Fiscal Council of Romania

Fiscal Council's Opinion on the second budget revision for 2022

Summary

- The second budget revision for 2022 takes place under unfavorable circumstances for the European economy, with particularly severe implications for the Romanian economy: the energy crisis, intertwined with a very complicated transition to green energy, the disruption of production and supply chains, quasi-generalized high inflation, exacerbated effects of climate change, the pandemic and, not least, the war in Ukraine. These adverse shocks put tremendous pressure on EU member states' economies and public budgets.
- Romania has to achieve fiscal consolidation in a very unfavorable international environment, while its fiscal revenues (including social security contributions) are among the lowest in the EU. Fiscal/budgetary revenues must increase substantially, their very low level being unacceptable relative to Romania's current and future needs.
- The only counter-cyclical force that can counter the contractionary effects of fiscal consolidation are European resources – the National Recovery and Resilience Plan and the Multiannual Financial Framework. These resources are vital for Romania considering the state of the public budget and the vulnerabilities of the external balance, as well as the extremely unfavorable international environment.
- The corroboration of a plausible forecast for the real GDP growth with a cautious one regarding the deflator justifies a high level of plausibility for the nominal GDP forecast, anticipated by the NCSP to increase by 18.2%. A slightly faster evolution of prices/GDP deflator is possible, similarly to the assessment from the first revision, while the risks related to the real GDP dynamics appear, this time, to be relatively balanced.
- Compared to the previously approved budget parameters, the second budget revision operates a small increase in both GCB revenues and expenditures (+0.9 billion lei), the budget deficit remaining unchanged in nominal terms.
- Expressed as a percentage of GDP, the level of the budget deficit is expected to decrease to 5.74% of GDP from 5.84% of GDP previously, given that the nominal GDP projection increased by 23.7 billion lei.
- The FC welcomes the Government's intention to target a lower deficit for the current year.

- However, there are important changes in the structure of budget revenues and expenditures.
- Regarding budget revenues, the second revision estimates a level that is close to that of the first budget revision, taking into account that the revenues which performed far above previous expectations – especially non-tax revenues and corporate income taxes – counterbalance the reductions in other categories of revenues – especially VAT and amounts related to the NRRP.
- Judging the proposed levels of budget revenues from the second revision, the FC estimates a probable revenue gap of about 3 billion lei (about 0.21% of GDP). This estimate takes into account the more favorable macroeconomic framework compared to the one that underpinned the first budget revision, carried out in August this year.
- On the budget expenditure side, there is an increase of about 0.9 billion lei, compared to the parameters approved at the first revision, mainly due to additional allocations for interest, goods and services, social assistance and capital expenditures, largely offset by the decrease in expenditures related to the NRRP.
- The second budget revision confirmed the assessments of the FC, formulated on the occasion of the first revision, regarding the insufficiency of allocations for goods and services and social assistance expenditures, operating additional allocations of 2.7 billion lei to these categories. However, the FC maintains its previous assessment regarding the need for additional allocations towards these expenditure categories, estimating them at around 2.5 billion lei (representing around 0.18% of GDP) compared to the levels proposed by the second budget revision.
- However, it is possible for budget expenditures to comply with their overall projected level, given the significant under-execution of investment expenditures. Although they usually accelerate in the last part of the year, it is possible and even probable that the amounts actually spent will be lower than the budgeted ones, allowing the accommodation of possible overruns from other expenditure categories.
- The FC appreciates that complying with the new target for the cash deficit (5.74% of GDP) is possible given the significant under-execution of investment expenditures during the first 10 months of the year, which makes it improbable to reach the projected investment target, but has a favorable impact on the budget balance.
- The FC emphasizes the improvement of the fiscal outlook for the current year. This improvement is underpinned by both the higher-than-anticipated dynamics of nominal GDP, which implies higher tax revenues (including social security contributions), and the very large increase (relative to budgeted levels) of non-tax revenues, particularly as a result of developments in the energy sector.
- However, there are still uncertainties regarding the budgetary impact of the energy compensation schemes.

Fiscal Council's Opinion on the second budget revision for 2022

On November 15th, 2022, the Ministry of Finance (MF) sent to the Fiscal Council (FC), by address no. 467238/14.11.2022, the draft of the second budget revision for 2022, requesting, under art. 53, para. (2) of the Fiscal Responsibility Law (no. 69/2010, republished, hereafter referred to as FRL), the opinion of the Fiscal Council. Given the Government's intention to approve the budget revision during the meeting scheduled for Thursday, November 17, 2022, the FC issued a preliminary opinion on November 17th, in view of the very short timeframe for drafting an extensive opinion.

Taking into account that there are some differences between the initial form sent to the FC (on November 15th) and the one that was approved by the Government (published in the Official Gazette on November 18th), the MF has updated the information set and sent it to the FC, by email, on November 18th. This opinion complements the previous one by conducting an extensive analysis of the second budget revision for 2022.

The current evaluation takes into account the form of the second budget revision that was approved by the Government.

The general context of the current budgetary revision

The war in Ukraine has created a very serious situation in Europe, dangerous from all points of view. The reverberations of this war are felt in the global economy.

As stated in the previous opinion (regarding the first budget revision of 2022), never the Fiscal Council had to issue an opinion on the budget execution under such unfavorable circumstances in the European economy, with such severe implications on the Romanian economy. We are considering the energy crisis, which is intertwined with a very complicated green energy transition, the disruption of production and supply chains, quasi-generalized high inflation, exacerbated effects of climate change, the pandemic and, not least, the war in Ukraine. These adverse shocks put tremendous pressure on EU member states' economies and public budgets; they are affecting people's livelihoods.

The ability of economies to recover with minor frictions has been overestimated. Imbalances between supply and demand, the impact of the energy transition and of the energy crisis have led to a massive increase in the relative price of energy, to a strong increase in inflation (to unprecedented levels recorded in many developed countries in the last four decades).

This change in relative prices has distributional consequences between and within economies, implies a major rise in the cost of living, a deterioration in the quality of life for most citizens.

The energy transition in the EU is also hampered because the common energy market has important shortcomings: the way of linking electricity tariffs to hydrocarbs prices, insufficient strategic reserves, dependence on the Russian Federation, poor interconnection given that member states resort to different energy resources in use, etc. Moreover, the regulations on this market are not adequate.

The adverse shocks mentioned above, through their consequences, put a great strain on national budgets. The economies of EU countries present specific features of quasi-war conditions, which are materializing in more expensive access to resources, rationing (not to be mistaken for rationalization), administrative reduction of consumption (e.g.: 15% reduction of gas consumption in the EU over a period of time), appeals addressed to the population and companies to reduce energy consumption, mobilization of resources and reallocation to priority uses through direct intervention (including special orders of the state), nationalizations of some enterprises in strategic sectors, etc.

Macroeconomic data speaks eloquently about the shocks and economic strain. Inflation, which increased to levels not seen for many years (in the euro area an average of about 11% in October compared to the previous year, in the Baltic countries and in Central and Eastern Europe from approx. 16% to over 20% in the same month), drastically amputates the purchasing power and saving reserves of citizens. High inflation, even if on a downward trend, is also forecasted for 2023. Economic recovery is slowed by the inflationary shock and the effects of the War.

