LAW No. 273 of 29 June 2006 on
local public finances

Text in force as of 12 November 2009

Text updated in accordance with amending legislation published in the Official Gazette of Romania, Part I, up to 9 November 2009.

Basic Act
#B: *Law No. 273/2006*

Amending legislation
#M1: *Corrigendum published in the Official Gazette of Romania, Part I, No. 627 of 20 July 2006*
#M2: *Law No. 440/2006*
#M3: *Law No. 110/2007*
#M4: *Government Emergency Ordinance No. 46/2007*
#M5: *Government Emergency Ordinance No. 64/2007*
#M6: *Law No. 388/2007*
#M7: *Government Emergency Ordinance No. 28/2008* **#M8**:
Government Emergency Ordinance No. 4/2009 **#M9**:
Government Emergency Ordinance No. 64/2009 **#M10**:
Government Emergency Ordinance No. 74/2009 **#M11**:
Government Emergency Ordinance No. 91/2009 **#M12**:
Government Ordinance No. 13/2009
#M13: *Government Ordinance No. 24/2009*
#M14: *Government Emergency Ordinance No. 111/2009*
#M15: *Act No. 320/2009*
#M16: *Act No. 329/2009*

*The amendments and additions made by the legislative acts listed above are set out in italics. The legislative act that introduced the respective amendment or addition is indicated before each amendment or addition, in the form **#M1**, **#M2**, etc.*

#CIN
NOTE:
*1. The provisions of Article 3(2) of Government Emergency Ordinance No. 53/2006, approved with amendments by Law No. 440/2006 (**#M2**), are reproduced below.* **#M2**
"(2) Notwithstanding the provisions of Government Emergency Ordinance No. 45/2003 on local public finances, approved with amendments and additions by Law No. 108/2004, as subsequently amended and supplemented, and of Law No. 273/2006 on local public finances, the sums set aside in accordance with paragraph (1) shall be collected in a separate account, opened in the name of each county council of the

the counties referred to in Article 2(3), which is obliged to transfer them to the Ministry of Public Finance on the due dates and under the conditions stipulated in the subsidiary loan agreements concluded by the Ministry of Public Finance with the local authorities referred to in Article 2((1) and represented by the presidents of the county councils, authorised for this purpose by the respective local authorities."

#CIN

2. Exemptions from the provisions of Law No. 273/2006 were granted by:

*- Law No. 388/2007 (**#M6**).*

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The Romanian Parliament hereby adopts this Act.

CHAPTER 1

General provisions

ART. 1

Purpose of the Act

(1) This Act lays down the principles, general framework and procedures concerning the formation, administration, commitment and use of local public funds, as well as the responsibilities of local public administration authorities and public institutions involved in the field of local public finance.

(2) The provisions of this Act apply to the drafting, approval, implementation and reporting of:

a) the local budgets of communes, towns, municipalities, sectors of the Municipality of Bucharest, counties and the Municipality of Bucharest;

b) the budgets of public institutions financed wholly or partly from local budgets, as the case may be;

c) the budgets of public institutions financed entirely from their own revenue;

d) the budget for external and internal loans, for which repayment, interest payments, commissions, fees and other costs are covered by local budgets and which derive from: external loans contracted by the State and on-lent to local public administration authorities and/or economic operators and public services under their authority; loans contracted by local public administration authorities and guaranteed by the State; external and/or domestic loans contracted or guaranteed by local public administration authorities;

e) the budget for non-repayable external funds.

ART. 2

Definitions

For the purposes of this Act, the terms and expressions set out below are defined as follows:

1. financial year – the financial year for which the budget is approved; the financial year is the calendar year beginning on 1 January and ending on 31 December;

2. budgetary commitment – the act by which a competent public authority, in accordance with the law, allocates public funds to a specific purpose, within the limits of the approved budgetary appropriations;

3. legal commitment – the stage in the budget implementation process comprising any legal act from which an obligation arising from public funds results or may result;

4. budget item – a subdivision of the classification of budgetary expenditure, determined according to the economic nature of the operations in which it is incurred and which designates the nature of an expenditure, regardless of the action to which it relates;

5. local public administration authorities – the local councils of communes, towns, municipalities and sectors of the Municipality of Bucharest, the county councils and the General Council of the Municipality of Bucharest, as deliberative authorities; and the mayors, sector mayors and the general mayor of the Municipality of Bucharest, as executive authorities;

6. budget – the document setting out and approving, each year, revenue and expenditure or, where applicable, expenditure only, depending on the system of financing public institutions;

7. local budget – the document setting out and approving, each year, the revenue and expenditure of administrative-territorial units;

8. local budget for the county as a whole, or for the municipality of Bucharest – the totality of the local budgets of the communes, towns and municipalities, and the county's own budget, or those of the sectors and the municipality of Bucharest;

9. budget expenditure – the amounts approved in the budgets referred to in Article 1(2), within the limits and in accordance with the purposes established by those budgets;

10. budget classification – the grouping of budgetary revenue and expenditure in a mandatory order and according to uniform criteria;

11. economic classification – the grouping of expenditure according to its nature and economic effect;

12. functional classification – the grouping of expenditure according to its purpose, in order to assess the allocation of public funds to activities or objectives that define public needs;

13. accountant – the generic term for the person and/or persons working in the finance and accounts department, who verify supporting documents and draw up the payment instruments for expenditure incurred from public funds;

14. finance and accounting department – the organisational structure within a public institution responsible for budget implementation (division, office, department);

15. consolidation – the process of eliminating transfers of funds between the budgets referred to in Article 1(2), in order to avoid their double recording;

16. allocated share of certain state budget revenues – the percentage set from certain state budget revenues, which is allocated to local budgets;

17. appropriations for multiannual actions – the amounts allocated to programmes, projects, sub-projects, objectives and the like, which are carried out over a period of more than one year and give rise to commitment appropriations and budget appropriations;

18. commitment appropriation – the maximum limit on expenditure that may be committed during the financial year, within the approved limits;

19. budgetary appropriation – the amount approved in the budget, representing the maximum limit up to which payments may be authorised and made during the financial year for commitments entered into during the financial year and/or in previous financial years for multi-annual actions, and up to which payments may be committed, authorised and made from the budget for other actions;

20. co-financing – the financing of a programme, project, sub-project, objective and the like, partly through budgetary appropriations and partly through funding from external sources;

21. contribution – the compulsory deduction of a portion of the income of natural and legal persons, with or without the possibility of receiving consideration in return;

22. budget deficit – the portion of budgetary expenditure that exceeds budgetary revenue in a financial year;

23. allocation of budgetary appropriations – the approval communicated to the State Treasury by the chief authorising officer, within the limits of which budgetary appropriations may be allocated and cash payments made from local budgets;

24. interest – the price for the temporary use of borrowed capital;

25. donation – a contract whereby a natural or legal person transfers, free of charge, to a public institution the right of ownership over funds or tangible assets, by executing an authentic instrument for this purpose;

26. budget balance – the equality between budget revenue and budget expenditure within a financial year;

27. financial equalisation – the transfer of financial resources from certain items of state budget revenue to local authorities in order to provide the funds necessary for the provision of public services, in accordance with the law;

28. budget surplus – the portion of budget revenue that exceeds budget expenditure in a financial year;

29. budget implementation – the process of collecting budgetary revenue and making payments for expenditure approved in the budget;

30. cash-based budget implementation – the set of operations relating to the collection of revenue and the payment of budgetary expenditure;

31. budget year – the period corresponding to the financial year for which the budget is drawn up, approved, implemented and reported on;

32. local public funds – the sums allocated from the budgets referred to in Article 1(2), as well as those managed outside the local budget;

33. risk fund – the fund established outside the local budget by local public administration authorities from the commissions paid by the beneficiaries of loans guaranteed by those authorities and from other sources, intended to cover the financial risks arising from the guaranteeing of such loans;

34. working capital fund – the portion of the final annual budget surplus of the local budget, which is established at the level of each administrative-territorial unit and is used in accordance with the provisions of this Act;

35. budget reserve fund – the fund provided for in the expenditure section of local budgets;

36. local guarantee – the commitment undertaken by a local public administration authority, acting as guarantor, to pay, upon maturity, the outstanding obligations of the guaranteed party, economic operators and public services under its authority, in accordance with the law;

37. tax – a compulsory levy, without immediate, direct or
non-refundable levy, to meet needs of general interest;

38. insolvency – the inability of an administrative-territorial unit to settle its liquid and due payment obligations, with the exception of those that are the subject of contractual dispute;

39. local public institutions – a generic term encompassing communes, towns, municipalities, sectors of the Municipality of Bucharest, counties, the Municipality of Bucharest, and the public institutions and services subordinate to them, which have legal personality, regardless of how their activities are funded;

#M7

40. repayable loans – liabilities of local public institutions arising from funding raised through local public debt instruments, on a contractual basis or guaranteed by local public administration authorities, in accordance with the provisions of this Law and Government Emergency Ordinance No. 64/2007 on public debt, as subsequently amended and supplemented;

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41. settlement of expenditure – the stage in the budget implementation process during which the existence of commitments is verified, the actual amount due is determined or verified, and the conditions for the commitment becoming due are verified, on the basis of supporting documents attesting to the relevant transactions;

42. bonds – medium- and long-term debt securities issued by a local public administration authority, the repayment of which is guaranteed by the own revenues of the administrative-territorial units;

43. authorisation of expenditure – the stage in the budget implementation process at which it is confirmed that the supply of goods and services has taken place or that other claims have been verified, and that payment may be made;

44. payment of expenditure – the stage in the budget implementation process representing the final act by which the public institution settles its obligations to third parties;

45. budgetary process – the consecutive stages of drafting, approving, implementing, monitoring and reporting on the budget, culminating in the approval of the annual budget implementation account;

46. programme – the action or coherent set of actions relating to the same chief authorising officer, designed to achieve a defined objective or set of objectives, and for which programme indicators are established to assess the results to be achieved, within the approved funding limits;

47. local budget amendment – the operation by which the budgets referred to in Article 1(2) are amended during the financial year, subject to the requirement to maintain budgetary balance;

48. register of local public debt – the document setting out the status of directly contracted local public debt, in chronological order, comprising two

components: the sub-register of local domestic public debt and the sub-register of local external public debt;

49. register of local guarantees – the document setting out the status of local guarantees granted by local public administration authorities, in chronological order, and comprising two components: the sub-register of local domestic guarantees and the sub-register of local external guarantees;

50. operating section – the core, mandatory part of a local budget, comprising the revenue required to cover current expenditure for the performance of the duties and powers established by law, specific to each administrative-territorial unit or administrative-territorial subdivision, as well as the corresponding current expenditure;

51. development section – the supplementary part of a local budget, comprising revenue earmarked for capital expenditure, in accordance with development policies at national, regional, county, zonal or local level, as appropriate, as well as the corresponding capital expenditure, based on programmes and projects. The term 'zonal level' refers to the territory comprising two or more neighbouring administrative-territorial units within whose area an action, a project, a service, a programme or any other objective is carried out, within the meaning of the respective local authorities;

52. subdivisions of administrative-territorial units – the sectors of the municipality of Bucharest or other subdivisions of municipalities, the boundaries and organisation of which are established by law;

53. amounts allocated from certain state budget revenues – amounts allocated to balance local budgets and earmarked amounts allocated to finance decentralised public services or new public expenditure;

54. head of the finance and accounts department - the person holding the managerial position within the finance and accounting department and responsible for the collection of revenue and the payment of expenditure or, where applicable, one of the persons performing these duties within a public institution that does not have a finance and accounting department within its structure, or the person performing these duties on a contractual basis, in accordance with the law;

55. fee – the sum paid by a natural or legal person, as a rule, for services provided to them by an economic operator, a public institution or a public service;

56. administrative-territorial units – communes, towns, municipalities and counties;

57. payment – the method of discharging a legal obligation by transferring a sum of money, carried out by an economic operator, a public institution, a public service or a financial institution;

58. budget revenue – the financial resources due to the budgets referred to in Article 1((2)(a) to (c), as applicable, pursuant to legal provisions, comprising taxes, duties, contributions, other payments, other revenue, shares allocated from certain revenues of the state budget, as well as those provided for in Article 5(1)(b) to (d);

59. transfer of budgetary appropriations – the operation whereby the budgetary appropriation is reduced from a subdivision of the budgetary classification which has available funds and

correspondingly increases the allocation of another subdivision where funds are insufficient, in accordance with the legal provisions governing the performance of such operations.

