

# SOME COORDINATES ON BUDGET TRANSPARENCY IN ROMANIA

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## Abstract:

*Transparency, realism, predictability and avoiding waste in the use of public money are keywords that every state must build and pursue their fiscal and budgetary strategy. Without claiming a comprehensive approach, through this article we will surprise some aspects of budgetary transparency in Romania, with reference to the level and progress or regress registered in the period 2006-2019, so as to emphasize its importance for good governance, for increasing citizens' trust in the public sector. Identifying the correlations with other indicators specific to the fiscal and budgetary field, as well as the good practices from the world level, will allow outlining some possible directions for improving the budgetary transparency in Romania.*

**Keywords:** budget transparency, open budgeting reform, standards and best practices, budgetary governance

**JEL Classification:** H11, H61, H69

## 1. Introduction

The public budget being a basic component of the science of finance, with the two approaches (economic-financial and legal) determined the specialists in the field to look for reliable solutions for efficiency and effectiveness in the formation and use of public funds. For this reason, budgetary transparency has recently been strongly promoted, taking into account its main potential positive effects, such as accountability, integrity, inclusion, trust and quality (OECD, 2002).

Whereas all citizens of a State should have access to relevant and pertinent information on the administration of public revenue and the efficiency of public expenditure, an independent research tool has been launched since 2006 to identify, on the one hand, public access to budgetary information and citizens' participation in the entire budgetary process and, on the other hand, the essential coordinates of public finance management, with reference to legislation and competent institutions (IPB, 2020).

Having regard the recent studies and research in the literature on budgetary transparency, as well as its evolution based on the Open Budget Index, through this article we will capture the particularities for Romania, with the identification of some possibilities for improvement in the field.

## 2. Recent studies and research on budget transparency

The importance of budgetary transparency for each nation is also visible through the studies and research found in the literature, taking into account the determinants, models, constraints, interdependencies and good practices. Without claiming to be a comprehensive approach, we note that the recently published analyzes take into account aspects of budgetary transparency both locally/nationally, as well as regional/global.

In this sense, the following can be observed: the satisfaction of Chinese taxpayers for local budgetary transparency is analyzed based on the theory of customer satisfaction (Hu, Zhang L., Zhang W. and Zhang S., 2020); in Italy, the level of budgetary transparency is higher in small municipalities, and the single-vote electoral system leads to an increase in government accountability (Galli, Rizzo and Scaglioni, 2020); for Mexico, the quality of budgetary information in line with information requirements is a key factor in combating corruption and avoiding inefficient public spending (Sour, 2020); decentralization of revenues and light budgetary constraints are elements that can ensure good budgetary transparency in Turkey (Akdemir and Karakurt, 2020); researchers in the Philippines have demonstrated that

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organizational culture and public sector ethics greatly influence the level of budgetary transparency, and the performance of the public sector depends very much on trust in public institutions (Castillo and Gabriel, 2020); the analysis of the budgetary framework in the Canadian provinces in the period 1980-2018 highlighted the increase in trust in the public system based on the combination of formal responsibilities with political responsibilities, taking into account the relationship between tasks and results (Lozano, 2020); at the level of euro area states, there is a direct link between budgetary analytical capacity and fiscal discipline (Kasperskaya and Xifré, 2020); an analysis of how OECD initiatives on budgetary transparency have a positive impact on sustainable global fiscal governance highlights the fact that the potential of G20 countries is much higher than that of developing countries (Lips and Mosquera, 2020); for the countries of the Middle East and North Africa, the World Bank recommends increased budgetary transparency, considering the slow pace of economic growth and the possibility of pertinent analysis of information on debt sustainability and employment, taking into account both the shock of the spread of the new coronavirus and the fall in oil prices (Arezki et al., 2020).

The positive impact of budgetary transparency on efficiency in the use of public funds is often associated with the level of democracy (De Simone, Bonasia, Gaeta and Cicatiello, 2019), being demonstrated by the analysis of performance indices that in countries with a high level of budgetary transparency, the quality of services in areas of major importance such as education and health has increased significantly (Bauhr and Carlitz, 2020).