Central banks are tightening monetary policies in the fight against high and persistent inflation, with the danger of inflationary expectations getting out of control. Tightening monetary policies in the US and other developed countries, through effects on international financial markets, can cause major troubles in emerging economies that have large internal and especially external imbalances. The tightening of monetary policies can generate new financing syncopes (sudden stops) in the markets, company failures and even countries in default. Governments seek to mitigate such effects through targeted programs, but they involve increases in budget expenditures.

Not infrequently, the decisions aim to limit the damage, to choose between options, all with important imperfections. A lucid approach is to try to share the burden of shocks in society as fair as possible. Considerable windfall gains (e.g.: energy producers) can be taxed and used for feeding the national budgets, protecting the most vulnerable citizens.

In a world characterized by a new "cold war" and de-globalization (regionalization of economic and commercial ties), public budgets must be more robust. This goal will be harder and harder to achieve given that the requirements induced by out-of-the-ordinary challenges can generate deeper deficits, when public and private debt exceeds sustainable levels.

A particular vulnerability of Romania is the external balance, where the current account deficit will probably reach approx. 9% of GDP (from 7% in 2021), and the degree of coverage by non-debt generating flows will probably be below 50%.

Romania has been in the excessive deficit procedure since the beginning of 2020. It has to achieve fiscal consolidation in a very unfavorable international environment, when its fiscal revenues (including social security contributions) are among the lowest in the EU – about 27% of GDP compared to the average of about 41% of GDP in the EU. Tax revenues must increase substantially, which is a leitmotif of the FC's documents. The very low level of fiscal/budgetary revenues is unacceptable relative to Romania's current and future needs.

As other documents issued by the FC point out, the only counter-cyclical force that can counter the contractionary effects of fiscal consolidation are the European resources – the NRRP (National Recovery and Resilience Plan) and the MFF (Multiannual Financial Framework). These resources are vital to Romania considering the state of the public budget and the vulnerabilities of the external balance, the extremely unfavorable international environment.

The macroeconomic framework underlying the second budget revision for 2022

In the evaluation of the second budget revision from the current year, as in previous opinions, the Fiscal Council begins its analysis from the general economic coordinates of Romania, as well as from the international context.

The analysis is based on the updated forecast – from October 2022 – of the National Commission for Strategy and Prognosis (NCSP) and the accompanying note related to this forecast, as well as on previous forecasts, including the one related to the first budget revision for 2022, published by NCSP in July 2022. It is worth noting that all recent forecasts (both by domestic and international institutions) start, on the one hand, from the important change of the real economic growth pattern in 2022, revealed by data published by the National Institute of Statistics (NIS) related to the first two quarters of the current year[1], which places a significant part of this year's economic growth in its first half and also indicates a high level of it; the second quarter data also brings clarifications and corrections regarding contributions to the growth rate. On the other hand, the signal data for the third quarter, published on November 15, 2022, significantly changes historical GDP data – only the seasonally adjusted data series – which changes, implicitly, the prospects of economic growth for the current year. The data on the first semester indicated, in the absence of a contraction (not indicated by other data – such as those with a higher frequency) in the third and/or fourth quarter, and, at the same time, in the absence of historical data revisions, the possibility of a real economic

[1] NIS announcement from October 12, 2022, regarding the gross domestic product (provisional 2) for the second quarter of 2022.

growth slightly lower than 7%. The revision of historical data, conducted in the "signal" estimates related to the third quarter, brings (in the sense of a high probability) the economic growth below the 5% threshold. In this context, the NCSP's update on real growth for 2022, from 3.5% at the first budget revision (July 2022 forecast) to 4.6% in the macroeconomic projection related to the second budget revision, brings an extra touch of realism to the projection and makes it compatible with the latest published statistical data.

Regarding the structure of economic growth – with a particularly important effect on the macroeconomic bases that have a relevant impact on the volume of taxes – the one from the NCSP projection, which has the center of its weight located on private consumption and gross fixed capital formation, seems to be consistent with recent statistical developments. However, it can be noted that some contributing factors to the current economic growth – such as the use of savings (including foreign currency) from the pandemic period, government support measures, the return of confidence in the economy, the internal absorption stimulus through fiscal policy – will exhaust their potential during the next period, which equates to a downside risk to economic growth. Internally, there are already indications of slower real economic development in the coming period, such as: (i) the evolution of industrial production, (ii) the dynamics of the real average salary and the real pension, (iii) the evolution of primary energy resources, (iv) the high level of prices on the chains of production, etc. To these is added the restrictive monetary policy at the domestic and international level (aimed to combat high inflation, but having effects on economic growth), the higher risk aversion of the markets, developments on the markets of raw materials and energy, changes in the fluency of supply and production chains, as well as geopolitical tensions.

The real economic growth projection is accompanied by an increase in the GDP deflator of 13% in 2022, revised upwards from 12.2% in the NCSP's previous macroeconomic projection. In the context of a CPI inflation rate of 15.3%[2] for October 2022 (year on year), published by NIS, and an industrial production price inflation of 46.7% for September 2022 (year on year), while also considering the evolution of other indicators in the economy, it can be appreciated that the forecast of the dynamics of the GDP deflator is prudent, and, it could be, in plausible scenarios, even slightly higher. The forecast of CPI inflation (year-on-year, end of period), at 15.2% (revised upward from 12.2% in the previous NCSP projection), is relatively prudent – from the perspective of the fiscal bases – the last Inflation Report (from November this year) of the NBR indicating forecasts of 16.3% for CPI inflation in December 2022. Details concerning the legislation for compensating and capping the prices of gas and electricity have a significant impact on all price projections – implicitly, on both the NCSP and NBR forecasts.

[2] Almost half of it (15.3%) being determined by the evolution of exogenous prices (7.4 p.p.) and, from it, the evolution of energy prices has a consistent contribution (4.2 p.p. – almost a third of the total CPI inflation rate). Directly and indirectly, energy prices affect the dynamics of all other prices.

Corroborating all this information – a plausible real GDP growth forecast and a prudent deflator forecast – justifies the assertion of a high level of plausibility of the nominal GDP forecast, expected to grow by 18.2%.

The dynamics of the national economy and its structure (with an emphasis on domestic absorption) are also illustrated by the size of the rapidly growing external imbalances – the trade balance deficit, according to the latest NIS data, from September 2022, increased, cumulatively for the first 9 months of the current year compared to the similar period from the previous year, by 8.3 billion euros, equivalent with a rate of +49.6%. Similarly, the balance of payments data, published by NBR on November 14, 2022, shows an increase in the current account deficit, cumulatively for the first 9 months of the current year compared to the similar period from the previous year, of 7.5 billion euros, equivalent to an increase of 59.7% (the main determinants being the deficit in the trade of goods, as well as the deficit related to primary revenues). It should be noted, however, that the widening of external deficits is significantly caused by the terms of trade deterioration, as found in many EU countries. This evolution it is to be judged given that the financing of this deficit is done to a smaller and smaller extent by non-debt generating flows (these being considered to be the balance of the capital account and, from the financial account, only "equity participations"), cumulatively for the first 9 months of the current year their share being only 40.6% in the total current account deficit (8.2 billion euros out of 20.2 billion euros), compared to 56.2% in the similar period of 2021 (7.1 billion euros out of 12.6 billion euros).

