

## **ASPECTS ON OPPORTUNITIES TO REDUCE PUBLIC EXPENDITURE**

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**ABSTRACT:** *Taking into account the pressures and risks caused by internal and external economic developments, the need to support economic growth and to reduce inflation, as well as prevalently ensuring the amounts intended to finance infrastructural projects and co-finance projects financed from European funds and Romania's contribution to the Community Budget, and having regard to the views and recommendations of the European Commission, but as well of the rating agencies expressed during periodic evaluations, it appears that for avoiding the risks noted is necessary to adopt a restricting policy of budgetary expenditures.*

**KEY WORDS:** *expenditures, budget, reduction, wages/salary, restructuring, public*

The recent years development of the volume and structure of national public expenditures, beyond the funds allocated through annual budget laws, shows certain trends as regards the priorities determined by the government act but also some changes arising as a result of measures of harmonizing the national legislation with the applicable legislation in the European Union, of financial obligations to the Community Budget, honouring the commitments related to Romania's status of being a member country of the North Atlantic Organization and other measures adopted in some key public sectors: education, research, health, social protection etc.

Starting from a relatively constant level of budget revenues, in conjunction with a normal degree of their collection, in the field of public funds allocation, in the lack of an efficient management, certain risks and vulnerabilities might arise in elaborating and implementing the budget by considering the following hypothetical situations: exceeding the benchmark of the budgetary deficit level could trigger the deficit procedure according to the Protocol enclosed to the Treaty of Accession to the European Union; risk of failing to ensure co-financing projects with external non reimbursable funding which may lead to a pronounced decrease in the capacity to absorb community funds received by Romania; inability of fulfilling financial commitments resulted from external contracts granted in the last years.

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Also, from one year to another, under the argument of institutional development, of creating and functioning of institutions directly involved with the European Union, a multitude of government agencies and institutions have emerged, whose funding must be secured from the budget, the growing number of these ones fuelling an administrative apparatus rather large and branchy. Even recent decisions and measures for restructuring some institutions and ministries within the Government did not had the effect of reducing public expenditure, personnel number and managerial positions remaining almost unchanged.

These measures led inevitably to an obvious pressure in the State Budget, especially in recent years, and hence to the impossibility of ensuring certain priorities and commitments derived from the Government Program for some departments whose solution can not be postponed: education - research, pensions and social allowances. The approval of own normative according to law, by Government Decision, aiming at automobile purchase, associated fuel consumption, as well as exemptions granted for this purpose to some institutions with activities considered operative or inspectional, contributed to the substantial increase of expenditure contained in the annual budgets of the institutions, whose funding is provided from public resources. Significant funds are currently directed for protocol and representation actions, a practice used by all public administration authorities and public institutions, irrespective of their funding.

Regarding public investment, although in many stages of elaborating annual budgets, it has been tried a prioritization of funds allocated to complete the investment objectives initiated long ago and not concluded, most often by modifying technical-economic documentations and the terms of calling into operation, these have not received sufficient funds, many main credit release authorities proceeded at initiating other new objectives, considered as foreground. Taking into account the pressures and risks caused by internal and external economic developments, the need to support economic growth and to reduce inflation, as well as prevalently ensuring the amounts intended to finance infrastructural projects and co-finance projects financed from European funds and Romania's contribution to the Community Budget, and having regard to the views and recommendations of the European Commission, but as well of the rating agencies expressed during periodic evaluations, it appears that for avoiding the risks noted is necessary to adopt a restricting policy of budgetary expenditures. Since all these concern the general public interest and represent emergency and extraordinary situations, whose regulation can not be postponed, the Romanian Government adopted an emergency ordinance in which is clearly stated the legal framework and measures to be taken to reduce these expenditures.