ART. 3

Budgetary revenue and expenditure

(1) The revenue and expenditure of the budgets referred to in Article 1(2), as well as other revenue and expenditure recorded outside the local budget, aggregated at the level of the administrative-territorial unit, constitute the general budget of the administrative-territorial unit which, once consolidated by eliminating transfers of funds between budgets, will reflect the scale of public financial expenditure within the administrative-territorial unit for the year in question, and whether the budget is in balance or in deficit, as the case may be.

(2) Approved budgetary appropriations shall be used to finance local public administration, programmes, projects, activities, initiatives, objectives and the like, in accordance with the purposes set out in laws and other regulations, and shall be committed and utilised in strict accordance with the projected level of budgetary revenue collection.

ART. 4

Budgetary authorisation/multi-annual commitments

(1) The approval of the budgets referred to in Article 1(2) authorises, for the financial year, budgetary revenue and expenditure, as appropriate.

(2) The amounts approved on the expenditure side through the budgets referred to in Article 1(2), within the framework of which payments are committed, authorised and made, represent maximum limits which may not be exceeded.

(3) Expenditure from these budgets may be committed only within the limits of the approved budgetary appropriations.

(4) The commitment and use of budgetary appropriations for purposes other than those approved shall render those responsible liable in accordance with the law.

(5) For multi-annual actions, commitment appropriations and budget appropriations shall be entered separately in the budget.

(6) With a view to implementing multi-annual actions, authorising officers shall enter into legal commitments within the limits of the commitment appropriations approved in the budget for the relevant financial year.

ART. 5

Revenue and expenditure of local budgets

(1) Local budget revenue shall consist of:

a) own revenue, comprising: taxes, duties, contributions, other payments, other revenue and shares of income tax;

b) amounts allocated from certain state budget revenues;

c) grants received from the state budget and other budgets;

d) donations and sponsorships.

(2) The basis for local budget revenue is founded on the identification and assessment of the taxable matter and the tax base on which the relevant taxes and duties are calculated, the assessment of the services provided and the revenue derived therefrom, as well as other specific elements, including data sets, for the purpose of accurately assessing revenue.

(3) The justification, determination and allocation of local budget expenditure by authorising officers, by purpose, and by actions, activities, programmes, projects and objectives, shall be carried out in accordance with the responsibilities of the local public administration authorities and the priorities set by them, with a view to their functioning and in the interests of the respective local communities.

(4) The justification and approval of local budget expenditure shall be carried out in strict accordance with the actual potential for collecting the estimated local budget revenue.

ART. 6

Decentralisation of certain activities

The transfer by the Government to the administration and financing by local public administration authorities of certain public expenditure, as a result of the decentralisation of certain activities, as well as of other new public expenditure, shall be effected by law, only upon ensuring the financial resources necessary for their implementation, as follows:

a) in the first year, by including, as a separate item in the annex to the State Budget Act, the earmarked sums required to finance the transferred public expenditure or the new public expenditure, as well as the allocation criteria;

b) in subsequent years, by including those resources within the total amounts earmarked for balancing the local budgets allocated to administrative-territorial units, with the exception of those specifically listed in the annex to the State Budget Act.

CHAPTER 2
Principles, rules and responsibilities

SECTION 1
Budgetary principles and rules

ART. 7

The principle of universality

(1) Revenue and expenditure shall be included in the budget in full, as gross amounts.

(2) Budget revenue may not be directly allocated to a specific budget expenditure, with the exception of donations and sponsorships, which have designated purposes.

ART. 8

The principle of transparency and public disclosure

The budgetary process is open and transparent, and is carried out through:

a) the publication in the local press, on the public institution's website, or the display at the premises of the relevant local public administration authority of the draft local budget and its annual implementation account;

b) public debate on the draft local budget at the time of its approval;

c) the presentation of the annual account of the local budget's implementation at a public meeting. ART. 9

The principle of unity

(1) Budgetary revenue and expenditure shall be recorded in a single document, in order to ensure the efficient use and monitoring of local public funds.

(2) The withholding and use of revenue outside the budget, as well as the establishment of local public funds outside local budgets, are prohibited, unless otherwise provided for by law.

ART. 10

The principle of monetary unity

All budgetary operations shall be expressed in the national currency. ART. 11

The principle of annuality

(1) Budgetary revenue and expenditure shall be approved, in accordance with the law, for a period of one year, corresponding to the financial year.

(2) All receipts and payments made during a financial year in respect of a budget shall be attributed to the corresponding financial year for the implementation of that budget.

ART. 12

The principle of budgetary specialisation

Budgetary revenue and expenditure shall be entered and approved in the budget by source of revenue and, respectively, by category of expenditure, grouped according to their economic nature and intended purpose.

ART. 13

The principle of balance

The expenditure of a budget shall be fully covered by the revenue of that budget. ART. 14

Budgetary rules

(1) It is prohibited to make payments directly from revenue collected, except where the law provides otherwise.

(2) Budgetary expenditure shall have a specific and limited purpose and shall be determined by the authorisations contained in special laws and in the annual budget laws.

(3) No expenditure may be included in the budgets referred to in Article 1(2), nor may it be committed or incurred from those budgets, unless there is a legal basis for such expenditure.

(4) No expenditure from local public funds may be committed, authorised or paid unless it is approved in accordance with the law and unless there are budgetary provisions and sources of funding for it.

(5) Following the approval of local budgets, legislative acts with implications for them may be approved, but only provided that the sources for covering the reduction in revenue or the increase in budgetary expenditure relating to the financial year for which the respective local budgets were approved are specified.

SECTION 2

Other principles

ART. 15

The principle of solidarity

(1) Local budgetary policies may be used to provide assistance to local authorities, as well as to individuals in situations of extreme

by allocating sums from the budget reserve fund established within the local budget.

(2) From the budget reserve fund established within the local budget, local councils, county councils or the General Council of Bucharest, as appropriate, may approve the granting of aid to administrative-territorial units facing extreme hardship, either in response to a public request from the mayors of those administrative-territorial units or on their own initiative.

ART. 16

The principle of local financial autonomy

(1) Administrative-territorial units are entitled to sufficient financial resources, which local public administration authorities may use in the exercise of their powers, on the basis of and within the limits laid down by law.

(2) Local public administration authorities have the power to set the levels of local taxes and charges, in accordance with the law.

(3) The allocation of financial resources to balance local budgets must not affect the implementation of local public administration authorities' budgetary policies within their sphere of competence.

(4) Earmarked funds shall be used by local public administration authorities in accordance with the provisions of the law.

ART. 17

The principle of proportionality

The financial resources of administrative-territorial units must be proportionate to the responsibilities of local public administration authorities as established by law.

ART. 18

The principle of consultation

Local public administration authorities, through their representative bodies, must be consulted on the process of allocating financial resources from the state budget to local budgets.

SECTION 3

Powers and responsibilities in the budgetary process

ART. 19

Approval and amendment of budgets

(1) Local budgets and the other budgets referred to in Article 1(2) shall be approved as follows:

a) local budgets, budgets for external and internal loans, and budgets for non-repayable external funds, by the local councils of communes, towns, municipalities, sectors and counties, and by the General Council of Bucharest, as appropriate;

b) the budgets of public institutions, by the councils referred to in point (a), depending on their line of authority.

(2) During the financial year, the deliberative authorities may approve amendments to the budgets referred to in paragraph (1)(a) and (b), within 30 days of

the date on which the law amending the state budget comes into force, as well as following substantiated proposals from the chief authorising officers. The same procedures shall apply to amendments to local budgets as to their initial approval, with the exception of the deadlines set out in the budgetary calendar.

ART. 20

The role, powers and responsibilities of local public administration authorities

(1) Local public administration authorities have the following powers and responsibilities with regard to local public finances:

a) drafting and approving local budgets, ensuring budgetary balance, within the deadlines and in accordance with the provisions laid down in this Act;

b) assessing, determining, controlling, monitoring and collecting local taxes and duties, as well as any other revenue of the administrative-territorial units, through their own specialist departments, in accordance with the law;

c) monitoring and reporting on the implementation of local budgets, as well as amending them during the financial year, whilst maintaining a balanced budget;

d) establishing and monitoring the manner in which activities in the field of public services of local interest are carried out, including the option of whether or not to transfer these services to the responsibility of specialised economic operators or public services of local interest, with a view to improving their efficiency for the benefit of local communities;

e) the efficient administration of public and private property owned by administrative-territorial units;

f) directly contracting short-, medium- and long-term domestic and foreign loans, and ensuring that the resulting payment obligations are met on the due date;

g) guaranteeing short-, medium- and long-term domestic and foreign loans, and ensuring that the payment obligations arising from such loans are met by the beneficiaries when due;

h) the efficient administration of local public funds throughout the budget implementation process;

i) establishing options and priorities in the approval and execution of local public expenditure;

j) drafting, approving, amending and monitoring the implementation of forward-looking development programmes for administrative-territorial units as a basis for the management of annual local budgets;

k) carrying out other duties, powers and responsibilities provided for by law.

(2) The provisions of this Act apply to the chairpersons of county councils in the same way as they apply to executive authorities.

ART. 21

Categories of authorising officers

(1) Authorising officers fall into three categories: principal authorising officers, secondary authorising officers and tertiary authorising officers.

(2) The principal authorising officers for local budgets are the mayors of administrative-territorial units, the Mayor of Bucharest, the mayors of the sectors of Bucharest and the chairpersons of county councils.

(3) Chief authorising officers may delegate this authority to their statutory deputies or to other persons authorised for this purpose. In the delegation order, chief authorising officers shall specify the limits and conditions of the delegation.

(4) The heads of public institutions with legal personality, to which funds are allocated from the budgets referred to in Article 1(2), shall be secondary or tertiary authorising officers, as appropriate.

ART. 22

The role of authorising officers

(1) Chief authorising officers shall analyse the use of budgetary appropriations approved through local budgets and through the budgets of public institutions, the heads of which are secondary or tertiary authorising officers, as the case may be, and shall approve expenditure from their own budgets, in accordance with the law.

(2) Secondary authorising officers allocate the budgetary appropriations approved in accordance with Article 19(1)(b) for their own budget and for the budgets of public institutions whose heads are tertiary authorising officers, and authorise expenditure from their own budgets in accordance with the law.

(3) Tertiary authorising officers shall use the budgetary appropriations allocated to them solely for the performance of the tasks of the units they head, in accordance with the provisions of the approved budgets and under the conditions laid down by law.

ART. 23

Responsibilities of authorising officers

(1) Authorising officers are obliged to commit and utilise budgetary appropriations only within the limits of the approved provisions and purposes, for expenditure strictly related to the activities of the respective public institutions and in compliance with the legal provisions.

(2) Authorising officers are responsible for:

a) drawing up and justifying their own draft budget;

b) monitoring the collection of revenue;

c) committing, settling and authorising expenditure within the limits of the approved budgetary appropriations and the budgetary revenue likely to be collected;

d) the integrity of the assets owned or administered by the institution they head;

e) organising and maintaining up-to-date accounts and submitting, on time, financial statements on the assets under their administration and on budget implementation;

f) organising the system for monitoring the public procurement programme and the public investment programme;

g) organising the record-keeping for programmes, including their associated indicators;

h) organising and maintaining up-to-date records of assets, in accordance with legal provisions;

i) other duties laid down by law. ART. 24

Internal preventive financial control, internal public audit and ex-post control

(1) Internal preventive financial control and internal public audit shall be carried out on all operations affecting local public funds and/or public and private assets, and shall be conducted in accordance with the relevant legal regulations.

(2) The commitment, settlement and authorisation of expenditure from local public funds shall be approved by the authorising officer, and payment thereof shall be made by the accountant, subject to the provisions of Article 54(7).

(3) The commitment and authorisation of expenditure shall be carried out only with the prior approval of the internal preventive financial control body, in accordance with the relevant legal provisions.

(4) The formation and use of local public funds and the local budget implementation account are subject to audit by the Court of Auditors, in accordance with the law.

