Fiscal Council's Opinion on the Draft Budget Revision for 2017 and the Half-Year Report Regarding the Economic and Budgetary Situation

On September 8th 2017, the Fiscal Council (CF) received from the Ministry of Public Finance (MPF) by letter no. 10754/8.09.2017, the draft of the budget revision for 2017, the explanatory note and the draft Government Ordinance regarding the draft of the budget revision for 2017, the explanatory note and the Government Ordinance regarding the draft of the revised social security budget for 2017, as well as the half-year report regarding the economic and budgetary situation requesting, under article 53 paragraph (2) of the Fiscal Responsibility Law (no. 69/2010 republished, hereafter referred to as FRL) the Fiscal Council's opinion.

Compliance with the fiscal rules

With one exception (and that only partially), the draft budget revision does not comply with the fiscal rules established by the FRL. Compared to the approved budget, the draft budget revision increases the total revenues and expenditures of the general consolidated budget (GCB) by 1.7 and 2.35 billion lei respectively, leading to an increase of the programmed deficit by 644.5 million lei. Since the projection of interest expenses is revised upward by 493.9 million lei, the GCB primary deficit is programmed to increase by 150.6 million lei.

The ceilings for the headline deficit and the primary deficit of the GCB established by Law no. 5/2017 are thus exceeded, which leads to the non-observance of the fiscal rule established by article 12 letter b) of the FRL. Given that the level of nominal gross domestic product is increased (a justified decision, given its evolution recorded in the first six months of the year) by 21.9 billion lei, the deficit level expressed as a percentage of GDP remains at 2.96%, representing the ceiling defined for the current year by the Law no. 5/2017, which makes the draft budget revision partially compliant with the rule defined at article 12 letter a) of the FRL, according to which *"the balance of the general consolidated budget and the personnel expenditure of the general consolidated budget, expressed as a percentage of the gross domestic product, cannot exceed the annual ceilings set in the Fiscal Strategy's budgetary framework for the first 2 years covered by it"*.

Additional deviations from the rules established by the FRL occur due to revisions at the level of budget expenditure as follows:

- The programmed level in the budget revision of the personnel expenditures (68.93 billion lei, i.e. 8.23% of GDP) exceeds the corresponding ceiling defined by the Law no. 5/2017 both in terms of nominal level (by 5.46 billion lei), as well as percentage of GDP (by 0.4 pp, despite the above mentioned upward revision of the nominal GDP compared to the estimation used in the initial budgetary construction). The absence of compliance with the fiscal rules therefore occurs at the level of article 12 letter a) (for the level expressed as percentage of GDP) and letter c) (for the nominal level) of the FRL and in terms of the rule established by article 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 (259.31 billion lei), exceeds the corresponding ceiling defined by the Law no. 5/2017 by 2.78 billion lei. The lack of compliance with the fiscal rules occurs at the level of article 12 letter c) of the FRL and article 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. Given that the total expenditure increase is also due to the supplementary allocation in interest expenses (by 493.9 million lei), as well as for the payment of Romania's contribution to the EU budget (the "other transfers" component of the MPF budget is supplemented by about 990 million lei as a result of the amounts allocated to the payment of Romania's contribution to the EU budget[1] revision), the exceeding of the ceiling established by the Law no. 5/2017 appears as partially justified from the fiscal rules perspective (within that amount).

The draft Government Ordinance regarding the budget revision draft for 2017 provides the corresponding derogations from the aforementioned fiscal rules and redefines the ceilings stipulated by the Law no. 5/2017 according to the levels proposed by the budget revision for the budgetary aggregates. The lack of coercion and the *de facto* inefficiency of fiscal rules are issues about which the Fiscal Council has repeatedly warned in recent years in the context of its opinions and reports, but the magnitude of exceeding the current year's ceiling for the personnel expenditure is unprecedented.

The updated coordinates of the budgetary revenues and expenditures

The budget revision draft supplements the estimated total revenues of GCB by 1,705.9 million lei, despite a significant decline in tax revenue (-2,861 million lei) and a reduction by 490 million lei in the programmed entries from European post-accession funds related to the financial year 2014-2020, in the context of upward revisions operated at the level of social security contributions (+1,615.9 million lei) and especially in non-tax revenues (+3.345 million lei). However, the developments above reflect the reduction in the programmed amount of the chain-linked compensation scheme for outstanding obligations to GCB (-167.7 million lei, with a symmetric impact on the expenditure side) and, in particular, the change in revenue distribution of the expected income from it - if in the initial budget construction the revenues amounting 1,592.7 million lei were envisaged to fully realize at the level of VAT, the budget revision draft allocates the majority of the additional receipts at the level of social contributions, with additional amounts at the level of several budget revenue aggregates, reflecting the manner in which the compensation scheme is implemented (see Annex II). Adjusted where appropriate for the impact of the change in the size and distribution of the abovementioned swap compensation scheme, the main revisions to the revenue side of the budget are as follows:

- Tax revenues: -1.977 million lei, out of which:

[1] The Fiscal Council warned about the under-budgeting of this expenditure chapter in the context of its Opinion on the initial budget draft from February 3, 2017.

