

# THE IMPROVEMENT OF ROMANIAN LOCAL PUBLIC FINANCES MANAGEMENT AS A EUROPEAN UNION COUNTRY USING INFORMATION AND COMMUNICATION TECHNOLOGIES

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*Romania makes big efforts to implement information society in public administration creating the possibility of paying local taxes by individuals and legal entities using the Internet. eTax and Virtual Window to Pay represent a fundamental sea change in the local tax administration. Their evolution is largely based upon the impact of ICTs (notably the development of the Internet) on local public administration and has been driven by the twin impacts of globalization and technological change upon the public administration. The result is a reorganization of local tax administration involving the increased utilization of information as a key resource and the wider deployment of ICTs.*

*Key words: local public finances management, ICT, eTax, Virtual Window to Pay, European Union*

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## **Introduction**

Information and communication technologies (ICTs) are considered to be a major driving force of building information societies and economies and are a new factor in improving existing local governance practices in all European Union countries. At the local level, using the power of ICT can enhance and support economic and social development through the accessibility, quality and cost-effectiveness of public services and to help to revitalize the relationship between customers and citizens and the public bodies who work on their benefit.

Transferring of competencies from the state to the local level, the municipalities are assuming greater development responsibilities for their communities. All this requires a serious effort and the use of the information and communication technology in this process can and should assist local governments to work more efficiently and provide better services to the citizens.

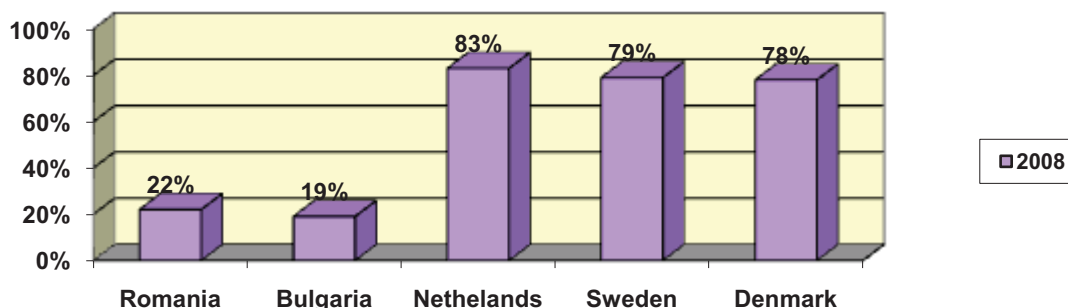
Implementation of ICTs in local public administration generates the transforming of services, making them more accessible, more convenient, more responsive and more cost-effective. Also, it can help improve the customer's experience of dealing with local public services.

## **Local public finances management in the EU countries using information and communication technologies**

The first steps in stimulating the establishment of the Information Society in Europe (Information Society) were made through Multi-annual Community programme (Council Decision 98/253/EC/30.03.1998) which establishes some key-objectives as follows: increasing public awareness and understanding of the potential impact of the Information Society and its new applications throughout Europe, stimulating people's motivation and ability to participate in the change to the Information Society; optimizing the socio-economic benefits of the Information Society in Europe, by analyzing its technical, economic, social and regulatory aspects, by appraising the challenges raised by the transition to the Information Society, interalia as regard employment, and by promoting synergy and co-operation between European and national levels; enhancing Europe's role and visibility within the global dimension of the Information Society.

The analyze demonstrate that is no single e-governance model, which would suit all European Union countries that are at different stages of development with varying degrees of decentralization process applied in real or declared governance practices. According European researches local governments in developed countries are offering up to 77% of public e-services. Often local government portal is the first step to reach also central government services. In North Europe, the Internet is more propagated in comparison with East and Central Europe. Romania is on the penultimate place in the European Union on the rate of Internet access to households, with only 22%, ahead of Bulgaria, which recorded a level of only 19%, according to Eurostat data, the Bureau of Statistics of the European Commission i

**Figure 1: Internet access to household in 2008**



2008.

