

STATE BUDGET. EVIDENCE FROM ROMANIA

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Abstract

The purpose of this article is to analyze the state sources of budget revenues of Romania during 2019-2021 and through this research we will see the influencing factors on the increase or decrease of the state budget income. Budget incomes are the necessary means for the formation of funds from which budget expenditures are made. In the second part of this article, we will analyze the budget revenues and expenditures in the same period to better understand how state institutions work and how our country's resources are distributed. Based on the information extracted from the website of the Ministry of Public Finance, we identified the evolution of public expenditures and the reasons that determined the allocation of amounts for each functional category. The paper is a brief assessment of the situation in which our country is during the 2017-2021 period.

Key-words: State Budget, revenues, expenditures, budget deficit, funds, public resources.

1. Introduction

The budget is a central, planning and policy document of the government that outlines the expected public incomes and expenditures and is usually adopted by the legislature.

We chose to look at this issue because the budget reflects the choices the government has to make and is the tool it uses to achieve its economic and development goals. In the budget, the government determines what it is going to spend — but also the revenues it collects — that it needs to fund spending. The government must balance a wide range of legitimate demands with the limited resources at its disposal. It is also important to measure the efficiency of public spending and how public resources are spent.

The main objectives of the budgetary work applied are to ensure that the government's budget priorities are in line with the stated policy objectives and that the financial resources allocated to the priority areas are fully and properly spent. However, budgetary work also has a broader aim, which is to contribute to democracy by ensuring openness, transparency and accountability for public resources. Governments face certain constraints in terms of

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the overall size of the budget. These are constrained by the ability or willingness of taxpayers to contribute, to some extent. Other constraints include political decisions to quickly reduce budget deficits or increase spending, such as military or health funding.

Understanding budgetary constraints is important in assessing the extent to which budgetary analysis will be carried out in the context of a budget that can only reallocate its resources, as opposed to increasing overall levels of revenue and expenditure.

In order to have a clearer and correct picture, we have chosen for the analysis the budgetary situation for the years 2017-2021, in the forecasted form. Further, based on the information extracted from the website of the Ministry of Public Finance, we have identified the evolution of public revenues and expenditures, but also the reasons that determined the forecast of these revenues, respectively the allocation of amounts for each category of functional expenditures. According to European Commission Report (2020) there are some progress implementing the national public procurement strategy, but also some limited progress in the efforts to strengthen collection of revenues.

2. Analysis of the (forecast) revenues of the Romanian state budget in the period 2017-2021

The budget is an economic category in the field of financial science whose existence is closely linked to the existence of the state. The state budget represents all revenues, expenditures and sources of funding intended for the performance of the functions of central public authorities, except for the functions of the public social security system and the compulsory health insurance system, as well as for the stability of relations with other budgets.

According to the Table no.1, the total revenues increase by 32,61% from 2017 to 2021. And even if „a new Centre for Financial Information allows electronic interaction with taxpayers (European Commission Report (2020)) and from 2018 was redesigned and simplified so that the taxpayers can submitted online the tax declarations and where the payment obligations are established, the module does not include a payment module. So, the bureaucracy still prevents taxpayers for the facility to pay in an easier way their taxes.

Table 1. Table of total revenues and main categorize of revenues according with State Budget classification (thousand lei)

Indicators	2017	2018	2019	2020	2021
Total Revenues	117.046.581	141.395.499	164.494.130	167.702.382	173.700.780
Current revenues	96.372.894	117.262.176	137.565.829	145.842.361	135.624.924
Capital revenues	372.679	1.331.806	317.302	326.104	300.501

Financial operations	5.448	3.535	5.687	5.835	5.981
Amounts received from the EU/other donors on account of payments made and pre-financings	68.660	38.662	36.757	21.532.517	35.095.955

Source: own calculation based on data from <https://mfinante.gov.ro>

The current revenues in 2017 were of 87.674.336 thousand lei, and in 2018 they reached 117.262.176 thousand lei. Current revenues increased in 2020 compared to 2019 by 8.276.532 thousand lei, following that in 2021 it can be noted a decrease of 10.257.437 thousand lei compared to the previous year.

Capital revenues in 2018 increased by 959.127 thousand lei compared to 2017 because revenues from selling homes built from state funds increased by 4.1%, and revenues from guarantees granted and paid to credit institutions under the program „The first house” increased by 2.8% according to the Ministry of Public Finance. The following year there is a decrease of 1.014.504 thousand lei. Capital revenues register an increase in 2020 compared to 2019 of 8.802 thousand lei due to the transfer to the state budget of revenues obtained in the process of settling budget receivables, and in 2021 according to the Ministry of Public Finance there is a decrease of 25.603 thousand lei because the incomes from selling some goods belonging to the private domain of the state or of the administrative-territorial units decreased by 16% compared to last year. Capital revenues register an increase in 2020 compared to 2019 of 8.802 thousand lei due to the transfer to the state budget of revenues obtained in the process of settling budget receivables, and in 2021 according to table 1, there is a decrease of 25.603 thousand lei for that the revenues from the sale of some goods belonging to the private domain of the state or of the administrative-territorial units decreased by 16%.