- Corporate income tax: -1.924 million lei, of which -2.396 million lei for the corporate income tax due by non-bank economic agents (we consider that the impact of the change in the distribution of income related to the compensation scheme is found in this category) and +284 million lei for the corporate income tax due by the banking sector. The downward revision is required by the low level of achievement of the initial program at the level of the first semester (88.9%) and a lower than expected performance of receipts in July (month that cumulates monthly and quarterly payments) when, despite the high nominal GDP growth rate, the annual growth rate stood at only 0.9%. It is very likely that to these developments has also contributed the underestimation of the budgetary impact resulting from the change in the microenterprises' regime operated at the beginning of the year (generalization of the turnover tax rate to 1%, together with increasing the ceiling of application from an annual turnover of 100,000 EUR to EUR 500,000), but the uncertainties were inherent given that the financial impact assessment was based on the financial statements of economic agents at the end of 2015 (for data availability reasons). The Fiscal Council considers that the estimated level of corporate income tax revenue appears to be feasible by extrapolating the available execution data, but this implies a mitigation of the negative growth rates of the monthly flows compared to the previous year's achievements. A more conservative estimation, however, indicates possible unrealized revenues of about 300 million lei.
- Personal income tax: -173 million lei. The small downward revision of the programmed level appears consistent with the 99.9% achievement of the half-year program, but given the significant widening of the wage bill in the public sector, there is a potential for exceeding (possibly minor) the programmed level.
- VAT: -66 million lei. Adjusting for the impact of swap revenue's change in the size and structure, the budget revision draft maintains quasi-unchanged the initial revenue estimate, despite an achievement of the half-year program of only 94% (-1.614 billion lei). The available data for July and the preliminary data for August indicate an acceleration in the annual growth rate of annual VAT receipts, due to a significant increase in the annual growth rates of collected VAT, but also due to a sharp decline in the VAT reimbursements in August (-27.1% compared to the same period of the previous year). However, by extrapolating the favorable performance recorded in August at the level of collected VAT (+8.3% in annual terms) and considering a VAT refunded / VAT collected report slightly lower than the historical average, the Fiscal Council's calculations indicate a potential overestimation of VAT revenues of about 1 billion lei.
- Excise duties: +450.8 million lei. The upward revision reflects the impact of the two-step reintroduction of the increased fuel excise from September 15th, 2017 (+640 million lei at the end of the year) which, together with the July and August developments, more than compensates the achievement of only 96% of the half-year program revenues.

- Social security contributions: +899.8 million lei. The execution at the end of the first quarter shows an over-performance relative to the program of 101.7% (+582 million lei), partly determined by the implementation of the compensation scheme which, although initially expected to be at the level of VAT revenues, generated an amount of 318 million lei for the social insurance contributions. The extrapolation of the over-performance adjusted for the impact of the compensation scheme and of the updated execution data and also the strong upward revision of the public-sector wage bill in the context of the budgetary rectification indicate that the proposed level appears as reasonable, with even the possibility of slightly exceeding the designated level.

- Non-tax revenues: +3345 million lei. The substantial increase in the proceeds estimated for this component reflects the already apparent overperformance at the end of the first quarter (105% compared to the half-yearly program, +456 million lei), but is mainly the result of the unexpected distribution of dividends by the state-owned companies. The state companies temporarily distribute at least 90% of the net profit of the previous year in the form of dividends (although the measure was taken into account in the budgetary construction, the revenues collected in July were above expectations), and more, according to the provisions of GEO no. 29/2017, it is intended to distribute a super-dividend of the reserves accumulated in the previous years, estimated at about 1.5 billion lei. The Fiscal Council considers the proposed level as achievable in the context of the above-mentioned decisions.
- Amounts received from the EU for payments made and pre-financing (for the 2014-2020 financial framework): -490.2 million lei. The apparently inexplicable minor revision of the aggregated amount (if we refer to the very poor up to date execution) disguises a huge downward revision of the structural funds (-4.44 billion lei from 9.6 billion lei to 5.2 billion lei) partly compensated by the increase of the funds allocated to EU agricultural payments (by 1,488.6 million lei) and the passing through the general consolidated budget of the amounts intended to pre-finance the projects of the non-governmental sector in the case of the temporary unavailability of the European funds, according to the provisions of GEO no. 40/2015 (+2,464 million lei). The latter two categories mentioned above generate a symmetric impact on revenue and expenditure (the impact on the deficit is zero), but the reduction in the structural and cohesion funds flows of whose final beneficiary is the state generates a higher reduction in expenditure due to the decrease in co-financing needs and in the ineligible expenditure (at the level of the budgetary expenditure the effect of the reduction in the structural and cohesion funds is equivalent with a decrease of about 8.4 billion lei). As the Fiscal Council has already stated in the context of the opinion prepared for the draft budget for the current year, the relevant amount of EU funds in terms of ESA 2010 methodology is only for those structural funds whose final beneficiary is the state, the amounts for agriculture and pre-financing granted to the non-government sector are not included in the public administration sector. Furthermore, the transit of these amounts through the general consolidated budget makes it impossible to compare the aggregate data from the current budget execution to those for the previous year (in the case of the amounts granted under article 10 of GEO no. 20/2015) and also with the historical flows of the European Funds from the previous EU financial year (2007-2013).