The labor market[3] is projected by the NCSP to register an increase of 1.6% in the average number of employees (from 1.4% in the forecast underlying the first budget revision) and of 10.6% in the average gross earnings (from 10.4% previously). The unemployment rate remains close to the previous forecast, being 5.4% – the ILO unemployment rate (identical to the previous NCSP projection) and 2.9% – the unemployment rate registered at the end of the year[4] (from 2.5% in the previous forecast). These new coordinates, slightly more favorable from the point of view of the fiscal macroeconomic bases, indicate, similar to the assessment from the first budget revision, a plausible projection of labor market aggregates.

Corroborating the economic information and data with the dynamics of relevant macroeconomic variables, projected by the NCSP for the second budget revision, leads to the conclusion of a plausible trajectory of these aggregates for 2022. It is possible, similarly to the assessment from the first budget revision, to register a slightly faster evolution of prices/GDP deflator, while the risks related to the real GDP dynamics appear, this time, to be relatively balanced.

[3] Important through the relevant macroeconomic bases for personal income tax, social security contributions, some expenditure items such as unemployment benefits and social transfers, all with a significant impact on the value of the deficit.

[4] According to ANOFM data.

Similar to the first budget revision, we believe that the macroeconomic evolution in the coming years depends, among others, on: (i) keeping the fiscal adjustment commitments agreed with the European Commission, which involves a timetable for reforms (including fiscal/tax collection ones) and a substantial volume of funding, under particularly favorable conditions, both through the European MFF and the NRRP, (ii) reaching the targets conditions the access to international capital markets[5], also emphasizing the issue of public debt sustainability in the broader context of securing the refinancing of Romania's total external debt (public and private).

Deviations from conditions such as those stated above can lead to less favorable dynamics from a macroeconomic point of view and even towards a precarious balancing area of the economy, which will not ensure the stability pursued through fiscal consolidation[6] and through the rest of the economic policies, culminating even with non-linear evolutions of the economic-financial indicators. The FC believes that these important risks must guide and discipline public policy towards complying with the assumed commitments, in the interest of achieving national macroeconomic objectives.

Updated coordinates of budget revenues and expenditures

The analysis of the second revision starts, as a first point of reference, from the initial budget construction for year 2022, which provided a level of revenues of about 440 billion lei, respectively of expenses of almost 517 billion lei, resulting in a target budget deficit, according to the cash methodology, of about 77 billion lei (representing 5.84% of GDP). In its opinion at that time, the FC had identified an over-dimensioning of excise revenues, as well as the need for additional allocations at the level of interest expenses and those with social assistance, also emphasizing that the inclusion in the proposed level for the expenses with goods and services calls for a rigorous control of them. At the same time, the FC had emphasized that it is not prudent to include ex-ante in the revenue projections additional amounts counting on increasing the efficiency of collection/reducing tax evasion, considered mainly at the level of VAT, insurance contributions, profit tax.

Compared to the parameters foreseen in the initial budget, the first revision operated a substantial increase, unprecedented in the history of revisions assessed by the FC from 2010 until present, both in revenues (+32.1 billion lei, representing +7.3%), as well as of total budget expenditures (+35.3 billion lei, representing +6.8%), the new budget deficit target being 3.2 billion lei above the initial one. Expressed as a percentage of GDP, the estimated level of the CGB deficit remained at the level of 5.84% of GDP against the background of the

[5] Essential for financing and refinancing deficit and debt.

[6] This area of precarious balance would amount to a fragile equilibrium, as such a state is encountered in the specialized literature.

nominal GDP projection increase of 55.2 billion lei. In essence, the large-scale revision of budget revenues had two main sources: the upward revision of nominal GDP dynamics due to higher inflation (+4.2%, respectively 55.2 billion lei); the additional revenues from the overtaxing of electricity and natural gas producers. In its opinion on the first budget revision, the FC drew attention that the estimated level of the deficit was based on the assumption of revenues obtained from overtaxing energy producers of over 12.8 billion lei and of total expenses with compensation schemes regarding energy consumption of approximately 7.4 billion lei. In the opinion regarding the draft of the first budget revision, the FC considered as probable the materialization of a revenue gap compared to the targets assumed at that time of about 9 billion lei (representing about 0.65% of GDP), the non-achievements being expected at the level of revenues from VAT, insurance contributions, excise duties. In addition, on the budget expenditure side, the FC identifies a probable under-dimensioning of around 6 billion lei (in the amount of around 3 billion lei, both for social assistance expenses and for goods and services) – the equivalent of approx. 0.4% of GDP.

Compared to the previously approved budget parameters, the second budget revision[7] includes a small increase in both revenues and total expenses of the CGB (+0.9 billion lei), the budget deficit thus remaining unchanged in nominal terms. Expressed as a percentage of GDP, the level of the budget deficit is expected to decrease to 5.74% of GDP from 5.84% of GDP previously, against the background of the nominal GDP projection increase of 23.7 billion lei.

FC welcomes the Government's intention to target a lower budget deficit for this year.

In the structure of budget revenues and expenses, however, there are important changes, as will be detailed below.

By categories of budget revenues, more important positive revisions of the initial estimates occur for non-tax revenues (+6.7 billion lei), profit tax (+1.6 billion lei), amounts received from the EU on account of payments made and pre-financing related to the 2014-2020 financial framework (+1.5 billion lei), while more significant negative revisions occur at the level of the amounts related to non-refundable financial assistance allocated for NRRP (-5.8 billion lei), VAT revenues (-2 billion lei), to the amounts related to the rental of 5G frequency bands (-1.3 billion lei), to receipts from excise taxes (-0.7 billion lei).

By budget revenues, more important positive revisions of the levels projected in the first revision (net of the impact of swap schemes) occur in the following categories:

- *Fiscal revenues*: -2.3 billion lei, the main changes being found at the level of the following components:

[7] The comparisons will have as reference the budget revision approved by the Government in August 2022 and not the revision project on which the FC issued an opinion in August 2022. Between the two there are some minor differences, namely total revenues and expenses higher by about 0.4 billion lei in the version of revision adopted by the Government. Also, the present opinion will consider the second budget revision as approved by the Government on 17.11.2022.

- *Profit tax*: +1.6 billion lei. The revision of this budget aggregate considers the increase of the nominal GDP projection by 23.7 billion lei or by about 1.7% compared to the estimate from August 2022. The budget execution for the first 10 months indicates a 33.8% increase in income tax receipts compared to the same period of the previous year, while the new target in the revision project foresees a 35.8% increase compared to the budget execution of 2021. Taking into account the up-to-date budget execution, but also the specific way of collecting the profit tax[8], the FC assesses as likely the materialization of a revenue gap in this category of around 0.5 billion lei.
- *VAT*: -1.6 billion lei, the new collection target for this year of this budgetary aggregate being 22.5% higher compared to the amounts collected in 2021. FC noted in the opinion regarding the draft of the first budget revision that this budgetary aggregate seemed overvalued at that time by about 5 billion lei, and the operated decrease of the revenue projection comes to confirm this. This development occurs in the context in which the relevant macroeconomic base (final consumption of households, excluding self-consumption and the rural market) is now forecasted to increase by 21.3% compared to the estimated dynamics of 13.3% at the end of April this year, the main element that led to this evolution being represented by higher inflation compared to expectations. Considering the budget execution, as well as the updated macroeconomic forecast, the FC estimates that this budget aggregate is still overestimated in relation to the new targets by about 1 billion lei. The FC projection is consistent with VAT receipts increasing by around 21.3%, identical dynamics to that of the relevant macroeconomic base, which is equivalent to maintaining the efficiency of VAT collection at the level of the previous year. The initial budget construction for the current year provided for an improvement in collection efficiency by about 7.2 billion lei (amounts in addition to what would have been justified by the dynamics of the relevant macroeconomic base), but this did not materialize – which represents a further argument for not including such potential revenues in the revenue projection, an approach that the FC has consistently advocated.
- *Excise duties*: -0.7 billion lei, also confirming the previous evaluation of the FC regarding the overestimation of this budgetary aggregate. But even the new projected level appears slightly outsized compared to the 10-month execution which shows a 3.5% increase in excise revenue from the previous year, while the revenue target in the second revision envisages a growth pace of 3.74%. FC appreciates as probable receipts from excise duties lower by about 0.5 billion lei compared to the new targets.

