## Fiscal Council's Opinion on the Draft Budget Revision for 2015

On July 24th 2015, the Fiscal Council received from the Ministry of Finance by letter no. 101896/24.07.2015, *the draft of the budget revision for 2015, the explanatory note and the draft Government Ordinance project regarding the draft of the budget revision for 2015, as well as the explanatory note and the Government Ordinance project regarding the draft of the revised social security budget for 2015*, requesting the Fiscal Council's opinion under article 53, paragraph (2) of the Law no. 69/2010 republished. 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) republished. The Fiscal Council's opinion disregards the subsequent amendments of the draft budget revision that were notified to the Fiscal Council on the morning of Tuesday, July 28.

### 1. *The draft budget revision – compliance with fiscal rules*

Compared to the original approved budget, the draft budget revision maintain the nominal budget balance of -13,004 million lei, thus respecting the budget deficit ceiling defined by the Law no. 182/2014 (Law for the approval of ceilings for certain indicators specified in the fiscal framework for 2015), thus ensuring the observance of the fiscal rule established by article 12 letter b) of FRL. If it is considered the minor downward revision of the interest expenses (-55 million lei), the general consolidate budget (GCB) primary deficit is programmed to exceed by the same amount the corresponding ceiling defined by the Law 182/2014.

Even if the budget deficit remains constant compared to the initial level, both revenues and expenditures are scheduled to significantly increase. From the perspective of the fiscal rules established by the FRL, we notice the non-compliance, as follows:

- The programmed level of the personnel expenditures (49,761.5 million lei, i.e. 7.1% of GDP) exceeds the corresponding ceiling defined by the Law no. 182/2014 both in terms of nominal level, as well as percentage of GDP[1] by 1,388.1 million lei, i.e. 0.28% of GDP. The absence of compliance with the fiscal rules occurs at the level of art. 12 letter a) (for the level expressed as percentage of GDP) and letter c) (for nominal level) of FRL and in terms of the rule established by art. 17 paragraph 2, which prohibits increasing the personnel expenses during the budgetary revisions.
- The programmed level of the GCB expenditures, excluding the financial assistance from the EU and other donors exceed the corresponding ceiling defined by the Law no. 182/2014 with 4,932 million lei, the absence of the conformity occurring at the level of the rule established by art. 12 letter c) of the FRL, as well as at the rule established by art. 24 which prohibits the increase of the GCB expenditures, net of financial assistance from the EU and other donors during the budget revisions, unless it is due to the supplementing of the interest expenses or those related to Romania's contribution to the EU budget.

The legislative proposals provide the corresponding derogations from the aforementioned fiscal rules and redefine the limits of the ceilings stipulated in the Law 182/2014 according to the levels proposed by the budget revision for the budgetary aggregates. The systematic recourse to derogation from the fiscal rules that do not target the GCB balance (the *ex-ante* non- compliance to these intervened in almost all the budget revisions operated since the adoption of FRL in 2010) confirms the existence of two classes of fiscal rules – one of "strong" rules (rules targeting GCB balance), and one of the "weak" rules (fiscal rules targeting the mandatory ceilings for all other relevant elements from the perspective of law - primary balance, personnel expenses, total expenses without financial assistance from the EU and other donors, reinforced by prohibitions of the increasing total expenditures and personnel expenditures during the budget revisions), despite the fact that such a distinction is not provided by law, and derogations can easily be operated from all of them. According to the Fiscal Council, the "weak" rules complete the deficit rule for the perspective of compliance with the transparency and stability principles established by FRL and their relevance consists in the following reasons:

[1] The law 182/2014 defines the limit for the personnel spending for 2015 at 48,373.4 million lei, respectively 6.8% of GDP

- In terms of moving to the structural deficit benchmarks concerning the budget balance, the rule regarding the prohibition of the increasing of the total expenses during the year allows the *ex-post* compliance to the structural deficit target and not just the *ex-ante* (even in the case of higher revenues obtained on account of a higher than anticipated economic growth). In other words, if the compliance with the headline deficit target itself does not ensure the conformity with the structural deficit target upon the conditions of a higher than anticipated economic growth, the existence of the total expenditure ceiling has the potential to ensure in real-time the alignment to the structural benchmark instead of generating a necessary structural fiscal consolidation during the next budgetary iteration;
- The mandatory ceilings of the total and personnel expenditures, as well as that for the primary balance, appear as relevant in terms of: ensuring predictability of budget parameters (e.g. in terms of average wage trajectory and the number of personnel from the public sector), enhancing the authorities motivation to entirely include the relevant information in the initial budget construction and implicitly promoting the commitment to a certain set of budget parameters.

