

EVOLUTION AND CURRENT TRENDS IN THE STRUCTURE OF THE MAIN NATIONAL BUDGETARY INDICATORS IN ROMANIA

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Abstract:

The budget is not just an act emanating from an organ of the state authorities, but it is a coherent set of plan indicators, in which are enlisted the public revenues and expenditures of the state for a specified future period, usually a year. Starting from this premise, in all countries with a market economy it is considered that the public finances represent that area of the social and economic life, in which it is required a planned action, through which it should be foreseen, in a precise manner, the incomes and expenses of the respective state, on a future time period. Starting from the state budgets programmed for a period of 5 consecutive years, I tried to analyze the evolution of the level and the structure of the main budget indicators.

Key words: *budget, public expenses, public revenues*

JEL classification: *H20, H50, H61*

1. Introduction

For a proper and smooth coordination of all operations that activities in public finance involve, the state is legally required to manage through the Government the budgetary activity. This requires on the one hand developing and implementing the financial and budgetary legislation and the effective management of specific activities that actually require implementation of the law, on the other hand. Carrying out the state's tasks in the economic and financial domain is possible due to *the budget* - the document through which income and expenditure are provided and approved each year.

The need of the state's budget must be linked with the public economy's goal of meeting the collective needs and in this respect imperatively requires a *program* to provide the revenues needed for ensuring and covering the general

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needs of the society. In order to achieve this objective in the public finances field managed by the state, all tax obligations imposed on the citizens, predominantly in the form of tax levies, are related to the general priority needs claimed by the society imposed by the public expenditure through the financial process of the state's budget.

2. The budgetary classification of public revenues and expenses

The design and execution of the budget are possible due to a strict succession of papers and operations, legally regulated, called *budget process*, which is done by going through several stages: the preparation of the budget project, its approval, the budget execution and the closing of the budgetary exercise, and also the control of the budgetary execution.

To meet the budgetary procedure it takes three calendar years, one preceding year for the year when the budget is made (the development and /or approval of the budget), one implementation year and the next year when it is made the closing of the budget exercise and the control of the budgetary execution.

Regarding the structure of the budgets, revenues and expenses are recorded in the budget based on budgetary classification, as it is established by the provisions of the public finances law. According to the legal definition, the budget classification represents "grouping the budgetary revenues and expenditures in a compulsory order and after uniform criteria." Therefore, the budgetary classification means clustering, numbering and naming the revenues and expenditures. The current budget classification is determined separately both for revenues and for budget expenditures. The classification gives codes both to incomes and expenditures in order to facilitate the processing of information about them.

According to the budgetary classification revenues are divided into chapters and subchapters, after their fiscal or non-fiscal content and after their source.

Regarding the classification of the budget expenditures it should be noted that this is much more complex due to the practical needs of budgetary planning and of budgetary accounting. It includes both a functional classification that states the parts, chapters, subchapters and paragraphs of budgetary expenditure and groups the expenses according to their destination in order to evaluate the allocation of the public funds of some activities or goals

that define the public needs and also an economical classification that groups the expenditures according their nature and their economic effect in titles, articles and paragraphs.

In the virtue of the economic classification that highlights the nature of the expenses financed out of public resources, the budget includes two basic types of expenses that correspond to the two main directions of economic activity, respectively the current activity and the development or investment activity. Thus, we can distinguish current expenses which include staff costs, material expenses, service expenses, the interest on the loans contracted, transfers and subsidies. They represent a final consumption of gross domestic product.

The capital expenditures are based on the needs for development and modernization, and are resulted in the investment expenditures and in the expenditures for the state reserve. They represent an advancement of the gross domestic product.

According to the functional classification, the budgetary public expenditure are grouped as follows:

Part I General Public Services

Part II Defense, Public Order and National Security

Part III Cultural Social Expenditures

Part IV Public Services and Development, Housing, Environment and Water

Part V Economical Actions

In the case of the state budget, the expenditures are arranged by the functional classification, and within it each level is explained by the economic classification.

