

Fiscal Council's Opinion on the Draft Budget Revision for 2018 and the Half-Year Report Regarding the Economic and Budgetary Situation

On August 6th 2018, the Fiscal Council received from the Ministry of Public Finance (MPF) by letter no. 465050/6.08.2018, the draft of the budget revision for 2018, the explanatory note and the draft Government Ordinance regarding the draft of the budget revision for 2018, the explanatory note and the Government Ordinance regarding the draft of the revised social security budget for 2018, 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

None of the fiscal rules established by the FRL, except that for the deficit level expressed as percentage of GDP (even this is problematic, as we will detail below) is respected by the draft budget revision.

Compared to the initial budget, the draft budget revision increases both the total revenues and expenditures of the general consolidated budget (GCB) by 6.4 and 7.5 billion lei respectively, leading to a GCB deficit higher by 1.1 billion lei than the initial target.

The nominal increase of the budget deficit and the primary budget deficit implies non-compliance with the rule established by art. 12 letter b) of the FRL which stipulates that *"the balance and the primary balance of the general consolidated budget, taking into account its components for the next budgetary year, shall not exceed the ceiling established by the fiscal framework of the Fiscal Strategy, approved by the Parliament"*, the nominal ceilings related to the budget deficit and the primary budget deficit defined by the Law no. 269/2017 being *ex-ante* exceeded by 1.1 billion lei. Given the increase of 37.1 billion lei of the nominal GDP projected for 2018, partly justified by the more favorable level of nominal GDP for the year 2017 compared to the one estimated at the time of the initial budgetary construction (higher by 16.2 billion lei), the level of the budgetary deficit expressed as a percentage of GDP, remains however at 2.97% of GDP, in line with the ceiling set for this parameter by Law no. 269/2017. Nevertheless, the Fiscal Council appreciates that the 5.5% real economic growth projection advanced by the National Commission for Prognosis and Strategies (NCPS) for 2018 is excessively optimistic given the annual growth of only 4% registered according to the preliminary data related to the first quarter of the current year and the dynamics recorded by the main economic indicators in the second quarter. Accepting the updated level of GDP deflator advanced by NCPS (4.3% compared to 2.1% in macroeconomic forecast which substantiate the initial budgetary construction), justified by the first quarter evolutions and observable trajectories of the consumer price index and the industrial production price index, the Fiscal Council estimates that is very probably that the

real annual growth rate will be lower than the NCPS forecast by about 1.5-2 pp, which would imply a nominal GDP level of about 930 billion lei. The GDP position at such a level would mean, *caeteris paribus*, a deficit level in GDP that would exceed (by about 0.05 pp) the ceiling of 2.97% of GDP for the budget deficit and would draw non-compliance also with the rule established by art. 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 this*".

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 budgetary revision of the personnel expenditures (86.2 billion lei, respectively 9.1% of GDP) exceeds the ceilings defined by the Law no. 269/2017 both in terms of nominal level (by 5.1 billion lei), as well as percentage of GDP (by 0.2 pp, despite the above-mentioned upward revision of the nominal GDP compared to the estimation used in the initial budgetary construction). The lack of compliance with the fiscal rules therefore occurs at the level of those established by Law no. 69/2010 by article 12 letter a) (for the level expressed as percentage of GDP) and letter c) (for the nominal level) and by article 17 paragraph 2, which prohibits increasing the personnel expenses during the budgetary revisions;
- The programmed level of the total GCB expenditures, excluding the financial assistance from the EU and other donors (293.3 billion lei), exceeds the corresponding ceiling defined by the Law no. 269/2017 by 7.3 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 total GCB expenditures, net of financial assistance from the EU and other donors during the budgetary 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 payment of Romania's contribution to EU budget (the "other transfers" component of the MPF budget is supplemented by about 765.5 million lei as a result of the revision of the amounts allocated to the payment of Romania's contribution to EU budget), the exceeding of the ceiling established by the Law no. 269/2017 appears as partially justified from the fiscal rules perspective (within the limit of that amount).

The draft Government Ordinance regarding the state budget revision for 2018 provides the corresponding derogations from the aforementioned fiscal rules and redefines the ceilings stipulated by the Law no. 269/2017 according to the levels proposed by the budget revision for the budgetary aggregates. The lack of coercion and the *de facto* inoperability of fiscal rules represent issues about which the Fiscal Council has repeatedly warned in recent years

in the context of its opinions and reports. The Fiscal Council reports again the violation of the quasi-totality of the fiscal rules, including the one regarding the nominal GCB deficit, except for the value expressed as a percentage of GDP, which however occurs in the context of a most likely excessive upward revision of the nominal GDP estimated for the current year. The Fiscal Council once again notes the total lack of relevance of the “auxiliary” rules (regarding total expenditures and personnel expenditures) highlighted by the ease, frequency and dimensions of non-compliance with these, aspect which undermines the integrity and the coherence of the fiscal framework based on rules and prevents the achievement of at least two benefits envisaged by the legislator:

- if the “auxiliary” fiscal rules would have been fully operational, they would have contributed to the coherence of the fiscal framework from the perspective of transparency and stability principles established by the law, would have motivated the deciding authorities to fully include the relevant information in the initial budgetary construction (for example, the personnel expenses in the public sector should not be a “surprise” in the budget execution during the year, and should be relatively well determined since the beginning of the budgetary exercise) and would have led to an increased predictability of budgetary parameters, discouraging the adoption of *ad-hoc* measures.
- if the rule on the nominal ceiling of budgetary expenditures would have been operational, there would have existed a real-time mechanism for complying with structural balance benchmarks, thus limiting deviations from them in the context of more favorable cyclical developments than anticipated, and also, a more quickly elimination of the possible deviations from the budgetary balance in the event of obtaining additional revenues having as a source, either improved tax compliance, either a more favorable evolution of the individual macroeconomics bases corresponding to different types of budgetary revenues.

The updated coordinates of the budgetary revenues and expenditures

The budget revision draft supplements the estimated total revenues of GCB by 6.4 billion lei, the upward revision operated at the level of total revenues being determined by the massive increases of the estimated receipts from social security contributions and non-tax revenues which more than offset the unfavorable developments at the level of fiscal and capital revenues.

The main revisions to the revenue side of the budget are as follows:

- Fiscal revenues: -2.1 billion lei, out of which:
 - Personal income tax: +1.8 billion lei. The upward revision of the programmed level appears consistent with the 110.2% degree of achievement of the half-year program, given the better than expected development of the wage bill in the public and private sector.

- Other income taxes and capital gains: +0.5 billion lei. The upward revision of estimated revenues appears as the result of extrapolating the overperformance as compared to initial planning at the end of the first semester (119.9%, respectively + 0.22 billion lei).
- VAT: -2,1 billion lei. The downward revision appears to be insufficient in the context of registering a degree of achievement of only 92.6% for the first half-year program. This level of achievement already involves a deviation from the program whose nominal size is the same as the proposed level for revision for the whole year, which implies the assumption of a 100% achievement rate for the second half-year program. In its opinion on the 2018 budget, the Fiscal Council assessed as excessively optimistic the initial revenue program, anticipating lower revenues of at least 3 billion lei. Although the underperformance at the level of the first semester is to a certain extent the result of VAT reimbursements (in terms of VAT collected) above the historical average, the data on the day-to-day execution does not provide basis for changing the initial assessment if the level of VAT reimbursements related to the VAT collected would return in the second semester to the historical average. Therefore, the Fiscal Council express its reserves to the VAT revenue projection in the draft budget rectification and estimates that it is likely that it will register at the end of the year a lower level by about 1-1.5 billion lei compared to the updated MPF estimate.
- Excise duties: -0.9 billion lei. In this case, the downward revision of the estimates for the whole year appears to be of a small magnitude given that the achievement degree of the program at the end of the first semester (92.4%) already implies a deviation from the program of 1.1 billion lei. Given the day-to-day budget execution data, the Fiscal Council has reservations to the updated revenue forecast proposed by the MPF, considering a possible supplementary underachievement for the excise duties receipts of about 0.5 up to 1 billion lei for the whole year.
- Taxes on the use of the goods, the authorization of the use of the goods or the carrying out of activities: -1.1 billion lei. The downward revision is occasioned by the postponement of the auction for the rent of frequency bands for mobile operators.
- Social security contributions: +6.3 billion lei. The half-year execution indicates a 106.9% achievement degree compared to the planned outcome, respectively receipts higher by 3 billion lei, reflecting mostly a wage dynamic more alert than initial expectations in both the public and private sectors, but also higher incomes than anticipated from payments from legal entities for disabled people not hired. The Fiscal Council appreciates the upward revision as justified given the day-to-day execution and the likely revenue trends in the second half of the year.

- Non-tax revenues: +2.9 billion lei. The first half-yearly execution reveals an achievement rate of 110.2% (over 1 billion lei). The extrapolation of performance at the end of the first semester and preliminary data for July (the month in which dividends are largely distributed by the state-owned companies) supports the updated MPF estimate and consequently, the Fiscal Council considers the proposed updated level for this revenue aggregate to be feasible.
- Capital revenues: -0.96 billion lei. The downward adjustment reflects the failure to achieve the initial estimated revenues from the sale of heavy water - the estimation in the draft budget law for 2018 was already considered unrealistic by the Fiscal Council given the volume of world exports and Nuclearelectrica's S.A acquisitions.

Compared to the initial budget, the draft revision maintains relatively unchanged the estimates of revenue from corporate income taxes and those relating to European fund inflows. The day-to-day budget execution does not give reason to question the feasibility of the annual estimate of income from corporate income tax. Not the same thing can be said regarding the amounts expected to be received from the EU: the half-yearly report on the execution of the budget reveals a program achievement of only 54.5% (-5.7 billion lei), the amounts attracted after the 6 months representing only 24.4% of the estimated annual total flows. The underperformance is still higher at the level of the structural and cohesion funds, where the half-yearly execution shows revenues of 1.5 billion lei, compared with the whole year estimate of 10.7 billion lei (actual entries representing 14% of the annual program). Although the possibility of achieving the planned annual level of structural and cohesion fund inputs cannot be excluded at this time, the Fiscal Council considers it unlikely to happen.