*De facto,* the inoperability of the set of adjacent fiscal rules regarding the level of the budget deficit, meaning their failure to constrain in any way the behavior of the authorities according to the legislator's intention, emphasize either the need for a law enforcement aiming at limiting the possibility to recourse to derogation only under a precisely defined set of circumstances and the introduction of motivating penalties for breaking the fiscal rules (the optimal solution), or putting together the *de jure* with the *de facto* situations by affirming the supremacy of the fiscal rule regarding the budget deficit (in accordance with the Stability and Growth Pact and the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union) and the formal abandonment of the related rules' set.

### 1. *The Draft Budget Revision – the updated coordinates of revenues and expenses*

The draft budget revision massively supplements, in an equal amount, revenues and expenditures (+6,916 million lei, or 1% of GDP). At the level of budget revenues, the sources of the operated revisions are as follows:

- Tax revenues: +1,589 million lei, of which:

- Corporate income tax: +817 million lei. Updating the programmed level for the whole year appears to be justified in relation with the over performance compared to the initial program at the end of the first semester - the achievement degree, according to the Half-year Report on economic and budgetary situation , was 107.7% (+487 million lei in nominal terms),
- Personal income tax: +784 million lei. Updating the programmed level for the whole year appears to be justified in relation with the over performance compared to the initial program at the end of the first semester - the achievement degree, according to the half-year report on economic and budgetary situation, was 104.4% (+553 million lei in nominal terms),
- Property taxes: -579 million lei. The downward revision is due to the reduction of the special construction tax from 1.5% la 1%, not included in the initial budget,
- VAT: -253 million lei. The over performance compared to the initial program for this revenue category, of 9.6% at the end of the first semester (+2.568 billion lei), easily allows offsetting the impact of extending the scope of reduced VAT rate for food, restaurant and catering services (about 2.8 billion lei). The update estimate for the whole year's VAT receipts appear as prudent from the perspective of the first semester's performance.

- Social security contributions: +1,821 million lei. At the end of the first semester, the budgetary revenues slightly exceeded the initial program (100,7%, respectively +202 million lei), most likely due to a dynamic much higher than anticipated of wages and also based on a higher than expected economic growth compared to the initial program. The programmed increases for the personal spending compared to the initial allocations, of about 1.4 billion lei, are expected, according to MPF, to generate some 600 million lei additional revenues from social contributions. In the Fiscal Council's opinion even if extrapolating the amount collected in the first semester and adding the corresponding social contributions receipts resulting from augmenting the personal spending, the major increase of the social contributions revenues cannot be explained, the shortfall being probably of about 800 million lei. Although, given the prudent manner of estimating the fiscal revenues, a possible underperformance of social contributions revenues compared to the programmed level will be probably offset by increased fiscal revenues relative to the programmed level (especially VAT).

- Nontax revenues: + 1,504.5 million lei. The program achievement at the end of June was 91.3% (-858 million lei), but the Half-year Report states that this underachievement is due to the postponement of distributing the dividends by the state-own companies and, most likely will be recovered in July. The increase of the level of the programmed revenues to be collected is also determined by two temporary components, respectively certificates for greenhouse gases emissions (+498 million lei) and recovered amounts following the decision of incompatibility of State Aid (+508 million lei), that are supplemented by additional payments of the net profit of NBR estimated at 257 million lei.
- Amounts received from the EU in the account of payments made and pre-financing: +1,984 million lei. The increase of the programmed level is quite surprising given the underperformance relative to the initial program for the first semester – the achievement degree is only 41.9% of the program (-6,110 million lei). Reaching the forecasted level at the end of the year is possible only if we assume tripling of the amounts received from the EU in the second semester compared to the first semester, which is unlikely to happen, even of the perspective of a historical pattern regarding the acceleration of these revenues’ collection in the second part of the year.

The sources of the upward revisions for the budgetary spending amounting to 6,916.6 million lei are the following:

- Personal spending: +1,388 million lei. The supplementing amount is partially the result of including new salary related rights earned by court decisions (of about 1 billion lei).
- Goods and services: +385 million lei.
- Projects funded by external post accession grants: +2,165 million lei. The increase is the counterpart of the upward revision of the program for the amounts received from the EU in the account of payments made and pre-financing. Our reserves already expressed regarding the speed of EU funds accelerating in order to ensure the convergence towards the programmed levels are applicable in the case of the correlated spending.
- Social assistance: +1,284 million lei. The increase of the allocations is determined by the impact for 6 months of doubling the child benefits (+900 de million de lei), the difference representing the

impact of re-establishing the service pensions for pilots and aircrew, auxiliary personnel of courts and increased allowances for the politically and ethnic persecuted persons, veterans and war widows.