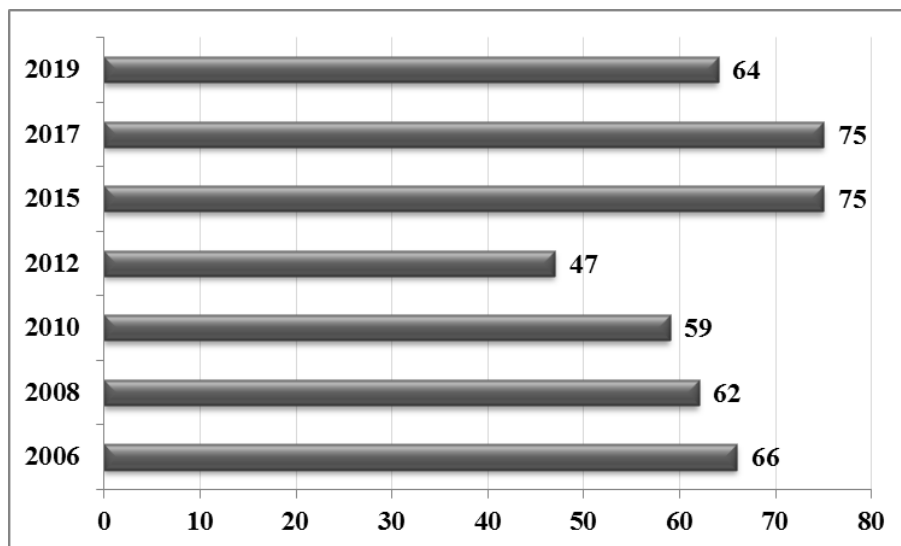
In a knowledge-based economy, public information is considered a distinct raw material for identifying the relationship between democratic accountability and economic performance. (Erkkilä, 2020), and the use of digital platforms that allow easy access to this information becomes an essential factor for the effectiveness of fiscal and budgetary policy decisions (Bogoslavtseva, Karepina, Bogdanova, Takmazyan and Terentieva, 2019).

Taking into account the openness to public information, but also its quality, budgetary transparency contributes significantly to increasing citizens' trust in public bodies and the public services they provide.

### **3. Evolution and correlation of budget transparency in Romania**

According to the methodology for The Open Budget Survey (IPB, 2020a), the answers to the questions related to the three sections (Budget transparency, Participation and Oversight) given by the independent bodies in the participating States, highlight how each standard is met or not, from the perspective of the availability of public information, public engagement in the budgetary process and the way in which the entire budgetary procedure is monitored, taking into account what is actually happening in practice.

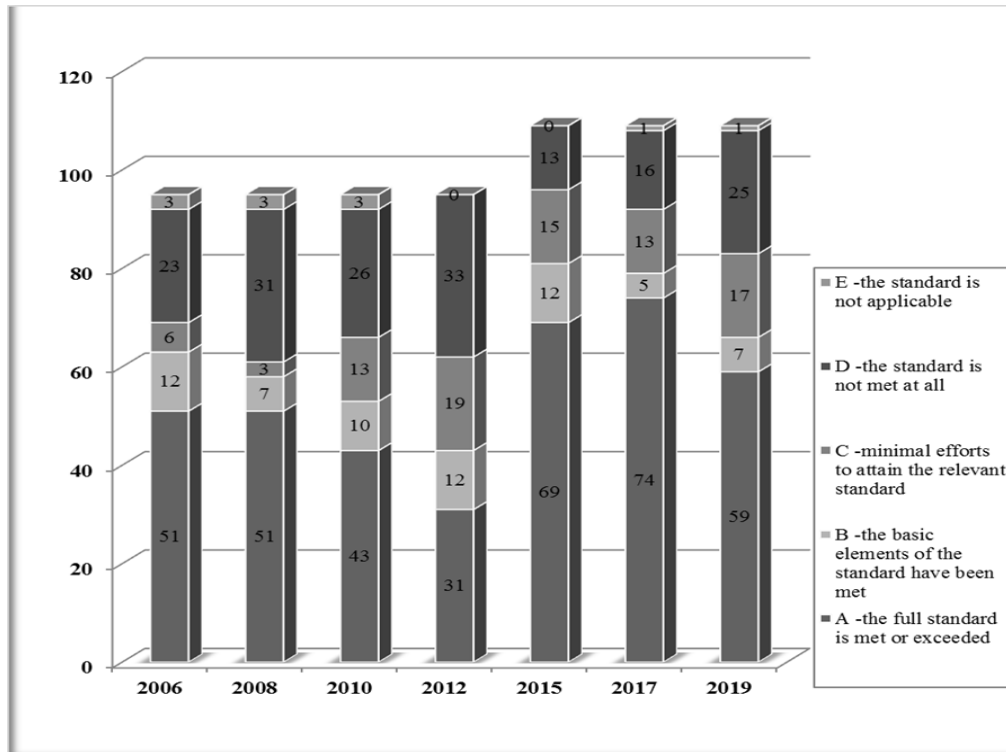
In order to identify key aspects of governance and public accountability, Romania has participated in The Open Budget Survey since 2006 (IPB, 2020b), recording a budget transparency score - Open Budget Index, which placed our country both among the states that provide significant information on how to form and use public financial resources (in 2006, 2008, 2015, 2017 and 2019), as well as among the states that provide some information on public money (in 2010 and 2012). As can be seen from figure no. 1, Romania registered the highest budgetary transparency in 2015 and 2017, when it occupied the 9th position among the 102, respectively 115 states included in the ranking, at the opposite pole being the situation from 2012 and 2010.