CHAPTER 3
The budgetary process

SECTION 1
Procedures for the preparation of budgets

ART. 25
Drawing up budgets

The draft budgets referred to in Article 1(2) shall be drawn up by the chief authorising officers, taking into account:

a) the forecasts of the main macroeconomic and social indicators for the financial year for which the draft budget is being drawn up, as well as for the following three years, prepared by the competent bodies;

b) national and local fiscal and budgetary policies;

c) the provisions of domestic or external loan agreements concluded, financing memoranda or other international agreements signed and/or ratified;

d) sectoral and local policies and strategies, as well as the priorities established in the formulation of budget proposals;

e) detailed expenditure proposals from subordinate authorising officers;

f) programmes drawn up by the principal authorising officers for the purpose of financing actions or sets of actions, to which specific objectives and indicators of results and efficiency are attached; the programmes are accompanied by an annual performance estimate for each programme, which must specify: the actions, the associated costs, the objectives pursued, the results achieved and those estimated for subsequent years, measured by precise indicators, the selection of which is justified;

g) the administrative-territorial unit's forward-looking economic and social development programmes, in line with development policies at national, regional, county, zonal or local level.

ART. 26
Content and structure of budgets

(1) Revenue and expenditure are grouped in the budget on the basis of the budgetary classification approved by the Ministry of Public Finance.

(2) Revenue is structured by chapters and sub-chapters, and expenditure by parts, chapters, sub-chapters, titles, articles, as well as sub-articles and paragraphs, as appropriate.

(3) Expenditure provided for in chapters and articles has a specific and limited purpose.

(4) The number of staff, both permanent and temporary, as well as the basic salary fund, shall be approved separately, in an annex to the budget of each public institution. The number of staff approved for each public institution may not be exceeded.

(5) Capital expenditure is included in each budget chapter, in accordance with the commitment appropriations and the timeframes for the completion of the investments.

(6) Programmes shall be approved as annexes to the budgets referred to in Article 1(2).

(7) The operating sections and development sections are used as the basis for local budgets and are approved as annexes thereto, namely:

a) the operating section comprises current expenditure for the performance of the duties and powers established by law, specific to each administrative-territorial unit;

b) the development section comprises capital expenditure.

(8) The current expenditure referred to in paragraph (7)(a) is mandatory and relates to staff costs, material costs and costs of service provision, as well as the subsidies and transfers necessary for the performance of the duties and powers of local public administration authorities, in accordance with the law.

(9) Non-repayable external funds and domestic and external loans shall be included in the annexes to local budgets and shall be approved at the same time as those budgets.

(10) The revenue of local budgets is set out in Annex 1, and their expenditure in Annex 2 to this Act.

ART. 27

Powers to set local taxes and charges

Local taxes and charges shall be approved by local and county councils and by the General Council of the Municipality of Bucharest, as appropriate, within the limits and under the conditions laid down by law.

ART. 28

Treatment of sums arising from the disposal of fixed assets and certain tangible assets, as well as sums received from the concession or letting of assets or from the disposal of confiscated assets

(1) Sums received from the sale as such or from the realisation of materials resulting from the demolition, dismantling or decommissioning, under the conditions laid down by law, of fixed assets or from the sale of tangible assets belonging to public institutions, financed entirely from local budgets, shall constitute revenue for local budgets and shall be paid into them.

(2) The sums received in accordance with paragraph (1) by other public institutions shall constitute revenue for their respective budgets.

(3) Sums collected from the concession or letting of assets belonging to the public or private domain of administrative-territorial units shall constitute revenue for local budgets.

(4) Sums collected from the realisation of confiscated assets shall constitute revenue for the local budget, depending on the administrative hierarchy of the institutions that ordered their confiscation, in accordance with the law.

ART. 29

Treatment of sums resulting from the sale of assets belonging to the private domain

The sums received from the sale, in accordance with the law, of assets belonging to the private domain of administrative-territorial units shall constitute, in full, revenue for local budgets.

ART. 30

Special charges for the operation of certain local public services

(1) For the operation of certain local public services, established in the interests of natural and legal persons, local councils, county councils and the General Council of Bucharest, as appropriate, shall approve special charges.

(2) The amount of the special charges shall be determined annually, and the revenue derived therefrom shall be used in full to cover the expenditure incurred in establishing public services of local interest, as well as to finance the current maintenance and operating costs of such services.

(3) The regulations approved by the deliberative authorities shall set out the areas of activity and the conditions under which special charges may be imposed, as well as the organisation and operation of the public services of local interest for which such charges are proposed.

(4) Decisions taken by the deliberative authorities regarding the collection of special charges from liable individuals and legal entities shall be displayed at their premises and published on their website or in the press.

(5) Interested parties may lodge an appeal against these decisions within 15 days of their display or publication. Once this period has expired, the deliberative authority that adopted the decision shall meet and deliberate on the appeals received.

(6) Special charges shall be levied only on natural and legal persons who make use of the local public services for which the respective charges have been established.

(7) Special charges, established in accordance with the provisions of this Article, shall be collected into a separate account, opened outside the local budget, and shall be used for the purposes for which they were established; the account for their implementation shall be approved by the deliberative authorities.

ART. 31

Economic activities

(1) Public services of local interest which carry out economic activities are obliged to calculate, record and recover the physical and wear-and-tear depreciation of the fixed assets relating to these activities through tariffs or prices, in accordance with the law.

(2) The amounts representing the depreciation calculated for these fixed assets shall be collected in a separate account opened with the State Treasury, shall be used exclusively for investments in the relevant sector, and shall be shown separately in the investment programme as a source of funding for such investments, with

the exceptions provided for in loan or guarantee agreements concluded with international financial institutions.

(3) The economic activities for which depreciation of fixed assets is calculated shall be determined by a Government decision.

ART. 32

Allocations from income tax

(1) From the income tax collected by the State budget at the level of each administrative-territorial unit, the following shall be allocated monthly, within 5 working days of the end of the month in which the tax was collected, a share of 47 per cent to the local budgets of the communes, towns and municipalities within whose territory the taxpayers carry out their activities, a share of 13 per cent to the county's local budget and a share of 22 per cent to a separate account, opened in the name of the county directorates-general of public finance, at the treasury of the county seat, for the purpose of balancing the local budgets of the communes, towns, municipalities and the county.

(2) In practice, the 22 per cent share is allocated by the county directorates-general of public finance within the time limit specified in paragraph (1), for the purpose of balancing the local budgets of communes, towns, municipalities and the county, in proportion to the amounts allocated and approved for this purpose in the respective budgets, in accordance with the provisions of Article 33, paragraphs (3) to (5).

(3) The 82 per cent share of income tax for the municipality of Bucharest shall be allocated, within the time limit set out in paragraph (1), as follows: 23.5 per cent to the local budgets of the sectors of the Municipality of Bucharest, 47.5 per cent to the local budget of the Municipality of Bucharest and 11 per cent to a separate account opened in the name of the General Directorate of Public Finance of the Municipality of Bucharest at the Bucharest Municipal Treasury, for the purpose of balancing the local budgets of the sectors and the Municipality of Bucharest.

(4) In practice, the 11 per cent share shall be allocated by the General Directorate of Public Finance of Bucharest within the time limit specified in paragraph (1), for the purpose of balancing the local budgets of the sectors and the Municipality of Bucharest, in proportion to the amounts allocated and approved in the respective budgets, in accordance with the provisions of Article 33(6). (6).

(5) In exceptional circumstances, the shares of income tax may be increased by the State Budget Act.

(6) Transfers to local budgets of the shares due from income tax shall be carried out by the Ministry of Public Finance, through the county directorates-general of public finance and the General Directorate of Public Finance of the Municipality of Bucharest, respectively.

#M7

(7) Any person subject to a tax legal relationship, including economic operators, public institutions and local public institutions, which has organised an entity, with or without legal personality, at an address other than the registered office of the said person, with at least 5 persons deriving income from wages, is obliged to apply for the tax registration of that entity, as a payer of wages and income treated as wages, with the tax authority under the National Agency for Fiscal Administration in whose territorial jurisdiction the address where that entity actually carries out its activities is situated. The application must be made within 30

days from the date of incorporation, in the case of newly established entities. The tax authority is obliged, within 5 days of tax registration, to send a copy of the tax registration certificate to the mayor of the administrative-territorial unit or sector of Bucharest within whose territorial jurisdiction the entity in question actually carries out its activities. Payers of salaries and income treated as salaries are required to organise and maintain their accounts in such a way that they reflect the tax due on each month's income, calculated, withheld and remitted, for each entity falling within the scope of this paragraph.

#B

(8) The mayor, through the relevant departments, may verify the correct tax registration of taxpayers with the local tax authority for both the principal registered office and the secondary registered office.

(9) The Mayor is obliged to report any irregularities found to the local tax authority of the Ministry of Public Finance.

ART. 33

Allocation of shares and amounts deducted from certain state budget revenues

(1) To finance the public expenditure provided for in Article 6, as well as to balance the local budgets of administrative-territorial units, the State Budget Act approves sums allocated from certain state budget revenues, earmarked for specific purposes and, respectively, for balancing local budgets.

(2) The amounts allocated from certain state budget revenues for balancing local budgets shall be distributed among counties in accordance with the following criteria:

a) financial capacity determined on the basis of income tax collected per inhabitant, accounting for 70 per cent, in accordance with the following calculation formula:

```
                 Ivm.tj      No. of
                ------------ inhabitants,----
                             j ×
                 Ivm.j       No. of inhabitants, tj
   Sr.j = --------------------------------------------------- x Sr.tj,
               n
              ___      _                             _
              \       | Ivm.tj        Seat no.j      |
              /_      | ------------ x ----------------- |
              j = 1 |_ Ivm.j          No. of
              places.tj _|
```

where:

Sr.j – allocated amounts distributed to the county;

Sr.tj – allocated amounts to be distributed across all counties;

Ivm.j – average income tax per inhabitant collected by county in the year preceding the calculation year;

Ivm.tj – average income tax per inhabitant collected across all counties in the year preceding the calculation year;

Nr.loc.j – number of inhabitants in the county;

Nr.loc.tj – total number of inhabitants across all counties;

b) 30 per cent of the county's area. The earmarked amounts are allocated in accordance with the law.

(3) Of the amounts set aside from certain state budget revenues for the purpose of balancing local budgets, as approved annually by the State Budget Act, and of the 22 per cent share provided for in Article 32(1), a 27 per cent share is allocated to the county's own budget, and the remainder is distributed to the local budgets of communes, towns and municipalities as follows:

a) 80 per cent of the amount is distributed in two stages, by decision of the director of the county's General Directorate of Public Finance, based on the following criteria: population, the built-up area of the administrative-territorial unit and the financial capacity of the administrative-territorial unit;

#M7

b) 20 per cent of the amount shall be allocated, by resolution of the county council, to support local development programmes and infrastructure projects requiring local co-financing. The resolution of the county council shall be communicated to the director of the county's General Directorate of Public Finance, the prefect's office and the local councils within the county.

#B

(4) For the allocation of sums set aside from certain state budget revenues to balance local budgets, in accordance with the provisions of paragraph (3)(a), the county directorates-general of public finance shall proceed as follows:

#M7

a) they shall calculate the indicators 'average income tax per inhabitant per administrative-territorial unit' and, respectively, 'average income tax per inhabitant for the county as a whole', using the following formulae:

```
Ivm.l = Iv.l / No. of
inhabitants l Ivm.j = Iv.j /
No. of inhabitants j,
```

where:

Ivm.l – average income tax per inhabitant, collected by the administrative-territorial unit in the year preceding the year for which the allocation is made;

Iv.l – the income tax collected in the administrative-territorial unit in the year preceding the year for which the allocation is made;

No. of inhabitants in the administrative-territorial unit – the number of inhabitants in the administrative-territorial unit;

Ivm.j – the average income tax per inhabitant collected across the whole county in the year preceding the year for which the allocation is made;

Iv.j – the income tax collected across the whole county in the year preceding the year for which the allocation is made, obtained by adding together the income tax collected in each administrative-territorial unit of the county;

No. of inhabitants j – the number of inhabitants in the county;

a^1) where income tax data are not available at the end of the year preceding the year for which the allocation is made, the income tax for the administrative-territorial units comprising the county, used in the calculations set out in point (a), shall be determined using the following formula:

```
_
>_ (Iv_1 + ... + Iv_n)
```

```
Iv.l = ------------------------------- x 12,
                         n
```

where:

Iv.l - the tax on income collected on a administrative-territorial constituent administrative-territorial unit of the county;

Iv_n – income tax collected in the months preceding the calculation month for the administrative-territorial unit forming part of the county;

n – the number of months preceding the month in which the allocation is made.