- Other expenses: +585 million lei. The increase is determined mainly by CEDO decisions, compensation corresponding to the restitution of property and allocations for restoring some cult entities.
- Capital spending: +691 million lei. This increase appear to be quite surprising given the substantial underperformance for this spending category at the end of the first semester, as the achievement degree is only 34% (-7,450 million lei). The convergence to the forecasted level for this year would imply an increase of this spending flow of about four times in the second part of the year compared to the first semester – for illustration, in 2014 the execution has a similar profile, and in the second half of the year the capital spending accelerated by 2.5 times compared to the first semester.
- In conclusion, the substantial upward revision for the budgetary revenues seems to be substantiated from the perspective of the up to date revenue performance, as a result of a mix between a better than initially anticipated economic growth with a composition favorable to increased fiscal revenues, and an improved collection efficiency based on both NAFA efforts and probably a pro-cyclical development for the taxpayers compliance[2]. The Fiscal Council has serious reserves in the case of the upward revision of the social contribution revenues, but considers that the high risk of underachievement of this budgetary aggregate is compensated in great extent by possible better than expected fiscal revenues, given the prudent approach of extrapolating the performance attained in the first semester. Also, the Fiscal Council is skeptical about the likelihood of materializing the estimated amounts of post-accession EU funds revised upward by about 2 billion lei, given the performance reported in the first quarter compared to the program and the implicit assumption regarding tripled receipts in the second half of the year - however, the failure

[2] The cost-benefit ratio for the decision of tax evasion varies in the favor of the perceived benefits during the recessions and in the favor of the estimated costs in the economic boom. See Brondolo, J., 2009, "Collecting Taxes During an Economic Crisis: Challenges and Policy Options," IMF Staff Position Note 09/17 and Pogoshyan T., 2011,"Assessing the Variability of Tax Elasticities in Lithuania", IMF WP/11/270.

in achieving these estimates should not cause an increase of the budget deficit, given the automatic adjustment of the associated budgetary spending component.

At the level of the budgetary expenditure, beyond the considerations about the irrelevance of tax rules related to the budget deficit, their achievement at the programmed level appears to be extremely unlikely given the massive under-execution of the investment spending in the first half of the year and implicit acceleration of the public investment flows required by the convergence to the annual allocation (it should be four times higher in the second half of the year compared to the first semester). In this context, operating a large upward revision of the latter compared to the initial budget (+2.9 billion lei) on the occasion of the first budget revision that reflects, on the one hand an increase above the initial budget for the European funds and on the other hand, a supplementation of the capital spending appears as quite surprising. The execution in the preceding years reflects a systematic trend of non-materializing of the programmed allocations, despite of ambitious projections (see Figure no. 2 in the Annex).

In conclusion, the Fiscal Council considers that respecting the fiscal deficit target for the current year in the context of maintaining the actual parameters of the fiscal policy could be easily achieved and the balance of risks appears to be tilted to recording a lower than expected budget deficit, while the under-execution of investment spending appears to be highly probable, given the experience of both the 2014' execution and the first semester's program execution.

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 28st July 2015.