Financial operations consist of operations involving the movement of capital, banking, foreign exchange or credit operations, investment operations, stock exchanges, insurance, mutual investment or bank accounts and those assimilated to them, domestic and international commercial transactions. According to table 1, the financial operations register an increase in 2020 of 148 thousand lei because the receipts from the repayment of other loans granted increase in 2020 compared to 2019 by 7%. In 2021 there is a continuous increase because the receipts from the repayment of loans from the financial recovery fund increases by 5.21% this year and the receipts from the repayment of other loans granted increase by 7.56%.

Since Romania's accession to the European Union, on January 1, 2007 until July 31, 2021, the amounts received by Romania from the EU budget were approximately three times higher than the amounts paid by Romania to the EU budget, according to the data provided by the Ministry of Public Finance: "According to the net financial balance, the evolution of financial flows between Romania and the European Union shows that our country received 66.2 billion euros, while it contributed to the European Union budget by 22.8 billion euros. However, Romania could benefit from more funds given that the absorption rate from European funds related to the cohesion policy allocated for the period 2014 - 2020 is about 50%, money that Romania can access until the end of 2023."³⁴

In 2018 there is a decrease of 29.998 thousand lei compared to 2017. In 2019, the amounts granted from the EU decreased by 1.905 thousand lei compared to the previous year. These amounts consist mainly of amounts received from the European Agricultural Guarantee Fund (EAGF) in the amount of 8.687,5 million lei (53.1%), the Cohesion Fund (CF) in the amount of 1.679,4 million lei (10,3%), European Regional Development Fund (ERDF) in the amount of RON 1.266,8 million (7.7%), European Agricultural Fund for Rural Development (EAFRD) in the amount of RON 4.191,5 million (25.6%) according to the Ministry of Public Finance.

According to the Report on the macroeconomic situation for 2021 and its protection for 2021-2023, the amounts received from the EU /other donors on account of payments made and pre-financings had an increase in 2020 compared to 2019 of 21.495.760 thousand lei and in 2021 continues to register an increase of 34.966.377 thousand lei. In 2020, the Ministry of European Funds signed the largest funding received so far by the General Inspectorate for Emergency Situations, which was approved by the European Commission, due to the onset of the coronavirus pandemic. The EU has mobilized resources to support the population during the pandemic, by ensuring the delivery of protective equipment and stimulating research.

The EU has provided larger amounts in 2020 and 2021 for SME development and increased business competitiveness, infrastructure investment (transport, drinking water and sanitation, waste management, health, education, tourism, cultural heritage, energy efficiency and renewable energy), investments in research, development and innovation in priority areas for Romania, as well as in the field of information and communication technology. The amounts reimbursed by the European Union on account of payments made in 2021 are up 18.4% from the same period last year.

Table 2. Table of main sources of current revenues (thousand lei)

Indicators	2017	2018	2019	2020	2021
Current revenues	96.372.89 4	117.262.176	137.565.82 9	145.842.36 1	135.624.92 4
Fiscal revenue	87.674.33 6	104.003.17 1	114.546.832	122.898.32 8	111.799.566

³⁴ https://european-union.europa.eu/principles-countries-history/country-profiles/romania_ro

Contributions	1.278.050	5.249.918	9.355.865	10.438.604	10.182.020
Non-tax revenues	7.420.508	8.009.087	13.663.132	12.505.429	13.643.338

Source: own calculation based on data from <https://mfinante.gov.ro>

In 2017, the fiscal revenues were of 87.674.336 thousand lei, and in 2018 the amount increase to 104.003.171 thousand lei. Fiscal revenues according to the Report on the final budget execution for 2020, registered an increase in 2020 of 8.351.496 thousand lei, then these revenues are decreasing by 11.098.762 thousand lei.

According to table 2, in 2018, contributions had a significant increase of 3.971.868 thousand lei because they were influenced by the increase in the number of employees in the economy, the average gross earnings, the minimum wage in the economy, the reduction and transfer social security contributions from the employer to the employee, the introduction of the employer's insurance contribution for work representing 2.25%, as well as the increase of payments from legal persons for disabled people not included in the level of a guaranteed minimum gross basic salary in the country in payment. In 2019, they continued to increase reaching 9.355.865 thousand lei because social contributions were influenced by the increase of the minimum guaranteed gross salary in differentiated payment depending on studies and in the field of constructions. In 2019, revenues from social security contributions stood at 11.3% of GDP, slightly below the level of 2018 (11.4% of GDP), their evolution being influenced by the slowdown in wage dynamics in the fourth quarter of 2019 and the fiscal facilities adopted in the sector constructions. Social security contributions show an increase according to the Report on the final budget execution for 2020, in 2020, compared to 2019 of 1.082.739 thousand lei because the calculation basis of CAS and CASS was changed due to employees with individual employment contracts with time partially, and in 2021 there is a decrease of 256.584 thousand lei because the delay calculated for non-payment of compulsory state social insurance contributions in the amount of 36.070 thousand lei is increased, resulting from the accumulations during the current year.