Figure 1Lex: Calculation formula for income tax by the administrative-territorial units comprising the county

The total income tax for the county is obtained by summing the income tax for the constituent administrative-territorial units of the county, calculated in accordance with the formula set out in this paragraph.

b) The data used, the method of calculation and the allocation carried out in accordance with paragraph (3) –
(9) shall be submitted electronically to the Ministry of the Interior and Administrative Reform within 5 calendar days of the allocation being approved by decision of the director of the General Directorate of County Public Finance, or of the Municipality of Bucharest, and by resolutions of the county councils, or of the General Council of the Municipality of Bucharest.

#B

c) In the first stage, the amounts calculated in accordance with the provisions of paragraph (3)(a) shall be allocated only to those administrative-territorial units whose average per capita income tax, collected by the administrative-territorial unit in the year preceding the year of calculation, is lower than the average per capita income tax collected across the whole county in the year preceding the year of calculation, on the basis of the following criteria:

- the proportion of the population of the administrative-territorial units participating in this stage out of their total population, amounting to 75 per cent;
- the proportion of the built-up area of the administrative-territorial units participating in this stage out of their total built-up area, at a rate of 25 per cent;

d) the amounts allocated in the first stage to the administrative-territorial units are limited so that the resulting average per inhabitant, calculated according to the formula below, is less than or equal to the average income tax per inhabitant collected across the county as a whole in the year preceding the year of calculation:

Mloc.el = [Iv.l + Sr.el] / Nr.loc.l,

where:

Mloc.el – the average per capita at the level of the administrative-territorial unit, following the allocation in the first stage;

Iv.l – the income tax collected by the administrative-territorial unit in the year preceding the calculation year;

Sr.el – amounts allocated to administrative-territorial units in the first stage; Nr.loc.l – the number of inhabitants in the administrative-territorial unit.

Any amounts remaining unallocated in the first stage are carried forward to the second stage;

e) the amounts remaining unallocated in the first stage are allocated to all administrative-territorial units in the county, according to their financial capacity, determined on the basis of the income tax collected per inhabitant in the year preceding the calculation year, using the following formula:

$$Sr.e2 = \frac{\dfrac{Ivm.j}{Ivm.l} \times \dfrac{\text{No. of inhabitants}}{\text{No. loc.j}}}{\displaystyle\sum_{l=1}^{n} \left[\dfrac{Ivm.j}{Ivm.l} \times \dfrac{\text{Seat no.}}{\text{Position No.}} \right]_{j}} \times Sr.j.e2,$$

where:

Sr.e2 – amounts allocated to the administrative-territorial unit in the second stage;

Sr.j.e2 – amounts to be allocated to all administrative-territorial units in the county in the second stage;

Ivm.l – average income tax per inhabitant, collected by the administrative-territorial unit in the year preceding the calculation year;

Ivm.j – average income tax per inhabitant collected across the county as a whole in the year preceding the calculation year;

Pop.l – the number of inhabitants in the administrative-territorial unit; Pop.j – the number of inhabitants in the county;

f) the amounts determined for each individual administrative-territorial unit following the completion of the two balancing stages, as well as for the county and the municipality of Bucharest, shall be reduced by the non-collection rate, by multiplying them by the sub-unit coefficient, calculated as the ratio between the sum of local taxes and duties, rents and royalties collected in the previous financial year and the sum of local taxes and duties, rents and royalties due for collection in the previous financial year. Tax claims currently the subject of litigation shall not be taken into account when calculating the non-collection rate;

g) the amounts withheld in accordance with point (f) shall be allocated in accordance with paragraph (3)(b);

h) the allocation of the amounts under points (a) to (f) shall be carried out by the director of the county directorate-general of public finance or of the General Directorate of Public Finance of the Municipality of Bucharest, as the case may be, by means of a decision to be communicated to the prefect, the county council and the local councils within the county;

i) the directors of the county directorates-general of public finance and of the General Directorate of Public Finance of the Municipality of Bucharest, as well as the prefects, are

are obliged to publish the decision referred to in point (h) on the websites of their respective institutions.

(5) For the allocation of funds in accordance with the criteria set out in paragraph (3)(b), as well as those set out in paragraph (4)(f), the county council is obliged, within 5 days of the publication of the State Budget Act in the Official Gazette of Romania, Part I, to request in writing that all administrative-territorial units within the county submit applications for the co-financing of local development programmes requiring local co-financing.

(6) For the Municipality of Bucharest, out of the 11 per cent share provided for in Article 32(4), a 25 per cent share is allocated to the local budget of the Municipality of Bucharest, and the remainder is distributed among the local budgets of the sectors of the Municipality of Bucharest as follows:

a) 85 per cent of the amount shall be allocated by decision of the Director of the General Directorate of Public Finance of the Municipality of Bucharest, applying as appropriate the provisions, procedure and allocation criteria set out in paragraph (4)(a) to (f); **#M7**

b) 15 per cent of the amount, as well as the amounts withheld through the appropriate application of the provisions of paragraph (4)(f) shall be allocated by a resolution of the General Council of Bucharest, in accordance with the procedure set out in paragraph (5), to support local development programmes and infrastructure projects requiring local co-financing. The decision of the General Council of Bucharest shall be communicated to the Director of the General Directorate of Public Finance of Bucharest, the Prefect's Office – Bucharest and the local councils of the sectors of Bucharest.

#B

(7) Failure to comply with the provisions of paragraphs (3) to (6) shall render null and void the decisions of the directors of the general directorates of public finance and the resolutions adopted by the county councils, as well as the resolutions of the General Council of Bucharest, regarding the allocation of sums and shares deducted from certain state budget revenues for the purpose of balancing local budgets; a new decision or resolution shall be issued within 5 working days of the date of their annulment. The administrative court shall declare them null and void, upon referral by the prefect or any other interested party.

#M7

(7^1) From 2008 onwards, local public administration authorities may include in local budgets investments financed from their own revenue only if they have fully secured the revenue necessary to cover current expenditure, as set out in the operating section, for the performance of the duties and powers established by law, specific to each administrative-territorial unit or administrative-territorial subdivision. This paragraph does not apply to investments financed through the raising of local public debt, transfers to local budgets, reserve funds, revenue earmarked for national, regional or county development programmes or projects, or programmes or projects benefiting from external funds.

(7^2) During the implementation of the budget, authorising officers shall ensure that the current expenditure of local public institutions or services is fully covered.

#B

(8) With effect from 1 January 2009, the following aspects shall be taken into account when determining the amounts required to balance the local budgets of communes, towns and municipalities:

a) the scope for covering the operating section of the local budget from own revenue;

b) once the amounts determined in accordance with point (a) have been quantified, only where necessary, amounts shall be proposed to ensure the balancing of the operating section of the local budget;

c) minimum cost standards for the provision of public services to the population;

d) minimum quality standards for the provision of public services to the population;

e) once the stages set out in points (a) to (d) have been completed, within the limits of the amounts that can be provided from the state budget, amounts are established to be included in the development sections of local budgets.

#M7

(9) The population figures for the administrative-territorial units used in the calculations set out in this Article are those reported by the county statistical offices or, where applicable, by the Regional Statistical Office of Bucharest, as the case may be, as at 1 July of the year preceding the year of allocation. The built-up area of the administrative-territorial units used in the calculations provided for in this article is that reported by the county-level land registry and property advertising office or, where applicable, that of the Municipality of Bucharest, on 1 July of the year preceding the allocation year.

#B

ART. 34

Consolidatable transfers to local budgets

(1) Transfers from the State budget to local budgets shall be granted for investments financed by external loans to which the Government also contributes, in accordance with the law, and shall be approved annually, as a block allocation, by the State budget law.

(2) Transfers may be granted from the State budget, through the budgets of its principal authorising officers, as well as from other budgets, to local budgets for the financing of development or social programmes of national, county or local interest.

ART. 35

Collaboration, cooperation, association, twinning, and membership

(1) Deliberative authorities may approve collaboration or association for the provision of local public works and services. Collaboration or association shall be carried out on the basis of association agreements, which shall also specify the sources of funding representing the contribution of each local public administration authority involved.

Partnership agreements are concluded by the chief authorising officers, in accordance with the terms of reference approved by each local council involved in the collaboration or partnership.

(2) Deliberative authorities may decide, on behalf of and in the interests of the local authorities they represent, to contribute capital or assets towards the formation of commercial companies or the establishment of services of local or county public interest, as the case may be, in accordance with the law. Deliberative authorities may decide, on behalf of and in the interests of the local authorities they represent, to acquire shares in companies in the formation of which they have participated by contributing capital or assets in kind, and may increase or reduce the share capital of such companies, in accordance with the law.

(3) Deliberative authorities may decide, on behalf of and in the interests of the local authorities they represent, to contribute capital or assets to the formation of community development associations, within the limits and under the conditions laid down by law, for the joint implementation of development projects of local or regional interest and the joint provision of public services.

(4) Community development associations are funded through contributions from the local budgets of their member administrative-territorial units, from other project-based sources, loans or public-private partnerships, in accordance with the law.

(5) The Government implements national development programmes aimed at encouraging the association of administrative-territorial units and enhancing their administrative capacity; these programmes are funded annually from the state budget, via the budget of the Ministry of Administration and the Interior.

(6) Financial obligations arising from cooperation agreements, twinning arrangements or the membership of administrative-territorial units in domestic associations organised at national level or in international organisations with legal personality, as decided by the deliberative authorities in accordance with the law, shall be borne by their local budgets.

ART. 36

Budget reserve fund

(1) Local budgets shall include a budget reserve fund at the disposal of the local council, the county council and the General Council of Bucharest, as well as the sectors of Bucharest, where applicable, amounting to up to 5 per cent of total expenditure. This shall be used at the proposal of the chief authorising officers, on the basis of decisions by the respective councils, to finance urgent or unforeseen expenditure arising during the financial year, to mitigate the effects of natural disasters, and to provide assistance to other administrative-territorial units in situations of extreme difficulty, either at the public request of the mayors of those units or on their own initiative.

(2) The budget reserve fund referred to in paragraph (1) may be increased during the year, with the approval of the local council, the county council and the General Council of Bucharest, as well as the sector councils of Bucharest, where applicable, from budgetary appropriations that are no longer required by the end of the year.

SECTION 2

Budgetary Timetable

ART. 37

Framework letter. Limits on amounts allocated from certain state budget revenues and consolidatable transfers

(1) The Ministry of Public Finance shall send to the directorates-general of public finance, the county councils and the General Council of the Municipality of Bucharest, by 1 June of each year, a framework letter specifying the macroeconomic context on the basis of which the draft budget forecasts are to be drawn up, the methodologies for their preparation, the limits on the amounts allocated from certain state budget revenues and consolidatable transfers, as provided for in Article 34(1), across the county and the Municipality of Bucharest, as applicable, with a view to the authorising officers drawing up the draft budgets referred to in Article 1(2).

(2) The chief authorising officers of the state budget or of other budgets, in which transfers to local budgets are provided for, shall forward the relevant amounts to the local public administration authorities within 10 days of receiving the expenditure limits approved by the Government, with a view to their inclusion in the draft budgets.

#M7

(3) The allocation, by administrative-territorial unit, of the limits on the amounts set aside from certain state budget revenues intended to balance local budgets shall be carried out in accordance with the provisions of Article 33, using indicators established at the end of the year preceding the year of calculation.

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ART. 38

Budget proposals of the chief authorising officers

The chief authorising officers, on the basis of the limits on the amounts received in accordance with the provisions of Article 37, shall draw up and submit to the directorates-general of public finance, by 1 July of each year, the draft balanced local budgets and their annexes for the following financial year, as well as estimates for the following three years, which shall then forward the draft local budgets for the county as a whole and for the municipality of Bucharest to the Ministry of Public Finance by 15 July of each year.

ART. 39

Approval and consolidation of local budgets

(1) Within 5 days of the publication in the Official Gazette of Romania, Part I, of the State Budget Act, the Ministry of Public Finance shall forward to the general directorates of public finance the amounts allocated from certain State budget revenues and the consolidatable transfers, as approved by the State Budget Act.

(2) The county directorates-general of public finance, and that of the Municipality of Bucharest, as well as the county councils and the General Council of the Municipality of Bucharest, in accordance with the law, shall allocate to the administrative-territorial units, within 5 days of notification, the amounts deducted from certain state budget revenues, as well as the consolidable transfers, with a view to the finalisation of the draft local budgets by the chief authorising officers.