**28st July 2015**

**Chairman of the Fiscal Council**

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| ANNEX I – budget execution semester I 2015 vs. the half-year program | The half-year program 2015 with *swap* (mil. lei) | Budget execution semester I 2015 with *swap* (mil. lei) | Program swap semester I 2015 | The half-year program 2015 without *swap* (mil. lei) | Budget execution semester I 2014 without *swap* (mil. lei) | Sem. 1 2015/ Sem. 1 2014 without *swap* | Differences from the half-year program 2015 without *swap* (mil. lei) | The achievement degree of the half-year program without *swap* (%) | Differences from the half-year program 2015 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** | **113,432.1** | **110,611.1** | **425.0** | **113,007.1** | **110,350.6** | 10.2% | **-2,656.5** | **97.6%** | **-2,821.0** | **97.51%** |
| **Current revenue** | 102,499.7 | 105,848.8 | 425.0 | 102,074.7 | 105,589.0 | 9.0% | 3,514.3 | 103.4% | 3,349.0 | 103.27% |
| **Tax revenue** | 65,104.2 | 69,109.7 | 425.0 | 64,679.2 | 68,850.0 | 13.5% | 4,170.7 | 106.4% | 4,005.5 | 106.15% |
| **Taxes on profit, wages, income and capital gains** | 19,601.7 | 20,609.9 | | 19,601.7 | 20,609.9 | 13.3% | 1,008.3 | 105.1% | 1,008.3 | 105.14% |
| Corporate income tax | 6,354.8 | 6,841.8 | | 6,354.8 | 6,841.8 | 12.2% | 487.0 | 107.7% | 487.0 | 107.66% |
| Personal income tax | 12,487.1 | 13,039.9 | | 12,487.1 | 12,996.4 | 13.8% | 509.3 | 104.1% | 552.8 | 104.43% |
| Other taxes on income, profit and capital gains | 759.7 | 728.2 | | 759.7 | 728.2 | 8.4% | -31.5 | 95.9% | -31.5 | 95.86% |
| **Property tax** | 3,553.5 | 3,554.2 | | 3,553.5 | 3,554.2 | -3.8% | 0.6 | 100.0% | 0.6 | 100.02% |
| **Taxes on goods and services** | 41,414.6 | 44,353.6 | | 41,414.6 | 44,353.6 | 15.3% | 2,939.0 | 107.1% | 2,939.0 | 107.10% |
| VAT | 26,613.0 | 29,181.1 | 425.0 | 26,188.0 | 29,108.2 | 18.2% | 2,920.2 | 111.2% | 2,568.1 | 109.65% |
| Excises | 12,014.0 | 12,003.3 | | 12,014.0 | 12,003.3 | 8.6% | -10.8 | 99.9% | -10.8 | 99.91% |
| Other taxes on goods and services | 1,303.8 | 1,591.3 | | 1,303.8 | 1,591.3 | 23.6% | 287.6 | 122.1% | 287.6 | 122.06% |
| Taxes on using goods, authorizing the use of goods or on carrying activities | 1,483.8 | 1,577.9 | | 1,483.8 | 1,577.9 | 7.9% | 94.1 | 106.3% | 94.1 | 106.34% |
| **Tax on foreign trade and international transactions (customs duty)** | 329.2 | 353.5 | | 329.2 | 353.5 | 12.9% | 24.2 | 107.4% | 24.2 | 107.36% |
| **Other tax revenue** | 205.2 | 238.6 | | 205.2 | 238.6 | 14.6% | 33.4 | 116.3% | 33.4 | 116.27% |
| **Social security contributions** | 27,505.0 | 27,707.0 | | 27,505.0 | 27,573.1 | -1.3% | 68.0 | 100.2% | 202.0 | 100.73% |
| **Nontax revenue** | 9,890.5 | 9,032.1 | | 9,890.5 | 9,032.1 | 11.3% | -858.5 | 91.3% | -858.5 | 91.32% |
| **Capital revenues** | 415.1 | 448.5 | | 415.1 | 448.5 | 14.5% | 33.3 | 108.0% | 33.3 | 108.03% |
| **Grants** | 2.5 | 3.2 | | 2.5 | 3.2 | -98.1% | 0.7 | 129.8% | 0.7 | 129.81% |
| **Amounts received from the EU in the account of payments made and prefinancing** | 10,514.7 | 3,998.6 | | 10,514.7 | 3,998.6 | 47.5% | -6,516.1 | 38.0% | -6,516.1 | 38.03% |
| **Amounts collected in the single account(State budget)** | | -97.9 | | | -97.9 | -990.0% | | | -97.9 | |
| **Other amounts received from the EU for operational Programmes funded** | | 4.1 | | | 4.1 | | | | | |