In Romania, the share of households that were in the first quarter of the year a broadband connection rose from 5% in 2006 to 8% in the beginning of 2008. In the first quarter, the rate of Internet access to households was the highest in the Netherlands (83%), Sweden (79%) and Denmark (78%).

At European level, the share of households that were in the first quarter of the year a broadband connection is the highest encountered in the Netherlands (74%), Denmark (70%) and Sweden (67%), while the lower limit is Greece, by 7% and 8% in Romania, in conditions in which the European Union average is around 42% value.

At the end of June 2007, in Romania there were 4.5 million Internet connections, with 78.2% over the same interval in 2006, the penetration rate was 21%, according to data of National Authority for Regulation in Communications and Technology (ANRCTI).

**Direction of legislative framework on implementing ICTs in Romanian local public administration**

With the fathers of our accession to the European Union public administration had to take their own measures of restructuring, modernization and even rethink the role and functioning, particularly in terms required by this new information society. Because the information to bring benefits to all, it should develop into a national framework to respond to local needs, in line with national regional and international. Romania made efforts in implementing the information society in public administration reform supported by objectives involving measures and actions for implementation with a cost of approximately €150 million until 2007.

*Romanian Government Program 2009-2012*, chapter 14 – Information Society establishes the following objectives: increase access of population to public services computerized at 20%; 45% increase in the percentage of households with Internet access; 60% increase in the percentage of firms using the Internet as the main means of interaction with state institutions; expanding the number of rural areas with access to communications networks, broadband.

To achieve these objectives, the Romanian government wants to follow the following *directions of action*: a. Creating a legal and institutional framework for coherent development of information society; b. Promotion experience and proposals in the Romanian legislation in the European institutions and experience transfer to third following the path of European integration; c. Encouraging common approaches to cooperation in the south-eastern European markets to creating a strong information and communication technology (ICT); d. Cooperation with other authorities for the introduction of provisions relating to communications infrastructure planning standards in the authorization for construction and other standards; e. Supporting the development of technological neutrality in the national communications infrastructure and encourage development of broadband Internet as the main medium of transmission and convergence; f. Establish a national information platform to bring in a dynamic and direct mail information to citizens, companies and real estate; g. Continue and expand the "Knowledge-based economy", financed by the World Bank, by increasing the number of rural areas who have access to a communication network broadband; h. Development and uptake of standards, standards and methodologies and the development and maintenance nomenclatures of general interest to ensure the uniform design, development, implementation and operation of computerized public services, which will ensure their interoperability and interaction; i. Construction of "cities of the information society", as models for pilot testing the use of ICT in all economic, social and cultural community by organizing a national competition to obtain funding (national, European, local and private); j. Achieving a national platform for information and action, disaster, to ensure rapid intervention and specialized authorities; k. Support the development of ICT infrastructure in public education at all levels and ensuring equal opportunities to information for all school children in Romania; l. Supporting the development and use of informational content dedicated to teaching all subjects in the process of public education; m. Providing infrastructure for secure access to personal medical information for medical services, anytime and anywhere in Romania; n. Providing infrastructure for secure access to personal medical information for medical services, anytime and anywhere in Romania; o. Promoting extensive electronic payment mechanisms; p. Promoting government interaction with citizens and business services for e-governance; r. Promoting the exchange of electronic documents, so as to become the principal means of transmitting information in public administration.

*Law no. 161/2003*<sup>1</sup> provided for the creation of the national electronic system that the public in order to ensure public access to information and providing public services to individuals and businesses whose operators are the General Inspectorate for Communications and Information Technology Ministry of Communications and Technology Information for "e-government system"; Ministry of Public Administration, for "e-administration system"; authority established by the Supreme Council for Country Defense, under conditions approved by it for the defense and national security.