The budget expenditures are revised upward by 7.5 billion lei, the sources of this development are the following:

- Personnel expenses: +5.1 billion lei. The need for an upward revision appeared to be necessary given the day-to-day budget execution; since the first months of the year the inadequacy of initial allocations was apparent. The size of the upward revision is due both to the initial under-budgeting and to the impact of some wage increases decided after the approval of the draft budget. In its opinion on the first budget revision of the 2017 budget, which also included a massive upward revision of this expenditure aggregate, the Fiscal Council drew attention to the apparent shortcomings of the budgetary planning process and the lack of constraint of the fiscal rules, both likely to raise concerns about future pressures from this budget aggregate. The current developments just validate the concerns of the Fiscal Council;
- Goods and services: +0.9 billion lei. The revised level of the annual estimate for this category of expenditures reflects only partially the overrun of the programmed level at the end of the first semester (spending exceeded the program by 10%) in amount of 1.8 billion lei. The revised level of this expenditure category implies a nominal

decrease of -0.4% compared to the year 2017. In the opinion of the Fiscal Council, the achievement of the programmed level will be difficult, as the execution at the end of the first semester indicates an increase of 9.9% of this aggregate expenditure compared to the same period of the previous year;

- Social assistance: +1.8 billion lei. The upward revision operated validates the warning issued by the Fiscal Council in the context of approval of the annual budget law, when we identified a likely under-budgeting of this aggregate spending by about 1.5 billion lei. By extrapolating the day-to-day execution data (in this case, the social assistance expenses for July 2018, reflecting the increase in the pension point and of the minimum pension), the proposed revised annual allocation appears to be insufficient in relation to the expected annual expenditure, by about 1.3 billion lei. The amount proposed in the budget revision proposal appears to be sufficient only to the extent that the recent decision to pay all the pension benefits before the 15th of each month (and which generated higher spending by 1.3 billion lei in June for supplementing the Romanian Post Office accounts in this respect) should be abandoned until the end of the year;
- Investment expenditures: -1.1 billion lei;
- Other transfers: +1 billion lei. The increase reflects mainly the need to increase the amounts for the payment of Romania's contribution to the EU budget by 765.5 million lei;
- Other expenses: +0.54 billion lei;
- Subsidies: -0.5 billion lei.

Conclusions

The budget revision draft records an upward revision of both total BGC revenues (+6.4 billion lei) and expenditures (+7.5 billion lei). The Fiscal Council has reservations regarding the proposed level of VAT and excise tax revenues, considering that the proposed downward revisions appear to be insufficient and estimates that revenues will be about 2 billion lei lower than the updated estimates. Regarding total expenditure, the Fiscal Council has reservations about the proposed levels for social assistance and goods and services categories which seem to be insufficient. In the first case, maintaining the decision to pay pensions before the 15th of the month would require additional allocations of about 1.3 billion lei, while in the second case, the budget execution at the end of the first semester indicates additional expenditure of about 0.9 billion lei against the allocation – only a tight control of goods and services spending (unobservable so far) could still ensure framing in the proposed expenditure envelope. The above elements highlight significant risks of exceeding the deficit target and, implicitly, the 3% of GDP reference value for the budget deficit, in the absence of compensating measures. These risks add to the extremely high probability that nominal GDP will register a significantly lower level than that advanced by NCPS, given the level of economic growth in the first quarter of the year and the recent dynamics of key macroeconomic indicators; the materialization of this eventuality would

further contribute to registering a higher level of the budgetary deficit, expressed as a percentage of GDP. In the opposite direction, a possible (but undesirable) non-realization of the planned absorption of the structural and cohesion funds would mean the reduction in the co-financing costs that would be involved – a 75% achievement of the Structural and Cohesion Funds program, assuming constant the ratio of the co-financing expenditures relative to the EU revenues would involve lower expenditures by 2 billion lei and would, ignoring the second round effects, lead to an equivalent decrease of the budget deficit.

The Fiscal Council therefore identifies significant short-term risks of entering in the excessive deficit procedure, which is in addition to the already existing trend of weakening the public finances position under the conditions of a persistent and large deviation from the medium-term objective. An additional element undermining the resilience to adverse shocks of Romania's public finances is the tendency to modify the structure of the general government expenditure in the favor of rigid expenditures (especially personnel and social assistance expenditure). Thus, the upward trend of the ratio: *rigid expenditure - total expenditure* (excluding EU fund inflows) and of the ratio: *rigid expenditure - tax revenue and social contributions* (see [Figure 3](#)) significantly complicates the adjustment in the event of adverse shocks (in this respect, the risk of tax increases in an adverse scenario is a major one), this being the reverse of capital expenditure reduction. It should be noted, in particular, that the share of public sector personnel expenditure in GDP and in total public spending (net of EU funds) is projected to reach maximum historical values in 2018, even surpassing the pre-crisis level, and highlights the already mentioned vulnerability of public finances in the event of an adverse macroeconomic shock. The massive reduction in investment spending in recent years to accommodate large-scale pressures at the level of rigid spending (such as wages and pensions) is not appropriate for an economy where infrastructure is systematically identified as a bottleneck to long-term economic growth.

