

BUDGET TRANSPARENCY IN ROMANIAN LOCAL PUBLIC SECTOR¹⁵²

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This article proposes to present some general issues related to budgetary transparency (principles promoted especially in UE and OECD countries). Further, these we analyze how these principles are and could be implemented by Romanian local level. After presenting the role of budgetary transparency, the local budgets are described taking into account the most important elements that could represent transparency subject. In next chapters are presented the budgetary reports and ways of control in order to assure the highest transparency for local budgeting in Romania.

Keywords: budget, transparency, budgetary principles

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All public institutions in Romania (both central and local) have to set up budgets that reflect all the public revenues and their destinations. To assure the best public resource management, all the amounts are included in budgets. Budgets are instruments that reflect the public policy, being approved by legally designated bodies. One principle that has to be used in budgetary process is transparency. Respecting transparency, all the tax payers have the possibility to know what destination brought their taxes and fees paid to state.

In order to reach a high level of transparency, there are some actions that should be done. These actions take into account all the steps and stages in budgetary process, especially transparency should refer to budgetary elaboration, execution and report.

At local level, transparency principles are presented in the Local Public Finance Act (Law 273/2006). This normative act confirms the necessity of implementing transparent budgets. This is why all local budget projects and account executions should be presented in local newspapers, on the authority's web page or on poster boards. Supplementary, budget approvals and account executions should be made after public debates.

To analyze the relevant aspects related to transparency, OECD edited a Best Practice Guide on budgetary transparency. This document offer general guiding lines for budgetary transparency. In this respect, we can analyze it in comparison with Romanian local public sector.

1. Budgetary Transparency

Budgetary rules were introduced in practice to permit a better management of public money. This principle is more useful in nowadays when public flows become higher and more complex. The EU budget's principles are considered one of the most representatives for this period. Council Regulation no 1605/2002 establish: "The budget shall be established and implemented and the accounts presented in compliance with the principle of transparency. The President of the European Parliament shall have the budget and amending budgets, as finally adopted, published in the Official Journal of the European Communities. The budget shall be published within two months following the date on which the budget is declared finally adopted. The consolidated financial statements shall be published in the Official Journal of the European Communities. The financial management reports drawn up by each institution shall also be published in the Official Journal of the European Communities".

The role transparency in budgetary sector is to limit structural economic weakness that limits medium- and long-term growth potential.

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2. The local budgets

The local budget represents the financial image of the local policy because it transposes the Local Council's decisions. OECD recommends budgets to be comprehensive, encompassing all revenue and expenditure.

To include all kinds of revenues and expenditures in local budgets, every year, the State Budget Act has a special appendix with authorized revenue and expenditure categories for each financial year. For example, the State Budget Act for year 2009 authorizes 21 main categories of revenues and 18 domains of expenditures for local authorities.

The exact level of revenues depends on two main factors:

- amounts approved to be transferred from state budget to local budgets. From transparency point of view, there are deficiencies because State Budget Act establishes only the repartition on county level, effective amounts that will be transferred to each local budget being established after general ambiguous criteria;
- the exact level of taxes established by each Local Council guiding themselves after the minimum and maximum limits imposed by law (laws are approved by parliament and have effects at every level).

The final version of the budget should reflect the opinion of all implied parties. For this reason, the transparency is vital. It permits to analyze all the intermediary versions by all interested, and to come with proposals. The period of time allocated for embitter the initial version should be sufficient. OECD recommendations are for a minimum period of three month. The local budgetary legislation establishes minimum two weeks. What is more problematic is that if a 45 day period is overrun, local authorities will support the effects of a serious financial sanction resulting from resource sticking until budget is approved. A second problem derives from the interdependency between state budget approval process and local budget approval process because the later can begin after the former has finished. There are cases when state budget is approved to close to the financial year beginning, or even after that. In practice, there is almost impossible to approve local budgets before financial year begins.

The structure of the budget should not consist only from a number of abstract tables with codes and amounts, but it also should have detailed commentaries on each revenue and expenditure. At local level, the budget has no such appendixes.

A transparent budget should cover a longer period than the current financial year. A medium term prevision is necessary. The current Romanian practice refers to a three years perspective. Unfortunately, the initial forecasts are frequently revised. In most cases, the initial and final versions of budgetary indicators for the same period are radically different. The deviation explanations often are missing.