The budgetary classification proves its usefulness both in the budgetary planning and in the budgetary accounting, and also in the detailed knowledge of the state's budget content.

3. The structure and the dynamics of the budgetary expenses

The public expenditures express social and economical relations in cash form, which occurs between the state, on the one hand, and individuals and businesses, on the other hand, with the allocation and use of the state's financial resources in order to fulfill its functions. (Văcărel, 2002, pp. 147)

They refer to all the expenses incurred by the public institutions (state apparatus, social-cultural institutions, military, internal order and national security) which is either covered by the budget or by the extra-budget funds or from the budgets of institutions based on the revenues obtained by them. It is necessary in this regard to distinguish between public expenditures and budgetary expenditures, which have a narrower scope than the first, being contained within them.

The budgetary expenditures refer only to the public expenses that are covered from the public resources provided in the state budget, local budgets, the social insurance budget and the budgets of the autonomous public institutions. (Moşteanu, 2008, pp. 56)

Whatever the theoretical and legal classifications, the budget expenditures of the states evolve over time, registering changes in annual cash amounts, having different determinations and proportions from one year to another. Both a global analysis of the budgetary expenditures (based on their total level) and also according to their structure on expenditure category can be made.

Performing an analysis of the public expenditure budget structure based on the functional classification, one can observe the existence of some important differences between the developed countries and the developing countries in economical terms. Thus, while in the developed countries the share of the public expenditure is represented by the expenses designated for the social state insurances, for the social assistance and protection, and for health and education, in the developing countries, the first places we can find the expenses that are purely economical and only after them we can find the social and cultural expenses.

Regardless of the share held by some categories of expenditure in the total public expenditures in all modern states it is obvious and highlighted a dynamics of the public budgetary spending. This dynamic is an ascending one, and it can be noticed the increase of the public spending from one year to another. The increase of the public spending is determined by demographic, economic, military and social factors. However, it is also drawn in most contemporary states by the gradual depreciation of national currencies, coupled with rising prices and wage rates. For a proper assessment it is necessary to at least make a theoretical distinction between the nominal and real growth thereof.

Following some comparative analyses, in the doctrine it is stated that both for the developing countries and the developed ones, the characteristic phenomenon of the evolution of public spending is their growth reflected both

in GDP and also in the faster growth rate than GDP. From the analysis of the share of the public expenditure in GDP performed in several countries resulted a general phenomenon of increase of the public spending in GDP regardless of the degree of development of the state. (Minea, 2008, pp.158)

Further, starting from the key indicators of the program-budgets (to ensure a fair and pertinent comparison of the indicators we analyzed the initial program budget enacted and the corrections of the budgetary programs) enacted for a period of 5 consecutive years, i.e. the years 2010-2014, I conducted the analysis of the level, structure and dynamics of the public expenditure categories in our country, according to the functional classification criterion.

Table no. 1: Evolution of the state budget expenditures in the period 2010-2014 – thousand lei –

Indicator name	Program 2010	Program 2011	Program 2012	Program 2013	Program 2014
Total expenses – State Budget	101.678.400	108.481.950	112.920.380	116.359.340	119.254.648
Part I General Public Services	32.639.623	42.106.387	43.198.998	48.130.084	47.442.946
Part II Defense, Public Order and National Security	15.756.360	14.604.872	15.327.511	16.860.288	17.907.335
Part III Cultural Social Expenditures	30.579.238	26.087.319	26.699.242	26.531.483	26.668.642
Part IV Public Services and Development, Housing, Environment and Water	2.707.090	3.024.291	3.922.803	2.896.993	4.713.893
Part V Economical Actions	19.996.089	22.659.081	23.771.826	21.940.492	22.521.832

Source: Law no. 11/2010 regarding the state budget in 2010, published in în M.O. no. 60/27.01.2010; Law no. 286/2010 regarding the state budget in 2011, published in în M.O. no. 879/28.12.2010; Law no. 293/2011 regarding the state budget in 2012, published in în M.O. no. 914/22.12.2011; Law no. 5/2013 regarding the state budget in 2013, published in în M.O. no. 106/22.02.2013; Law no. 356/2013 regarding the state budget in 2014, published in în M.O. no. 805/19.12.2013.