**Fig. no. 1 Evolution of the Open Budget Index in Romania**

(Source: Open Budget Survey. Rankings)

Even if the structure of the answers to the questions from the questionnaires on budgetary transparency, as it results from figure no. 2, shows some improvement for Romania (standards fully met with response “A” in proportion of 69% in 2015, 74% in 2017 and 59% in 2019, compared to 43% in 2010 and 31% in 2012), values related to the three components of The Open Budget Survey indicates that there are sufficiently many indicators that public bodies must find ways to improve.



**Fig. no. 2 Structure of the answers for the budgetary transparency in Romania**

(Source: Open Budget Survey. Rankings)

At the level of 2019, the elements that contributed to the reduction of the level of budgetary transparency in Romania compared to the situation in 2017 targeted the following (IPB, 2020c):

- No information was presented for the draft public budget related to: the structure of the total outstanding debt; the impact of fiscal and budgetary policy decisions on certain groups of citizens; quasi-fiscal activities; arrears related to expenses; contingent liabilities; timing of proposals from other government entities;
- The pre-budgetary situation and the half-yearly reports did not include information on: macroeconomic forecast indicators; government policies and priorities related to revenue and expenditure; estimating the government loan and debt; estimating multiannual expenses;
- Lack of citizens' budget and lack of a mechanism through which citizens' requirements for budgetary information can be identified;
- The annual report did not refer to actual program expenditures;
- The government did not disclose how or not to implement the public audit recommendations and the measures taken as a result of these.