In budgeting process, all the principles have a vital role and have a certain degree of interconnection. Transparency and universality are interconnected because using gross terms permit a better control, and implicitly a higher transparency. Transparency and specialization: a budget build on a predefined structure permit an easy comparison with other budgets and permit a more transparent control. Transparency and unity: all resources and destinations being gathered in the same document, permits an exhaustive and transparent analyze without missing any component. Transparency and account unit: all the amounts being expressed in the same currency, the budget becomes more transparent.

3. Budgetary reports

The budgetary activity need to be supported by some reports. The most important, from OECD point of view, are: pre-budget reports, monthly reports, mid-year reports, year-end reports, pre-election reports, long-term reports.

Pre-budget reports have to precede the budget proposal. It should be a more descriptive document which explains the economic and social context in which the budget will be approved. In this way are encouraged the debates on the budget. The main points in these documents should be grouped in three categories:

- latest years experience and relevant macroeconomic indicators;
- forthcoming budgetary year's indicators;
- estimations on medium term provisions (for the years that follows the base budgetary year).

Pre-budget reports should be based on the public authority's long term policy, integrating it in the general economic environment.

Monthly reports help to monitor the budgetary execution time-by-time, covering the period from the 1st of the month to last day of the same month. In order to have a correct image of the figures contained by these reports, it is necessary to compare the data with previous report, but also with data from the similar periods of the previous years.

The data from monthly reports should be followed by short explanations containing general issues and particular events that affected the budgetary execution.

Mid-year reports should reflect the budgetary situation after half of year passed. In Romania, it should be presented in August and should contain an updated situation of the budgetary indicators. The current procedures do not establish such obligation for local authorities, except the quarterly accounting reports (on revenues, expenditure, assets, and liabilities) that have no explanation or comments on how budgetary indicators were fulfilled.

Year-end reports are the most significant document on how budgetary indicators are effectively accomplished. These reports' data are based on actual budgetary execution and show the real situation of revenues and expenditures. It should be audited by a public audit body in order to confirm the exactness of data. Final annual accounts are approved in a similar manner with budgets. Year-end reports compare three parameters at every indicator level:

- initial provisions (at revenues and expenditures);
- final provisions that take into account all the in-year rectifications (at revenues and expenditures);
- effective values (at revenues and expenditures).

Pre-election reports are set up only in electoral years and have the role to illuminate the real situation of budgetary indicators from the beginning of the financial year in which elections are organized and a short period before elections are taken place. These reports' main utility is to confirm that former administration do not used abusively public resources to uphold electoral activities that help it to obtain easier a new mandate. A second utility of reports: helps citizens to decide what candidate to vote in elections. These extraordinary reports could be imposed by election legislation (not by ordinary financial legislation). OECD suggests that the moment of publishing these reports to be at least two weeks before elections.

Long-term reports should cover multi-annual periods (over 5 years) and represent documents that prove long-term sustainability of current government policies. These documents should evaluate the impact of social, economic, and demographic factors on budgetary indicators. For such long periods, it is recommended to use scenarios in order to try anticipating the future evolutions.

In Romanian local administration, these reports are not used in practice than in isolate cases and contains only general information, without representing real instruments for budgetary transparency. In future, it should be indicated to introduce gradually such reports and give some templates with information that should be presented.

4. Budgetary control

In public sector, the control is more vital than in private one. The specific conditions of public authorities impose a rigorous examination of all activities in order to reduce revenue un-cashing and unjustified expenditures. The accountability is organically linked to transparency.

Control, especially financial control, should be organized both internal and external. In Romanian local level, the control has two different components:

- preventive financial control is accomplished, in most cases, by an employee who has the responsibility to verify every financial operation and to confirm the legality of it ex-ante the institution's leader approve it;
- audit made by the Court of Accounts ex-post in order to confirm that institutions' budgetary indicators reflect the real situation.

5. Conclusions

Transparency is a key principle in the budgetary process. It assures the premises for a good budgetary process (consisting of elaboration, execution, and reports). The international rules (such those promoted by OECD and EU) encourage transparency in budgeting.

Romania try to become closer to other European countries also in budgetary issues and to adopt common rules and regulation by assimilating the best practices from the region. An other trend is represented by using some budgetary provisions used for EU budget.

Romanian local sector is ruled by an act approved in 2006 and is updated with most recent tendencies. It is important to emphasize the specific provisions that statue the usage of modern means of transparency: using internet.

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