Non-tax revenues represent money resources that come from sources other than taxation, such as: royalties, transfers from the profit of state-owned companies, fines, tariffs. According to table 2, non-fiscal revenues presents an increase in 2018 compared to 2017 of 588.579 thousand lei, and will increase to 13.663.132 in 2019. There was a decrease in 2020 compared to 2019 of 1.157.703 thousand lei, and in 2021 there is an increase of 1.147.909 thousand lei.

Table 3 Table of fiscal revenue components (thousand lei)

Indicators	2017	2018	2019	2020	2021
Fiscal revenue	87.674.336	104.003.171	114.546.832	122.898.328	111.799.566

Income tax, profit and capital gains	27.794.362	22.484.942	21.885.294	23.523.782	20.792.464
Taxes and property taxes	124.862	117.526	542.212	563.401	587.064
Taxes and duties on goods and services	58.747.906	80.155.182	91.377.009	97.427.627	89.830.454
Tax on foreign trade and international transactions	951.250	1.042.032	1.144.697	1.253.940	1.131.856
Other taxes and fees	55.956	203.489	139.832	129.578	44.792

Source: own calculation based on data from <https://mfinante.gov.ro>

Revenues from taxes and fees vary from year to year. The main reasons are the changes in economic activity (employment levels, sales of goods and services, etc.) and changes in tax legislation (tax rates, tax base, thresholds, exemptions, etc.). Income tax, profit and capital gains in 2017 where 27.794.362 thousand lei, and in 2018 decreased by 5.309.420 thousand lei. This decrease was due to the reduction of the tax rate from 16% to 10% in the conditions of transferring contributions from employer to employee, starting with January 1, 2018. In 2019 there is a decrease of 599.648 thousand lei due to the legislative measure applied to employees in the field construction (income tax exemption). Income tax, profit and capital gains had an increase in 2020 compared to 2019 of 1.638.488 thousand lei, because the revenues from the income tax from pensions increased by 40.9% compared to the previous year and the income from the tax on dividends by 7.9%. In terms of structure, income tax revenues increased by 8.5% compared to the first quarter of 2019. This growth was supported by the increase in the number of employees by 0.7% and the average gross earnings in the economy by 9.2%, in the period December - February 2020 compared to the similar period of the previous year in the conditions of increasing the minimum gross salary from 2,080 lei to 2,230 lei. In 2021, according to the Ministry of Public Finance, the income, profit and the capital gains tax had a decrease compared to the previous year of 2.731.318 thousand lei because in 2020 most companies postponed the payment of taxes and duties.

In the category of income tax, profit and capital gains from legal entities according to the Ministry of Public Finance, there is a decrease of 889.929 thousand lei in 2018 compared to 2017 in terms of reducing revenues from income tax on micro-enterprises by 4.7%. In 2019, compared to 2018, there is a decrease of 2.763.912 thousand lei because the profit tax rate was very low, this led to a decrease in revenues to the state budget. In the category of income tax, profit and capital gains from legal entities according to the Ministry of Public Finance there is an increase in 2020 of 2.663.303 thousand lei, in 2021 according to the

Ministry of Public Finance there is a decrease of 2.416.010 thousand lei due to the establishment of new deadlines for the payment of tax obligations declared by taxpayers paying income tax on micro-enterprises, as well as 10% exemptions granted to them for the payment of maturity tax.³⁵

In the category of income tax, profit and capital gains from individuals, there is a decrease in 2018 compared to 2017 of 4.379.267 thousand lei. In 2019, compared to 2018, there is a decrease of 3.404.156 thousand lei generated by the exemption from the payment of income tax of employees in the field of construction and of some industrial sectors (according to the Government Emergency Ordinance no. 114/2018 on the establishment some measures in the field of public investments and some fiscal-budgetary measures, the modification and completion of some normative acts and the extension of some terms, with the subsequent modifications and completions).

According to table 3, revenues from income tax, profit and capital gains from individuals decreased in 2020 by 32.0% compared to the corresponding period last year, this negative evolution being explained by the postponement of the payment of tax obligations by taxpayers profit tax payers. The structure of income tax revenues shows reductions in revenues from economic agents by 26.9% and commercial banks by 76.2% in 2020, also the decrease of 66.209 thousand lei in revenues and in 2021 is due to the continuous postponement of payment of tax obligations.

In the category of other taxes on income, profit and capital gains in 2018 compared to 2017, a decrease of 40.224 thousand lei can be observed because the income tax from other sources decreased by 4.5% compared to the previous year. In 2019, compared to 2018, an increase of 40.596 thousand lei can be observed because the tax obtained by non-residents regarding the distributed dividends increased by 5.6%. The tax due by non-residents for the taxable income obtained from Romania is calculated, withheld, declared and paid to the state budget by the income payers. According to the Ministry of Public Finance, in the category of other taxes on income, profit and capital gains, an increase of 316,028 thousand lei can be observed in 2020 compared to 2019 because the exemption from paying income tax on income obtained from Romania by non-residents distributed dividends, and in 2021 there is a decrease of 315.308 thousand lei because a new exemption is introduced regarding the income tax obtained in Romania by non-residents for the dividends paid.

