

ROMANIA

Country snapshot

- Sovereign rating/outlook: Moody's Baa3/Pos; S&P: BBB-/Stable; Fitch: BBB-/Stable
- Budget coverage: General Government
- OBI score: 2015 OBI rank: 9 out of 102 countries surveyed (2012: Rank 49/100)
- TI Corruption Index: 2015 Rank 58 out of 168 (score 46/100)
- Availability of Year-End Report: Yes
- Fiscal rule/ Fiscal responsibility law: Yes
- Accounting methodology: Accrual
- Budget oversight by the Legislature is limited, while budget oversight by the Supreme Audit Institution is adequate.

Key areas for improvement

- Better integrate the work of the Fiscal Council into the decision-making process.
- Ensure the executive receives prior approval by the legislature before implementing a supplemental budget.
- Submit the Executive's Budget Proposal to legislators at least three months before the start of the budget year;
- Provide means and mechanisms for public participation throughout the budget process.
- Establish formal mechanisms for the public to participate in audit investigations.
- Further consolidate reforms to fight corruption and ensure the irreversibility of progress.

Budget Reporting

Timing and coverage

The Romanian Government provides the public with extensive budget information. Since 2010, a comprehensive program of public financial management reform has led to significant improvements in fiscal transparency. Budget documentation includes medium-term fiscal information on the same basis as the annual budget. Nevertheless, while much of the required information is available, it is highly fragmented. Coverage of fiscal reports is also limited to the general government with little published information available on public corporations.

Encourage the authorities to improve the comprehensiveness and coverage of fiscal reports.

Revenue and expenditure classification

Fiscal statistics comply with the European System of National and Regional Accounts (ESA 1995) economic and functional classification methodology, and a program budget classification is implemented in most government entities. Differences between GFSM2001 and the government classification systems are minor. A program classification which covers over

90 percent of government expenditure has also been implemented across key government entities.

Accounting

Romania produces monthly cash-based budget execution reports and annual partial accrual-based fiscal statistics covering the general government sector.

Budgeting and the Budget Process

Availability of key budget information

Romania produces and makes public all of the 8 key budget documents.¹ Since 2012, the Government of Romania has increased the availability of budget information by improving the comprehensiveness of several key documents and by producing a Citizens Budget.

In terms of the usefulness² of the information in the reports, three are deemed to be of extensive use; the Pre-Budget Statement, the Enacted Budget and the Year-End Report, three documents are viewed as substantially useful; the Executive's Budget Proposal, the In-Year Reports, and the Audit Report. The information contained in the Mid-Year Review is viewed to be of limited use.

¹ Pre-budget Statement, Executive's Budget Proposal, Enacted Budget, Citizens' Budget, In-Year Reports, Mid-Year Review, Year-End Report, Audit Report, as covered by the IBP's Open Budget Survey as reflected in country OBI scores (see below). While the 2015 OBS lists the Citizen's Budget as not produced, Romania has since produced a Citizens' Budget, which is taken into account in the 2016 OBS update. Nevertheless, the 2016

update also reports that the Pre-Budget Statement has not been published since the 2015 assessment.

² The following categories are used to assess the usefulness of each document: Not produced, Published Late, Internal Use, Scant, Minimal, Limited, Substantial, or Extensive.

Encourage the authorities to improve budget transparency through continued publication of the Pre-Budget Statement; and by increasing the comprehensiveness of the Executive's Budget Proposal, the Mid-Year and Year-End Reports.

Budget Process and Policy Orientation

The Government approves its annual Fiscal and Budgetary Strategy by the end of July.³ In terms of its timing and content, the Strategy is broadly in line with international best practices. The Government then submits a draft Framework Law based on the budget ceilings for parliamentary approval. The State Budget Law submitted to Parliament in the autumn also presents indicative multi-year expenditure estimates for all individual ministries and institutions by functional and economic classification.

According to the law, the Government should submit the proposed budget to Parliament by November 15 each year.⁴ Nevertheless, this requirement has routinely not been respected and the budget has often been submitted late. While the stated fiscal objectives are precise and time-bound, the large number of rules and objectives introduce complexity to the fiscal framework which may hinder its transparency

Encourage the authorities to ensure timely submission of the budget to Parliament; and to continue strengthening mechanisms for public participation in all stages of the budget process.

Credibility

The national and sub-national fiscal rules are sound but their enforcement has been weak, undermining the credibility of the fiscal institutions. The fiscal rules have been repeatedly circumvented. This undermines the credibility of the policy framework and the budget process.

Encourage the authorities to better integrate the work of the Fiscal Council⁵ into the decision-making process.

³ The Fiscal Year runs from January 1 through December 31.

⁴ According to advanced international standards, the budget should be submitted to Parliament at least three months before start of the fiscal year.

⁵ An independent Fiscal Council was established in 2010 to assess and provide analysis of the design and implementation of fiscal policy.

Fiscal risk analysis and management

Romania is evaluated as advanced or good in identifying and reporting government guarantees and the risks associated with sub-national governments. It scores less well in reporting on other specific risks, such as financial sector exposure and environmental risks. Corruption poses important risks in terms of government revenues, government expenditure, and competitiveness and FDI.

Encourage the authorities to extend reporting of fiscal risks; to sustain the fight against corruption; and to strengthen prevention and control mechanisms.

Open Government

Open Budget Survey⁶

Romania's Open Budget Index score of 75 out of 100 is substantially higher than the global average of 45 and represents a remarkable improvement compared to its 2012 score of 47. Romania thus moved from its rank as 49 out of 100 countries in 2012, to number 9 out of 102 countries in 2015.

Romania scores 42 out of 100 on public participation. While this is higher than the global average of 25, it indicates that the public is provided only limited opportunities to engage in the budget process. Overall, legislative oversight over the budget process is limited, with a score of 54 out of 100. The Supreme Audit Institution (SAI) provides adequate budget oversight, as reflected by a score of 100 out of 100.

Encourage the authorities to improve budget transparency and to strengthen budget oversight.

Open Government Commitments

Romania joined the Open Government Partnership (OGP) in 2011. The main measures of the first National Action Plan (NAP) (2012-2014) included

⁶ The International Budget Partnership prepares the Open Budget Survey, which is an independent comparable measure of budget transparency, participation, and oversight.

increasing public access to open data, improving e-government services and increasing citizen participation in the decision-making process. The second NAP proposes commitments in eight thematic areas, such as access to information, citizen participation, anti-corruption, public procurement and open data.

Key sources and web sites:

IMF Country Report No. 15/67 Romania Fiscal Transparency Evaluation, March 2015.

IMF Romania Staff Report for the 2016 Article IV Consultation, April 2016.

Open Budget Survey
<http://www.internationalbudget.org/wp-content/uploads/OBS2015-CS-Romania-English.pdf>

Contact information:

<http://eminvestorsalliance.org/about>

Fiscaltransparency.net