[8] 4 main collection months – in 2022 these were April, June, July, October –, while in the other months, the average receipts are about 10 times lower considering the budget execution dates for 2022.

- *Tax on the use of goods, the authorization of the use of goods or the performance of activities*: -1.3 billion lei. The decrease in the revenue estimate is influenced by the approval of H.G. no. 1139/2022 which provides for the collection in 2022 of 1.1 billion lei in revenues related to the exploitation of radio frequencies in the new frequency bands harmonized at European level for 5G land mobile broadband communication systems, compared to the initial estimate of 2.5 billion lei.

- *Insurance contributions*: -0.08 billion lei. Maintaining the estimate of income from insurance contributions appears surprising given that the proposed target equates to recording a growth rate of around 11.1% compared to the previous year, while the execution at 10 months records a growth rate of 10%. FC assesses as probable the manifestation of a revenue gap at the level of this budgetary aggregate of about 1 billion lei.

- *Non-fiscal revenues*: +6.7 billion lei, given that at the first budget revision the projection for this budgetary aggregate had been increased by 7.2 billion lei. The source of the revision is, according to the MF, the evolution of receipts from oil royalties, dividends related to the financial year 2021, interest income and payments from the NBR's net income. In fact, the execution at 10 months records a significant increase compared to the receipts of the previous year (about 53.1%). The upward revision of non-fiscal revenues operated on the occasion of the second budget revision represents the main source of the improvement of the fiscal-budgetary position for the current year.

- *Amounts received from the EU/other donors on account of payments made and pre-financing related to the 2014-2020 financial framework*: +1.95 billion lei.

- *Amounts related to the non-refundable financial assistance allocated for NRRP*: -5.8 billion lei, given the delays in starting the projects compared to the initial estimates. As the projects will be implemented, the amounts related to NRRP will be recorded in revenues and expenses.

Summarizing, in terms of the level of budget revenues, the second revision records an estimate close to that of the first budget revision, given that the revenues far above initial expectations – especially the non-tax and profit tax ones – counterbalance the reductions made in other income categories – especially VAT and NRRP related amounts. This evolution is equivalent to an improvement in the fiscal position, in the conditions where the amounts related to the NRRP are to be attracted later – assuming the optimal development of the projects. Judging the proposed levels of budget revenues through the second budget revision, the FC assesses as likely the materialization of a revenue gap of about 3 billion lei (about 0.21% of GDP), down from the revenue gap of 9 billion lei previously estimated. <u>The decrease in this estimate is based on the materialization of a more favorable macroeconomic</u>

framework compared to the one that underpinned the first budget revision, carried out in August this year.

On the budget expenditure side, there is an increase of about 0.9 billion lei, compared to the parameters approved in the first revision, mainly due to the addition of interest, goods and services, social assistance and capital expenses, compensated largely due to the reduction of NRRP-related expenses. By expenditure category, the revisions of the previous estimates (net of the impact of swap schemes) are as follows:

- *Personnel expenses:* +0.3 billion lei, mainly as a result of additional allocations to the Ministry of Education (+0.4 billion lei), partially offset by the reduction of allocations to other ministries.

- *Goods and services*: +1.5 billion lei, mainly as a result of supplementing the amounts related to the budget of institutions financed entirely and/or partially from own revenues (+1.1 billion lei), respectively to the budget of the Single National Social Insurance Fund of health (+0.5 billion lei), to which is added the impact of the reduction of the swap type compensation scheme (+0.5 billion lei, effect on net swap expenses), these changes being partially counterbalanced by the reduction of the ceiling for expenditure on goods and services at the level of the state budget (-0.5 billion lei). Under the new conditions, the budget envelope of this aggregate is placed at a level of 71.2 billion lei (11.1% above the nominal level of 2021), while the execution for the first 10 months of 2022 indicates an advance of 16.8% compared to the same period last year. FC already noted from its opinion on the draft budget that the inclusion in the initial ceiling for this category of expenses entails challenges, given that this budgetary aggregate proved difficult to control in the past, and on the occasion of the first revision, it was considered as probable an additional requirement of about 3 billion lei. The successive increase in spending on goods and services, on the occasion of both corrections, although partially justified by the high inflation of 2022, confirms the risks indicated by the FC in its opinions. Moreover, taking into account the execution for the first 10 months, the ceiling established by the second revision appears to be insufficient, the FC appraising as likely an additional need of around 1.5 billion lei.

- *Interest expenses*: +4.5 billion lei. The substantial increase in this category of expenses on the occasion of both revisions (+4.4 billion lei in the previous revision) is the result of three main factors: the increase in the stock of public debt, the increase in the interest rates at which new loans are contracted, respectively the resumption of some older issues of government securities by offering a discount to the nominal value (so that the yield of these issues reflects the new interest rates applied in the market). According to the cash methodology, the value of this discount is recorded in full at the time of issuance, having a more pronounced impact on interest expenses, while the

European ESA 2010 methodology will record a smaller increase in these expenses, the value of the discount being distributed in stages over the entire period of the loan.

- *Transfers between public administration units*: -0.4 billion lei, mainly as a result of the increase of the swap compensation scheme by almost 0.9 billion lei.

- *Other transfers:* -0.5 billion lei, the decrease being mainly found at the level of the budget of institutions financed entirely and/or partially from own revenues, respectively of the state budget.

- *Projects with financing from non-reimbursable external funds:* -0.1 billion lei.

- *Social assistance:* +1.7 billion lei, mainly as a result of supplementing the allocations for the payment of benefits granted to families and children (+1.1 billion lei) and those to the general centralized budget of administrative-territorial units (+0.6 billion lei). Under the new conditions, the budget envelope of this aggregate is placed at a level of 172.6 billion lei (17.2% above the nominal level of 2021), while the execution for the first 10 months of 2022 indicates an advance of 17.9% compared to the same period last year. It should be noted that this review confirms the evaluations of the FC in the Opinion on the first budget revision, which identified an additional need of about 3 billion lei in terms of social assistance expenditure. At the same time, considering the execution of this aggregate for the first 10 months of the year, as well as the impact of the reversal of the decision to pay pensions in advance in December, the FC assesses that, despite the additional allocations provided for in the second revision, it is possible to be required an additional amount of about 1 billion lei.

- *Projects with financing from non-refundable external funds post-accession 2014-2020*: -0.5 billion lei. This revision occurs due to the decrease in the planning of expenses related to projects financed from structural and cohesion funds (-1.8 billion lei), partially counterbalanced by the upward revision of the amounts transiting the consolidated general budget intended for the pre-financing of non-governmental sector projects in the event of temporary unavailability of European funds, based on art. 10 of GEO no. 40/2015 (+1.3 billion lei). Consequently, the second revision operates a reduction in the absorption of structural and cohesion funds compared to previous estimates, with a marginal effect on the budget deficit by reducing the national co-financing.