The budgetary expenditures, excluding the influence of the compensation scheme, are revised upwards by 2,518 million lei, the sources of this evolution being the following:

- Personnel expenditure: +5.050 million lei. The need for an upward revision was already apparent in the day-to-day budget execution, indicating insufficient initial allocations from the first months of the year. The size of the upward revision is due both to the initial under-budgeting and to the impact of the wage increases decided upon after approval of the draft budget. These developments reveal shortcomings in the budgetary planning process and the lack of effective constraining fiscal rules, and both could raise concerns about future pressures from this budgetary aggregate.
- Goods and services: -1.512 million lei. The revised level of this expenditure category implies a nominal decrease of -4.5% compared to the year 2016. In the Fiscal Council's opinion, reaching the programmed level will be a challenge, given that the preliminary execution at the end of August shows a 3.6% increase in spending compared to the same period of the previous year.
- Social assistance: +3.320 million lei. The upward revision operated validates the warning issued by the Fiscal Council in the context of the approval of the initial budget law when it identified a possible under-budgeting of this expenditure aggregate by at least 2 billion lei. The social insurance budget expenditures are increased by 650 million lei (the Fiscal Council identified at the moment of the approval of the initial budget a under-budgeting of about 680 million lei) and the social assistance spending related to the state budget is increased by 2,526.5 million lei - the Fiscal Council considered at the time of approving the initial budget as likely to have a significant under estimation of this aggregate based on an extrapolation of the observable trends at the quarterly execution level of the previous year, but the magnitude of the rectification increase exceeds its assessment at that time.
- Interest spending: +493.3 million lei. The review is also in line with the under-budgeting of the initial aggregate identified by the Fiscal Council on the occasion of the approval of the annual budget law.
- Investment spending: -10.66 billion lei. The reduction in investment spending is by far the highest at least in recent history, and the funds for public investment, expressed as a percentage of GDP, are at a minimum of the last 10 years, being inferior in nominal terms to the level of the investment expenditure in 2016. The reduction in investment expenditure is mainly due to the downward revision of the absorption of structural and cohesion funds (-4.44 billion lei), which also generates lower allocations for co-financing and non-eligible expenditures. The aggregate reduction in investment projects funded with European non-reimbursable funds (around 5.5 billion lei) is accompanying smaller allocations for investment programs funded with reimbursable funds (by about 130 million lei) and capital expenditures (the difference to the total reduction of 10.66 billion lei, respectively 5 billion lei, also includes amounts related to the co-financing of projects from European structural funds).
- Other transfers: +715.5 million lei. The increase reflects the need to increase the amounts for payment of Romania's contribution to the EU budget by 990 million lei given the initial under-

budgeting identified in the Fiscal Council's opinion on the occasion of the approval of the annual budget law.

- Other expenses: +833 million lei.

Conclusions

The total consolidated budget revenues are revised upward by 1,873.6 million lei (net of the impact of the swap compensation scheme), reflecting divergent developments in tax revenues and social contributions (which depend directly on macroeconomic developments) and of non-tax revenues (as a result of the extraordinary distributions of dividends by state-owned companies requested by the Government). Consequently, despite the economic growth superior to the initial estimates and with a more favorable structure for the budget revenues, the execution of the fiscal revenues and of the social contributions at the end of the first semester was below the programmed level, with an achievement degree of only 97.44 % (by 2.682 million lei below the programmed level), mainly as a result of the weaker developments in the personal income tax and indirect taxes (VAT and excise taxes), only partly compensated by the over-performance of the social security contributions. Even in the context of re-introduction of the over-excise for fuels which was eliminated at the beginning of this year and the adoption of additional discretionary measures on the revenue side (the basis for calculating the social security contributions due by the employer for part-time employees is determined at least at the level of the minimum wage, the increase in the excise for cigarettes), the aggregate fiscal revenues plus social security contributions is revised downwards in the context of the current budgetary rectification by 1,077 million lei. The Fiscal Council identifies a significant risk of failure to achieve VAT revenue, estimated at about 1 billion lei, despite the favorable developments recorded during July and August, but this is mitigated to some extent by the significant probability of recording higher than projected proceeds for personal income tax and social security contributions, amid a very rapid rise in wages in the economy.