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 10th August 2018.

10th August 2018

Chairman of the Fiscal Council,

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ANNEX I - Budget execution semester I 2018 vs. the half-year program	The half-year program 2018 with swap (mil. lei)	Budget execution semester I 2018 with swap (mil. lei)	Program swap semester I 2018	The half year program 2018 without swap (mil. lei)	Budget execution semester I 2018 without swap (mil. lei)	Sem. I 2018/ Sem. I 2017 without swap (%)	Differences from the half-year program 2018 without swap (mil. lei)	The achievement degree of the half-year program without swap (%)	Differences from the half-year program 2018 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	137,063.8	132,043.9	323.3	136,740.5	131,720.6	13.2%	-5,019.9	96.3%	-5,019.9	96.3%
Current revenue	124,055.0	125,179.9	323.3	123,731.6	124,856.5	12.9%	1,124.9	100.9%	1,124.9	100.9%
Tax revenue	70,804.2	67,951.6	118.8	70,685.4	67,832.8	0.4%	-2,852.6	96.0%	-2,852.6	96.0%
Taxes on profit, wages, income and capital gains	19,050.0	20,321.5	49.0	19,001.0	20,272.5	-10.8%	1,271.5	106.7%	1,271.5	106.7%
Corporate income tax	7,340.7	7,305.9	4.0	7,336.8	7,301.9	2.2%	-34.8	99.5%	-34.8	99.5%
Personal income tax	10,586.4	11,669.3	45.0	10,541.4	11,624.2	-21.1%	1,082.9	110.3%	1,082.9	110.2%
Other taxes on income, profit and capital gains	1,122.9	1,346.3		1,122.9	1,346.3	61.4%	223.5	119.9%	223.5	119.9%
Property tax	3,895.2	3,791.4		3,895.2	3,791.4	5.9%	-103.8	97.3%	-103.8	97.3%
Taxes on goods and services	46,740.3	42,940.9	50.8	46,689.6	42,890.2	6.2%	-3,799.4	91.9%	-3,799.4	91.9%
VAT	28,898.9	26,774.7	50.8	28,848.2	26,724.0	6.5%	-2,124.2	92.6%	-2,124.2	92.6%
Excises	14,209.6	13,132.3		14,209.6	13,132.3	9.9%	-1,077.3	92.4%	-1,077.3	92.4%
Other taxes on goods and services	2,040.8	1,835.1		2,040.8	1,835.1	9.0%	-205.7	89.9%	-205.7	89.9%
Taxes on using goods, authorizing the use of goods or on carrying activities	1,591.0	1,198.8		1,591.0	1,198.8	-26.8%	-392.1	75.4%	-392.1	75.4%
Tax on foreign trade and international transactions	544.1	510.2		544.1	510.2	6.7%	-33.9	93.8%	-33.9	93.8%
Other tax revenue	574.5	387.5	19.0	555.5	368.5	-12.8%	-187.0	66.3%	-187.0	67.4%
Social security contributions	43,800.6	46,811.8	204.5	43,596.0	46,607.3	38.0%	3,011.3	106.9%	3,011.3	106.9%
Nontax revenue	9,450.2	10,416.4		9,450.2	10,416.4	13.0%	966.2	110.2%	966.2	110.2%
Capital revenues	406.5	358.2		406.5	358.2	-9.6%	-48.3	88.1%	-48.3	88.1%
Grants	7.3	2.7		7.3	2.7		-4.6	37.5%	-4.6	37.5%
Amounts received from the EU in the account of payments made and prefinancing	89.8	97.1		89.8	97.1	2.9%	7.3	108.2%	7.3	108.2%