In 2017, property taxes and fees were 124.862 thousand lei, in 2018 decreasing to 117.526 thousand lei. This decrease is due to the decrease of the building tax and the building tax by 3.2% compared to 2017. In 2019 there is an increase of 424.686 thousand lei because the land tax has an increase of 2.0% compared to in 2018. In the category of property taxes and fees in 2020 there is an increase of 21.189 thousand lei compared to 2019, these incomes increased by 1.1 thousand lei due to the postponement of the payment term for the building tax and the tax on land, and in 2021 according to the Ministry of Public Finance there is a continuous increase, compared to 2020 they increased by 96.8% because they paid the postponement of the payment term from 2020 for the building tax and the land tax.

³⁵ <https://mfinante.gov.ro/documents/35673/148567/legeabugetuluidestat2020.pdf>

According to the Report on the final budget execution for 2020, in the category of revenues from taxes and fees on goods and services in 2018 there is an increase of 21.407.276 thousand lei compared to 2017 because VAT revenues were influenced by the evolution of the volume of retail trade (excluding trade in motor vehicles and motorcycles), gross series, which increased by 5.7% in the first eight months of 2018. Also, revenues from excise duties on energy products for 2018 recorded 16.3 billion lei representing 60.4% of the total state budget revenues for 2018, increasing by 14.4% compared to the same period of the previous year. From a legislative point of view, the increase was influenced by the increase in the level of excise duties on energy products, the increase in excise duty on fuels being carried out in two stages, on September 15, 2017 and October 1, 2017, the increase of 0.15 lei per liter for each of the two stages. In 2019 there was an increase of 11.221.827 thousand lei because there is an increase of 10.8% of gross VAT revenues (excluding refunds) and 14.5% of VAT refunds given that the relevant macroeconomic basis (turnover in trade, services and industry) increased by 10.4% on average in 2019. Revenues from the state budget from excise duties on tobacco for 2018 amounted to 9.8 billion lei, representing 36.3% of total annual revenues, being 0.1% higher than the same period of the previous year. Revenues from the state budget from excise duties on alcohol for 2018 compared to the same period of the previous year increased by 9.5%.

According to the Report on the final budget execution for 2020, in the category of revenues from taxes and fees on goods and services there is an increase in 2020 of 6.050.618 thousand lei compared to 2019 because this category includes excise revenues that have increased by 8.7%, registering increases both in revenues from excise duties on fuels (by 2.2%) and on excise duties on tobacco (15.3%). In 2021 there is a decrease of 7.597.173 thousand lei compared to 2020 because excise revenues amounted to 16.53 thousand lei in the first half of 2021, down 21.2%, and in the first quarter of 2021 revenues of excise duties for energy products decreased by 3.3%. According to the Report on the execution of the budget for the third quarter of 2021, the evolution of net VAT revenues in the third quarter of 2021 was negatively affected by: postponement of the deadline for payment of declared tax obligations, unfavorable economic developments in economic sectors market services provided to the population, industry and trade.

Revenues from the tax on foreign trade and international transactions in 2017 were 951.250 thousand lei, increased in 2018 by 21.407.276 thousand lei because the value of non-EU trade in goods increased by 23.5% on imports and 8.4% for exports according to the report on the final budget execution for 2018. In 2019, these revenues increased by 102.665 thousand lei compared to the previous year because the imports of goods increased by 9.0% (+ 0.2 billion). lei) compared to the third quarter of 2018.

According to the Report on the final budget execution for 2020, foreign trade tax revenues and international transactions increased by 10.5% in 2020 compared to 2019, amid an increase in the value of non-EU trade in goods by 6.2% on imports. Foreign trade tax revenues and international transactions decreased in 2021 according to the Ministry of Public Finance, by 3.5%, compared to the previous year, amid the decline in the exchange value of non-EU trade in goods by 7.8% on imports.

In the category of other taxes and fiscal duties in 2018, there is an increase compared to 2017 of 147.533 thousand lei because the incomes from “Tax on additional revenues obtained as a result of deregulation of prices in the natural gas sector” increased, registered in 2018 compared to 2017 by 24.6%. In 2019, these revenues decreased by 63.657 thousand lei because the revenues from the specific tax decreased by 4.2% compared to 2018.