However, the unfavorable developments mentioned above for the aggregate fiscal revenues and social security contributions appear to be small compared to the size of the additional needs for budget allocations for personnel and social assistance expenditures (revised upward by 8,370 million lei, respectively by 1% of GDP). In these circumstances, keeping the deficit within the ceiling of 3% of GDP is possible only in the context of a massive downward revision in investment expenditures (-10.6 billion lei, mainly due to lower expenses related to investment projects financed by EU non-reimbursable funds) and the discretionary request for extraordinary dividend distributions addressed to the state companies (which largely explains the increase by 3.3 billion lei for non-tax revenues). Although such measures probably create the premises to avoid exceeding the deficit target this year, the situation in 2017 is likely to greatly complicate the construction of the budget in the coming years. First of all, the distribution of a super dividend in 2017 from the reserves accumulated in previous years by state-owned companies is, by its nature, a singular event, or the increases in the current expenditure that are partially covered by it are of a permanent nature. In this manner are thus covered the pressures from permanent expenditure from temporary resources, which is totally not indicated. Secondly, additional cuts in investment spending in the context of continued pressure from the current expenditure, beyond the undesirability from the perspective of the infrastructure needs of the country, appear as hardly to be achieved as the probable intensification of the absorption of the structural funds and cohesion policy funds in the coming years will demand for increases in co-financing and ineligible expenditure over the coming years.

Concluding, the Fiscal Council has identified on the occasion of the initial budgetary construction, several elements that suggested not only the existence of significant short-term risks in the context of avoiding to enter in the excessive deficit procedure on the background of oversized budget revenues and under-budgeting of certain categories of expenditure, but also signaled the vulnerability of public finances in the medium term in terms of registering a persistent and widespread deviations from the medium-term objective. The economic growth above expectations was not sufficient to ensure the convergence of the fiscal revenues with the programmed targets, as it would be expected, and the initial assessments on the necessary additional current expenditure (the underestimation of the expenditure identified by the Fiscal Council) were significantly exceeded by the budget execution. The avoidance of exceeding the deficit ceiling appears to be achievable only as a result of the massive reduction of public investment compared to the programmed level, the reversal of past tax cuts and the introduction of additional discretionary revenue measures as well as of the extraordinary proceeds of dividends from state companies. The above-mentioned elements determine the Fiscal Council to recommend the Government to elaborate urgently an action plan for the coming years for repositioning the budget deficit on a path consistent with the medium-term objective, as indicated both by FRL and European treaties that Romania signed.

The opinions and the recommendations above mentioned by the Fiscal Council were approved by the Chairman of the Fiscal Council, according to Art. 56, para (2) letter d) of the Law no. 69/2010 republished, after being approved by the Council members through vote, on 13th September 2017.

13th of September 2017.

Chairman of the Fiscal Council,

IONUȚ DUMITRU

ANNEX I - Budget execution semester I 2017 vs. the half-year program	The half-year program 2017 with *swap* (mil. lei)	Budget execution semester I 2017 with *swap* (mil. lei)	Program *swap* semester I 2017	The half-year program 2017 without *swap* (mil. lei)	Budget execution semester I 2017 without *swap* (mil. lei)	Sem. 1 2017/ Sem. 1 2016 without *swap*	Differences from the half-year program 2017 without *swap* (mil. lei)	The achievement degree of the half-year program without *swap* (%)	Differences from the half-year program 2017 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	**122,902.6**	**117,227.7**	**877.9**	**122,024.7**	**116,349.8**	**7.6%**	**-5,674.9**	**95.3%**	**-5,674.9**	**95.4%**
Current revenue	113,680.2	111,432.8	870.5	112,809.7	110,562.3	4.0%	-2,247.4	98.0%	-2,247.3	98.0%
Tax revenue	71,249.2	67,994.5	422.5	70,826.6	67,572.0	-1.3%	-3,254.7	95.4%	-3,254.6	95.4%
Taxes on profit, wages, income and capital gains	23,981.6	22,913.7	190.6	23,791.1	22,723.1	4.4%	-1,067.9	95.5%	-1,067.9	95.5%
Corporate income tax	8,116.9	7,212.6	64.9	8,052.0	7,147.7	-6.7%	-904.3	88.8%	-904.3	88.9%
Personal income tax	14,876.4	14,866.9	125.6	14,750.8	14,741.3	10.7%	-9.5	99.9%	-9.5	99.9%
Other taxes on income, profit and capital gains	988.3	834.2		988.3	834.2	4.5%	-154.1	84.4%	-154.1	84.4%
Property tax	3,286.8	3,578.7		3,286.8	3,578.7	-5.2%	291.9	108.9%	292.0	108.9%
Taxes on goods and services	42,992.0	40,558.0	188.6	42,803.5	40,369.4	-4.1%	-2,434.0	94.3%	-2,434.0	94.3%
VAT	26,902.2	25,291.0	188.6	26,713.7	25,102.4	-4.6%	-1,611.2	94.0%	-1,611.3	94.0%
Excises	12,443.2	11,945.6		12,443.2	11,945.6	-7.6%	-497.6	96.0%	-497.6	96.0%
Other taxes on goods and services	1,721.5	1,684.2		1,721.5	1,684.2	62.1%	-37.3	97.8%	-37.3	97.8%
Taxes on using goods, authorizing the use of goods or on carrying activities	1,925.1	1,637.2		1,925.1	1,637.2	-10.1%	-287.9	85.0%	-287.9	85.0%
Tax on foreign trade and international transactions	462.2	478.1		462.2	478.1	1.9%	15.9	103.4%	16.0	103.5%
Other tax revenue	526.6	465.9	43.4	483.2	422.5	-6.7%	-60.7	87.4%	-60.7	88.5%
Social security contributions	33,645.8	34,218.1	448.0	33,197.9	33,770.1	15.2%	572.3	101.7%	572.3	101.7%
Nontax revenue	8,785.2	9,220.2		8,785.2	9,220.2	9.3%	435.0	105.0%	435.0	105.0%
Capital revenues	398.3	396.4		398.3	396.4	14.2%	-1.9	99.5%	-1.9	99.5%
Grants	10.3	0.0		10.3	0.0	-	-10.3	0.0%	-10.3	0.0%
Amounts received from the EU in the account of payments made and prefinancing	156.7	94.4		156.7	94.4	-80.2%	-62.3	60.2%	-62.3	60.3%
Amounts collected in the single account	0.0	-234.8	7.4	-7.4	-242.2	-249.5%	-234.8	3282.1%	-234.8	-
Other amounts received from the EU for operational Programmes funded under the convergence objective	0.0	-146.9		0.0	-146.9	-291.5%	-146.9	-	-146.9	-