Amounts collected in the single account		-412.7		0.0	-412.7	70.4%	-412.7	-	-412.7	-
Other amounts received from the EU for operational Programmes funded under the convergence objective	0.0	8.1		0.0	8.1	-105.5%	8.1	-	8.1	-
Amounts received from the EU/other donors in the account of payments made and pre-financing for financial framework 2014-2020	12,505.2	6,810.6		12,505.2	6,810.6	19.8%	-5,694.7	54.5%	-5,694.7	54.5%
TOTAL EXPENDITURE	157,654.1	147,009.2	323.3	157,330.8	146,685.9	19.6%	-10,644.9	93.2%	-10,644.9	93.2%
Current expenditure	149,196.6	140,521.0	323.3	148,873.2	140,197.7	17.6%	-8,675.5	94.2%	-8,675.5	94.2%
Personnel	40,628.9	41,342.9		40,628.9	41,342.9	24.4%	714.0	101.8%	714.0	101.8%
Goods and services	17,484.5	19,281.5		17,484.5	19,281.5	9.9%	1,796.9	110.3%	1,796.9	110.3%
Interest	8,135.1	7,364.0		8,135.1	7,364.0	21.7%	-771.1	90.5%	-771.1	90.5%
Subsidies	4,219.3	3,737.9		4,219.3	3,737.9	4.1%	-481.5	88.6%	-481.5	88.6%
Total Transfers	78,538.3	68,659.3	323.3	78,215.0	68,336.0	16.5%	-9,879.0	87.4%	-9,879.0	87.4%
Transfers for public entities	1,212.5	779.2	323.3	889.1	455.9	304.5%	-433.2	51.3%	-433.2	64.3%
Other transfers	9,221.4	6,734.2		9,221.4	6,734.2	19.6%	-2,487.2	73.0%	-2,487.2	73.0%
Projects funded by external post accession grants	201.2	296.0		201.2	296.0	-37.4%	94.8	147.1%	94.8	147.1%
Social assistance	50,447.5	50,227.3		50,447.5	50,227.3	13.9%	-220.2	99.6%	-220.2	99.6%
Projects funded by external post accession grants 2014-2020	14,191.6	7,356.2		14,191.6	7,356.2	20.1%	-6,835.4	51.8%	-6,835.4	51.8%
Other expenditure	3,264.1	3,266.3		3,264.1	3,266.3	47.4%	2.3	100.1%	2.3	100.1%
Reserve funds	13.0	0.0		13.0	0.0	-	-13.0	0.0%	-13.0	0.0%
Expenditure funded from reimbursable funds	177.5	135.5		177.5	135.5	5.8%	-41.9	76.4%	-41.9	76.4%
Capital expenditures	8,457.6	7,013.3		8,457.6	7,013.3	72.0%	-1,444.3	82.9%	-1,444.3	82.9%
Payments made in previous years and recovered in the current year	0.0	-525.1		0.0	-525.1	-18.8%	-525.1	-	-525.1	-
EXCEDENT(+)/DEFICIT(-)	-20,590.3	-14,965.3		-20,590.3	-14,965.3	137.7%	5,625.0	72.7%	5,625.0	72.7%

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

ANNEX II	Initial Budget 2018	Swap program 2018	Initial Budget 2018	First Budget Revision (R1) 2018	Swap program R1	First Budget Revision 2018	R1 - Initial Budget 2018	R1 - Initial Budget 2018	Budget Execution Semester I 2018/ Budget Execution Semester I 2017	R1 2018/ Budget Execution 2017
			Without Swap			Without Swap	With Swap	Without Swap	With Swap	With Swap
	1	2	3=1-2	4	5	6=4-5	7=4-1	8=6-3	9	10
TOTAL REVENUE	287,527.5	1,020.0	286,507.5	293,924.4	1,020.0	292,904.4	6,396.9	6,396.9	12.64%	16.70%
Current revenue	257,274.0	1,020.0	256,254.0	264,397.2	1,020.0	263,377.2	7,123.1	7,123.1	12.34%	13.08%
Tax revenue	145,135.9	521.6	144,614.3	143,053.1	521.6	142,531.5	-2,082.8	-2,082.8	-0.06%	2.00%
Taxes on profit, wages, income and capital gains	38,598.9	298.0	38,300.9	40,838.8	298.0	40,540.8	2,239.9	2,239.9	-11.31%	-12.92%
Corporate income tax	15,020.3	148.0	14,872.3	15,012.8	148.0	14,864.8	-7.5	-7.5	1.29%	1.91%
Personal income tax	20,803.4	150.0	20,653.4	22,575.8	150.0	22,425.8	1,772.5	1,772.5	-21.51%	-25.10%
Other taxes on income, profit and capital gains	2,775.2		2,775.2	3,250.1		3,250.1	474.9	474.9	61.39%	60.47%
Property tax	5,824.4		5,824.4	5,728.0		5,728.0	-96.4	-96.4	5.94%	6.83%
Taxes on goods and services	98,666.8	184.0	98,482.8	94,677.3	184.0	94,493.3	-3,989.5	-3,989.5	5.88%	9.85%
VAT	61,308.2	184.0	61,124.2	59,184.0	184.0	59,000.0	-2,124.2	-2,124.2	5.87%	10.53%
Excises	30,218.5		30,218.5	29,323.4		29,323.4	-895.1	-895.1	9.93%	10.22%
Other taxes on goods and services	3,814.8		3,814.8	3,896.2		3,896.2	81.4	81.4	8.96%	25.53%
Taxes on the use of goods, on authorizing the use of goods and on carrying activities	3,325.3		3,325.3	2,273.8		2,273.8	-1,051.5	-1,051.5	-26.77%	-22.58%
Taxes on foreign trade and international transactions (customs duty)	1,042.0		1,042.0	995.9		995.9	-46.1	-46.1	6.71%	6.71%
Other tax revenue	1,003.8	39.6	964.2	813.1	39.6	773.5	-190.7	-190.7	-16.83%	-5.17%
Social security contributions	91,811.8	498.4	91,313.4	98,083.5	498.4	97,585.1	6,271.7	6,271.7	36.80%	36.79%
Nontax revenue	20,326.3		20,326.3	23,260.5		23,260.5	2,934.2	2,934.2	12.97%	6.34%
Capital revenue	1,843.6		1,843.6	885.2		885.2	-958.4	-958.4	-9.64%	6.60%