| ANNEX I – budget execution semester I 2015 vs. the half-year program | The half-year program 2015 with *swap* (mil. lei) | Budget execution semester I 2015 with *swap* (mil. lei) | Program swap semester I 2015 | The half-year program 2015 without *swap* (mil. lei) | Budget execution semester I 2014 without *swap* (mil. lei) | Sem. 1 2015/ Sem. 1 2014 without *swap* | Differences from the half-year program 2015 without *swap* (mil. lei) | The achievement degree of the half-year program without *swap* (%) | Differences from the half-year program 2015 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 |
| **under the convergence objective** | | | | | | | | | | |
| **Amounts received from the EU/other donors in the account of payments made and pre-financing for financial framework 2014-2020** | | 405.8 | | | 405.8 | | | | | |
| **TOTAL EXPENDITURE** | **126,407.4** | **106,414.5** | **425.0** | **125,982.4** | **106,156.8** | 2.5% | **-19,825.6** | **84.3%** | **-19,992.9** | **84.18%** |
| **Current expenditure** | 115,126.8 | 103,278.7 | 425.0 | 114,701.8 | 103,021.0 | 3.8% | -11,680.8 | 89.8% | -11,848.2 | 89.71% |
| **Personnel** | 25,239.7 | 25,123.6 | | 25,239.7 | 25,123.6 | 5.2% | -116.1 | 99.5% | -116.1 | 99.54% |
| **Goods and services** | 18,795.1 | 17,126.9 | | 18,795.1 | 17,126.9 | -2.4% | -1,668.2 | 91.1% | -1,668.2 | 91.12% |
| **Interest** | 6,481.5 | 5,768.4 | | 6,481.5 | 5,768.4 | -7.9% | -713.1 | 89.0% | -713.1 | 89.00% |
| **Subsidies** | 3,374.5 | 3,202.2 | | 3,374.5 | 3,202.2 | 0.7% | -172.3 | 94.9% | -172.3 | 94.89% |
| **Total Transfers** | 60,859.5 | 51,893.6 | 425.0 | 60,434.5 | 51,636.0 | 7.2% | -8,798.5 | 85.4% | -8,965.8 | 85.27% |
| Transfers for public entities | 903.5 | 450.9 | 425.0 | 478.5 | 193.2 | -20.7% | -285.2 | 40.4% | -452.6 | 49.90% |
| Other transfers | 7,405.3 | 6,057.5 | | 7,405.3 | 6,057.5 | -8.0% | -1,347.8 | 81.8% | -1,347.8 | 81.80% |
| Projects funded by external post-accession grants | 12,684.6 | 5,789.3 | | 12,684.6 | 5,789.3 | 27.8% | -6,895.4 | 45.6% | -6,895.4 | 45.64% |
| Social assistance | 37,328.6 | 37,176.2 | | 37,328.6 | 37,176.2 | 5.6% | -152.4 | 99.6% | -152.4 | 99.59% |
| Projects funded by external post-accession grants 2014-2020 | 499.7 | 480.5 | | 499.7 | 480.5 | | -19.2 | 96.2% | -19.2 | 96.16% |
| Other expenditure | 2,037.7 | 1,939.3 | | 2,037.7 | 1,939.3 | 20.3% | -98.4 | 95.2% | -98.4 | 95.17% |
| **Reserve funds** | 1.0 | | | 1.0 | | | -1.0 | 0.0% | -1.0 | 0.00% |
| **Expenditure funded from reimbursable funds** | 375.5 | 163.9 | | 375.5 | 163.9 | -31.5% | -211.6 | 43.6% | -211.6 | 43.64% |
| **Capital expenditure** | 11,280.6 | 3,830.8 | | 11,280.6 | 3,830.8 | -20.3% | -7,449.7 | | -7,449.7 | |
| **Payments made in previous years and recovered in the current year** | 0.0 | -695.0 | | | -695.0 | 42.5% | | | | |
| **SURPLUS(+) / DEFICIT(-)** | **-12,975.3** | **4,196.6** | | **-12,975.3** | **4,193.8** | **-220.7%** | **17,169.1** | **-32.3%** | **17,172.0** | **-32.34%** |

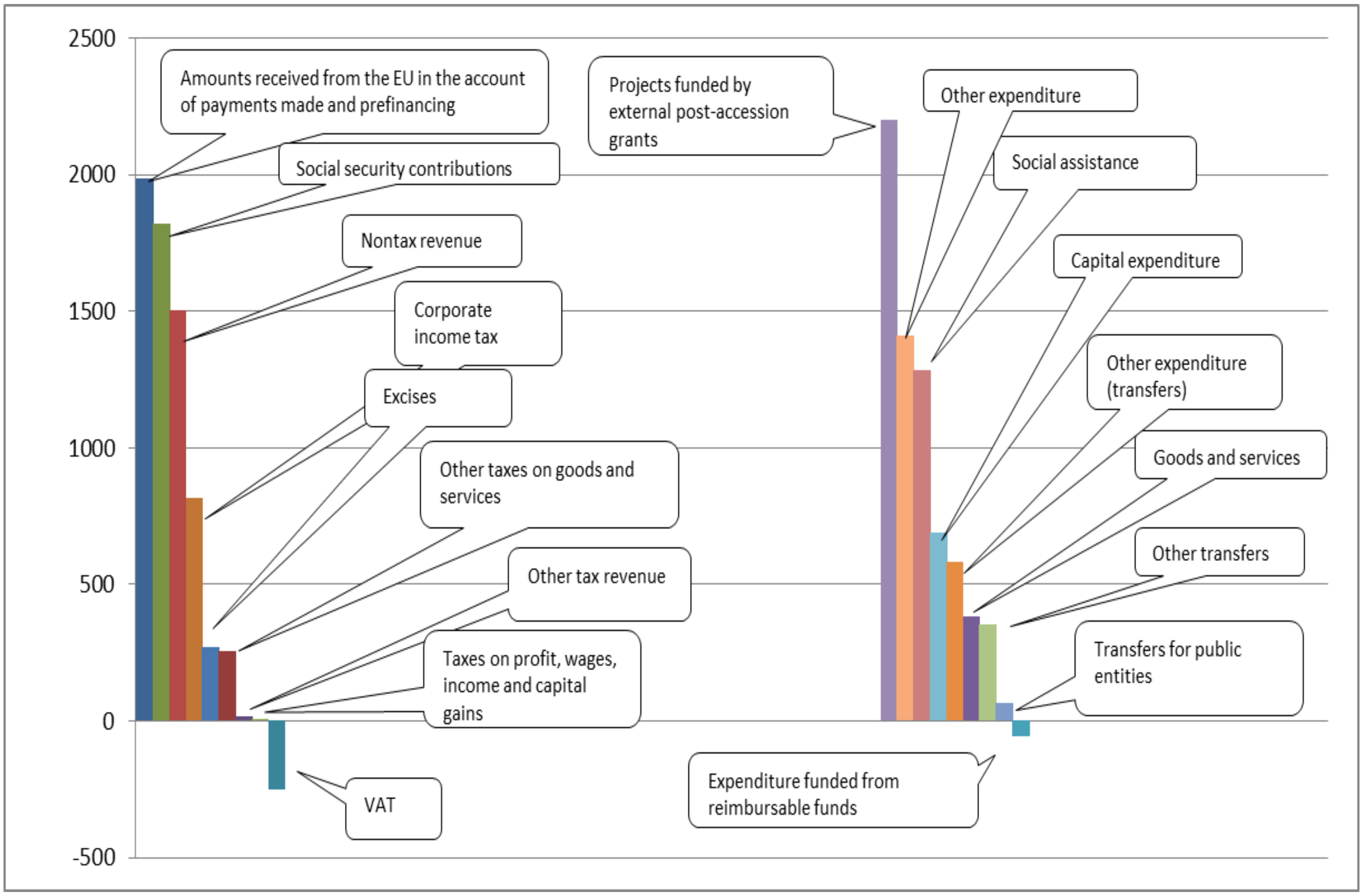
*Source: Ministry of Public Finance, Fiscal Council's calculations*