- *Other expenses:* +1.1 billion lei, of which 0.5 billion lei to cover the payment titles issued by the National Authority for Property Restitution, according to the legislation in force.

- *Projects financed from the amounts representing the non-refundable financial assistance related to NRRP:* -7 billion lei; respectively from *the amounts related to the loan component of NRRP*: -0.6 billion lei. It should be noted that these reductions in the amounts related to the NRRP appear in the context of delays in the start of projects compared to the initial estimates. As the projects will be implemented, the amounts related to NRRP will be recorded in revenues and expenses.

- *Reserve funds:* +0.9 billion lei. The amounts will later be distributed by budget categories according to the actual needs.

- *Capital expenditures:* +1.3 billion lei. The increase in the amounts related to this category is mainly determined by the addition of allocations to C.N.A.I.R. (+2.3 billion lei), to which is added the impact of the reduction of the swap type compensation scheme (+0.4 billion lei, effect on net swap expenses), these changes being partially counterbalanced by the decrease in the amounts allocated to the budget of institutions financed entirely and/or partially from own revenues (-1.2 billion lei) and of the state budget (-0.2 billion lei).

The total public investment expenses, from internal and external sources, are reduced in planning by 4.6 billion lei (about -5%) compared to the level estimated at the first revision, on the background of the reduction of the amounts allocated through the NRRP (-7.6 billion lei), partially offset by the addition of allocations for projects financed from non-refundable external funds after accession (+2.6 billion lei), capital expenditures (+0.4 billion lei) and other transfers of the nature of investments (+0.1 billion lei). Following this decrease, the programmed level of investment expenses is lower by about 1.5% (-1.3 billion lei) compared to the value provided for in the initial budget, but remains significantly higher (+20.6 billion lei, representing +30.9%) compared to the level in the execution related to 2021.

The execution of investment expenses for the first 10 months of 2022 recorded a level of 47.6 billion lei (representing a 24.5% increase compared to the same period of the previous year). However, given that the programmed level of this aggregate, according to the first budget revision, was 91.7 billion lei, it results in a degree of achievement of the target of only 51.9% at the end of the first 10 months of the year (54.6 % considering the downwardly revised ceiling at the second revision). The significant under-execution of investment expenditures is also visible at the level of the main components: capital expenditures (difference from the target proposed by the first revision of approximately 17 billion lei, the amounts spent in the first 10 months representing approximately 58.2% of the allocations for the whole year) and the projects financed from EU funds related to the financial framework 2014-2022 (difference from the target proposed by the first revision of about 17.2 billion lei, the amounts spent in the first 10 months representing about 67.6% of the allocations for the whole year). The tendency to concentrate investment expenses in the last months of the year is thus maintained, a trend also observed in previous years, which calls into question the efficiency of the budget programming process, both from the point of view of the way investment projects are managed, and from the point of view of establishing the criteria for making investments in accordance with their importance and usefulness.

Summarizing, the second budget revision confirmed the assessments of the FC, formulated on the occasion of the first revision, regarding the insufficiency of allocations for the expenditure on goods and services and those on social assistance, making additional allocations of 2.7 billion lei to these categories. However, the FC maintains its previous assessment regarding the need for even higher additional allocations at the level of the two expenditure aggregates, estimating this need at around 2.5 billion lei (representing around 0.18% of GDP) compared with the levels proposed by the draft of the second budget revision.

However, it is possible to fall within the projected envelope for GCB's total expenditure, given the significant under-execution of investment expenditure. Even if they usually accelerate in the last part of the year, it is possible and even probable that the amounts actually spent will be lower than the budgeted ones, allowing the accommodation of possible overruns of the ceilings for the other categories of expenses.

An important source of uncertainty regarding the budget deficit for 2022 according to the cash methodology and, especially, through the lens of the European ESA 2010 methodology remains the budgetary impact of the energy compensation schemes (GO No. 118/2021 for the period November 2021 - March 2022 and GEO No. 27/2022 for the period April 2022 - August 2022). The final cost of GEO no. 118/2021 was about 2.4 billion lei, while the amounts related to settlement requests validated by ANRE based on the provisions of GEO no. 27/2022 until 24.11.2022 are in the amount of 6.7 billion lei. Thus, the amounts provided for this purpose at the first revision, of about 7.4 billion lei, have already been exceeded, given that the size of the remaining amounts to be requested by the energy suppliers / to be validated by ANRE is not known. In addition, there are still uncertainties regarding the budgetary impact of the new energy compensation scheme (provided by GEO no. 119/2022[9]). An element that can favorably affect the budgetary impact of the energy compensation schemes is represented by the fact that, starting from October this year, the amounts from the over taxation of the players on the electricity market are initially accounted for outside the GCB - in the Energy Transition Fund - and will appear as income and expenses in GCB when settlements are actually made under compensation schemes[10]. Given that the amounts provided for in the GCB at the first revision from this source were approximately reached, and in October - from the information received from the Ministry of Finance - the amounts collected in the Energy Transition Fund were approximately 1 billion lei, there are premises for mobilizing additional resources to contribute to the financing of compensation schemes. However, in the absence of sufficient information to resolve these issues, the FC will not assume at this point in the analysis a budgetary impact of the schemes different from what is found in the current budget construction. From the perspective of the balance of risks,

[9] It is worth noting that GEO no. 153/2022 comes with changes in the construction and application of the compensation scheme.
[10] According to the clarifications sent to the FC by the MF in the note dated 16.11.2022.

however, FC considers that this is inclined towards a more unfavorable budgetary impact compared to that included in the current budgetary allocations.

In conclusion, FC welcomes the Government's intention to target a lower budget deficit for this year. Considering the values of the budget aggregates proposed by the second budget revision, FC considers as likely the registration of a gap in fiscal revenues (including insurance contributions) of about 3 billion lei (representing about 0.21% of GDP), as well as the materialization of exceeding the envelope of budget expenditures for goods and services and those for social assistance by about 2.5 billion lei (representing about 0.18% of GDP).

However, falling within the proposed new cash budget deficit target of 5.74% of GDP is possible given the significant under-execution of total investment expenditure (capital expenditure and European projects) in the first 10 months of the year, which makes it improbable to reach the proposed targets for these expenses, but which has a favorable impact on the budget balance. Uncertainties also persist regarding the budgetary impact of energy compensation schemes.

FC emphasizes the improvement of the fiscal outlook for the current year. This improvement is underpinned by both the higher-than-anticipated dynamics of nominal GDP, which implies higher tax revenues (including insurance contributions), and the very large increase (compared to budgeted levels) of non-tax revenues, particularly as a result of developments in the energy sector.

Compliance with fiscal rules

The form approved by the Government of the second budget revision presents minor differences at the level of some expenditure categories compared to the project initially submitted for analysis to the Fiscal Council, based on which the preliminary opinion was issued. The changes do not affect the total amount of expenses, so the level of the budget deficit was maintained at 80.2 billion lei (5.74% of GDP).

The revisions carried out at the level of expenditure aggregates led to the modification of a single nominal ceiling compared to the initial revision project, analyzed in the preliminary Opinion, respectively the one relating to personnel expenses. Thus, the nominal ceiling of GCB's personnel expenses is supplemented by 0.03 billion lei to the level of 118.42 billion lei, representing an increase of 0.26 billion lei compared to the ceiling established on the occasion of the first budget revision.