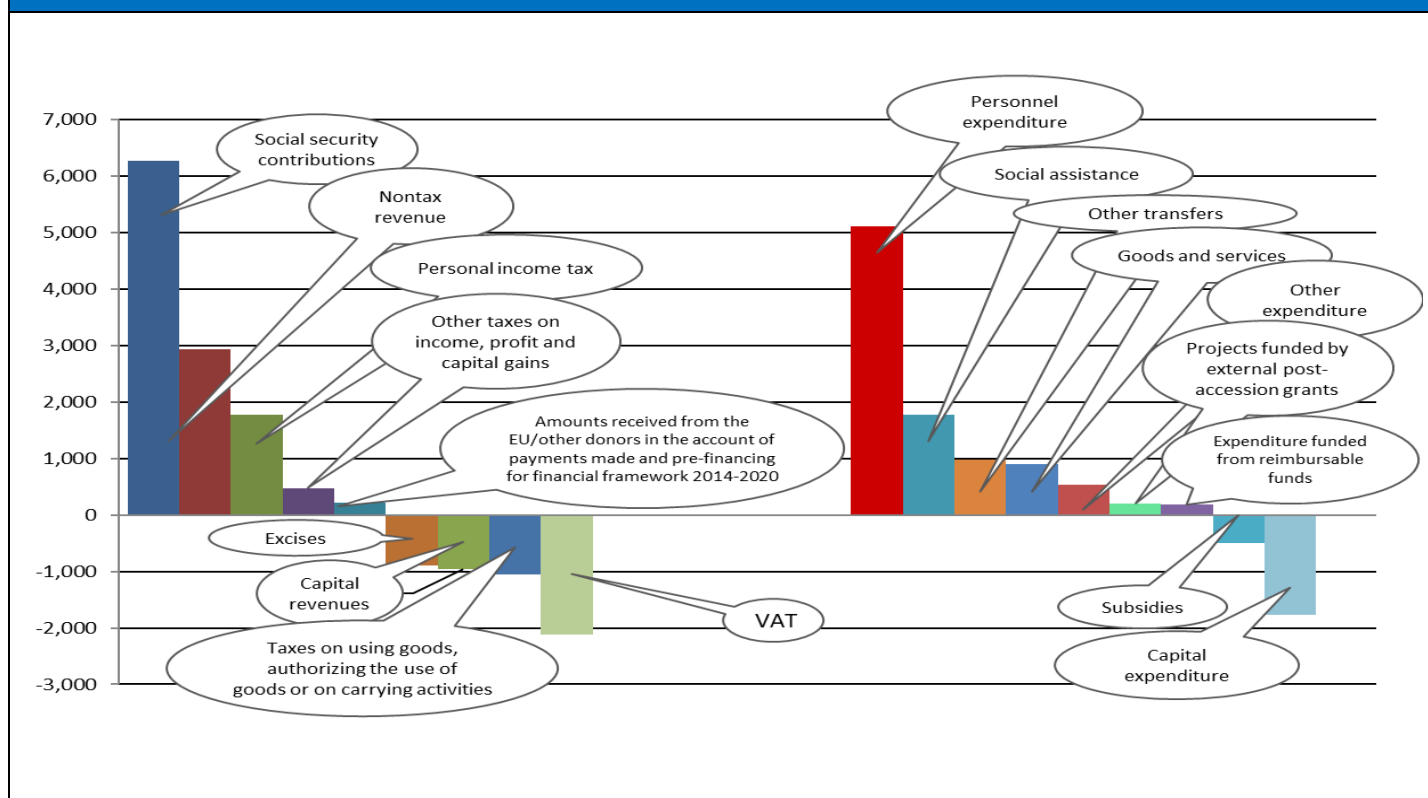
Grants	8.5		8.5	8.5		8.5	0.0	0.0	-	-4.43%
Amounts received from the EU for payments made and prefinancing	28,401.4		28,401.4	28,633.5		28,633.5	232.2	232.2	19.51%	65.38%
TOTAL EXPENDITURE	314,487.1	1,020.0	313,467.1	321,990.9	1,020.0	320,970.9	7,503.8	7,503.8	19.01%	16.60%
Current expenditure	293,509.0	850.0	292,659.0	302,775.1	850.0	301,925.1	9,266.2	9,266.2	17.01%	17.44%
Personnel	81,117.5		81,117.5	86,236.8		86,236.8	5,119.3	5,119.3	24.39%	23.88%
Goods and services	39,615.0		39,615.0	40,510.8		40,510.8	895.8	895.8	9.90%	-0.43%
Interest	12,096.8		12,096.8	12,094.2		12,094.2	-2.6	-2.6	21.72%	19.45%
Subsidies	7,210.3		7,210.3	6,719.0		6,719.0	-491.2	-491.2	4.14%	8.35%
Total transfers	152,868.5	850.0	152,018.5	156,412.4	850.0	155,562.4	3,543.8	3,543.8	15.31%	19.48%
Transfers between public administration entities	2,132.8	850.0	1,282.8	2,035.2	850.0	1,185.2	-97.6	-97.6	66.18%	52.62%
Other transfers	13,098.5		13,098.5	14,081.0		14,081.0	982.5	982.5	9.46%	15.90%
Projects funded by external post-accession grants	317.2		317.2	518.5		518.5	201.3	201.3	-37.42%	-40.32%
Social assistance	98,620.4		98,620.4	100,395.6		100,395.6	1,775.2	1,775.2	13.88%	8.45%
Projects funded by external post-accession grants 2014-2020	32,826.9		32,826.9	32,969.6		32,969.6	142.7	142.7	20.07%	75.74%
Other expenditure	5,872.6		5,872.6	6,412.4		6,412.4	539.8	539.8	47.42%	22.57%
Reserve funds	315.7		315.7	329.1		329.1	13.3	13.3	-	-
Expenditure funded from reimbursable funds	285.1		285.1	472.8		472.8	187.7	187.7	5.79%	70.45%
Capital expenditure	20,978.2	170.0	20,808.2	19,215.8	170.0	19,045.8	-1,762.4	-1,762.4	71.97%	-1.75%
EXCEDENT(+)/DEFICIT(-)	-26,959.6		-26,959.6	-28,066.5		-28,066.5	-1,106.9	-1,106.9	137.73%	15.53%