In the category of other taxes and fiscal duties in 2020 there is a decrease of 10.254 thousand lei due to the fact that the taxpayers were obliged to pay the specific tax, and in 2021 a decrease of 84.786 thousand lei because the government again extended the exemption from the payment of the specific tax for the Horeca sector until the end of 2021, more precisely until 25.12.2021. In 2020, respectively 2021 according to ANAF GEO no. 99/2020 - new fiscal measures and extensions of deadlines for the application of the facilities already granted, the payment of the specific tax has been postponed, that is why we have a continuous decrease of the revenues from other taxes and fiscal fees.³⁶

Table 4. Non-tax revenue components (thousand lei)

Indicators	2017	2018	2019	2020	2021
Non-tax revenues	7.420.508	8.009.087	13.663.132	12.505.429	13.643.338
Property revenues	6.062.245	6.703.564	11.831.647	10.718.100	11.768.331
Income from goods and services	1.358.263	1.305.523	1.831.485	1.787.329	1.875.007

Source: own calculation based on data from <https://mfinante.gov.ro>

According to table 4, in 2018 the property revenues increased by 641.319 thousand lei compared to 2017 because the revenues from concessions and rents increased, as a result of the 26% increase in oil royalties generated by the change in the methodology for setting the reference price for natural gas extracted in Romania. Revenues and amounts from the sale of greenhouse gas emission allowances also increased by 0.6% as a consequence of the increase in the price/bidding certificate and the exchange rate. In 2019, continuing to increase, reaching 11.831.647 thousand lei as a result of non-transfer of payments from the net profit of the autonomous utilities and income from term dividends and their non-distribution under the provisions of art. 43 of the Government Emergency Ordinance no. 114/2018. According to the Ministry of Public Finance in the category of property income there is a decrease in 2020, because it was collected less by 6.23% compared to the previous year revenues from concessions and rents, and in 2021 there is an increase of 1.050.231 thousand lei compared to 2020 because interest income increases by 1.2% compared to the previous year.

Sales of goods and services in 2018 recorded a decrease of 52.740 thousand lei because the revenues from compensations are down by 3.2% compared to 2017 according to the

³⁶ https://mfinante.gov.ro/documents/35673/331915/oug_99_mo551_2020.pdf

Ministry of Public Finance. In 2019, there is an increase of 525.962 thousand lei compared to 2018 because the revenues from the recovery of advanced state legal expenses increased by 10.9%, and the revenues from consular fees increased by 9.0%.

In the category of sales of goods and services according to the Ministry of Foreign Affairs, there is a decrease in 2020 of 44.156 thousand lei, because this year is marked by the crisis generated by the COVID-19 pandemic, which affected both domestic and foreign demand. There is a marked decrease in industry (-14.1%) against the background of the manifestation of the pandemic, as well as in agriculture (-6.7%) against the background of the drought. The services registered a balanced decrease of -1.7% compared to the corresponding period of 2019 because the branch of entertainment, cultural and recreational activities registered a decrease of 29.1%, respectively a negative contribution of 1.1 percentage points, and in 2021, according to the Report on the budget execution for the third quarter of 2021, it registers an increase of 86.678 thousand lei because the revenues from the organization of professional qualification and conversion courses, specialization and improvement increased by 5.6%.³⁷

3. Analysis of the State Budget Expenditures (forecasted) in Romania for the years 2017-2021

Public spending is important because it best reflects how the state can help each individual or entity at different stages of his life through the prism of public institutions. According to the way they are managed, the state makes efforts to modernize and offer citizens a civilized country, with European standards, which gives everyone equal chances to the health, education, defense, and development system. According to this criterion of grouping the public expenditures, the objectives of the financial policy of the Romanian state are implicitly reflected.³⁸

Rouf, Islam, Miah, Raham (2021) like a lot of other researchers reveal that: “A budget deficit occurs when expenses exceed revenue and indicate the financial health of a country” and also that “A nation wishing to correct its budget deficit may need to cut back on certain expenditure, increase revenue- generating activities, or employ a combination of the two”. So, due this the importance of studying the state budget is revealed.

Table 5: Total State Budget expenditures and main components through functional classification (thousand lei)

Indicators	2017	2018	2019	2020	2021
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³⁷ <https://www.mae.ro/>

³⁸ Liliana Donath – Finance public and elements of tax administration, Publishing House Marineasa, Timisoara, 2004, page. 69

Total expenditure	150.1 59.50 5	177.17 1.941	202.7 81.47 3	215.2 24.16 1	261.0 50.48 9
Part I General public services	43.14 8.476	41.607. 541	39.80 9.771	52.85 9.042	75.82 0.245
Part II Defence, public order and national security	26.21 0.939	31.211. 365	35.26 8.282	40.34 1.313	39.96 3.278
Part III Social and cultural expenditure	42.63 3.134	63.912. 810,00	81.90 0.477	83.32 0.267	90.62 3.151
Part IV Public services and development, housing, environment and water	4.626. 717	4.734.6 11	5.526. 538	5.169. 305	6.989. 374
Part V Economic actions	33.54 0.239	35.705. 614	40.27 6.405	33.53 4.234	47.65 4.441

Source: own calculation based on data from <https://mfinante.gov.ro>

According to the data extracted from the State Budget Law for the years 2017-2021, we can see that the total expenditures of the state budget in 2017 was 150.159.505 thousand lei and starting with 2018 there was a continuous increase, reaching in 2021 an increase of approximately 42.48% compared to 2017.

In Part I, General Public Services had a slight decrease in 2018 and 2019, of approximately 3.7% and 8.39% respectively compared to 2017, followed by a continuous and significant increase of approximately 18.37% in 2020 and 43.09% in 2021, respectively, compared to the same year. These fluctuations occurred due to the expenditure on transfers of a general nature between the different levels of administration, due to the rate of the shrew, which in 2019 reached a historic low of 2.97%, but as the pandemic gradually hit more and more sectors of activity that had to restructure and order employees unemployed, the rate would climb to 3.38% in 2020.