Amounts received from the EU/other donors in the account of payments made and pre-financing for financial framework 2014-2020	8,657.1	5,685.8		8,657.1	5,685.8	736.0%	-2,971.3	65.7%	-2,971.4	65.7%
TOTAL EXPENDITURE	**134,979.7**	**123,522.8**	**877.9**	**134,101.8**	**122,644.9**	**9.6%**	**-11,456.9**	**91.5%**	**-11,456.9**	**91.5%**
Current expenditure	128,619.7	120,091.4	877.9	127,741.8	119,213.5	11.5%	-8,528.3	93.3%	-8,528.2	93.4%
Personnel	33,256.5	33,236.6		33,256.5	33,236.6	19.5%	-19.9	99.9%	-19.9	99.9%
Goods and services	18,859.1	17,544.4		18,859.1	17,544.4	0.9%	-1,314.7	93.0%	-1,314.7	93.0%
Interest	6,802.3	6,049.9		6,802.3	6,049.9	-4.2%	-752.4	88.9%	-752.4	88.9%
Subsidies	4,296.5	3,589.4		4,296.5	3,589.4	34.4%	-707.1	83.5%	-707.1	83.5%
Total Transfers	65,136.5	59,543.0	877.9	64,258.6	58,665.1	11.6%	-5,593.5	91.3%	-5,593.5	91.4%
Transfers for public entities	1,318.3	468.9	356.2	962.2	112.7	-32.0%	-849.4	11.7%	-849.5	35.6%
Other transfers	6,927.3	6,152.4	521.7	6,405.6	5,630.7	19.2%	-774.9	87.9%	-774.9	88.8%
Projects funded by external post-accession grants	698.4	473.0		698.4	473.0	-90.2%	-225.4	67.7%	-225.4	67.7%
Social assistance	44,590.4	44,106.3		44,590.4	44,106.3	9.8%	-484.1	98.9%	-484.1	98.9%
Projects funded by external post-accession grants 2014-2020	9,421.7	6,126.8		9,421.7	6,126.8	545.4%	-3,294.9	65.0%	-3,294.9	65.0%
Other expenditure	2,180.4	2,215.6		2,180.4	2,215.6	25.2%	35.2	101.6%	35.2	101.6%
Reserve funds	49.0	0.0		49.0	0.0	-	-49.0	0.0%	-49.0	0.0%
Expenditure funded from reimbursable funds	219.6	128.1		219.6	128.1	-6.3%	-91.5	58.3%	-91.5	58.3%
Capital expenditure	6,360.0	4,078.2		6,360.0	4,078.2	-19.0%	-2,281.8	64.1%	-2,281.8	64.1%
Payments made in previous years and recovered in the current year	0.0	-646.8		0.0	-646.8	-	-646.8	-	-646.8	-
EXCEDENT (+) / DEFICIT (-)	**-12,077.1**	**-6,295.1**		**-12,077.1**	**-6,295.1**	**63.3%**	**5,782.0**	**52.1%**	**5,782.0**	**52.1%**