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

ANNEX III - EU FUNDS	Initial budget 2018 (million lei)		Budget execution semester I 2018 (million lei)		Influences (revision) (million lei)	First budget revision 2018 (million lei)	
	with agriculture and amounts according to art. 10 letter a) of GEO no.40/2015	without agriculture and amounts according to art. 10 letter a) of GEO no.40/2015	with agriculture and amounts according to art. 10 letter a) of GEO no.40/2015	without agriculture and amounts according to art. 10 letter a) of GEO no.40/2015		with agriculture and amounts according to art. 10 letter a) of GEO no.40/2015	without agriculture and amounts according to art. 10 letter a) of GEO no.40/2015
Revenue							
Post-accession funds	28,313.70	10,741.26	6,907.70	1,502.14	209.20	28,522.90	10,950.46
Expenditure							
EU expenditure + national co-financing + non-eligible expenditure	43,204.80	25,632.36	11,234.30	5,828.74	172.60	43,377.40	25,804.96

Source: Ministry of Public Finance

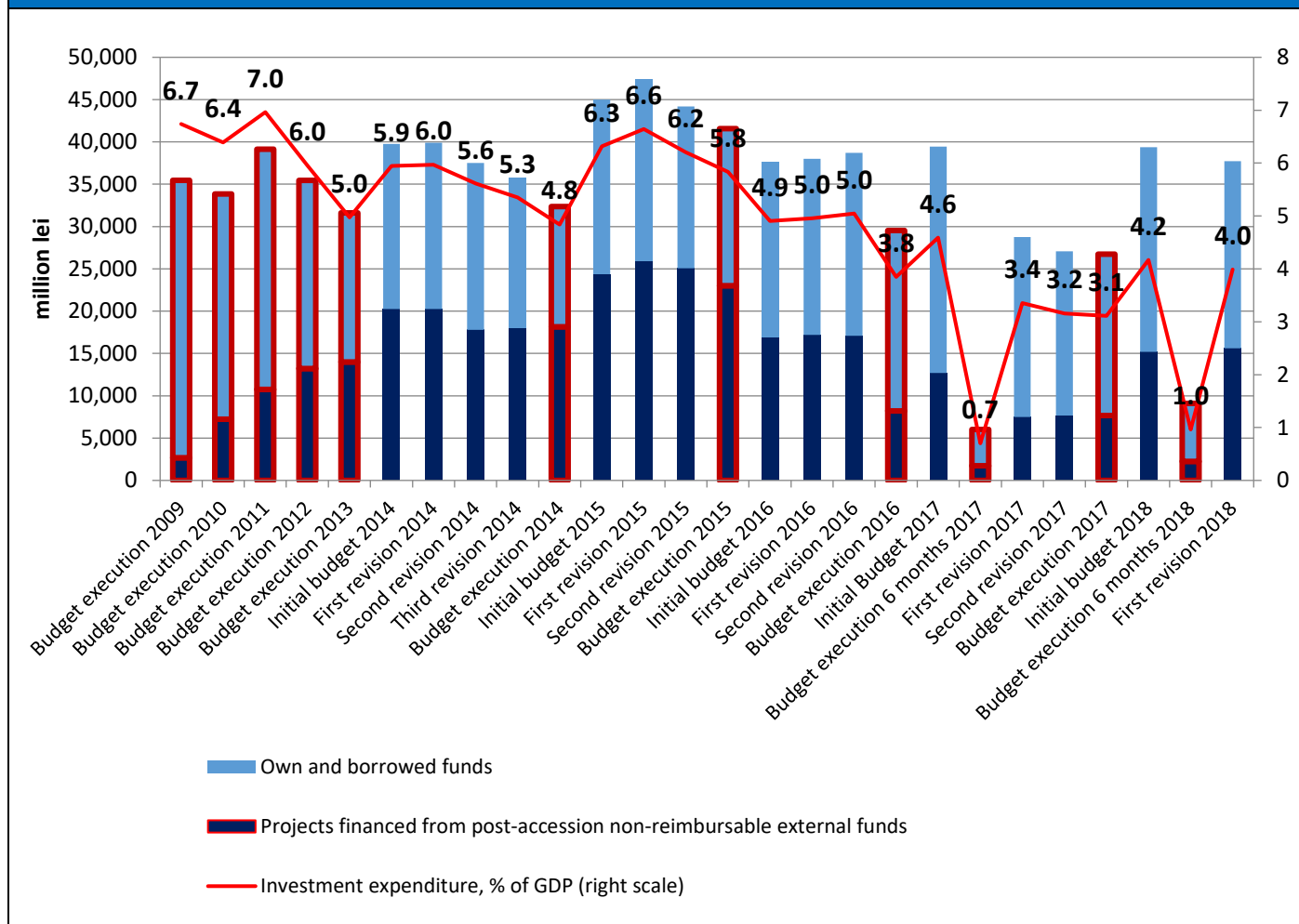
Figure 1: The main changes in expenditures and revenues after the budget revision (without the impact of swap schemes), million lei