(3) On the basis of their own revenue and the amounts allocated in accordance with paragraph (2), the chief authorising officers shall, within 15 days of the publication of the State Budget Act in the Official Gazette of Romania, Part I, finalise the draft local budget, which shall be published in the local press or displayed at the headquarters of the administrative-territorial unit. Residents of the administrative-territorial unit may lodge objections to the draft budget within 15 days of the date of its publication or display.

(4) Within 5 days of the expiry of the deadline for lodging objections set out in paragraph (3), the draft local budget, accompanied by the report of the chief authorising officer and the objections lodged by residents, shall be submitted by the chief authorising officers to the deliberative authorities for approval.

(5) The deliberative authorities shall, within a maximum of 10 days from the date on which the draft budget is submitted for approval in accordance with paragraph (4), rule on the objections and adopt the draft local budget, after it has been voted on by chapter, sub-chapter, title, article and paragraph, as appropriate, and by annex.

(6) The draft budgets referred to in Article 1(2) shall be approved by the deliberative authorities within a maximum of 45 days from the date of publication of the State Budget Act in the Official Gazette of Romania, Part I.

(7) Should the deliberative authorities fail to approve the draft local budgets within the time limit set out in paragraph (6), the Directorates-General for Public Finance shall order the suspension of the allocation of quotas, or sums deducted from certain state budget revenues, and of consolidable transfers, until such time as they are approved by the deliberative authorities. In this situation, payments may be made from local budgets only within the limits of other revenue collected.

#M11

(7^1) In the case of deliberative authorities that have been dissolved or are in the process of being dissolved, as the case may be, in accordance with the law, and which have not approved their local budgets within the statutory time limit, the Directorates-General of Public Finance, by way of exception to the provisions of paragraph (7), shall allocate shares or specific amounts derived from certain state budget revenues, until the date of approval of the local budgets of the newly constituted deliberative authorities.

(7^2) Mayors, county council chairpersons and the Mayor of Bucharest, who find themselves in the situation referred to in paragraph (7^1), shall apply the previous year's budget during the current financial year, ensuring that expenditure remains within the monthly limit of 1/12 of the previous year's budget.

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(8) Chief authorising officers are required to submit the approved local budgets to the Directorates-General of Public Finance, in accordance with this Act, within 5 days of their approval. The Directorates-General of Public Finance shall, within 10 days, draw up and submit to the Ministry of Public Finance the budgets for each county as a whole and for the municipality of Bucharest, grouped within each county and the municipality of Bucharest by commune, town, municipality, sector of the municipality of Bucharest and county, in accordance with the budget classification structure.

ART. 40

The budgetary process in the event of the state budget not being approved by Parliament

(1) If the State Budget Act has not been adopted at least 3 days before the end of the financial year, the previous year's budgets shall continue to apply until the new budgets are approved; monthly expenditure limits may not, as a rule, exceed 1/12 of the amounts provided for in the previous year's budgets, except in special cases, duly justified by the authorising officers or, where applicable, 1/12 of the amounts proposed in the draft budget, where these are lower than those of the previous year.

(2) Public institutions and initiatives newly approved in the current year but commencing on 1 January of the following financial year shall be funded, pending budget approval, up to a limit of 1/12 of their allocations as set out in the draft budget.

(3) The Directorates-General for Public Finance shall allocate to local authorities sums derived from certain state budget revenues and consolidatable transfers, within the monthly limit of 1/12 of the previous year's budgetary provisions.

(4) Where the requirement for sums allocated from certain state budget revenues and consolidatable transfers exceeds a monthly limit of 1/12 of the previous year's budgetary provisions, following the full utilisation of the revenue and the shares allocated from certain state budget revenues, the directorates-general of public finance may approve an increase in these amounts, based on the analyses and justifications submitted by the chief authorising officers.

(5) Where the amounts referred to in paragraph (4) are proposed in the draft state budget as being lower than those of the previous year, the monthly limits shall be granted at a rate of 1/12 of the amounts proposed in the draft state budget.

SECTION 3
Provisions relating to local public investment

ART. 41
Presentation of public investments in the draft budget
Expenditure on public investment and other investment expenditure financed from local public funds shall be included in the draft budgets, on the basis of the public investment programme of each administrative-territorial unit, drawn up by the chief authorising officers, which is also presented in the development section as an annex to the initial and, where applicable, amended budget, and is approved by the deliberative authorities.

ART. 42
Information on public investment programmes
(1) The chief authorising officers of local budgets shall draw up the public investment programme annually, classified by function.

(2) Financial and non-financial information shall be provided for each project included in the investment programme.

(3) The financial information shall include:
a) the total value of the project;
b) commitment appropriations;
c) budget appropriations;
d) the funding schedule, by source and year, linked to the implementation schedule;

e) a cost-benefit analysis, which shall also be carried out for ongoing projects;

f) operating and maintenance costs following commissioning.

(4) Non-financial information shall include:

a) the investment strategy, which must include investment priorities and the links between different projects, as well as the criteria for determining which new projects should be included in the investment programme at the expense of those currently underway;

b) a description of the project;

c) the physical progress of the projects. ART. 43

The methodological role of the Ministry of Public Finance

The Ministry of Public Finance is authorised to determine the content, form and information relating to the investment programmes required for the budget preparation process.

ART. 44

Approval of local public investment projects

(1) The technical and economic documentation for new investment projects, the funding for which is provided in full or in part from local budgets, as well as for those funded by domestic and foreign loans, contracted directly or guaranteed by local public administration authorities, shall be approved by the deliberative authorities.

(2) The technical and economic documentation for new investment projects, which are financed by external loans and, in addition, by transfers from the state budget and other sources, as well as those financed in full or in part by external loans contracted or guaranteed by the state, regardless of their value, shall be submitted to the Government for approval.

(3) For investments intended to prevent or mitigate the effects of accidental events and natural disasters, the technical and economic documentation, as well as the explanatory notes concerning other investment expenditure included under the general heading ‘other investment expenditure’, drawn up and endorsed in accordance with the legal provisions, shall be approved by the chief authorising officers, with the deliberative authorities being informed immediately.

(4) The chief authorising officers, on their own responsibility, shall update and approve the value of each new or ongoing investment project, irrespective of the sources of funding or the authority responsible for their approval, in line with changes in price indices. This process is subject to their own preventive financial control.

ART. 45

Conditions for the inclusion of investments in the draft budget

(1) Investment projects and other expenditure treated as investments shall be included in the annual investment programmes, annexed to the budget, only if, beforehand, the technical and economic documentation, namely the explanatory notes regarding the necessity and appropriateness of incurring expenditure treated as investments, have been drawn up and approved in accordance with the legal provisions.

(2) Chief authorising officers shall set priorities for the allocation of funds to each project included in the investment programme, within the limits of the funds earmarked for this purpose in the draft budget, whilst ensuring that the investment projects are completed within the approved timeframes.

ART. 46

Structure of local public investment programmes

(1) Investment programmes shall specify the investment objectives, grouped into: ongoing investments, new investments and the 'other investment expenditure' heading, by investment category.

(2) The 'other investment expenditure' heading comprises the following investment categories:

a) purchases of immovable property;

b) stand-alone equipment;

c) expenditure on the preparation of pre-feasibility studies, feasibility studies, designs and other studies relating to investment objectives;

d) expenses for expert assessments, design and execution relating to reinforcement works and interventions to prevent or mitigate the effects of accidental events and natural disasters – earthquakes, floods, landslides, collapses and ground subsidence, fires, technical accidents – as well as expenses related to the implementation of these investments;

e) drilling works, land surveying, photogrammetry, seismological assessments, consultancy, technical assistance and other expenditure treated as investment expenditure in accordance with the law.

(3) The investment expenditure referred to in paragraph (2) shall be set out in detail in a separate annex by the chief authorising officer, on the basis of supporting notes which shall include information on the necessity, expediency and other indicators characteristic of such investments, and shall be approved by the deliberative authorities together with the local budget.

ART. 47

International agreements relating to local public investment

All legal commitments giving rise to expenditure on public investment and other expenditure treated as investment, co-financed from external sources, shall be carried out in accordance with the provisions of the financing agreement.

ART. 48

Monitoring of investment projects by chief authorising officers

(1) Where, during the course of budget implementation, for objective reasons, the implementation of an investment project cannot be carried out in accordance with the budget forecast, the chief authorising officers of local budgets may propose to the deliberative authorities, by 31 October, the approval of the reallocation of funds between the projects included in the investment programme.

(2) Chief authorising officers are responsible for the efficient use of funds allocated to investments, as well as for achieving the investment objectives set out in the investment programmes.

SECTION 4

Budget implementation

ART. 49*)

Principles governing budget implementation

(1) The budgets referred to in Article 1(2) shall include and approve, as appropriate, revenue and budgetary appropriations within the structure of the budgetary classification.

(2) Approved budgetary appropriations are authorised for the duration of the financial year.

(3) Approved staff costs may not be increased through transfers of budgetary appropriations.

(4) Transfers of budgetary appropriations from one chapter to another within the budgetary classification and from one programme to another shall be approved by the deliberative authorities, on the basis of appropriate justifications from the chief authorising officers, and may be carried out prior to the commitment of expenditure.

(5) Transfers of budgetary appropriations within the same budget chapter, including between programmes within that chapter, which do not contravene the provisions of this Article, the State Budget Act or the Amending Act, fall within the competence of each chief authorising officer, in respect of their own budget and the budgets of subordinate public institutions and services, and may be carried out prior to the commitment of expenditure.

(6) Proposals for transfers of budgetary appropriations shall be accompanied by justifications, details and requirements regarding the implementation, by the end of the financial year, of the chapter and subdivision of the budget classification, as well as the programme from which the appropriations are released and, respectively, the chapter and subdivision of the budget classification and the programme to which the budgetary provisions are supplemented.

(7) Transfers of budgetary appropriations, subject to the provisions of paragraphs (4) and (5), may be carried out from the third quarter of the financial year onwards.

#CIN

**) 1. The provisions of Article 4 of Government Ordinance No. 22/2002, as subsequently amended:*

#M3

"ART. 4

(1) Chief authorising officers are obliged to take all necessary measures, including transfers of budgetary appropriations, in accordance with the law, to ensure that their own budgets and those of subordinate institutions contain the budgetary appropriations required to make payment of the sums established by enforceable instruments.

(2) The transfers of budgetary appropriations referred to in paragraph (1) may be carried out throughout the entire financial year, by way of derogation from the provisions of Article 47 of Law No. 500/2002 on public finances, as subsequently amended, and of Article 49 of Law No. 273/2006 on local public finances."

#CIN

2. The provisions of Article 2(4) of Government Emergency Ordinance No. 126/2005, as subsequently amended, are reproduced below:

#M15

"(4) The provision in the own budget of the public institution concerned of the budgetary appropriations necessary to make payment of the sums determined by court or arbitral awards may be effected through transfers of budgetary appropriations carried out throughout the entire financial year, by way of derogation from the provisions of Article

47 of Law No. 500/2002 on public finances, as subsequently amended, and Article 49 of Law No. 273/2006 on local public finances, as subsequently amended and supplemented."

#B

ART. 50

Quarterly allocation of budgetary revenue and expenditure

(1) The revenue and expenditure approved in the budgets referred to in Article 1(2) shall be allocated on a quarterly basis, in accordance with the statutory deadlines for the collection of revenue and the period during which expenditure is required.

(2) The quarterly allocation of budgetary revenue and expenditure, as well as any amendments thereto shall be approved by:

a) the Ministry of Public Finance, for the amounts allocated from certain state budget revenues and for transfers from that budget, as provided for in Article 34((1), on the basis of proposals from the chief authorising officers of local budgets, forwarded by the directorates-general of public finance, within 20 days of the date of publication of the State Budget Act in the Official Gazette of Romania, Part I. The amounts thus approved shall be allocated to administrative-territorial units by the directorates-general of public finance;

b) the chief authorising officers of local budgets, for the budgets referred to in Article 1(2), within 15 days of the approval of the amounts referred to in point (a).

(3) The quarterly allocation of the transfers referred to in Article 34(2), as well as any amendments thereto, shall be communicated to the local public administration authorities by the chief authorising officers of the State budget or of other budgets, within 10 days of the Ministry of Public Finance's approval of the quarterly allocation of the budgetary appropriations for those budgets.