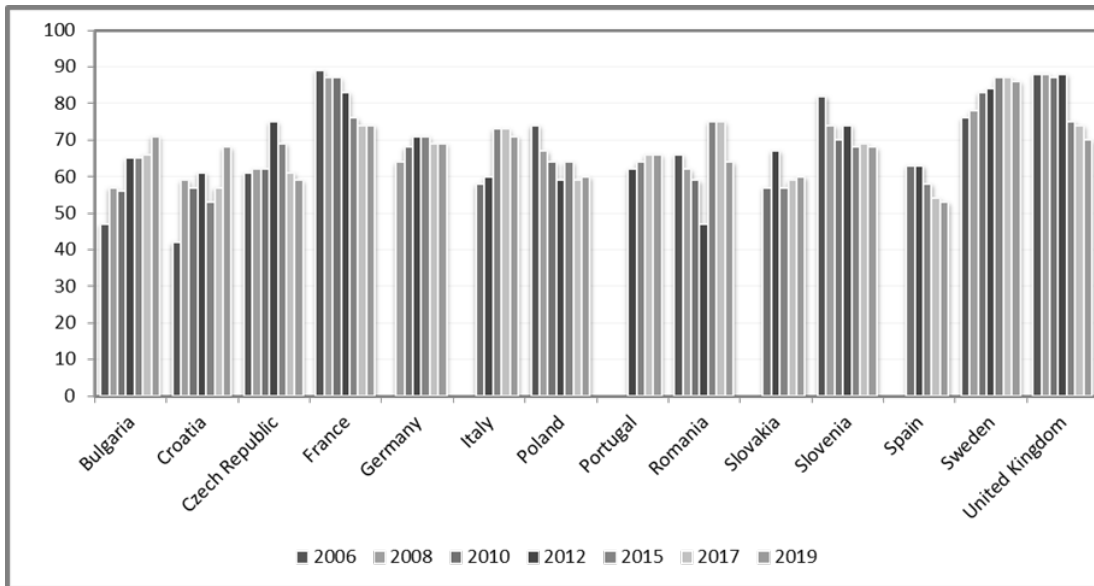
If for the first component of The Open Budget Survey, respectively transparency, Romania has recently registered values that place it in the sufficient-substantial area, we cannot say the same about the other components.

A very low value was registered for the public participation component (a score of 2, out of 100), reason for which, Romania must give priority to those actions that allow the participation and involvement of citizens and / or civil society organizations throughout the budget process, so that to fully understand the role and purpose of public finances and to ensure the context for increasing fiscal morality and ethics (Capasso, Cicatiello, De Simone, Gaeta and Mourão, 2020).

The third component of The Open Budget Survey refers to the way in which the entire budgetary process is supervised through the legislature and supreme audit institution. The recent values recorded by Romania (a score of 42, out of 100 for legislative oversight and a score of 67, out of 100 for audit oversight) show a limited and / or weak oversight performed by the Parliament, both in the planning and in the implementation phase. Regardless of the form of the audit (financial audit, compliance audit or performance audit), it must provide all information on how budgetary policy objectives are met and how public resources are managed and used.

While the responses to the Open Budget Survey 2006 were provided by only 59 countries, the importance of budgetary transparency has become increasingly in the attention of the governments of the world's states, thus reaching the realization of The Open Budget Survey 2019 based on the answers received from 117 countries. EU Member States that have shown interest in measuring budgetary transparency from the outset were Bulgaria, Croatia, the Czech Republic, France, Poland, Romania, Slovenia, Sweden and the United Kingdom. Subsequently, Germany, Italy, Portugal, Slovakia and Spain also participated in the questionnaire. The evolution of the Open Budget Index for these states, as it results from figure no. 3 highlights significant differences from one country to another, Bulgaria and Sweden being the states that in the period 2006-2019 registered an increasing trend.

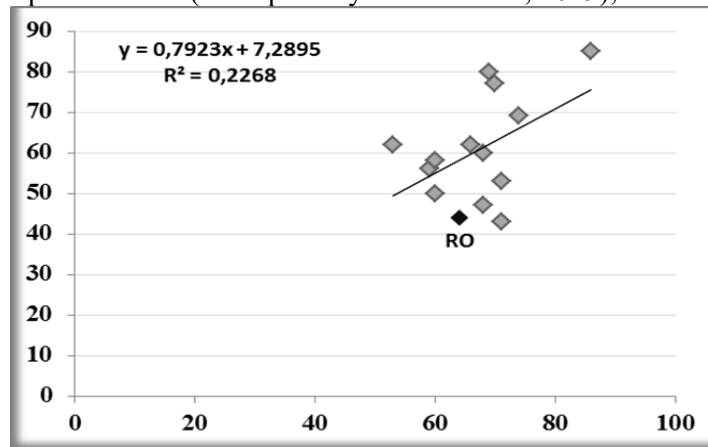
The values recorded for the Open Budget Index 2019 indicate that most of the states under analysis provide significant public information (a score between 64 and 74, out of 100 in Romania, Portugal, Croatia, Slovenia, Germany and the United Kingdom). Spain, the Czech Republic, Poland and Slovakia recorded a score between 53 and 60, out of 100, which means that only some public information is provided. Sweden is detaching by all states analyzed, recording a score of 86, out of 100, which indicates a high / extensive level in the provision of public information.