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

ANNEX II	Initial budget 2017	*Swap* program 2017	Initial budget 2017	First budget revision (R1) 2017	*Swap* R1	First budget revision 2017	R1 - Initial budget 2017	R1 - Initial budget 2017	Budget execution semester I 2017/ Budget execution semester I 2016	R1 2017/ Budget execution 2016
			without *swap*			without *swap*	with *swap*	without *swap*	with *swap*	without *swap*
	1	2	3=1-2	4	5	6=4-5	7=4-1	8=6-3	9	10
TOTAL REVENUE	**254,721.0**	**1,592.7**	**253,128.3**	**256,426.9**	**1,425.0**	**255,001.9**	**1,705.9**	**1,873.6**	**8.15%**	**114.37%**
Current revenue	231,622.6	1,592.7	230,029.9	233,722.6	1,425.0	232,297.5	2,100.0	2,267.7	4.49%	108.11%
Tax revenue	142,836.1	1,592.7	141,243.4	139,974.9	708.9	139,266.0	-2,861.1	-1,977.3	-1.09%	102.43%
Taxes on profit, wages, income and capital gains	48,837.4		48,837.4	46,917.3	327.2	46,590.1	-1,920.0	-2,247.2	4.95%	104.36%
Corporate income tax	16,629.9		16,629.9	14,836.6	131.1	14,705.5	-1,793.3	-1,924.4	-6.27%	95.63%
Personal income tax	30,108.2		30,108.2	30,130.6	196.1	29,934.5	22.4	-173.7	11.45%	108.13%
Other taxes on income, profit and capital gains	2,099.3		2,099.3	1,950.2		1,950.2	-149.1	-149.1	4.50%	123.18%
Property tax	5,161.1		5,161.1	5,395.4		5,395.4	234.3	234.3	-5.25%	91.48%
Taxes on goods and services	87,068.8	1,592.7	85,476.1	85,706.6	296.5	85,410.1	-1,362.3	-66.1	-3.90%	101.87%
VAT	54,142.3	1,592.7	52,549.6	52,846.0	296.5	52,549.5	-1,296.3	-0.1	-4.25%	102.26%
Excises	26,051.3		26,051.3	26,502.1		26,502.1	450.8	450.8	-7.60%	98.31%
Other taxes on goods and services	3,385.6		3,385.6	3,398.4		3,398.4	12.8	12.8	62.08%	151.02%
Taxes on using goods, authorizing the use of goods or on carrying activities	3,489.6		3,489.6	2,960.1		2,960.1	-529.6	-529.6	-10.15%	91.23%
Tax on foreign trade and international transactions (customs duty)	951.3		951.3	945.6		945.6	-5.7	-5.7	1.88%	107.13%
Other tax revenue	817.6		817.6	1,010.1	85.2	924.9	192.5	107.3	1.08%	132.28%
Social security contributions	69,758.4		69,758.4	71,374.3	716.1	70,658.1	1,615.9	899.8	16.13%	115.88%
Nontax revenue	19,028.2		19,028.2	22,373.4		22,373.4	3,345.2	3,345.2	9.25%	124.72%
Capital revenues	817.0		817.0	849.1		849.1	32.1	32.1	14.24%	110.36%
Grants	19.7		19.7	18.0		18.0	-1.8	-1.8	-	1,130.85%
Amounts received from the EU in the account of payments made and prefinancing	22,261.7		22,261.7	21,837.3		21,837.3	-424.4	-424.4	399.50%	318.35%
TOTAL EXPENDITURE	**278,820.9**	**1,592.7**	**277,228.2**	**281,171.3**	**1,425.0**	**279,746.3**	**2,350.4**	**2,518.1**	**10.05%**	**115.95%**
Current expenditure	253,592.8	1,422.7	252,170.1	261,004.2	1,255.0	259,749.2	7,411.4	7,579.1	12.01%	116.87%
Personnel	63,879.3		63,879.3	68,929.9		68,929.9	5,050.7	5,050.7	19.49%	120.84%
Goods and services	40,675.0	522.7	40,152.3	39,107.3		39,107.3	-1,567.7	-1,045.0	0.88%	95.50%
Interest	10,185.0		10,185.0	10,678.9		10,678.9	493.9	493.9	-4.24%	106.70%

