.71	8.80%	-76.21	95.5%	-76.2	95.5%
Expenditure funded from reimbursable funds	293.56	239.15		293.56	239.15	-46.22%	-54.41	81.5%	-54.4	81.5%
Reserve funds	0.02	-		0.02	-		-0.02	0.0%	-0.0	0.0%
Capital expenditure	6,935.35	4,807.34		6,935.35	4,807.34	-32.78%	-2,128.02	69.3%	-2,128.0	69.3%
Financial operations	-	-		-	-		0.00		0.0	
Payments made in previous years	-	-487.89		-	-487.89	53.86%	-487.89		-487.9	
EXCEDENT(+) / DEFICIT(-)	**-8,401.52**	**-3,475.69**		**-8,401.52**	**-3,475.69**	**-47.57%**	**4,925.83**	**41.4%**	**4,925.8**	**41.4%**

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

ANNEX II	Initial budget 2014	*Swap* program 2014	Initial budget 2014 without *swap*	First budget revision (R1) 2014	Additional *swap*	First budget revision 2014 without *swap*	R1 - Initial budget 2014 with *swap*	R1 - Initial budget 2014 without *swap*	Budget execution semester I 2014/ Budget execution semester I 2013 with *swap*	R1 2014/ Budget execution 2013 without *swap*
	1	2	3=1-2	4	5	6=4-5	7=4-1	8=6-3	9	10
TOTAL REVENUE	**216,808.3**	**850.0**	**215,958.3**	**218,346.0**	**748.0**	**217,598.0**	**1,537.6**	**1,639.6**	**2.91%**	**9.32%**
Current revenue	201,331.2	850.0	200,481.2	201,788.8	748.0	201,040.8	457.5	559.5	2.75%	6.00%
Tax revenue	126,162.2	850.0	125,312.2	126,359.5	748.0	125,611.5	197.3	299.3	3.71%	6.26%
Taxes on profit, wages, income and capital gains	36,724.9		36,724.9	35,873.5		35,873.5	-851.5	-851.5	5.37%	2.75%
Profit	11,378.0		11,378.0	11,800.5		11,800.5	422.5	422.5	12.75%	8.09%
Personal income tax	24,000.9		24,000.9	22,726.9		22,726.9	-1,274.0	-1,274.0	0.62%	-0.02%
Other taxes on income, profit and capital gains	1,346.0		1,346.0	1,346.0		1,346.0	0.0	0.0	33.33%	6.40%
Property tax	5,040.7		5,040.7	6,299.9		6,299.9	1,259.2	1,259.2	34.99%	43.08%
Taxes on goods and services	83,362.6	850.0	82,512.6	83,178.1	692.0	82,486.1	-184.5	-26.5	0.79%	5.86%
VAT	54,621.6	850.0	53,771.6	53,563.0	692.0	52,871.0	-1,058.6	-900.6	1.90%	3.72%
Excises	24,102.0		24,102.0	24,114.1		24,114.1	12.1	12.1	10.90%	14.25%
Other taxes on goods and services	1,807.1		1,807.1	2,615.0		2,615.0	808.0	808.0	84.32%	71.89%
Taxes on using goods, authorizing the use of goods or on carrying activities	2,831.9		2,831.9	2,886.1		2,886.1	54.1	54.1	-55.62%	-33.20%
Tax on foreign trade and international transactions (customs duty)	623.0		623.0	626.0		626.0	3.0	3.0	0.10%	0.97%
Other tax revenue	411.0		411.0	382.0		382.0	-29.0	-29.0	-3.89%	-0.78%
Social security contributions	57,779.0		57,779.0	57,331.4	56.0	57,275.4	-447.6	-503.6	5.55%	5.39%
Nontax revenue	17,390.0		17,390.0	18,097.8		18,097.8	707.8	707.8	-11.49%	6.07%
Capital revenues	621.0		621.0	1,701.2		1,701.2	1,080.2	1,080.2	36.87%	161.85%
Grants	14.6		14.6	24.6		24.6	10.0	10.0	253.55%	-87.74%
Amounts received from the EU in the account of payments made and prefinancing	14,841.5		14,841.5	14,831.4		14,831.4	-10.1	-10.1	-10.78%	66.43%
Financial operations	0.0		0.0	0.0		0.0	0.0	0.0		