Table 6: General Public Services Expenditure Components (thousand lei)

Indicators	2017	2018	2019	2020	2021
Part I General public services	43.148.47 6	41.607.5 41	39.809.7 71	52.859.0 42	75.820.2 45
Public authorities and external actions	13.206.91 6	14.507.4 13	19.168.1 37	19.574.4 18	28.952.5 02
Fundamental research and research and development	2.010.006	1.956.43 1	2.138.04 0	1.828.48 5	2.010.00 6
Other public services	1.413.157	2.406.56 2	2.744.03 8	3.075.05 4	1.413.15 7
Transactions on government debt and loans	11.821.07 2	13.523.0 64	14.486.5 56	14.816.6 39	11.821.0 72

Transfers between different levels of administration	14.697.32 5	9.214.07 1	1.273.00 0	13.564.4 46	14.697.3 25
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Source: own calculation based on data from <https://mfinante.gov.ro>

Expenditure with public authorities and external actions increased by 54.38% in 2021 due to the import of SARS-CoV-2 vaccines from other countries. Out of the total personnel expenses, the payments representing the risk incentive granted for COVID-19 amounted to 71.71 million lei, as well as other personnel expenses, including increases granted to the medical and auxiliary staff involved in the activities with patients diagnosed with COVID-19, of approximately 1.877 billion lei. The Ministry of Internal Affairs paid 187.12 million lei for the purchase of emergency medical products-stocks, including thermal scanners to combat the spread of SARS-CoV-2 coronavirus infection.³⁹

According to Table 7, Defense, public order, and national security expenditures register consecutive increases of up to 3,41% in 2021, compared to 2017, necessary for the quarantine period, protests, and electoral elections, although compared to the previous year there was a slight decrease, being a priority other area, such as health. The Ministry of National Defense has pledged to allocate 2% of GDP to Defense, according to the North Atlantic Alliance. Over 28 million lei are used for the rehabilitation and modernization of the specific infrastructure at the National Institute for Medical-Military Research and Development "Cantacuzino" as follows: funds for investment actions such as the procurement of essential equipment, worth a total of 3.5 million lei, funds for the activity of combating the spread of COVID19 through specific RT-PCR testing activities, mainly consumption of reagents and sanitary materials - 12.5 million lei, as well as for the scientific research activity in the medical-medical field, mainly for the development of the projects included in the sectoral research plan of the Ministry of National Defense: "Imuno 1 - Orostim" - 1.4 million lei, "Imuno 2 - Polidin" 1.6 million lei, Good Laboratory Practice 500 thousand lei and Tetanus Anatoxin 320 thousand lei.⁴⁰

Table 7: Defense, public order, and national security expenditure components (thousand lei)

Indicators	2017	2018	2019	2020	2021
Part II Defence, public order and national security	26.210. 939	31.211. 365	35.268. 282	40.341. 313	39.963. 278
Defense	11.805. 429	12.687. 443	12.809. 564	15.373. 185	11.805. 429
Public order and national security	14.405. 510	18.523. 922	22.458. 718	24.968. 128	14.405. 510

Source: own calculation based on data from <https://mfinante.gov.ro>

³⁹ https://mfinante.gov.ro/documents/35673/1504261/nota_bgc30092021.pdf

⁴⁰ <https://www.mae.ro/node/46982#null>

Also, over one billion lei are allocated for the purchase of specific equipment and materials, such as armored personnel carrier, aircraft modernization and others. Thanks to the missions to extract the seconded Romanians and Afghans who collaborated with the Romanian authorities, fewer resources were allocated to personnel expenses in Afghanistan's capital, Kabul, conquered by the Taliban, fewer resources were allocated for personnel expenses in 2021.

Table 8 Components of expenditures on Social and cultural expenditure (thousand lei)

Components Part III Social-cultural expenditure	2017	2018	2019	2020	2021
Part III Social and cultural expenditure	42.633.134	63.912.810,00	81.900.477	83.320.267	90.623.151
Education	5.712.703	22.082.774	31.898.874	30.208.203	29.705.287
Health	4.116.827	5.672.572	10.272.664	9.678.664	11.895.437
Culture, recreation, and religion	3.058.438	3.175.811	3.614.558	3.476.718	3.390.850
Insurance and social assistance	29.745.166	32.981.653	36.114.381	39.956.682	45.631.577