ART. 51

Release of budgetary appropriations

(1) Budgetary appropriations approved through local budgets may be utilised through the opening of appropriations carried out by their chief authorising officers, within the limits of the approved amounts, in accordance with the designated purpose and in compliance with the legal provisions governing the incurrence of the relevant expenditure.

(2) The release of budgetary appropriations for transfers from the State budget or from other budgets to local budgets, within the limits set out in the respective budgets, shall be carried out by the Ministry of Public Finance, for those provided for in Article 34(1), (1), through the directorates-general of public finance, at the request of the chief authorising officers of the local budgets, in accordance with the requirements of budget implementation and in compliance with the intended purpose, or by the other chief authorising officers, for the transfers provided for in Article 34(2).

(3) Budgetary expenditure shall be incurred only on the basis of supporting documents confirming contractual commitments, the receipt of tangible assets, the provision of services, the execution of works, the payment of salaries and other financial entitlements, the settlement of budgetary obligations, and other obligations.

ART. 52

Transfers of powers to local public administration authorities

(1) In cases where, during the financial year, in accordance with legal provisions, institutions, activities or tasks are transferred to the funding of local public administration authorities, the Ministry of Public Finance is authorised to make the corresponding amendments to the volume and structure of the state budget, without affecting the budgetary balance.

(2) The deliberative authorities shall approve the changes made in accordance with paragraph (1) to the structure of their own budgets and, respectively, those of subordinate public institutions.

ART. 53

Non-repayable external funds

(1) Budgetary appropriations relating to non-repayable external funds are of a provisional nature and shall be implemented in accordance with the agreements concluded with external partners.

(2) Non-repayable external funds shall be received into a separate account outside the local budget and shall be spent only within the limits of the funds available in that account and for the purpose for which they were granted.

ART. 54

Budget implementation

(1) In the budget implementation process, budgetary expenditure goes through the following stages: commitment, settlement, authorisation and payment.

(2) Budget implementation in towns, municipalities, the sectors of Bucharest, counties and the municipality of Bucharest is based on the principle of separating the duties of persons acting as authorising officers from those of persons acting as accountants.

(3) Operations relating specifically to the commitment, settlement and authorisation of expenditure fall within the remit of authorising officers and are carried out on the basis of opinions from the specialist departments of public institutions.

(4) Payment of expenditure is ensured by the head of the finance and accounts department, within the limits of available funds.

(5) Payment instruments must be accompanied by supporting documents. These documents must certify the accuracy of the amounts payable, the receipt of goods, the performance of services and the like, in accordance with the legal commitments entered into. Payment instruments are signed by the accountant and the head of the finance and accounting department.

(6) Payments, within the limits of the approved budgetary appropriations, shall be made only on the basis of supporting documents, drawn up in accordance with legal provisions, and only after these have been committed, settled and authorised.

(7) Payments of expenditure to local authorities and public institutions where the finance and accounts department has fewer than five staff members shall be made by the authorising officer and the person authorised to carry out finance and accounts duties, in accordance with the methodological rules on the organisation, recording and reporting of budgetary and legal commitments.

(8) For certain categories of expenditure, advance payments of up to 30 per cent may be made, subject to the relevant legal provisions.

(9) Amounts representing advance payments made in accordance with paragraph (8) and not substantiated by goods delivered, works carried out or services rendered by the end of the year,

the terms of the contract, shall be recovered by the public institutions that granted the advances and shall be returned to the budget from which they were advanced.

(10) In the event of failure to deliver the goods, carry out the works or provide the services for which advances were paid, the public institution shall recover the sums by charging late-payment penalties at the rate applicable to budgetary revenue, calculated for the period from when the advances were granted until they were recovered.

(11) Exceptions to the provisions of paragraph (9) are those situations expressly regulated by statutory provisions.

ART. 55

Payment of salaries

(1) Salaries at public institutions to which the provisions of this Act apply shall be paid once a month for the preceding month.

(2) The scheduling of payments by day, for chief authorising officers and the public institutions and services under their authority, shall be carried out by the Directorate-General for Public Finance, upon the proposal of the chief authorising officers.

ART. 56

Regulations governing unused budgetary appropriations held by authorising officers

(1) Chief authorising officers are required to review on a monthly basis the need to retain budgetary appropriations for which, on the basis of statutory provisions or for other reasons, the tasks have been discontinued or postponed, and to propose to the deliberative authorities the cancellation of those appropriations.

(2) For the last month of the financial year, the deadline for applying the provisions of paragraph (1) is 10 December.

(3) The budgetary appropriations cancelled under the terms of paragraph (1) shall be added to the budgetary reserve fund at the disposal of the deliberative authorities.

ART. 57

Annual implementation account

(1) Chief authorising officers shall draw up and submit for approval to the deliberative authorities, by 31 May of the following year, the annual budget implementation accounts referred to in Article 1(2), in the following structure:

a) on revenue:

- initial budget estimates;
- final budget estimates;
- actual receipts;

b) on expenditure:

- initial budget appropriations;
- final budget appropriations;
- payments made.

(2) On a quarterly and annual basis, the chief authorising officers draw up financial statements on budget implementation, which are submitted to the directorates-general of public finance. Following verification, they shall draw up and submit to the Ministry of Public Finance centralised financial statements on the implementation of the budgets referred to in Article 1(2), covering the entire county, within the deadlines and in accordance with the rules laid down by the Ministry. The Ministry of Public Finance shall forward, for information purposes,

the Ministry of Administration and the Interior a consolidated financial statement on the implementation of local budgets.

(3) Chief authorising officers are required to draw up and attach to the annual financial statements annual performance reports, setting out, for each programme, the objectives, the expected and actual results, the associated indicators and costs, as well as information on legal commitments.

(4) The annual financial statements, including their annexes, shall be submitted by the chief authorising officers to the deliberative authorities for approval.

ART. 58*)

Budget surplus or deficit

(1) The annual surplus of the local budget, arising at the close of the financial year, after adjustments have been made within the limits of the amounts allocated from certain state budget revenues provided for in Article 6(a) and those exempted under Article 6(b), as well as from consolidatable transfers from the state budget or other budgets, shall be used, in the following order, for:

a) the repayment of any outstanding loans; the payment of interest, commissions, fees and other related costs;

b) the establishment of the working capital fund.

(2) The working capital fund's available funds bear interest, are held in a separate account opened in the name of each administrative-territorial unit at the territorial offices of the State Treasury, outside the local budget, and may be used temporarily to cover cash shortfalls arising from discrepancies between revenue and expenditure in the current year, as well as to definitively cover any budget deficit arising at the end of the financial year.

(3) The working capital fund may also be used to finance investments falling within the remit of local public administration authorities or for the development of local public services in the public interest.

(4) The use of the working capital fund, subject to the conditions set out in paragraphs (2) and (3), and its implementation account shall be approved by the deliberative authorities outside the local budget. **#CIN**

) 1. The provisions of Article 5 of Government Emergency Ordinance No. 4/2009 (#M8**) are reproduced below:*

#M8

"ART. 5

Notwithstanding the provisions of Article 58 of Law No. 273/2006 on local public finances, as subsequently amended and supplemented, subsidies from the state budget to local budgets, necessary to support the implementation of projects financed fromnon-repayable non-repayable post-accession, remaining unused at end of the financial year, shall be reflected in the local budget surplus and, respectively, in the working capital fund, and shall be used in the following year for the same purpose for which these funds were granted, until the completion of the respective projects." **#CIN**

*2. The provisions of Article 6(3) of Government Emergency Ordinance No. 64/2009 (**#M9**) are reproduced below:*

#M9

"(3) During the implementation of the budget, in order to secure the funding resources provided for in paragraph (1), beneficiaries who act as authorising officers for the local budget may contract repayable loans or may use the available working capital, by way of derogation from the provisions of Article 58(
(3) and Article 61(1) of Law No. 273/2006, as subsequently amended and supplemented."
#CIN
3. The provisions of Article 17(5) of Government Emergency Ordinance No. 64/2009 (#M9) are reproduced below:
#M9
"(5) Pre-financing granted to the beneficiaries referred to in Article 6(1), which remains unused at the end of the financial year, shall be reflected in the local budget surplus and, respectively, in the working capital fund, and shall be used in the following year for the same purpose, notwithstanding the provisions of Article 58(3) of Law No. 273/2006, as subsequently amended and supplemented."
#CIN
4. The provisions of Article 16(3) of Government Emergency Ordinance No. 74/2009 (#M10) are reproduced below:
#M10
"(3) During the implementation of the budget, in order to secure the funding resources provided for in paragraph (1), beneficiaries acting as authorising officers for the local budget may contract repayable loans or may use the available funds from the working capital fund, by way of derogation from the provisions of Article 58(
(1) to (3) and Article 61(1) of Law No 273/2006, as subsequently amended and supplemented."
#CIN
5. The provisions of Article 26(3) of Government Emergency Ordinance No. 74/2009 (#M10) are reproduced below:
#M10
"(3) During the implementation of the budget, in order to secure the funding resources provided for in paragraph (1), beneficiaries acting as authorising officers for the local budget may contract repayable loans or may use the available funds from the working capital fund, by way of derogation from the provisions of Article 58(
(1) to (3) and Article 61(1) of Law No 273/2006, as subsequently amended and supplemented."
#CIN
6. The provisions of Article 5^2(2) of Government Ordinance No. 36/2006, as subsequently amended, are reproduced below:
#M12
"(2) Notwithstanding the provisions of Article 58 of Law No. 273/2006 on local public finances, as subsequently amended and supplemented, the losses referred to in paragraph (1) may also be covered from the annual surplus of the local budget recorded at the end of the financial year, prior to the establishment of the working capital fund, or during the financial year, from the available funds of the working capital fund."

#CIN

7. The provisions of Article 6(3) of Government Ordinance No. 24/2009 (#M13) are reproduced below:

#M13

"(3) During the implementation of the budget, in order to secure funding for the projects referred to in paragraph (1)(c), project promoters who act as authorising officers for the local budget may, in accordance with the law, repayable loans or may use the available working capital, by way of derogation from the provisions of Article 58(3) and Article 61(1) of Law No 273/2006 on local public finances, as subsequently amended and supplemented."

#CIN

8. The provisions of Article 10(6) of Government Ordinance No. 24/2009 (#M13) are reproduced below:

#M13

"(6) Any advance granted to project promoters referred to in Article 6(1)(c) that remains unused at the end of the financial year shall be reflected in the local budget surplus and, respectively, in the working capital fund, and shall be used in the following year for the same purpose, notwithstanding the provisions of Article 58(3) of Law No. 273/2006, as subsequently amended and supplemented."

#B

ART. 59

Cash execution of local budgets

(1) The cash execution of the budgets referred to in Article 1(2) shall be carried out through the territorial units of the State Treasury, with the following recorded in separate accounts:

a) budget revenue collected in accordance with the budget classification structure;

b) payments ordered by authorised persons within public institutions, within the limits of budgetary appropriations and approved allocations in accordance with the law;

c) collection and payment operations relating to domestic and external public debt arising from loans contracted or guaranteed by the State, as well as those contracted or guaranteed by local public administration authorities, including those relating to the repayment of instalments on maturity and the payment of interest, commissions, fees and other related costs;

d) carrying out other financial transactions on behalf of local public administration authorities;

e) holding cash balances representing non-repayable external funds or their equivalent in lei, received under government agreements and arrangements and from international organisations, and utilising them in accordance with approved budgets;

f) other financial transactions provided for by law.

(2) For loans taken out, other than those from the funds in the State Treasury's general current account, local public administration authorities may open accounts with commercial banks for the purpose of managing such loans.

(3) In practice, the allocation of sums set aside from certain state budget revenues is carried out monthly by the directorates-general of public finance, on the basis of the justifications submitted by the chief authorising officers.

ART. 60

Principles governing the closure of the budget year

(1) Budget implementation shall be closed on 31 December of each year.

(2) Any revenue not collected and any expenditure committed, settled and authorised within the budgetary provisions but not paid by 31 December shall be collected or paid, as the case may be, to the budget account for the following year.

(3) Budgetary appropriations not utilised by the end of the year shall be automatically cancelled.

(4) Balances from non-repayable external funds and from public funds earmarked for co-financing the European Community's financial contribution, remaining at the end of the financial year in the accounts of the implementing bodies, shall be carried forward to the following year for the same purpose.

(5) The funds referred to in paragraph (4) shall be used in accordance with the provisions of this Act and in accordance with the agreements concluded with external partners.