Among the basic public services which are supplied by electronic means provided for in Article 12, paragraph 1 of law, the declaration, notification and make payments through electronic means, the fees and taxes paid by individuals and legal the state budget, the state social insurance budget, social health insurance, unemployment insurance budget and local budgets, as well as on customs declarations, plus other services.

To achieve the system, all government authorities send the Ministry of Public Administration, Ministry of Communications and Information Technology Ministry of Information and Public data on the existence of its own Internet pages, that public information and public services are provided through electronic media and data on existing systems and the services offered by public, and the categories of users to whom it is addressed.

Since 2008, *Decision by the Agency for Information Society Services No. 339/2008 on the general operation and use of "virtual payment window"*<sup>1</sup> created "Virtual window to pay", as

well as regulating the selection procedure in order to issue a license which is granted the right exclusively for the processing of electronic payment card in the “Virtual one-stop payment”.

“Virtual window to pay”<sup>1</sup> represents system of public utility, part of the e-governance, through which individuals and legal entities may pay by electronic card authorities central and local public administration in Romania.

The operator is the Agency for Information Society Services, public institution with legal personality, the Ministry of Communications and Information Technology.

### **The improvement of Romanian local public finances management using information and communication technologies**

Efficiency targets in the direction of public information are: a) providing quick and easy access to at least four types of data essential legislative and administrative information, cultural and environmental, real-time information on traffic conditions, b) expanding the use of the Internet to ensure public consultation on important policy decisions, c) providing two-way citizens access to documents used for current activities (tax forms, requests for funding, etc.), which will allow them to receive information and send replies.

A direction of action of local public finance management is to improve the procedure for preparation and submission of statements of taxes, given the need for preparing a record on paying, correct and complete to ensure that information on tax debts owed by the paying deadline for payment of local taxes. Administration functions and ensuring a balance between coercive methods and providing information and assisting taxpayers in connection with budgetary obligations, requiring redefining and improving relations with payers, to assist them because the quality is a key element in assessing the level of tax administration modernization.

**Table 1: Management of the business of assisting taxpayers**

Basic <i>principles</i> of business of assisting taxpayers	<i>Strategic objectives</i> of the business of assisting taxpayers
a) the taxpayer’s right to receive the response from the tax,	1. to identify problems of implementing tax laws, taxpayers
b) unpaid assistance,	2. to assist the completion of tax returns and taxes, taxpayers
c) support of (and authorized in time),	3. to assist responsibilities for knowledge on the tax file the necessary documents, deadlines for submitting their and payment of taxes,
d) assisting indiscriminate	4. establishing limits of jurisdiction for the issuance of solutions to tax problems,
e) confidentiality tax information	5. to make database on tax issues resolved at the Ministry of Public Finance,
f) the distinctive structures, specialized assistance,	6. mass-media solutions of general uniformly applicable.
g) help assess the impact on revenue collection	

*eTax* is the service through its portal, enables payer from taxes and duties to inform on current flows that are payable by the financial and payment electronically. Tax payer shall be issued an electronic proof of payment in the form of a letter of confirmation signed by the electronic certificate number, including the tax payer identification, identification of beneficiary payment transaction numbers for information on flows and payments made and details of transactions. Pilot system for paying taxes electronically treated as confidential information. In addition, electronic payment of taxes may offer the possibility to make payments on behalf of others,

ensuring complete safety of operations, a stream of payments quickly, easily and comfortable to use.

Law on electronic collection of local taxes and fees proposed a timetable under which the local government had to inform citizens on payment of taxes and local taxes through electronic: 1 February 2003, in the case of taxes collected by the administration local-level municipalities, 1 November 2003, in the case of taxes collected by local government authorities from the cities, 1 November 2003, in the case of taxes collected by local government authorities from the municipality, if any request to that effect.