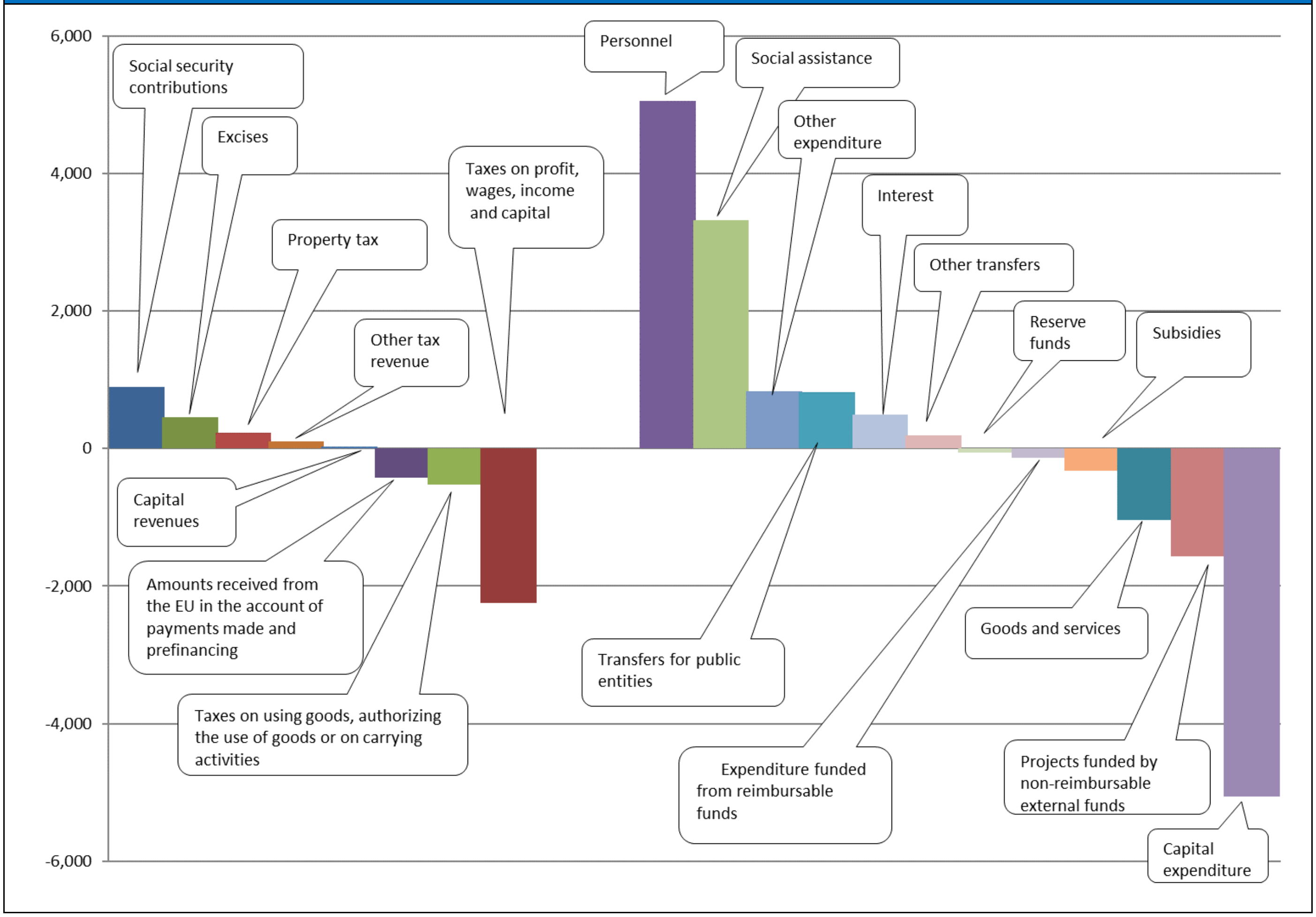
Subsidies	7,161.5		7,161.5	6,834.3		6,834.3	-327.2	-327.2	34.38%	103.47%
Total Transfers	131,061.4	900.0	130,161.4	135,012.9	1,255.0	133,757.9	3,951.5	3,596.5	12.60%	124.77%
Transfers for public entities	1,945.6	900.0	1,045.6	2,593.6	733.3	1,860.4	648.0	814.7	-1.03%	226.62%
Other transfers	11,302.8		11,302.8	12,018.2	521.7	11,496.5	715.5	193.8	30.23%	104.97%
Projects funded by external post-accession grants	974.5		974.5	715.0		715.0	-259.5	-259.5	-90.16%	17.79%
Social assistance	88,458.5		88,458.5	91,778.6		91,778.6	3,320.1	3,320.1	9.84%	112.15%
Projects funded by external post-accession grants 2014-2020	24,126.7		24,126.7	22,821.1		22,821.1	-1,305.6	-1,305.6	545.40%	359.28%
Other expenditure	4,253.3		4,253.3	5,086.3		5,086.3	833.0	833.0	25.16%	128.06%
Reserve funds	151.0		151.0	90.9		90.9	-60.1	-60.1	-	-
Expenditure funded from reimbursable funds	479.6		479.6	350.0		350.0	-129.7	-129.7	-6.29%	78.74%
Capital expenditure	25,228.1	170.0	25,058.1	20,167.2	170.0	19,997.2	-5,061.0	-5,061.0	-18.98%	105.17%
EXCEDENT (+) / DEFICIT (-)	**-24,100.0**		**-24,100.0**	**-24,744.4**		**-24,744.4**	**-644.5**	**-644.5**	**63.30%**	**135.26%**