Analyzing in detail the 2014 program, it appears that in the first part the costs represented by the general transfers between different levels of

government (transfers from the state budget to the state social security, the unemployment insurance budget and the social insurance health fund budget) totalling 16.158.394 represents the largest share of 34%.

Then, the spending of the public authorities and external actions (mainly represented by the executive and legislative authorities spending and the contribution to the EU budget) amounting to 13.840.914 thousand lei and the transactions regarding public debt and loans amounting to 13.442.063 thousand lei have significant shares of 29% each. These are followed by other general public services materialized mainly in the budget reserve fund at the disposal of the Government, the intervention fund at the disposal of the Government, the national fund that reaches a much smaller value of only 2.284.866 lei, respectively the fundamental research expenses and development research in the amount of 1.716.709 and that have the lowest share in the total of this part of 3,62%.

Part II includes two main groups, namely Defense and Public Order and National Security (public order, police, gendarmerie, national security, guard and border surveillance, prisons, etc.), which represent the largest share in this part according to the 2014 program of 71,46% and an absolute value of 12.796.537 thousand lei.

In the case of the Social and Cultural Expenses and in the case of our country, the security and welfare have the biggest expenses in the amount of 17.816.956 thousand lei (66,81%), followed by the education expenses amounting to 4.188.714 (15,71%). It should be noted that almost half of these expenditures are designed for higher education. The program budget for the year 2014 only provides 2.921.401 thousand lei for health (10,95%), and on the last place we can find the expenses for culture, recreation and religion in the amount of 1.741.571 thousand lei. The two categories of expenses, namely housing, public services and public development amounting to 2.589.584 thousand lei and the Environmental Protection in the amount of 2.124.309 thousand lei record almost equal shares of under Part IV.

The last part includes the major sectors of the economy: the transport chapters recording in the 2014 year program the highest value, respectively 12.503.267 which represents over 50% in the expenditure allocated for this part. For agriculture, forestry, fishing and hunting it is provided the amount of 6.398.091 thousand lei, much smaller amounts being provided to the general economic, commercial and labor actions – 2.961.312 thousand lei, to the extractive Industries the value of 174.977 thousand lei, and to communications 136.821 lei.

4. Evolutions in the level and the structure of the public budget revenues

The public budgetary revenues are achieved according to the repartition need of the national income, to the structure of the economy, to the degree of spatial development of the country and to the level of development of the productive forces. Depending on the regularity of their collection, public resources can be ordinary or current and extraordinary or exceptional.

The current public revenues typically include the resources received under normal conditions, establishing a permanent budget source. Along with taxes (which may be direct and indirect) and the insurance contributions, which form the category of tax revenues, from the category of these current resources also take part the non-tax revenues, meaning the ones obtained by the state from the businesses and from its fields.

The extraordinary public revenues include those resources to which the state calls only in exceptional cases meaning in those situations when funds from current resources cannot fully cover all budgetary expenditure and mainly take the form of state loans , the supplementation of money in circulation, transfers, foreign aid and donations.

In Romania, the public financial resources are structured by economic criteria, in accordance with the structure of the budgetary system as follows:

Table no. 2: Synthesis of the indicators regarding the state budget revenues – thousand lei –

Indicator name	Program 2010	Program 2011	Program 2012	Program 2013	Program 2014
Total revenues – State Budget	66.654.311	80.802.121	95.757.094	98.182.530	100.932.274
I. Current Revenues	63.321.742	74.852.350	85.120.294	91.427.712	92.529.909
A. Tax Revenues	54.215.972	67.619.696	75.726.894	83.443.762	85.728.709
B. Insurance Contributions	471.400	377.073	343.800	175.000	173.500
C. Non-tax Revenues	8.634.370	6.855.581	9.049.600	7.808.950	6.627.700
II. Capital Income	50.069	59.879	932.700	319.400	279.600
III. Financial Transactions	2.500	6.392	6.800	6.118	6.125
IV. Revenues Received from the EU/Other Donors	3.280.000	5.883.500	9.697.300	6.429.300	8.116.640