| ANNEX II | Initial budget 2015 | *Swap* program 2015 | Initial budget 2015<br>without *swap* | First budget revision (R1) 2015 | Planned swap First budget revision | First budget revision 2015<br>without *swap* | R1 - Initial budget 2015<br>with *swap* | R1 - Initial budget 2015<br>without *swap* | Budget execution semester I 2015/ Budget execution semester I 2014<br>with *swap* | R1 2015/ Budget execution 2014<br>without *swap* |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3=1-2 | 4 | 5 | 6=4-5 | 7=4-1 | 8=6-3 | 9 | 10 |
| **TOTAL REVENUE** | **226.360.5** | **850.0** | **225.510.5** | **233.276.9** | **850,0** | **232.426.9** | **6.916,5** | **6.916,5** | **10.19%** | **10.21%** |
| **Current revenue** | 206.732.3 | 850.0 | 205.882.3 | 211.646.6 | 850,0 | 210.796.6 | 4.914,4 | 4.914,4 | 9.01% | 9.03% |
| **Tax revenue** | 133.391.8 | 850.0 | 132.541.8 | 134.980.7 | 850,0 | 134.130.7 | 1.588,9 | 1.588,9 | 13.50% | 13.53% |
| **Taxes on profit, wages, income and capital gains** | 39.567.7 | | 39.567.7 | 41.177.8 | | 41.177.8 | 1.610,1 | 1.610,1 | 13.29% | 13.29% |
| Corporate income tax | 12.670.0 | | 12.670.0 | 13.486.8 | | 13.486.8 | 816,8 | 816,8 | 12.18% | 12.18% |
| Personal income tax | 25.314.7 | | 25.314.7 | 26.098.9 | | 26.098.9 | 784,2 | 784,2 | 14.18% | 13.80% |
| Other taxes on income, profit and capital gains | 1.583.0 | | 1.583.0 | 1.592.2 | | 1.592.2 | 9,2 | 9,2 | 8.35% | 8.35% |
| **Property tax** | 6.354.0 | | 6.354.0 | 5.775.0 | | 5.775.0 | -579,0 | -579,0 | -3.81% | -3.81% |
| **Taxes on goods and services** | 86.402.1 | 850.0 | 85.552.1 | 86.890.6 | 850,0 | 86.040.6 | 488,5 | 488,5 | 15.26% | 15.26% |
| VAT | 55.537.2 | 850.0 | 54.687.2 | 55.284.6 | 850,0 | 54.434.6 | -252,6 | -252,6 | 18.26% | 18.24% |
| Excises | 25.531.0 | | 25.531.0 | 25.799.3 | | 25.799.3 | 268,3 | 268,3 | 8.57% | 8.57% |
| Other taxes on goods and services | 2.738.4 | | 2.738.4 | 2.996.2 | | 2.996.2 | 257,8 | 257,8 | 23.64% | 23.64% |
| Taxes on using goods, authorizing the use of goods or on carrying activities | 2.595.5 | | 2.595.5 | 2.810.5 | | 2.810.5 | 215,0 | 215,0 | 7.91% | 7.91% |
| **Tax on foreign trade and international transactions (customs duty)** | 675.0 | | 675.0 | 726.4 | | 726.4 | 51,4 | 51,4 | 12.92% | 12.92% |
| **Other tax revenue** | 393.0 | | 393.0 | 410.9 | | 410.9 | 17,9 | 17,9 | 14.65% | 14.65% |
| **Social security contributions** | 55.311.0 | | 55.311.0 | 57.131.9 | | 57.131.9 | 1.821,0 | 1.821,0 | -1.33% | -1.31% |
| **Nontax revenue** | 18.029.5 | | 18.029.5 | 19.534.0 | | 19.534.0 | 1.504,5 | 1.504,5 | 11.08% | 11.28% |
| **Capital revenues** | 853.8 | | 853.8 | 871.5 | | 871.5 | 17,7 | 17,7 | 14.50% | 14.50% |