Source: own calculation based on data from <https://mfinante.gov.ro>

Social and cultural expenditures show consecutive, gradual increases, reaching an increase of about 53% compared to 2017, being favored in the health sector, by implementing measures to stimulate anti-covid vaccination, the purchase of medicines, the development of national health programs and special arrangements for vaccination centers. In the state budget, in 2021, an increase is reflected, respectively 19.7% compared to the same period of the previous year, as well as in the budget of the Single National Health Insurance Fund of 8.9%, mainly, according to the data communicated by the principal authorizing officers, 5.27 billion lei out of the total goods and services represent payments for medicines, sanitary materials, reagents and other products necessary for the diagnosis and treatment of patients infected with the SARS-CoV-2 coronavirus, as well as the payment for vaccines against Covid -19. The evolution of social assistance expenditures was mainly influenced by the increase of the pension point from 1 September 2020 by 177 lei, respectively from 1,265 lei to 1,442 lei. Also, it is reflected the increase from 1 September 2020 of the level of the social allowance for pensioners guaranteed from 704 lei to 800 lei, as well as the increases regarding the state allowances for children starting with January 1, 2020, with August 1, 2020, which represents an increase of the allowance by approximately 20% more than the one paid in July 2020, as well as 1 January 2021 which represents an increase in the allowance of approximately 16% more than that paid in December 2020. Also, the

settlements of the social health insurance indemnities for medical leave are continued to reduce the stock of outstanding payments related to them.⁴¹

As it can be seen in Table 8, in 2018, there is an increase in education spending of 74.13% compared to 2017, due to the implementation of policies and programs, through which to achieve the strategic objectives and targets in its field of activity, such as combating school dropout.⁴² Strategic priorities being, for example: ensuring equal opportunities for access and participation in relevant and inclusive education, quality at all levels of education and training, and modernization of the infrastructure of pre-university education; the use of new technologies and the improvement of school management and career development in education.

Health expenditures recorded continuous increases, of up to 65.39% in 2021 compared to 2017, due to the implementation of actions such as: the acquisition of new ambulances, the development of the Balti Central Hospital, the renovation and modernization of regional hospitals, the Transplant Program, the National Cancer Control Program, in the amount of 478.2 million lei and that of tuberculosis – 333.5 million lei.⁴³

As we can see, if we refer to 2020, in 2021, the pandemic but also the need to modernize the infrastructure of several areas has led to the allocation of more consistent amounts. Education, culture, recreation, and religion recorded decreases by approximately 589.000 thousand lei due to social distancing and measures to prevent SARS-COV 2, a period during which education was carried out in the online environment, respectively the other fields had their activity suspended, which led to a decrease in maintenance costs. The education sector is seeing a decrease in spending in 2021, in an absolute amount of 2.193.587 thousand lei, because a series of expenses are no longer included, such as holiday vouchers, payment of salary differences according to Law 85/2016 or allocations from the reserve fund. But there are also increases, the most relevant ones are to ensure, for the first time from the state budget, through local budgets, the funding for students' scholarships. In 2020, the total budget at national level of students' scholarships was 270 million lei, in 2021, the total budget of students' scholarships was 540 million lei. Also, a substantial increase is registered by the basic financing of the state pre-university education units, the component dedicated to material expenses and professional training, an increase of 26%, from 1.259 billion lei to 1.585 billion lei.⁴⁴

Table 9: Public Services and Development, Housing, Environment and Water Expenditure Component (thousands of lei)

Indicators	2017	2018	2019	2020	2021
Part IV Public services and development, housing, environment and water	4.626	4.734	5.526	5.169	6.989
	.717	.611	.538	.305	.374

⁴¹ https://mfinante.gov.ro/documents/35673/1504261/nota_bgc30092021.pdf

⁴² <http://legislatie.just.ro/Public/DetaliiDocument/185778>

⁴³ <http://legislatie.just.ro/Public/DetaliiDocumentAfis/192824>

⁴⁴ <http://legislatie.just.ro/Public/DetaliiDocument/178164>

Housing, services, and public development	3.481 .176	3.674 .333	4.230 .293	3.976 .260	5.787 .413
Environmental protection	1.145 .541	1.060 .278	1.296 .245	1.193 .045	1.201 .961

Source: own calculation based on data from <https://mfinante.gov.ro>

For Part IV, Services and public development, housing, environment, and water in 2021, hydro-technical developments were made that determined an increase in expenses by 2.362.657 thousand lei compared to 2017. The Ministry of Development, Public Works and Administration has allocated the total amount of 50.000.000 thousand lei to a new program, namely the program called "The National Investment Program "Anghel Saligny", which involves the development of the basic infrastructure: water-sewerage, roads and connection to natural gas systems, at the level of all localities.⁴⁵

Table 10: Economic Actions Expenditure Component (thousand lei)

Indicators	2017	2018	2019	2020	2021
Part V Economic actions	33.540.23 9	35.705.61 4	40.276.40 5	33.534.23 4	47.654.44 1
General economic, commercial, and labor actions	1.332.984	2.225.491	3.035.218	2.173.449	5.241.551
Fuels and energy	100.728	139.641	135.062	148.175	701.072
Extractive, manufacturing, and construction industry	140.745	157.691	448.364	322.893	148.601
Agriculture, forestry, fish farming and hunting	17.750.53 8	23.989.11 9	23.509.03 1	19.053.85 5	26.912.09 0
Transport	13.522.26 2	8.621.307	12.580.85 6	11.346.38 7	13.716.83 9
Communications	508.891	288.724	260.472	195.079	578.857
Economic research and development	128.416	253.643	268.698	282.698	298.441
Other economic actions	55.675	29.998	38.704	11.698	56.990

Source: own calculation based on data from <https://mfinante.gov.ro>

According to Table 10, expenditures on Economic Actions, recorded increases in 2018 and 2019, compared to 2017 of 6.06% and 16.72%, respectively, due in large part to the Agriculture, Forestry, Fisheries and Hunting sector, where the general objective of

⁴⁵ <https://www.mdipa.ro/uploads/articole/attachments/6151bbc554214183914086.pdf>

governance was to harness Romania's agricultural potential and to ensure food security at national level, as well as to create availability for export.