CHAPTER 4

Loans

ART. 61*)

Approval of loans

(1) Local councils, county councils and the General Council of Bucharest, as appropriate, may approve the raising or guaranteeing of short-, medium- and long-term domestic or external loans for the purpose of carrying out public investments of local interest, as well as for the refinancing of local public debt.

#M14

(1^1) Local councils, county councils and the General Council of Bucharest, as appropriate, may approve the endorsement of promissory notes issued by economic operators and the public services under their authority for the purpose of carrying out public investments of local interest, with a view to ensuring payment for fuel used to produce thermal energy for the population and to refinance local public debt.

#B

(2) Local and county councils and the General Council of Bucharest, as appropriate, shall decide, on the proposal of the chief authorising officer, to contract or guarantee loans, by a vote of at least half plus one of the number of councillors in office.

(3) Local public administration authorities may contract or guarantee loans under the conditions set out in paragraph (1), in accordance with the law, only with the approval of the local loan authorisation committee.

(4) The composition and functioning of the local loan authorisation committee shall be approved by a Government decision. Members of the local loan authorisation committee and of the secretariat shall receive a monthly allowance equal to 20 per cent of the allowance of a State Secretary, in the months in which meetings of the

the committee take place. The allowance shall be paid from the state budget, via the budget of the Ministry of Public Finance.

(5) Administrative-territorial units may also benefit from external loans contracted or guaranteed by the state, in accordance with the law.

#CIN

) 1. The provisions of Article 6(3) of Government Emergency Ordinance No. 64/2009 (#M9**) are reproduced below:*

#M9

"(3) During the implementation of the budget, in order to secure the funding resources provided for in paragraph (1), beneficiaries acting as authorising officers for the local budget may contract repayable loans or may use the available funds from the working capital fund, by way of derogation from the provisions of Article 58(
(3) and Article 61(1) of Law No. 273/2006, as subsequently amended and supplemented."

#CIN

*2. The provisions of Article 16(3) of Government Emergency Ordinance No. 74/2009 (**#M10**) are reproduced below:*

#M10

"(3) During the implementation of the budget, in order to secure the funding resources provided for in paragraph (1), beneficiaries acting as authorising officers for the local budget may contract repayable loans or may use the available working capital, by way of derogation from the provisions of Article 58(
(1) to (3) and Article 61(1) of Law No 273/2006, as subsequently amended and supplemented."

#CIN

*3. The provisions of Article 26(3) of Government Emergency Ordinance No. 74/2009 (**#M10**) are reproduced below:*

#M10

"(3) During the implementation of the budget, in order to secure the funding resources provided for in paragraph (1), beneficiaries acting as authorising officers for the local budget may contract repayable loans or may use the available funds from the working capital fund, by way of derogation from the provisions of Article 58(
(1) to (3) and Article 61(1) of Law No 273/2006, as subsequently amended and supplemented."

#CIN

*4. The provisions of Article 6(3) of Government Ordinance No. 24/2009 (**#M13**) are reproduced below:*

#M13

"(3) During the implementation of the budget, in order to secure funding for the projects provided for under paragraph (1)(c), project promoters who act as authorising officers for the local budget may contract, in accordance with the law, repayable loans or may use the available working capital, by way of derogation from the provisions of Article 58(3) and Article 61(1) of Law No. 273/2006 on local public finances, as subsequently amended and supplemented."

#CIN

5. The provisions of Article 13 of Law No. 329/2009 (#M16) are reproduced below:

#M16

"ART. 13

From the date of entry into force of this Act until 31 December 2010, the allowance provided for in Article 61((4) of Law No. 273/2006 on local public finances, as subsequently amended and supplemented, shall be equal to 1 per cent of the allowance of the Secretary of State, in the months in which committee meetings are held. The allowance shall be paid from the state budget, through the budget of the Ministry of Public Finance."

#B

ART. 62

Local public debt

(1) Local public debt constitutes a general obligation which must be repaid, in accordance with the agreements entered into, from the own revenues of the borrowing administrative-territorial unit, as provided for in Article 5(1)(a), as well as from the revenues of the beneficiaries of loans guaranteed by local public administration authorities, where applicable.

(2) Local public debt instruments are:

a) securities;

b) loans from commercial banks or other credit institutions;

c) supplier credit;

d) finance leases;

e) local guarantees.

(3) The endorsement by local public administration authorities of promissory notes issued by economic operators and the public services under their authority constitutes local public debt.

(4) The issue and placement of securities may be carried out directly by local public administration authorities or through agencies or other specialised institutions.

(5) The total value of the debt incurred by the local public administration authority shall be recorded in that authority's local public debt register and reported annually in the financial statements.

(6) The local public debt register shall include information specifying the total amount of the local public administration authorities' debts, as well as a breakdown of the debts and other information set out in the methodological guidelines on the local public debt register issued by the Ministry of Public Finance.

(7) The total value of guarantees issued by a local public administration authority shall be entered in that authority's register of local guarantees and reported annually in the financial statements.

(8) The register of local guarantees shall contain information specifying the total amount of guarantees issued by the local public administration authority, as well as a breakdown of the guarantees and other information set out in the

on the register of local guarantees, issued by the Ministry of Public Finance.

(9) Following the contracting and/or guaranteeing of domestic and/or external loans, local public administration authorities are required to submit to the Ministry of Public Finance, within 10 days of the date on which the relevant contract comes into force, copies of each primary document attesting, as applicable:

a) the contracting/guaranteeing of the loan;

b) the addendum to the loan/guarantee contract or agreement, if any amendments have been made to it, in accordance with the contractual terms.

(10) During the period of utilisation and repayment of the contracted/guaranteed loan, data on local public debt shall be reported to the Ministry of Public Finance on a monthly basis, within 15 days of the end of the reporting period.

(11) For the purposes of assessing local public debt, any payment obligation denominated in a currency other than the national currency shall be calculated in the national currency, using the exchange rate published by the National Bank of Romania for the last day of the reporting period.

(12) The servicing of local public debt does not constitute obligations or liabilities of the Government and shall be paid from local budgets and from the budgets of the beneficiaries of loans guaranteed by local public administration authorities, as well as from the sums obtained from borrowing to refinance direct local public debt.

ART. 63

Conditions for contracting or guaranteeing loans

(1) Loans taken out by local authorities, as well as those taken out by economic operators and the public services under their authority, may be guaranteed by them using their own revenue as provided for in Article 5(1)(a).

(2) Any revenue-based guarantee shall become valid and shall apply from the moment the guarantee is granted; the revenue constituting the guarantee and collected into the local budget shall be subject to the terms of the relevant guarantee agreement, which shall take precedence over any claims by third parties against the relevant local public administration authority, regardless of whether or not such third parties are aware of the guarantee agreement.

(3) The document concluding the revenue guarantee agreement must be registered with the local public administration authorities and with the lender.

(4) Local authorities are prohibited from taking out loans or guaranteeing any kind of loan, if the total annual liabilities representing the instalments due on loans contracted and/or guaranteed, together with the interest and fees relating thereto, including those of the loan to be contracted and/or guaranteed in that year, exceed the limit of 30 per cent of the total revenue provided for in Article 5((1)(a).

(5) The conditions set out in paragraph (4) shall also apply to annual liabilities arising from loans contracted and/or guaranteed by the State for local authorities.

#M4

(5^1) Loans contracted and/or guaranteed by local authorities to ensure the pre-financing and/or co-financing of projects benefiting from non-repayable pre-accession and post-accession external funds from the European Union are exempt from the provisions of paragraph (4).

#B

(6) For the purposes of calculating this limit, in the case of loans contracted and/or guaranteed at a variable interest rate, the calculation shall be made using the interest rate applicable on the date the documentation was drawn up.

(7) For the purposes of calculating this limit, loans granted in foreign currency shall be taken into account at the exchange rate communicated by the National Bank of Romania on the date of the calculation.

(8) Instalments due on loans, interest and fees payable by local authorities shall be provided for in the local budget or, where appropriate, new loans may be contracted to settle the instalments due, subject to the provisions of this Act.

(9) All loan or guarantee agreements concluded in accordance with the provisions of this Act shall be deemed to be fully authorised and shall constitute obligations that may be imposed on the respective local budgets.

ART. 64

Risk Fund

(1) To cover the financial risks arising from guarantees provided by local authorities for loans taken out by economic operators and local public services, a risk fund shall be established outside the local budget.

(2) The risk fund shall be held in separate accounts opened with the territorial units of the State Treasury and shall be established separately for local guarantees on domestic loans and, respectively, for guarantees on external loans.

(3) The risk fund consists of: sums collected in the form of fees from the beneficiaries of guaranteed loans; interest paid by the State Treasury offices on the fund's available balances; late-payment surcharges at the rates applicable to budgetary revenue, imposed where beneficiaries of guaranteed loans fail to pay, by the due date, the fees and, respectively, the instalments due, together with the related interest and fees, and, in addition, from the local budget. Where payments are made from the risk fund in respect of maturities not honoured by the guarantor, the revenue of the risk fund shall be replenished with the amounts recovered from the guarantor.

(4) The level of the risk commission is determined by the chief authorising officer and approved by the deliberative authorities. This commission is applied to the value of the guaranteed loan.

(5) The amounts held in the risk fund at the end of the year are reconciled with the local budget, up to the limit of the amounts received from that budget, and the difference is carried forward to the following year for the same purpose. The risk fund's operating account is attached to the financial statements.

ART. 65

Loans from the general current account of the State Treasury

(1) Where, during the course of budget implementation, temporary cash shortfalls arise as a result of the gap between the local budget's revenue and expenditure, these may be covered by loans granted by the Ministry of Public Finance from the available funds in the State Treasury's general current account, only after the working capital fund has been utilised.

(2) The total amount of the loan that may be taken out by local public administration authorities, in accordance with the provisions of paragraph (1), is subject to the following limits:

a) it shall not exceed 5 per cent of the total revenue estimated to be collected during the financial year in which the loan is taken out, by way of derogation from the provisions of Article 63(4);

b) subject to the provisions of point (a), local public administration authorities may not take out loans in excess of the funds they are able to repay during the same financial year.

(3) The repayment of funds borrowed in accordance with the provisions of this Article shall be guaranteed by the revenue estimated to be collected in the relevant financial year, provided that the guarantee, through revenue, of other local public debts is upheld.

(4) Where the loan referred to in paragraph (1) has not been repaid by 31 December, the Directorates-General of Public Finance are authorised to seize the account of the relevant administrative-territorial unit.

ART. 66

Exceptional audits

(1) The activities of local public administration authorities shall be subject to an exceptional audit by the Court of Auditors, in accordance with the provisions of this Article, in the following situations:

a) the local public administration authority fails to repay all its short-term payment obligations by the end of the financial year in which the loans were taken out;

b) if, at any point during the financial year, the short-term debts of the local public administration authority exceed the limit set out in Article 65(
(2)(a);

c) upon a reasoned request from at least one third of the members of the deliberative body.

(2) The Court of Auditors shall request local public administration authorities that find themselves in one of the situations specified in paragraph (1) to draw up and submit a recovery plan to the Court of Auditors and to the Directorate-General for Public Finance, whereby the local public administration authorities undertake to comply with the provisions of Article 65(2) within 12 months.

(3) The Ministry of Public Finance may grant interest-bearing loans to local public administration authorities from the funds available in the State Treasury's general current account, within the framework of the recovery plan, by way of derogation from the provisions of Article 63(4) (4) and on condition that they undertake to repay these funds within a period set by the Ministry of Public Finance, which may not exceed 2 years.

(4) Local public administration authorities shall report monthly to the Court of Auditors and to the Directorate-General for Public Finance on the implementation of the measures contained in the recovery plan referred to in paragraph (2).

CHAPTER 5
Funding of public institutions

ART. 67
Funding of public institutions

(1) The financing of the current and capital expenditure of public institutions shall be provided as follows:

a) entirely from the local budget;

b) from their own revenue and from grants allocated from the local budget;

c) entirely from their own revenue.

(2) Public institutions, funded entirely from the local budget, shall pay their revenue into that budget.

ART. 68
Own revenue of public institutions

(1) The own revenue of public institutions, funded in accordance with Article 67(
(1) (b) and (c), shall be collected, managed, utilised and accounted for by those institutions in accordance with the relevant legal provisions.