| ANNEX II | Initial budget 2015 | *Swap* program 2015 | Initial budget 2015<br>without *swap* | First budget revision (R1) 2015 | Planned swap First budget revision | First budget revision 2015<br>without *swap* | R1 - Initial budget 2015<br>with *swap* | R1 - Initial budget 2015<br>without *swap* | Budget execution semester I 2015/ Budget execution semester I 2014<br>with *swap* | R1 2015/ Budget execution 2014<br>without *swap* |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3=1-2 | 4 | 5 | 6=4-5 | 7=4-1 | 8=6-3 | 9 | 10 |
| **Grants** | 2.3 | | 2.3 | 2.3 | | 2.3 | 0,0 | 0,0 | -98.09% | -98.09% |
| **Amounts received from the EU in the account of payments made and prefinancing** | 18.772.1 | | 18.772.1 | 20.756.5 | | 20.756.5 | 1.984,4 | 1.984,4 | 47.49% | 47.49% |
| **TOTAL EXPENDITURE** | **239.364.4** | **850.0** | **238.514.4** | **246.281.0** | **850,0** | **245.431.0** | **6.916,6** | **6.916,6** | **2.46%** | **2.47%** |
| **Current expenditure** | 220.937.4 | 850.0 | 220.087.4 | 227.163.3 | 850,0 | 226.313.3 | 6.226,0 | 6.226,0 | 3.76% | 3.77% |
| **Personnel** | 48.373.3 | | 48.373.3 | 49.761.5 | | 49.761.5 | 1.388,1 | 1.388,1 | 5.17% | 5.17% |
| **Goods and services** | 40.037.3 | | 40.037.3 | 40.422.0 | | 40.422.0 | 384,7 | 384,7 | -2.39% | -2.39% |
| **Interest** | 10.529.3 | | 10.529.3 | 10.474.7 | | 10.474.7 | -54,6 | -54,6 | -7.92% | -7.92% |
| **Subsidies** | 5.488.8 | | 5.488.8 | 5.467.1 | | 5.467.1 | -21,6 | -21,6 | 0.75% | 0.75% |
| **Total Transfers** | 115.711.7 | 850.0 | 114.861.7 | 120.198.8 | 850,0 | 119.348.8 | 4.487,1 | 4.487,1 | 7.17% | 7.21% |
| Transfers for public entities | 1.498.5 | 850.0 | 648.5 | 1.562.1 | 850,0 | 712.1 | 63,6 | 63,6 | -10.00% | -20.67% |
| Other transfers | 12.040.3 | | 12.040.3 | 12.391.9 | | 12.391.9 | 351,6 | 351,6 | -7.97% | -7.97% |
| Projects funded by external post-accession grants | 24.176.0 | | 24.176.0 | 26.341.4 | | 26.341.4 | 2.165,4 | 2.165,4 | 27.79% | 27.79% |
| Social assistance | 74.095.0 | | 74.095.0 | 75.379.4 | | 75.379.4 | 1.284,4 | 1.284,4 | 5.62% | 5.62% |
| Projects funded by external post-accession grants 2014-2020 | 482.3 | | 482.3 | 519.7 | | 519.7 | 37,4 | 37,4 | | |
| Other expenditure | 3.419.6 | | 3.419.6 | 4.004.2 | | 4.004.2 | 584,6 | 584,6 | 20.33% | 20.33% |
| **Reserve funds** | 0.6 | | 0.6 | 101.0 | | 101.0 | 737,7 | 737,7 | | |
| Expenditure funded from reimbursable funds | 796.4 | | 796.4 | 738.2 | | 738.2 | -58,2 | -58,2 | -31.47% | -31.47% |
| **Capital expenditure** | 18.427.0 | | 18.427.0 | 19.117.7 | | 19.117.7 | 690,7 | 690,7 | -20.31% | -20.31% |
| **SURPLUS(+) / DEFICIT(-)** | **-13.004.0** | | **-13.004.0** | **-13.004.1** | | **-13.004.1** | **-0,1** | **-0,1** | **-220.74%** | **-220.66%** |