ANNEX II	Initial budget 2014	*Swap* program 2014	Initial budget 2014 without *swap*	First budget revision (R1) 2014	Additional *swap*	First budget revision 2014 without *swap*	R1 - Initial budget 2014 with *swap*	R1 - Initial budget 2014 without *swap*	Budget execution semester I 2014/ Budget execution semester I 2013 with *swap*	R1 2014/ Budget execution 2013 without *swap*
	1	2	3=1-2	4	5	6=4-5	7=4-1	8=6-3	9	10
Amounts collected in the single account(State budget)									-103.36%	
TOTAL EXPENDITURE	**231,298.4**	**850.0**	**230,448.4**	**233,105.9**	**748.0**	**232,357.9**	**1,807.5**	**1,909.5**	**-0.30%**	**8.16%**
Current expenditure	213,514.3	850.0	212,664.3	215,150.4	348.0	214,802.4	1,636.1	2,138.1	2.26%	8.29%
Personnel	47,786.2		47,786.2	48,090.7	15.0	48,075.7	304.5	289.5	3.43%	3.84%
Goods and services	39,363.7		39,363.7	40,417.3	224.0	40,193.3	1,053.6	829.6	5.66%	4.95%
Interest	11,223.5		11,223.5	11,107.9		11,107.9	-115.6	-115.6	-0.95%	3.27%
Subsidies	5,732.7		5,732.7	5,483.2		5,483.2	-249.5	-249.5	-4.69%	6.47%
Total Transfers	108,139.7	850.0	107,289.7	108,540.3	109.0	108,431.3	400.6	1,141.6	1.88%	11.79%
Transfers for public entities	1,399.9	850.0	549.9	1,650.9		1,650.9	251.0	1,101.0	16.74%	127.08%
Other transfers	11,816.7		11,816.7	11,934.7	68.0	11,866.7	118.0	50.0	3.27%	11.16%
Projects funded by external post-accession grants	20,250.9		20,250.9	20,251.0		20,251.0	0.0	0.0	-12.97%	44.71%
Social assistance	71,512.7		71,512.7	71,553.5	41.0	71,512.5	40.8	-0.2	3.40%	4.58%
Other expenditure	3,159.5		3,159.5	3,150.3		3,150.3	-9.2	-9.2	8.80%	-2.13%
Expenditure funded from reimbursable funds	1,100.2		1,100.2	1,043.7		1,043.7	-56.5	-56.5	-46.22%	20.10%
Reserve funds	168.3		168.3	467.3		467.3	299.0	299.0		
Capital expenditure	17,784.1		17,784.1	17,955.6	400.0	17,555.6	171.5	-228.5	-32.78%	0.57%
Financial operations	0.0		0.0	0.0		0.0	0.0	0.0		
Payments made in previous years	0.0		0.0	0.0		0.0	0.0	0.0	53.86%	-100.00%
EXCEDENT(+) / DEFICIT(-)	**-14,490.0**		**-14,490.0**	**-14,760.0**		**-14,760.0**	**-269.9**	**-269.9**	**-47.57%**	**-6.41%**

