

The OECD's Budget Review of Romania



The general overview of the budgeting process in Romania, highlighting recent and ongoing reforms

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Ioana BURLĂ

**General Director - Budget
Department
Ministry of Finance
Romania**

Objectives

The main objective of the economic policy is **sustainable growth**.

Reforms enhance and secure sustainable growth.

A strong strategy has few pillars but one of the most important is the fiscal policy with its branch **budget planning and execution**.



OECD Review of Budgetary Governance

According to the OECD Budget Review, performed in 2020: there has been a “considerable progress in budgetary governance”

Highlight the reforms carried out during these years:

- A strong legal basis have been approved, modelling international best practices. The laws established: medium-term expenditure framework, fiscal rules, prudential thresholds for public debt, budget process rules, commitment credits, introduction of program budgeting, the Romanian Fiscal Council as an independent institution, monthly, quarterly, biannual and annual reports on the execution side, corporate governance legislation.
- We established a special department dedicated to the prioritization large investment projects within the Ministry of Finance and approved the legislation necessary to implement and monitor these projects;
- We set up a spending review unit within the Ministry of Finance ;
- The Public Policy Unit within the Centre of Government (GSG), become an important actor in the budget construction with the objective to implement the Institutional Strategic Plans.



Budgetary Reform

Quality standards for macroeconomic forecasts used for budgetary planning

- The macroeconomic framework of the Fiscal-Budgetary Strategy contains a statement that makes a correlation with the differences found by the European Commission in the latest forecasts;
- If the Fiscal Council finds recurrent deviations of the macroeconomic forecasts from the actual data, which have been recorded for a period of at least four consecutive years, the Government takes the necessary measures and makes the results public;
- The Fiscal Council makes an ex-ante evaluation on the quality of macroeconomic and budgetary forecasts;



Budgetary Reform

Rules for budgetary transparency

The Ministry of Finance publish on its website relevant information such us:

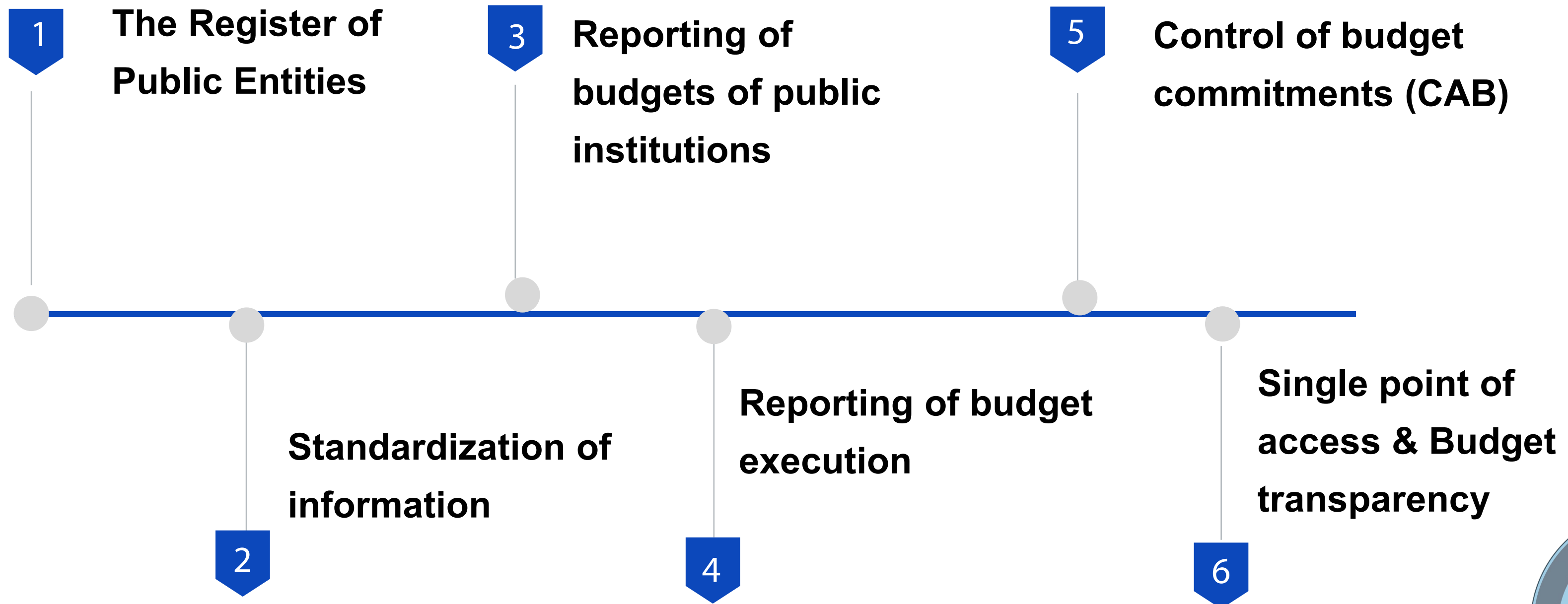
- revenues and expenditures allocation by quarters and budgets headings;
- monthly and quarterly information on the budget execution and public debt;
- contingent liabilities with a potentially major impact on public budgets, including informations on state guarantees, non-performing loans and liabilities;
- state participations to the capital of the private and public companies;
- the biannual report on the economic and budgetary situation as well as of the Report on the final budget execution;



Budgetary Reform

The creation of an IT system (FOREXEBUG) financed by European funds to monitor and report the executions of the public administration on central and local level.

The FOREXEBUG contains:



Budgetary Reform – *in progress*

We are aware of the recommendations made in this report. In this sense, budget reform is an important component in the Resilience and Recovery Plan (RRP) for improving the programming mechanism and modernizing the IT system:

- two government decisions regarding the methodology of elaboration the institutional strategic plans and the programme budgeting, have been recently approved;
- these two methodologies will ensure a better connection between budget and policies, on one hand and budget departments and public policy units, on the other hand;
- efficiency of using limited financial resources by directing them to financing the priority programs according to the Institutional Strategic Plans;



Budgetary Reform – *in progress*

- highlighting the results obtained by financing the programs; The results are quantifiable with the help of specific performance indicators;
- correlation of the funding level of budget programs with the proposed performance level;
- informing the budget decision process;

The new IT system will:

- support the analysis of the effectiveness, economy and efficiency of the use of budgetary resources, including spending review;
- increase transparency;
- support the elaboration of the annual budget ceilings;
- be native linked with the current budget execution IT system (FOREXEBUG);

Also, **the new IT system** is designed to be used for budget preparation and monitoring.



Budgetary Reform – *in progress*

Update legal framework :

- to introduce systematic spending reviews aligned with the budgetary cycle;
- to support multi-annual budgetary planning;
- to strengthen the prioritization of public investment.

Regarding spending review:

- adoption of a multi-annual strategy and calendar for a systematic expenditure review across all sectors
- completing the spending review in health and education sectors
- covering the recommendations of spending reviews in health and education in draft budgetary law 2024



Budgetary Reform – *in progress*

Reforms with impact on the local administration

- The objective of the project is to support the Government of Romania to modernize the intergovernmental transfer system in Romania in order to improve its efficiency, predictability and transparency.
- The impact of the project will be felt both by central government through better targeting of transfers and by local governments through more adequacy and predictability of allocations from the state budget.





Thank you!

ioana.burla@mfinante.gov.ro