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

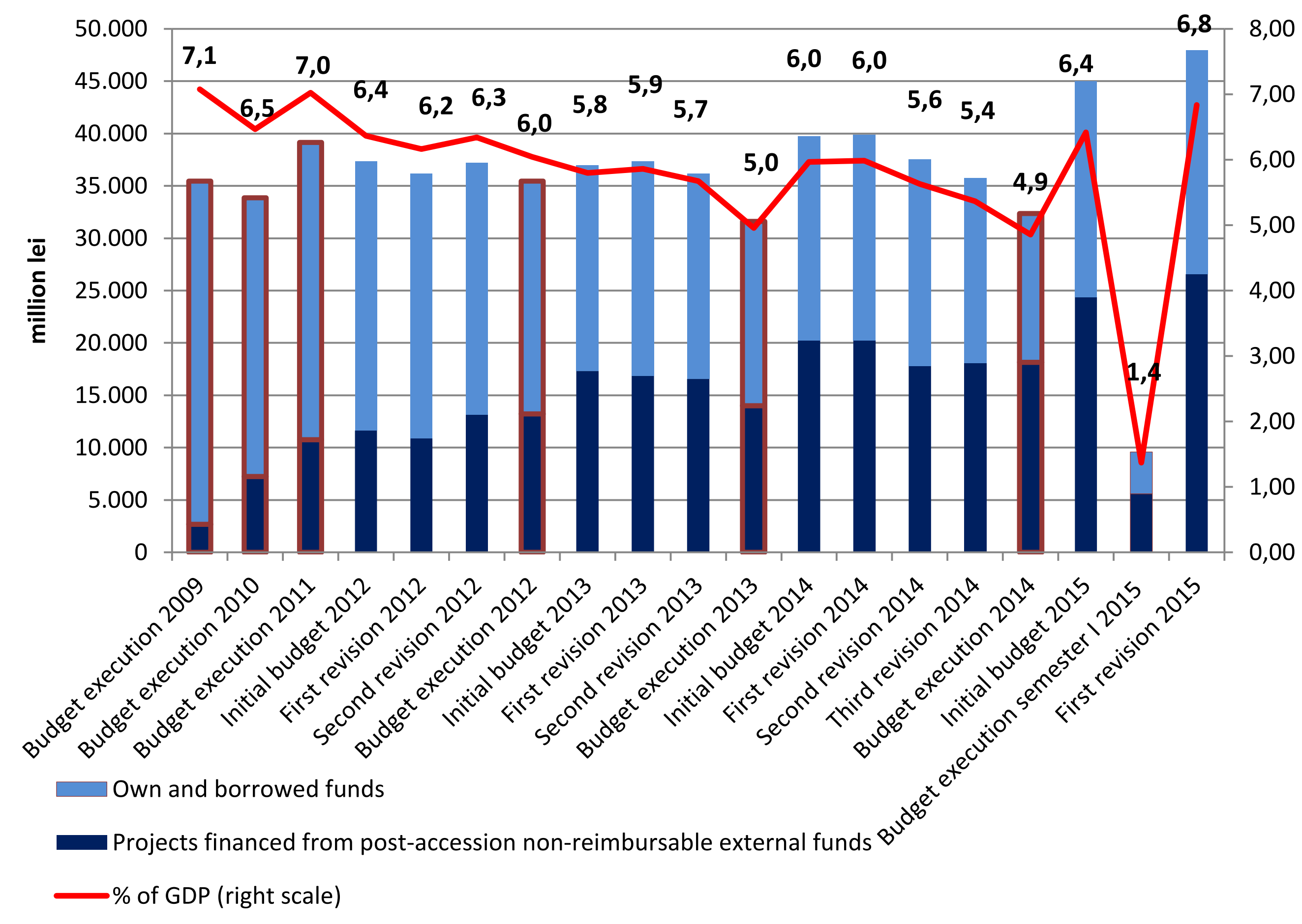
**Figure 1: The main changes in expenditures and revenues after the budget revision (without the impact of swap schemes), million lei**




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

**Figure 2: Evolution of the investment expenditure in the period 2009-2015 - planned vs. execution**

**million lei**




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