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

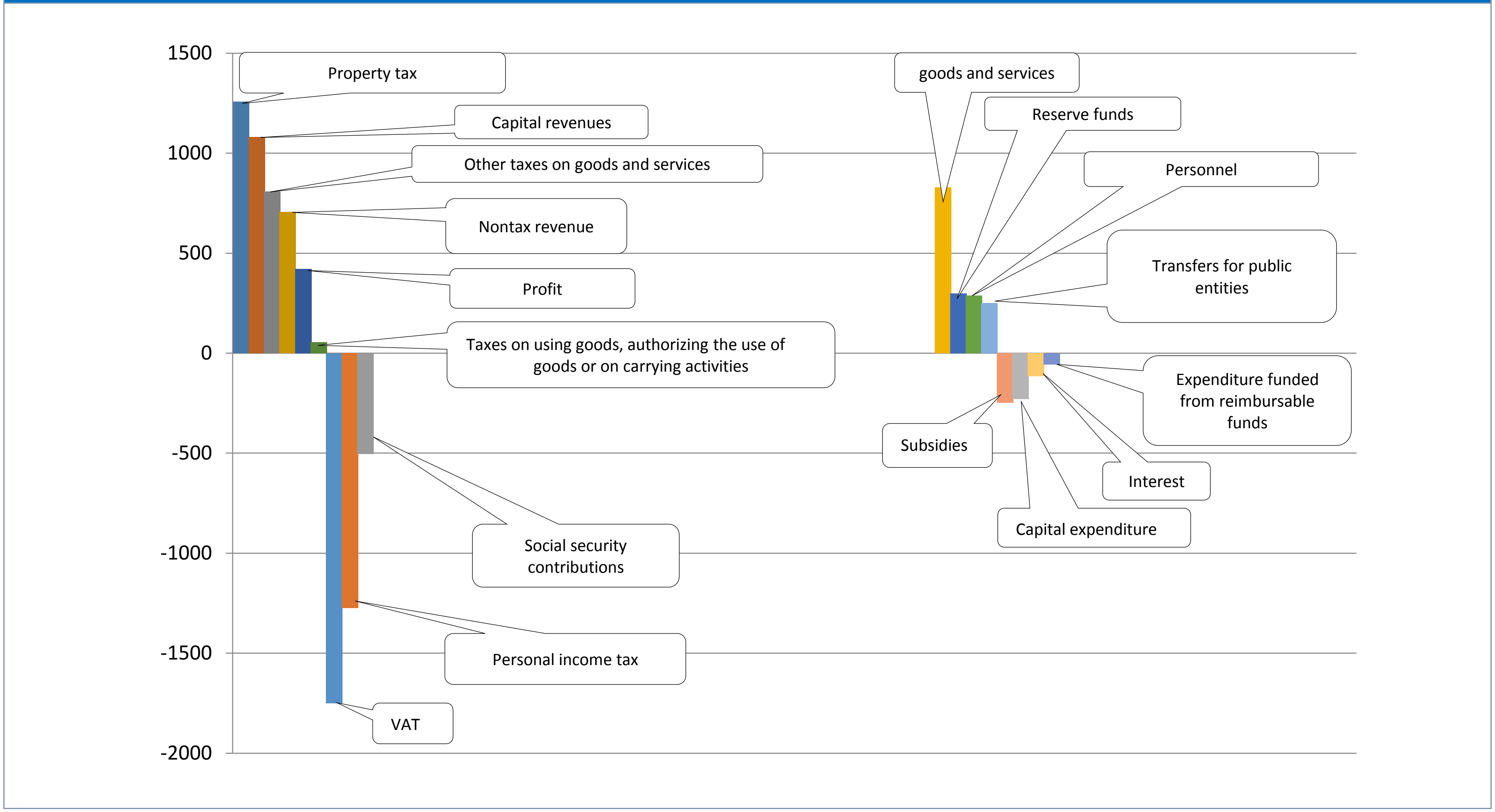
Annex 3

Evolution of the EU funds absorption in the first six months and the first revised budget amounts for this category versus the full year drawn amounts

	Initial budget	Half-year program	Budget execution - semester I			Proposed amounts at first budget revision	Final budget execution		
			Execution	% half-year program	% initial budget		Execution	% first budget revision	% initial program
2011									
Revenue									
Amounts received from the EU for the payments made and prefinancing	7,810.00	-	1,943.60	-	24.89	7,810.10	6,112.00	78.25	78.26
Grants	1,450.00	-	340.40	-	23.48	1,324.20	766.00	57.84	52.83
Expenditure									
Projects funded by external post-accession grants	9,108.00	-	4,358.60	-	47.85	9,002.80	10,787.00	119.81	118.43
Expenditure funded from reimbursable funds	2,356.00	-	852.90	-	36.20	2,337.70	2,111.00	90.30	89.60
2012									
Revenue									
Amounts received from the EU for the payments made and prefinancing	12532	6,408.90	3,072.30	47.94	24.52	10,673.00	7,979.10	74.76	63.67
Grants	972	751.30	88.50	11.78	9.10	1,081.00	442.80	40.96	45.56
Expenditure									
Projects funded by external post-accession grants	11641	6,685.00	6,373.60	95.34	54.75	10,869.00	13,217.90	121.61	113.55
Expenditure funded from reimbursable funds	2424	1,380.20	704.40	51.04	29.06	2,008.00	1,614.50	80.40	66.60
2013									
Revenue									
Amounts received from the EU for the payments made and prefinancing	11,220.20	6,385.87	3,038.83	47.59	27.08	12,153.80	8,911.48	73.32	79.42
Grants	629.90	308.20	48.12	15.61	7.64	630.70	200.60	31.81	31.85
Expenditure									
Projects funded by external post-accession grants	17,311.20	7,086.42	5,205.40	73.46	30.07	16,845.70	13,994.07	83.07	80.84
Expenditure funded from reimbursable funds	782.90	574.80	444.67	77.36	56.80	976.80	869.03	88.97	111.00
2014									
Revenue									
Amounts received from the EU for the payments made and prefinancing	14,841.46	5,531.53	2,711.09	49.01	18.27	14,831.42	-	-	-
Grants	14.60	11.53	170.06	1,474.89	1,164.76	24.60	-	-	-
Expenditure									
Projects funded by external post-accession grants	20,250.94	8,902.88	4,530.35	50.89	22.37	20,250.97	-	-	-
Expenditure funded from reimbursable funds	1,080.10	293.56	239.15	81.47	22.14	1,100.18	-	-	-

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

The main changes in expenditures and revenues after the budget revision (without the impact of swap schemes), mn lei



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