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

ANNEX III – EU Funds	Initial budget 2017 (million lei)		Influences (updates + budget revision) (million lei)	First budget revision 2017 (million lei)	
	with agriculture	without agriculture		with agriculture and amounts according to art. 10 lit. a) of GEO no. 40/2015	without agriculture and amounts according to art. 10 lit. a) of GEO no. 40/2015
Revenue					
Post-accession funds	22,077.3	9,642.7	-490.2	21,587.1	5,199.9
Expenditure					
EU expenditure + national co-financing	29,457.1	17,022.5	-4,462.2	24,994.9	8,607.7

Source: Ministry of Public Finance

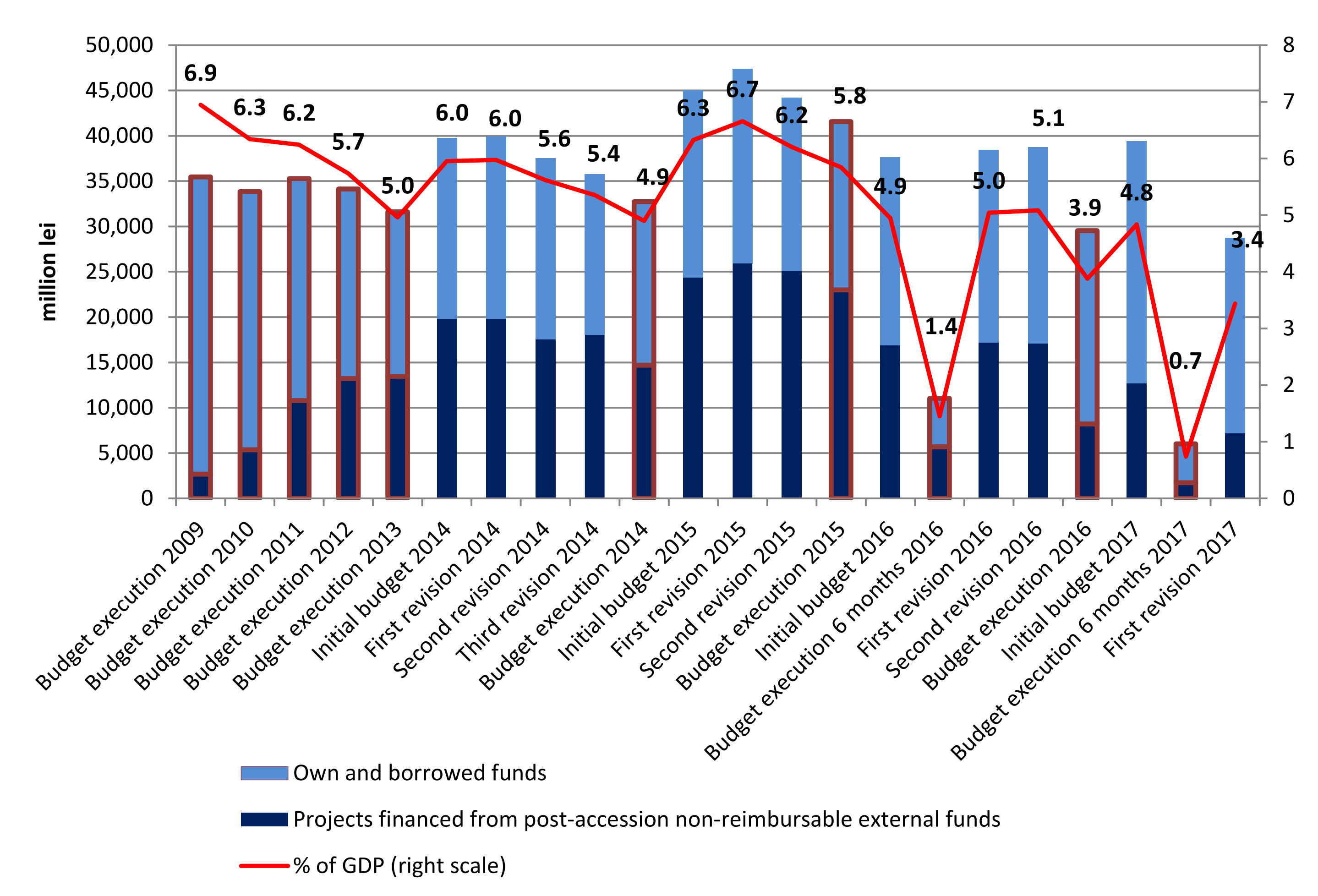
Figure 1: The main changes in expenditures and revenues after the budget revision (without the impact of swap schemes), million lei



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

Figure 2: Evolution of the investment expenditure in the period 2009-2017

- planned vs. execution, million lei



Source: Ministry of Public Finance