Source: Idem source Table 1

The analysis of the income structure in 2014 shows that the current revenues obtained from the tax revenue, from the insurance contributions and from non-tax revenue accounted for 91,67% of total budgetary revenues. A significant contribution to the formation of the tax revenues - materialized in direct and indirect taxes – is brought by the indirect taxes.

The non-tax revenues represented by taxes and duties total 6.627.700 thousand lei, representing 7,16% of the category they belong to and 6,57% of the total budget revenues. The insurance contributions, respectively the payments made by individuals or legal entities in order to form special purpose funds for ensuring social protection and embodied in the state budget in payments from businesses for unemployed persons with disabilities have such a minor share both in the budget income components and in the category to which they belong.

The capital income derived from the development of some property or stocks owned by the state or by some territorial-administrative units bring in 2014 to the state budget the amount of 279 .600 thousand lei, which results in a share of only 0,28% of total revenue.

Revenues from borrowings (financial transactions) record values and shares that are insignificant of 0,01% in total revenues and an absolute value of 6.125 thousand lei.

Revenues in form of donations, respectively the amounts received from the EU/other donors in the account of the payments made are in the amount of 8.11.664 thousand lei and hold a share of 8,04% of the total government revenue.

5. Conclusions

As noted, the upward dynamic of the public expenditure evidenced at the level of all modern states is determined differently from state to state, depending on certain factors. Among these we mention the increasing demographic factors and the increasing demand of the population towards society, increasing the military spending, the increasing number of the state apparatus, the development of the public institutions (education, health and culture, the development of the insurance system, health and social protection), infrastructure development (by increasing the motorways, roads, airports, modernization of transport), systematization of the territory, environmental protection, etc. Some of these factors have a greater influence than others in

increasing public spending, mainly depending on the degree of economical and social development of the country, differently stated in direct relation with the general priority needs claimed by the society.

Summarizing in nominal values the key indicators included in the state budgets in the period subjected to analysis we see that even in the case of our country, the total public expenditure know an upward dynamic. In a detailed analysis, it can be seen that this ascendant dynamics is not kept from year to year in the five parts of expenditure, which is a normal situation explained by the necessity of the society's needs in those years.

According to analysis made in the structure of the public expenditure based on the functional classification, we conclude that financing the General Public Services (Part I) represents an expensive task of the state, this recording the first place throughout the period under review with shares between 32% - 41% from the total public expenditure. These are followed by the social and cultural expenditures (22% -30% of total expenditure), in which the social assistance is a significant category of expenses incurred at central level. The next position in the budget is occupied by the expenses of Part V, respectively by the economical actions that have shares ranging 19-23%. The last place in the budget is held by Part IV with a share of no more than 4 percentage points in the year 2014. It should be noted that this structure of expenditures is maintained throughout the analyzed period.

Regarding the total government revenue it is observed that this also has increased from one period to another, so that the incomes recorded in the year 2014 foresee an increase of 51% compared to the beginning of the analyzed period 2010. If in the year 2010, the current revenues obtained on the tax revenues, on the insurance contributions and on the non-tax revenues accounts for a share of 95% from the total budgetary revenues, in the following years their share decreases reaching 91.68% in 2014.

In the analyzed period the structure of the current revenues has not recorded significant changes, the largest share being held by their tax revenues.

Analyzing the low share of the other income categories of the budget, respectively of the capital income, of the financial transactions and of the amounts received from the EU, it can be concluded that the largest share in the case of the public financial resources of the state is held by the resources that came from sampling with mandatory character (tax revenues), established on the account of taxes and contributions of individuals and businesses.

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