**Fig. no. 3 The Open Budget Index in Romania compared to others EU Member States**  
 (Source: Open Budget Survey. Rankings)

Starting from questions such as: Do budget transparency policies generate positive impacts? Where is the impact of budgetary transparency policies visible? we tried to identify the existence of correlations between The Open Budget Index and other indexes that can characterize the budgetary and fiscal field, based on the recent values registered by the EU states listed above In this regard, we submitted to the analysis:

- The correlation between The Open Budget Index and The Corruption Perceptions Index, because in identifying the level of public sector corruption the information captures aspects regarding the diversion of public funds, the existence and application of integrity mechanisms in the public sector (Transparency International, 2019);

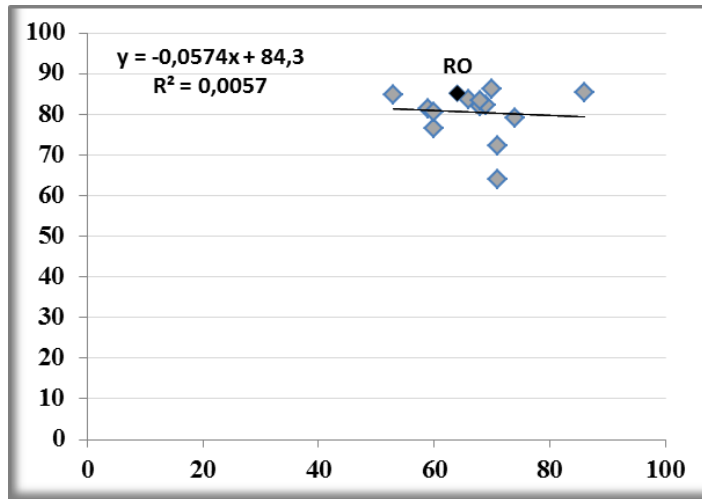


**Fig. no. 4. The Open Budget Index vs. The Corruption Perceptions Index**  
 (Source: author processing)

With a value of the correlation coefficient of +0.48, between The Open Budget Index and The Corruption Perceptions Index there is a positive correlation, respectively an acceptable degree of association.

- The correlation between The Open Budget Index and the Ease of paying taxes score (PwC Global, 2020), taking into account that the formation of public financial resources is mainly

from fiscal revenues, and an appropriate level of transparency in the use of public money can increase the degree of voluntary compliance to the declaration and payment of taxes;

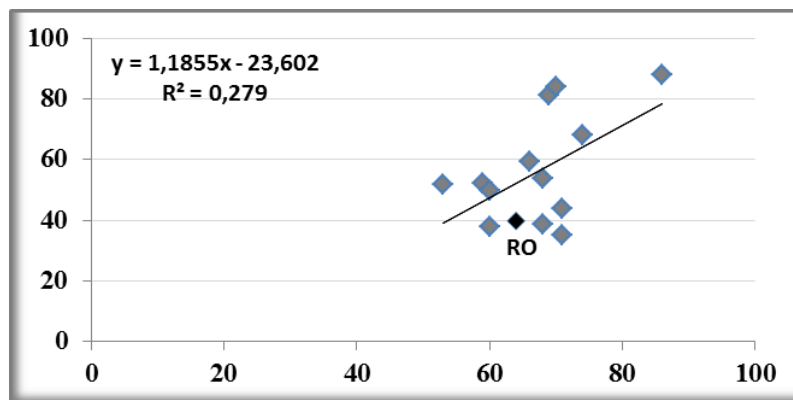


**Fig. no. 5 The Open Budget Index vs. The Ease of paying taxes score**

(Source: author processing)