According to art. 28 of the rules concerning the implementation of electronic collection of local taxes, it must satisfy several technical conditions considered minimal:

- System architecture must be on three levels;
- the system must be operational 24 hours a day, 7 days a week;
- System access must be made on the basis of identification and authentication;
- the system should allow the introduction of and generate new users for these items of identification and authentication;
- the system must use a protocol with the security level at least equal to the SSL protocol, version 3;
- the system must maintain a log of operations performed by users;
- The register must be available on the Internet, each user having exclusive access to of related information;
- the system must ensure registration system upgrade at least once a day;
- contents page of the entity tax must satisfy these rules,
- the system should allow simultaneous connection of at least 500 users,
- the decoupling of the system must be made automatically when closing the Internet browser;
- Hardware and software architecture must be scalable;
- electronic system for the collection of local taxes should provide a level of security systems, communications, transactions and data in accordance with recognized standards - ISO / IEC and 15408-1,2,3 ISO 17799;
- Register the system must conform to these standards;
- web interface should be friendly, allowing convenient and efficient operation of the facilities, the user must attend at least through the use of explanatory texts.

The first system for electronic payment of local taxes has been tested during 25-29 March 2002, at Sector 5 Bucharest City Hall and was opened on 3 April 2002. The solution chosen by the City of Sector 5 of the capital was one of Info-kiosk, a system that creates an electronic infrastructure access to information. The application was developed by a consortium composed of ICI Bucharest, Romania Siveco, Compaq, Ericsson and Intrarom. Through the 7 public terminals of Info-kiosk, Sector 5 people have access to information about fees and local taxes you must pay.

Currently, the system was eTax most cities in the country, but because of bureaucratic steps forward and that media coverage was minimal, service eTax is used to a lesser extent, the taxpayer still preferring direct contact with public officials.

Since 2008, because in Romania there are over 6 million people have Internet access, and cards issued by banks is approaching 10 million, was created *Virtual Payment Window*, system of public utility, part of the e-governance, through which individuals and legal entities can make electronic payment card by the central government and local authorities in Romania.

To be able to make payments through one-stop, the payer must be registered in the system. The registration system includes the following phases: a) completing the online registration form available on the homepage of one-stop b) Virtual window to pay transmitting a message via email to the payer, to confirm registration, c) Registration confirmation by the user by accessing the website listed in the email confirmation.

The payer can register and log into the system to access pages and introducing a fee to view payments made. Authentication system is secure, based on user account and password.

From October 2008, through one-stop virtual payments individuals can pay online, the state budget, through credit cards, tax obligations representing income tax, payments anticipated by the title of tax income for income tax and tax obligations related accessories, for the following categories of income: a) income from commercial activities, b) income from free professions c) income from intellectual property rights d) income from property transfer usage e) gains from



securities f) income from operations for sale term foreign currency-based contract; g) income from agricultural activities, h) income from transfer of property from the personal property; i) income from salaries for employees are required to establish, and declared the payment of income tax.

### **Conclusion**

Modern information processing will be combined with the traditional to the progressive elimination, the gradual of the latter. Implementation of electronic means is purposeful: a) reduction of public spending, combating bureaucracy and corruption in the public institutions, b) improving the transparency of the use and administration of public funds, c) eliminating direct contact between the officer and citizen to stop or trader, d) providing information and quality public services through electronic means, e) strengthening the administrative capacity of public institutions to fulfill the role and objectives and to ensure delivery in a transparent manner, information and public services, f) promoting the use of Internet and technology in the leading public institutions.

The impact of modern information processing management of resources in taxes is positive in all respects, because ICTs are a necessary enabler of reforms to the ways in which local public finances work. Improving internal operating systems – financial systems, purchasing and payment arrangements, internal communications and sharing of information – and programme processing and delivery arrangements can generate operating efficiencies and improve performance. More specific effects may range from impacts on ICT production, e-commerce diffusion and business productivity to indirect effects such reduced fiscal requirements owing to more effective programmes and efficiencies flowing through to the broader economy.

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