As in 2017 not all the money allocated to the Transport sector was spent, for 2018 it was allocated 56.85% less and, as a result, needing the money to cover the rising salary expenses. The only increase appears in the maintenance of the road infrastructure, from 304.000.000 lei to 331.000.000 lei.

In the year 2020, there is a decrease of 20.1% in the expenditures with Economic Actions, compared to the previous year, allocating fewer resources to the sectors, except for Fuels and Energy, but also research and development in the economic field.

Expenditures on goods and services in 2021 increased by 7.2% compared to the same period of the previous year. For agriculture, the expenditures increased by approximately 1.300.000 thousand lei for granting financial support for diesel used in agriculture, and 2.000.000 thousand lei for land improvement, irrigation, dewatering and combating soil erosion through regional and local development programs such as the National Anti-hail Program. The state contributed with 40.000 thousand lei to the share capital of the Commercial Company "Romanian National Air Transport Company – TAROM" S.A. to cover the damages suffered, in the period 01.07 - 31.12.2020, because of the COVID-19 pandemic and caused directly by this pandemic.⁴⁶

As for the communications sector, the expenses increased by 383.778 thousand lei in 2021 compared to 2020, due to the process of modernization and expansion of the information technology, communication technology infrastructures and systems under administration, these steps taking place following the development of school and professional activities in the virtual environment.

Expenditures on other economic actions increased by approximately 45 million lei in 2021 compared to the previous year, largely for the development of economic activities, such as the High-Performance Green Port project – "Green Port And High Performance". This is one of the 14 infrastructure projects submitted by Romania for contracting European funds under the Connecting Europe Facility" (CEF), through which in Giurgiu, in the vicinity of the Free Zone, a hall with trimodal access (river, road and rail) will be built. The project aims to build a quarter hall (river, road, rail) and aims at restoring and modernizing the unloading quay, investments in high-performance equipment, extending the railway for the realization of a trimodal transport infrastructure, rehabilitating the road infrastructure inside the port area, upgrading the existing information technology systems, and integrating into the River Information System.

The implementation of this project will increase the traffic and the volume of goods through the port infrastructure in Giurgiu and will animate the economic activity in the area. The

⁴⁶ https://mficante.gov.ro/static/10/Mfp/buget2021/og97_mo858.pdf

trimodal center built in Giurgiu will be the only one in South-Eastern Europe. The hall will have 8,000 sqm and a working capacity of 300,000 tons/year.

4. Conclusion

The state budget is a document that reflects the expenses and incomes of the country. The budget should reflect the general elections of citizens in relation to the services that the state must provide to them as members of society, payers of taxes and fees. Following the analysis, it can be seen that Romania's state budget revenues are increasing in the period 2017-2021 but are lower than the expenditures recorded in this period. The essential issues of the market economy and the developing economy are consisting on finding the optimal ways of financing budget deficits, under the conditions in which the public debt represents a problem in Romania, and deficit financing has a number of implications on the interest rate and the economic growth.

The perspective of a large budget deficit outlines the perspective of both reduction of the government expenses and tax increase which would certainly determine a reduction of the economic growth. In 2021 Romanian State Budget has a deficit of approximately 62.1% higher than in 2017, because expenditures increased more than could be covered by revenues, encountering several events that require additional expenditures compared to previous years, among which we can mention the pandemic and inflation, which is currently about 8%. This deficit results from the accumulation over time of significant budget deficits and the formation of a substantial public debt. A strong impact on the overall economic balance is debt financing and the interest burden that generates inflation and limits the possibilities for stimulating economic growth.

Following this analysis, we can conclude that the state is trying to distribute the country's resources for the benefit of the citizens, but it seems that the management was done in a wrong way. The health crisis is one of the examples, because the purchase of a very large number of vaccines and the expenses of almost half a billion lei for the vaccination campaign did not have the expected success, the number of people who were vaccinated during that period being very low.

To sum this up, we propose some ideas on the future of Romania's state budget, more exactly the gradual achievement of fiscal consolidation through measures to achieve the deficit target provided by regulations. This can be achieved by creating a fiscal policy designed to support and adapt the business environment to the challenges posed by the health crisis, the rapid adoption of fiscal measures, made to cover the financial needs in the fields most affected by the COVID-19 pandemic crisis. In particular to support employees or ensure a minimum income for the unemployed, as well as to avoid bankruptcy of a very large number of companies, especially SMEs, are essential to avoid a more severe decline in economic activity.

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