All the other ceilings maintain their levels from the initial draft of the second budget revision, their changes in relation to the first revision being presented in the preliminary Opinion issued by the FC. GEO no. 160/2022 regarding the revision of the state budget for 2022 stipulates the necessary exemptions from the fiscal rules established by the LRFB and redefines the ceilings of the budget aggregates in accordance with their new levels.

Conclusions

- The second budget revision for 2022 takes place under unfavorable circumstances for the European economy, with particularly severe implications for the Romanian economy: the energy crisis, intertwined with a very complicated transition to green energy, the disruption of production and supply chains, quasi-generalized high inflation, exacerbated effects of climate change, the pandemic and, not least, the war in Ukraine. These adverse shocks put tremendous pressure on EU member states' economies and public budgets.
- Romania has to achieve fiscal consolidation in a very unfavorable international environment, while its fiscal revenues (including social security contributions) are among the lowest in the EU. Fiscal/budgetary revenues must increase substantially, their very low level being unacceptable relative to Romania's current and future needs.
- The only counter-cyclical force that can counter the contractionary effects of fiscal consolidation are European resources – the National Recovery and Resilience Plan and the Multiannual Financial Framework. These resources are vital for Romania considering the state of the public budget and the vulnerabilities of the external balance, as well as the extremely unfavorable international environment.
- The corroboration of a plausible forecast for the real GDP growth with a cautious one regarding the deflator justifies a high level of plausibility for the nominal GDP forecast, anticipated by the NCSP to increase by 18.2%. A slightly faster evolution of prices/GDP deflator is possible, similarly to the assessment from the first revision, while the risks related to the real GDP dynamics appear, this time, to be relatively balanced.
- Compared to the previously approved budget parameters, the second budget revision operates a small increase in both GCB revenues and expenditures (+0.9 billion lei), the budget deficit remaining unchanged in nominal terms.
- Expressed as a percentage of GDP, the level of the budget deficit is expected to decrease to 5.74% of GDP from 5.84% of GDP previously, given that the nominal GDP projection increased by 23.7 billion lei.
- The FC welcomes the Government's intention to target a lower deficit for the current year.
- However, there are important changes in the structure of budget revenues and expenditures.
- Regarding budget revenues, the second revision estimates a level that is close to that of the first budget revision, taking into account that the revenues which performed far above previous expectations – especially non-tax revenues and corporate income

taxes – counterbalance the reductions in other categories of revenues – especially VAT and amounts related to the NRRP.

- Judging the proposed levels of budget revenues from the second revision, the FC estimates a probable revenue gap of about 3 billion lei (about 0.21% of GDP). This estimate takes into account the more favorable macroeconomic framework compared to the one that underpinned the first budget revision, carried out in August this year.
- On the budget expenditure side, there is an increase of about 0.9 billion lei, compared to the parameters approved at the first revision, mainly due to additional allocations for interest, goods and services, social assistance and capital expenditures, largely offset by the decrease in expenditures related to the NRRP.
- The second budget revision confirmed the assessments of the FC, formulated on the occasion of the first revision, regarding the insufficiency of allocations for goods and services and social assistance expenditures, operating additional allocations of 2.7 billion lei to these categories. However, the FC maintains its previous assessment regarding the need for additional allocations towards these expenditure categories, estimating them at around 2.5 billion lei (representing around 0.18% of GDP) compared to the levels proposed by the second budget revision.
- However, it is possible for budget expenditures to comply with their overall projected level, given the significant under-execution of investment expenditures. Although they usually accelerate in the last part of the year, it is possible and even probable that the amounts actually spent will be lower than the budgeted ones, allowing the accommodation of possible overruns from other expenditure categories.
- The FC appreciates that complying with the new target for the cash deficit (5.74% of GDP) is possible given the significant under-execution of investment expenditures during the first 10 months of the year, which makes it improbable to reach the projected investment target, but has a favorable impact on the budget balance.
- The FC emphasizes the improvement of the fiscal outlook for the current year. This improvement is underpinned by both the higher-than-anticipated dynamics of nominal GDP, which implies higher tax revenues (including social security contributions), and the very large increase (relative to budgeted levels) of non-tax revenues, particularly as a result of developments in the energy sector.
- However, there are still uncertainties regarding the budgetary impact of the energy compensation schemes.

The opinions and recommendations formulated above by the FC were approved by the President of the Fiscal Council, according to the provisions of art. 56, para. (2), lit. d) of Law no. 69/2010 republished, following their approval by the Council members, through vote, in the meeting of November 28th, 2022.