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

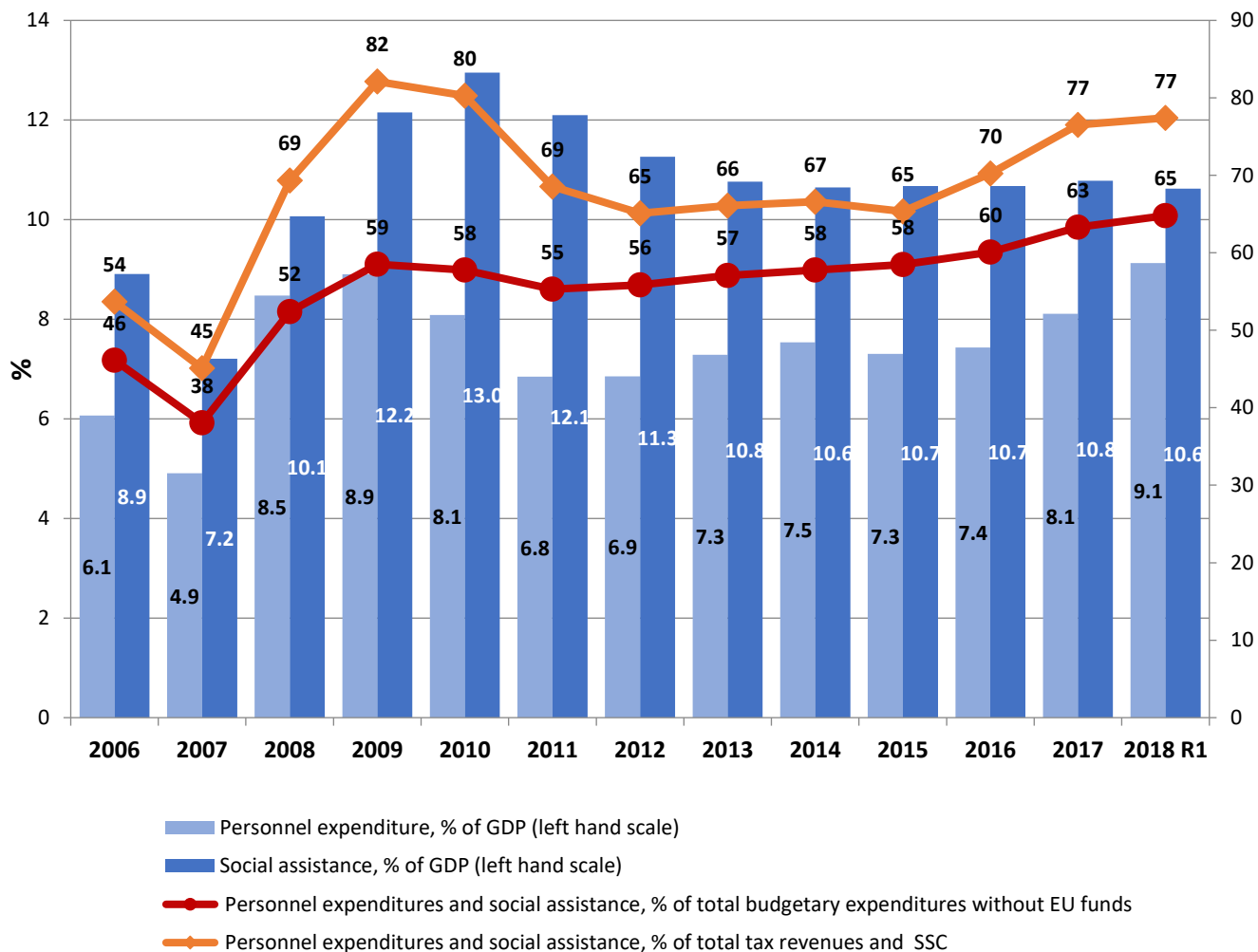
Figure 2: Evolution of the investment expenditure in the period 2009-2018

- planned vs. execution, million lei



Source: Ministry of Public Finance

Figure 3: Evolution of the personnel expenditure and social assistance in the period 2006-2018
 (% of GDP, % of budgetary expenditure, % of budgetary revenue)



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