Some of the measures elaborated by the government are:

- reorganizing the structure of public authorities and institutions belonging to the central and local administration regarding the composition of services, offices and directions within an institution;
- subsidies granted from the budget for projects funded by external non-reimbursable funding and unused at the end of the budgetary exercise shall be used thenceforth to support these projects to completion, or refunded to the budget, but shall not be used for other purposes;

- reducing road and air transport costs for dignitaries travelling abroad, stipulating that air services type business class may be used in European countries only by the Government members and the economy class by the rest of the staff, and that Romanian personnel sent abroad for accomplishing temporary assignments that do not fall under the 2<sup>nd</sup> category of daily allowance, must use the public means of transportation, round trip, for the distance between the airport or train station and place of accommodation;
- abating the legal provisions which governed the granting of an increment of up to 75% for staff who manages community funds;
- abating the 75% increment for specialized personnel within the structures that have as activity object the management of financial assistance from external loans contracted or granted by the State, reimbursable or not, as well as other credits or similar loans;
- abating the legal provisions which governed the right of specialists trained in project management with international funding to benefit from the 75% increase of basic salaries than those provided by law;
- eliminating the 10% percent which could increase the basic salary of observers designated in the verification process of the procedural aspects relating to the process of awarding public procurement contracts, of public works concession contracts and service concession contracts;
- eliminating the increments granted to European affairs advisers except seniority grant and the increases provided by legal provisions for the personnel under contract within public authorities and institutions and, where appropriate, expressly provided by special legal provisions applicable to the public authority or institution in which they perform their activity;
- establishing maximum limits to which the administrators of public authorities or institutions may offer leadership grants for the budgetary personnel, provided in normative deeds, the main credit release authority having the responsibility to determine the individual levels;
- eliminating the legal provisions which institutionalized the grant of 10% increment calculated to the basic salary according to the employment position, granted to members of the Diplomatic and Consular Body of Romania working in the Ministry of Foreign Affairs who knew two or more foreign languages;
- eliminating the increment for work complexity of up to 25% applied to gross base salary granted to internal auditors;
- eliminating the 15% allowance applied to basic salary, granted to members, secretary and persons designated to conduct the administrative investigation within the Disciplinary Commissions, as well as the 10% allowance from the basic salary paid to members and persons providing the technical secretariat of the Disciplinary Commissions for public servants;
- eliminating the 20% allowance of basic salary, paid to members of the Competition and Litigation Solving Commission, as well as the 10% allowance of basic salary granted to personnel providing the secretariat of the Competition and Litigation Solving Commission;
- implementing a uniform remuneration system for civil servants and elaborating some

similar regulations for the contractual personnel, civil servants with special status, teachers and medical personnel;

- rationalizing expenditures with social works and assistance by granting them only to persons and families with precarious social situation, transforming the procedures for obtaining the disability degree into ones more transparent, as well as eliminating any measures that encourage passive behaviour in the labour market;
- performing a rigorous monitoring of expenditures made for infrastructural investment projects funded by the State and applying sanctions for breaching contractual provisions on the quality of works performed, goods and services purchased;
- reducing the numbers of fees and charges, starting with those whose administrative costs are higher than actual earnings.

Considering even the effects of recent economical crisis, applying these measures may give rise to powerful social movements among employees. To avoid as much as possible such events, social dialogue partners, particularly trade unions have elaborated themselves proposals for measures, concerning the reduction of budgetary expenditures and bureaucracy, such as: reducing the personnel within budgetary institutions with 50%; reducing by half the “self-financed” institutions - agencies - which are related to the State Budget. Revenues shall be under the incidence of the Court of Accounts, and the income and expenditure budget shall be approved by a superior institution; reducing budgetary expenditures by limiting public sector wages, which are practically supported by the private sector of the economy; limiting the employment of persons who retired on grounds of age limit, and prohibiting, while still being active on the labour market, the commutation of pension and salary - with some exceptions such as: persons working in cultural institutions and rural education institutions; simplification of administrative procedures and reducing bureaucracy.

In conclusion, reduction of public expenditure is impetuously necessary, especially now when the world economy is affected by the crisis and must find the resources and measures to ensure a swift economic recovery, taking into account as well the negative effects that may create these measures among budget sector employees. By means of dialogue a middle way must be found, concrete measures should be implemented to reduce these expenditures without affecting the quality of public servant work, providing him with an income that reflects the work performed in a manner as realistic as possible. Although most of us prefer not to remember a certain period of Romania's recent history, one adage dating back then, is today, perhaps, more applicable than ever: “*Neither work without bread, nor bread without work!*”.

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