28th November 2022

Chairman of the Fiscal Council

Professor Daniel Dăianu

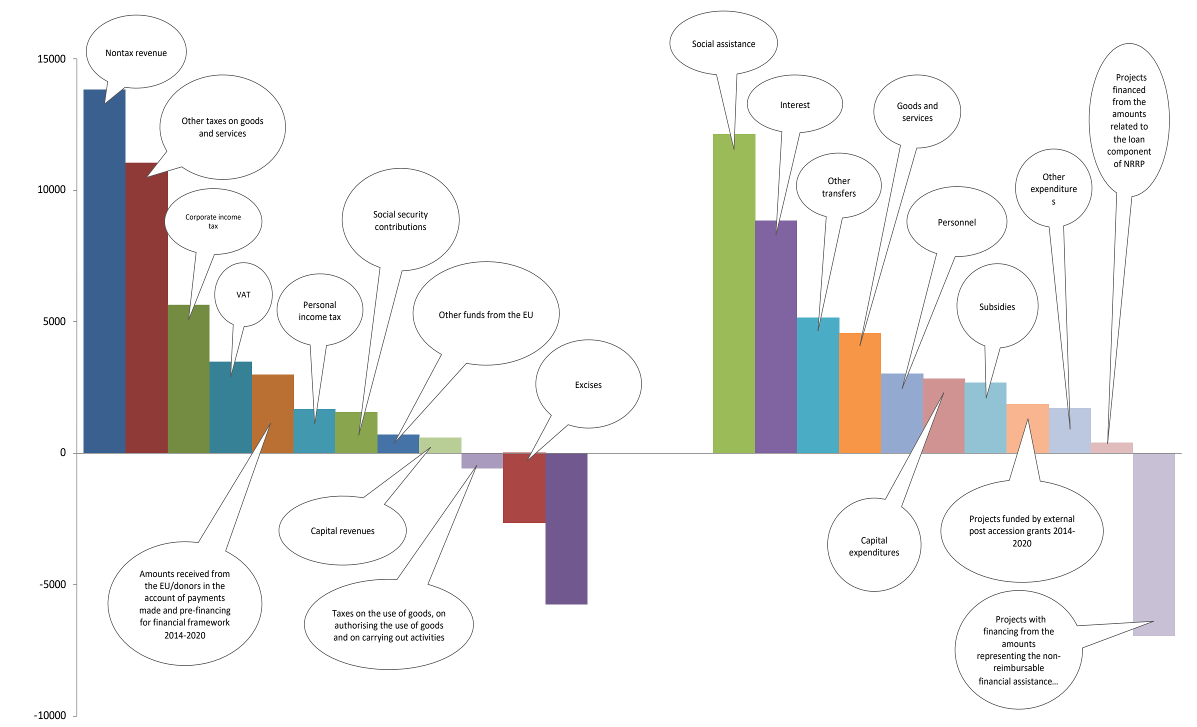
ANNEX I	Initial budget 2022	Swap program 2022	Initial budget 2022 without swap	R1 2022	Swap R1	R1 without swap	R2 2022	Swap R2	R2 without swap	R1- Initial budget	R2-Initial budget	R2-R1
										Without swap		
	1	2	3=1-2	4	5	6=4-5	7	8	9=7-8	10=6-3	11=9-3	12=9-6
TOTAL REVENUE	**439.985,9**	**850,0**	**439.135,9**	**472.160,6**	**1.009,0**	**471.151,6**	**473.003,2**	**960,8**	**472.042,4**	**32.015,7**	**32.906,5**	**890,8**
Current revenue	380.118,5	850,0	379.268,5	410.304,9	1.009,0	409.295,9	414.575,2	960,8	413.614,4	30.027,4	34.345,9	4.318,5
Tax revenue	210.917,4	250,0	210.667,4	232.406,0	509,0	231.897,0	230.008,6	381,4	229.627,2	21.229,6	18.959,7	-2.269,8
Taxes on profit, wages, income and capital gains	57.603,1	129,0	57.474,1	63.357,8	0,0	63.357,8	65.142,9	139,8	65.003,1	5.883,7	7.529,0	1.645,3
Corporate income tax	21.581,8	9,0	21.572,8	25.591,2	0,0	25.591,2	27.228,4	16,6	27.211,8	4.018,3	5.639,0	1.620,7
Personal income tax	31.498,9	120,0	31.378,9	33.118,5	0,0	33.118,5	33.168,1	123,2	33.044,9	1.739,6	1.666,0	-73,6
Other taxes on income, profit and capital gains	4.522,4	0,0	4.522,4	4.648,1	0,0	4.648,1	4.746,3	0,0	4.746,3	125,7	224,0	98,3
Property tax	7.467,7	0,0	7.467,7	7.085,8	0,0	7.085,8	6.920,7	0,0	6.920,7	-381,9	-547,0	-165,1
Taxes on goods and services	143.059,4	121,0	142.938,4	158.464,9	509,0	157.955,9	154.449,3	191,8	154.257,5	15.017,5	11.319,1	-3.698,4
VAT	91.692,5	84,0	91.608,5	97.233,9	509,0	96.724,9	95.232,6	154,2	95.078,4	5.116,4	3.469,9	-1.646,5
Excises	38.416,8	37,0	38.379,8	36.445,9	0,0	36.445,9	35.775,3	37,6	35.737,7	-1.933,9	-2.642,1	-708,2
Other taxes on goods and services	5.088,1	0,0	5.088,1	16.195,5	0,0	16.195,5	16.155,3	0,0	16.155,3	11.107,4	11.067,2	-40,2
Taxes on the use of goods, on authorizing the use of goods and on carrying activities	7.862,0	0,0	7.862,0	8.589,6	0,0	8.589,6	7.286,2	0,0	7.286,2	727,5	-575,9	-1.303,4
Taxes on foreign trade and international transactions (customs duty)	1.678,1	0,0	1.678,1	2.125,1	0,0	2.125,1	2.125,1	0,0	2.125,1	447,0	447,0	0,0
Other tax revenue	1.109,1	0,0	1.109,1	1.372,4	0,0	1.372,4	1.370,5	49,8	1.320,7	263,3	211,6	-51,7
Social security contributions	140.088,5	557,0	139.531,5	141.660,7	500,0	141.160,7	141.660,2	579,3	141.080,8	1.629,2	1.549,3	-79,9
Nontax revenue	29.112,6	43,0	29.069,6	36.238,2	0,0	36.238,2	42.906,4	0,0	42.906,4	7.168,6	13.836,8	6.668,2
Capital revenue	867,9	0,0	867,9	1.306,6	0,0	1.306,6	1.456,6	0,0	1.456,6	438,8	588,8	150,0
Grants	8,7	0,0	8,7	37,4	0,0	37,4	37,4	0,0	37,4	28,8	28,8	0,0
Amounts received from the EU for payments made and prefinancing	5.000,1	0,0	5.000,1	5.014,2	0,0	5.014,2	5.014,2	0,0	5.014,2	14,2	14,2	0,0
Finacial operations	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Amounts collected in the single account, at the state budget	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other funds from the EU	0,0	0,0	0,0	0,0	0,0	0,0	702,6	0,0	702,6	0,0	702,6	702,6

Amounts received from the EU/other donors in the account of payments made and pre-financing for financial framework 2014-2020	45.113,4	0,0	45.113,4	46.558,4	0,0	46.558,4	48.088,1	0,0	48.088,1	1.445,0	2.974,7	1.529,8
Amounts related to the non-reimbursable financial assistance allocated to NRRP	8.877,4	0,0	8.877,4	8.939,1	0,0	8.939,1	3.129,0	0,0	3.129,0	61,6	-5.748,5	-5.810,1
TOTAL EXPENDITURE	**516.968,9**	**850,0**	**516.118,9**	**552.314,6**	**1.009,0**	**551.305,6**	**553.157,2**	**960,8**	**552.196,4**	**35.186,7**	**36.077,5**	**890,8**
Current expenditure	478.247,5	850,0	477.397,5	511.550,5	500,0	511.050,5	511.517,7	887,2	510.630,6	33.653,0	33.233,1	-419,9
Personnel	115.407,0	0,0	115.407,0	118.156,9	0,0	118.156,9	118.416,2	0,0	118.416,2	2.749,9	3.009,2	259,3
Goods and services	66.573,8	0,0	66.573,8	70.131,3	500,0	69.631,3	71.163,9	37,2	71.126,8	3.057,5	4.552,9	1.495,4
Interest	19.938,2	0,0	19.938,2	24.325,3	0,0	24.325,3	28.802,1	0,0	28.802,1	4.387,2	8.863,9	4.476,8
Subsidies	12.646,5	0,0	12.646,5	15.374,7	0,0	15.374,7	15.327,3	0,0	15.327,3	2.728,2	2.680,8	-47,4
Total Transfers	261.763,3	850,0	260.913,3	281.797,2	0,0	281.797,2	276.142,8	0,0	276.142,8	20.884,0	15.229,5	-5.654,5
Transfers for public entities	2.583,3	850,0	1.733,3	2.226,2	0,0	2.226,2	2.630,9	850,0	1.780,9	492,9	47,6	-445,3
Other transfers	24.308,7	0,0	24.308,7	29.990,2	0,0	29.990,2	29.475,2	0,0	29.475,2	5.681,4	5.166,5	-514,9
Projects funded by external post accession grants	5.204,1	0,0	5.204,1	5.329,1	0,0	5.329,1	5.186,6	0,0	5.186,6	125,1	-17,5	-142,5
Social assistance	160.401,0	0,0	160.401,0	170.888,6	0,0	170.888,6	172.539,7	0,0	172.539,7	10.487,6	12.138,7	1.651,1
Projects funded by external post accession grants 2014-2020	50.577,4	0,0	50.577,4	52.980,0	0,0	52.980,0	52.442,4	0,0	52.442,4	2.402,6	1.865,0	-537,6
Other expenditure	8.127,8	0,0	8.127,8	8.748,7	0,0	8.748,7	9.848,6	0,0	9.848,6	620,8	1.720,8	1.100,0
Projects with financing from the amounts representing the non-reimbursable financial assistance related to NRRP	10.238,8	0,0	10.238,8	10.341,5	0,0	10.341,5	3.295,4	0,0	3.295,4	102,7	-6.943,5	-7.046,1
Projects financed from the amounts related to the loan component of NRRP	322,0	0,0	322,0	1.292,9	0,0	1.292,9	723,9	0,0	723,9	970,9	401,9	-569,0
Reserve funds	1.249,0	0,0	1.249,0	1.147,2	0,0	1.147,2	1.094,0	0,0	1.094,0	-101,8	-155,0	-53,1
Expenditure funded from reimbursable funds	669,8	0,0	669,8	617,9	0,0	617,9	571,5	0,0	571,5	-51,9	-98,3	-46,3
Capital expenditures	38.721,4	0,0	38.721,4	40.764,2	509,0	40.255,2	41.639,5	73,6	41.565,9	1.533,7	2.844,4	1.310,7
Financial operations	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Payments made in previous years and recovered in the current year	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EXCEDENT(+) / DEFICIT(-)	**-76.983,0**	**0,0**	**-76.983,0**	**-80.154,0**	**0,0**	**-80.154,0**	**-80.154,0**	**0,0**	**-80.154,0**	**-3.171,0**	**-3.171,0**	**0,0**