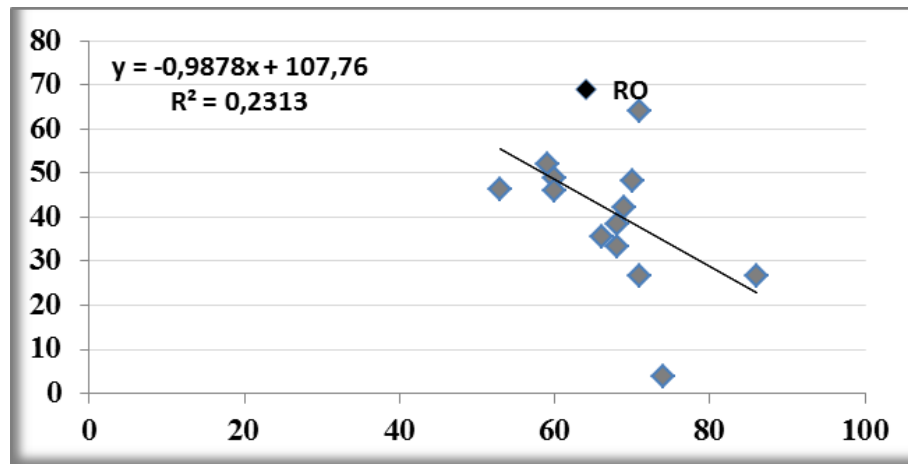
A negative correlation coefficient of -0.07551 indicates a weak to zero correlation between The Open Budget Index and the Ease of paying taxes score.

- The correlation between The Open Budget Index and the components of the Economic Freedom Index, such as Government integrity and Government spending (Heritage, 2019), as the credibility and legitimacy of public decision-makers are directly related to integrity, and public spending is directly related to economic growth.



**Fig. no. 6 The Open Budget Index vs. Government integrity**

(Source: author processing)



**Fig. no. 6 The Open Budget Index vs. Government spending**  
(Source: author processing)

If, according to the results obtained, between The Open Budget Index and Government integrity a positive moderate to good correlation is identified, respectively the increase of the level of budgetary transparency determines an increase of the degree of integrity of the government, an acceptable degree of association is identified between The Open Budget Index and Government spending.

#### 4. Access to public information in the digital age

The increasing use of information and communication technologies in the public sector has a positive impact on public confidence in government bodies (Yan, Wang and Wu, 2020), and for the publication of public information through their own websites, public institutions must take into account both the user experience and the quantity and quality of information provided (Matheus and Janssen, 2020).

In the field of providing public information, the Romanian Ministry of Public Finance through its own website (<https://www.mfinante.gov.ro>) makes available to users: information on the ministry's programs, strategies, strategic priorities and actions; convergence program; internal economic data concerning the ministry's budget, payments made, situation of public procurement contracts, annual list of investment objectives; list of documents of public interest; draft normative acts; minutes of public debates; approved normative acts; the situation of projects that involve increasing administrative capacity by obtaining extended electronic services through the portal of subordinate institutions.

Regarding budgetary transparency, users can obtain through the portal of the Ministry of Public Finance a series of reports (individual budget, budget commitments, budget execution) for public entities and public enterprises in Romania ([https://forexpublic.mfinante.gov.ro/web/transparency and budgetary](https://forexpublic.mfinante.gov.ro/web/transparency%20and%20budgetary)).

Although the ministry's website contains a lot of information, often they do not have all the qualities related to relevance, utility and timely delivery. Without listing all this public information that does not correspond in terms of quality, the following examples can be given: on November 19, 2020, the last annual public procurement program was for 2017, and the list of investment objectives referred to 2018; also on November 19, 2020, the minutes of public debates are missing, being published only 3 minutes, one for 2018 and two for 2019. Therefore, the credibility and trust of citizens in the public sector can suffer greatly considering that the ministry with a synthesis role in the field of public finances it has such gaps in the provision of public information.

## 5. Conclusions

Based on what is specified through this article, we argue that the provision of public information must take into account the three dimensions with the related qualities for any information, namely the time dimension (planning, timeliness, frequency, reference period), content dimension (accuracy, relevance, completeness, purpose) and form dimension ( clarity, detail, order, presentation).

Dialogue and partnership must also be the key words for a transparent budget process, and increasing citizens' trust in public entities depends very much on how data and information are provided on the whole budget process, with a clear identification of the relationship between provisions and effects, between responsibilities and results.

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