Source: MF, FC's calculations

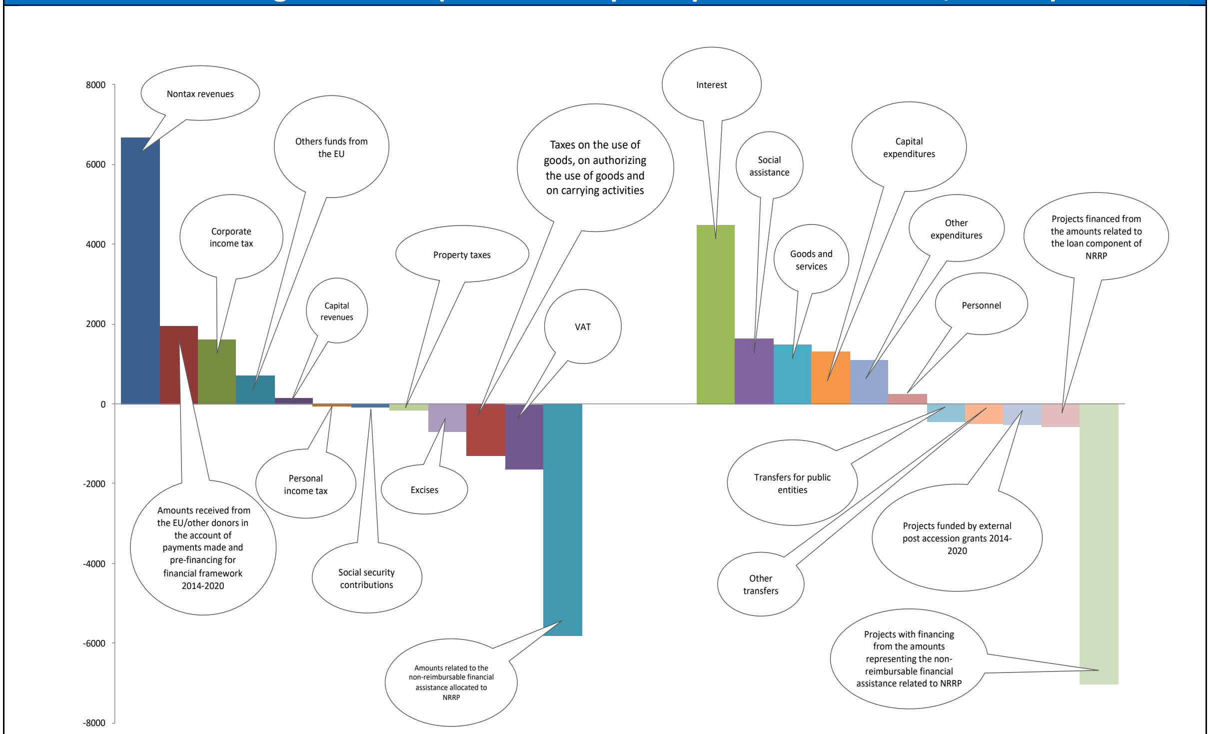
Annex II

Figure 1. Main changes in budgetary expenditures and revenues compared to the initial 2022 budget (without swap compensation schemes, mil. lei)



Source: MF, FC's calculations

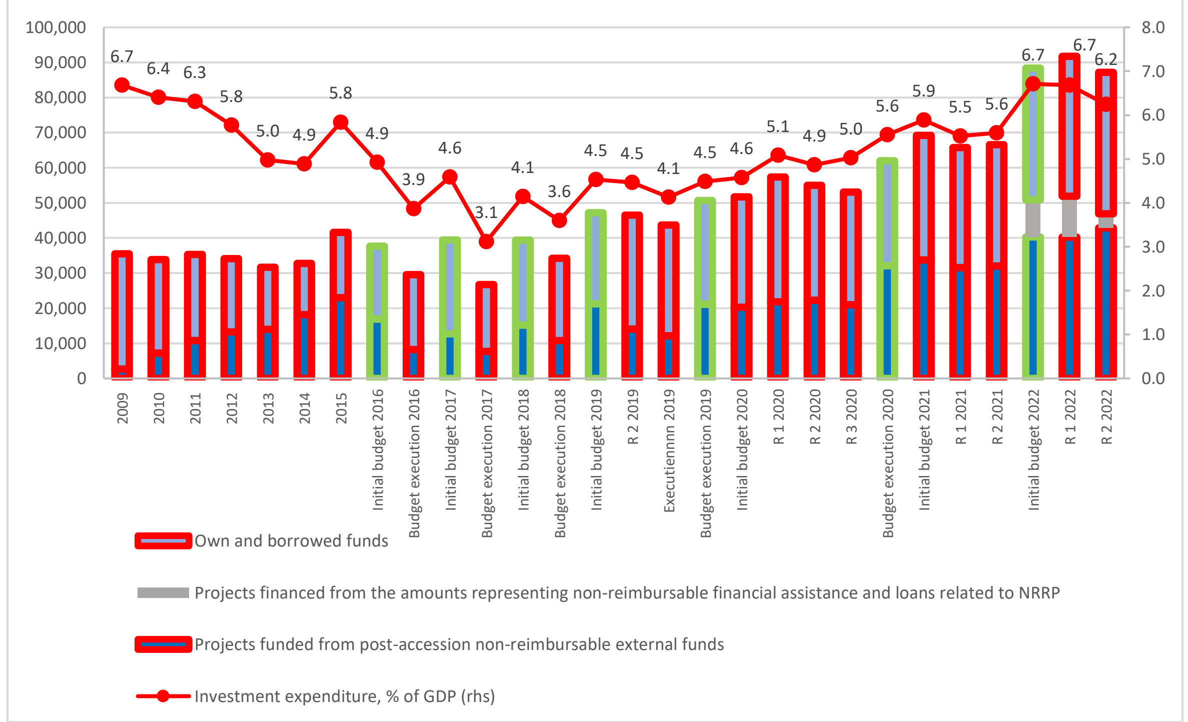
Figure 2. Main changes in budgetary expenditures and revenues compared to the first 2022 budget revision (without swap compensation schemes, mil. lei)



Source: MF, FC's calculations

Annex III

Figure 3. The evolution of public investment expenditures between 2009-2022 – planned level vs. realized level (mil. lei)



Source: MF, FC's calculations