(2) The own revenue of the budgets of public institutions, funded in accordance with Article 67(1)(b) and (c), derives from the provision of services, rents, cultural and sporting events, artistic competitions, publications, editorial services, studies, projects, the sale of products arising from their own or ancillary activities, and other sources.

ART. 69
Tangible assets and funds received by public institutions

(1) Public institutions may also use, in the course of their activities, tangible assets and funds received from legal and natural persons in the form of donations and sponsorships, in accordance with the relevant legal provisions.

(2) Monetary funds granted by legal and natural persons, received under the conditions set out in paragraph (1), in the case of public institutions fully funded from the budget, shall be paid directly into the local budget from which they are funded. These sums shall be added to the revenue and expenditure of the local budget, and the funds in question shall be used in accordance with the purposes specified by the donor.

(3) In the case of public institutions funded in accordance with the provisions of Article 67(1)(b) and (c), the funds provided by legal and natural persons under the conditions set out in paragraph (1) shall be used to increase their revenue and expenditure budgets.
(1)(b) and (c), their revenue and expenditure budgets shall be increased. These institutions are required to present, in an annex to the quarterly and annual budget implementation account, a statement of the sums received and used under these conditions, by which the revenue and expenditure budget has been increased.

(4) Tangible assets received by public institutions under the conditions set out in paragraph (1) shall be recorded in their accounts.

ART. 70
Budget surpluses of public institutions

(1) Surpluses arising from the implementation of the budgets of public institutions, financed under the conditions of Article 67(1)(b), shall be settled at the end of the year with the local budgets from which they are financed, within the limit of the amounts received from those budgets, unless otherwise provided by law.

(2) Surpluses arising from the implementation of the budgets of public institutions, funded in accordance with Article 67(1)(c), shall remain at their disposal and shall be used in the following year for the same purpose.

(3) Deliberative authorities may decide that surpluses arising from the implementation of the budgets of subordinate public institutions, funded in accordance with Article 67(1)(c), shall be transferred as revenue to the local budget, after deduction of sums received in advance and payment obligations.

ART. 71

The funding arrangements for certain activities of public institutions

(1) Deliberative authorities may approve the establishment of activities, fully funded from own revenue, within certain public institutions funded in accordance with Article 67(1)(a), whilst also defining the scope of activity, categories of revenue, nature of expenditure, and the system of organisation and operation of such activities.

(1) (a), whilst also establishing the scope of activity, categories of revenue, nature of expenditure, and the system of organisation and operation of these activities.

(2) The revenue and expenditure budgets for activities funded entirely from own revenue shall be approved at the same time as the budget of the public institution to which they belong.

(3) In the event that the revenue forecast in the budgets for activities financed entirely from own revenue is not realised, expenditure shall be incurred within the limits of the revenue actually received.

(4) Any surpluses arising from the implementation of the revenue and expenditure budgets for activities funded entirely from own revenue shall be carried forward to the following year for the same purpose or transferred as revenue to the local budget, in accordance with the decision of the deliberative authorities.

ART. 72

Temporary loans for certain public activities or institutions

(1) Where, upon the establishment of public institutions and services or activities financed entirely from own revenue, under the authority of principal authorising officers, such institutions and services or activities do not have sufficient funds, the deliberative authorities may, on the basis of thoroughly substantiated documentation, approve interest-free loans from the local budget, by agreement.

(2) Loans granted under the conditions set out in paragraph (1) shall be repaid in full within one year of the date of granting.

(3) In the event of failure to repay the loans by the agreed deadline, late-payment surcharges shall be applied at the same rate as those applicable to budget revenue, in accordance with the law.

ART. 73

Cash execution of public institutions' budgets

(1) Public institutions and services, regardless of their funding system or administrative structure, including activities attached to certain public institutions and funded entirely from their own revenue, shall carry out collection and payment operations through the regional offices of the State Treasury within whose jurisdiction they are based and where they have opened accounts for revenue, expenditure and cash balances.

(2) Public institutions are required to submit their approved budget, in accordance with the provisions of this Act, to the relevant territorial unit of the State Treasury.

(3) Executive authorities and the chairpersons of county councils are required to publish on the public institutions' websites and/or by public notice the draft budget, the approved budget, the budget implementation, the progress of budget implementation, the budget amendment and the implementation account, and to update this information at least once a quarter.

CHAPTER 6
Financial crisis and insolvency of local authorities

ART. 74
Financial crisis

(1) An administrative-territorial unit shall be deemed to be in financial crisis if it finds itself in one of the following situations:

a) failure to settle payment obligations that are due and payable and have been outstanding for more than 90 days, and

which exceed 15 per cent of the annual budget;

b) failure to pay salary entitlements provided for in the revenue and expenditure budget for a period exceeding 90 days from the due date;

c) when calculating the criterion set out in point (a), payment obligations that are due and payable but are the subject of contractual dispute shall not be taken into account.

(2) A financial crisis may be reported by the chief authorising officer of the local authority, the head of the finance and accounts department within the local public administration's own specialist apparatus, by secondary and tertiary authorising officers within public services subordinate to the local council, by the heads of commercial companies or autonomous public enterprises subordinate to the local council, by various creditors, by the director of the county directorate-general of public finance or that of the Municipality of Bucharest, and by the regional offices of the Court of Auditors. The report shall be submitted to the General Directorate of Public Finance of the county or of the Municipality of Bucharest and to the chief authorising officer of the administrative-territorial unit facing a financial crisis.

(3) Within 30 days of a request from any interested party, the chief authorising officer of the local authority is obliged to provide the economic and financial statement and a conclusion as to whether or not the provisions of paragraph (1) are met.

(4) The chief authorising officer, either on his or her own initiative or following notification of a financial crisis in accordance with paragraph (2), is obliged to convene the deliberative authority within 5 working days.

(5) The deliberative authority shall take note, in accordance with the law, of the existence of the financial crisis, mandate the chief authorising officer to draw up the financial recovery plan, and examine the proposals to be included in the financial recovery plan submitted by the chief authorising officer.

(6) The financial recovery plan shall be drawn up by the chief authorising officer, in conjunction with the general directorate of public finances of the county or

Bucharest Municipality and the regional offices of the Court of Auditors, within 30 days of the declaration of a state of crisis by the deliberative authority.

(7) The financial recovery plan shall contain:

a) an economic and financial analysis of the local authority;

b) measures to ensure the maintenance of essential public services by local public administration authorities throughout the duration of the financial recovery plan;

c) measures to increase the collection rate of own revenue, as well as to attract other revenue;

d) measures to reduce expenditure;

e) economic, financial and budgetary planning until recovery is achieved;

f) the allocation of tasks to ensure compliance with the provisions of the financial recovery plan, specifying objectives, responsible persons and deadlines.

(8) Monitoring the implementation and fulfilment of the measures contained in the financial recovery plan is the responsibility of the regional offices of the Court of Auditors.

(9) The financial recovery plan shall be submitted to the deliberative authority for approval within 3 working days of its drafting and shall be adopted within a maximum of 5 working days of its submission. If the financial recovery plan is not adopted, the deliberative authority shall meet within 3 working days of the date of the debate at its last sitting to reconsider it. If the financial recovery plan is not adopted, it shall be deemed to have been approved in the form proposed by the initiator.

(10) The financial recovery plan may be amended with the approval of the deliberative authority, subject to the conditions set out in paragraph (6), whenever necessary, should data, information or facts unknown at the time the financial crisis was reported come to light, provided that these may hinder the financial recovery process.

(11) The chief authorising officer is obliged, during the period in which the financial crisis recovery procedure is underway, to ensure the efficient and effective functioning of essential public services.

(12) Where the situation referred to in paragraph (1) ceases to exist, upon the proposal of the chief authorising officer and the regional offices of the Court of Auditors, the deliberative authority shall approve the termination of the state of financial crisis.

(13) The state of financial crisis, and its termination, shall be recorded, within 5 days of the declaration of the state of financial crisis by the chief authorising officer, or of the approval of the termination of the state of financial crisis, in the local register of financial crisis situations of administrative-territorial units, which is managed by the general directorates of public finance at county level and for the municipality of Bucharest, respectively. They shall report monthly on the commencement or termination of recorded financial crises to the Ministry of Public Finance, for entry in the national register of financial crises of administrative-territorial units.

ART. 75

Insolvency

(1) An administrative-territorial unit shall be deemed to be in a state of insolvency if it finds itself in one of the following situations:

a) failure to settle payment obligations that are due and payable, more than 120 days overdue and exceeding 50 per cent of the annual budget, excluding those subject to contractual dispute;

b) failure to pay the salary entitlements provided for in the revenue and expenditure budget for a period exceeding 120 days from the due date.

(2) Any creditor or group of creditors who has one or more certain, liquid and due claims against a local authority, with a combined value exceeding 50 per cent of its budget over a period of 120 consecutive days, may file an application with the court in whose jurisdiction the local authority is situated to open insolvency proceedings against that local authority.

(3) Within 30 days of a request from any interested party, the chief authorising officer of the administrative-territorial unit is obliged to provide the economic and financial statement and a conclusion as to whether or not the unit falls within the provisions of paragraph (1).

(4) The chief authorising officer of the administrative-territorial unit is obliged, within 15 days of the determination of the state of insolvency that has arisen in accordance with paragraph (1), to apply for the commencement of insolvency proceedings in respect of the administrative-territorial unit, by filing an application with the court within whose jurisdiction the administrative-territorial unit in question is situated. The chief authorising officer of the local authority is obliged to notify creditors and any interested parties of the commencement of insolvency proceedings.

(5) The premature or bad-faith filing by the chief authorising officer of the application referred to in paragraph (4) shall render him liable, in accordance with the law, for any loss caused to the interested party.

(6) The insolvency judge shall, by the order opening the insolvency proceedings, appoint an administrator.

(7) Within 60 working days of the administrator's appointment, the administrator shall draw up, in conjunction with the regional office of the Court of Auditors, a plan for the recovery of the administrative-territorial unit from insolvency.

(8) The administrator or the chief authorising officer, as the case may be, is obliged, during the course of the insolvency proceedings, to ensure the efficient and effective provision of essential public services, in accordance with the law.

(9) The insolvency recovery plan shall include:

a) measures to restore the financial viability of the local authority;

b) measures to ensure the continued provision of the administrative-territorial unit's essential services throughout the period of its insolvency;

c) a plan for the repayment of debts to creditors.

(10) The insolvency recovery plan shall be submitted to the local council for approval within 10 days of its preparation in accordance with the provisions of paragraph (7), and shall become binding on both the deliberative authority and the chief authorising officer of the local authority.

(11) In the event of failure to adopt the plan within the time limit set out in paragraph (10), the administrator shall propose to the insolvency judge that a ruling be issued for the administrator to assume the duties of chief authorising officer.

(12) The administrator shall monitor compliance with the insolvency recovery plan.

(13) In the event of non-compliance with the insolvency recovery plan, the administrator shall propose to the insolvency judge that the powers of the chief authorising officer be suspended and that a ruling be issued for the administrator to assume the powers of the chief authorising officer.

(14) The chief authorising officer and the decision-making body of the local authority are prohibited from exercising any powers with financial implications throughout the period of insolvency proceedings, in accordance with the provisions of paragraphs (11) to (13); such duties shall be exercised exclusively by the administrator appointed in accordance with paragraphs (6), (11) or (13).

(15) Where the insolvency referred to in paragraph (1) is found to have ceased, the insolvency judge, on the administrator's proposal, shall issue a ruling closing the insolvency proceedings of the administrative-territorial unit. The administrator is obliged to notify the chief authorising officer, the creditors and any interested parties of the order closing the insolvency proceedings.

(16) Upon the closure of the insolvency proceedings, the administrator shall be relieved of any duties or responsibilities relating to the conduct of the proceedings vis-à-vis the chief authorising officer, the assets of the local authority, and the creditors. Within 30 days of the notification referred to in paragraph (15), a handover report shall be drawn up between the administrator and the chief authorising officer concerning the operations carried out during the insolvency proceedings.

(17) The local authority shall revert to its status of financial crisis, and the chief authorising officer and the local council shall resume their duties and shall proceed in accordance with Article 74 to ensure the strict implementation of the financial recovery plan to bring the local authority out of financial crisis.

(18) The costs incurred in paying the administrator's remuneration and carrying out the insolvency recovery procedure shall be borne by the local authority and shall be met from its budget.

(19) The commencement of insolvency proceedings, and their conclusion, shall be recorded within 5 days of the declaration of insolvency, or of notification of the court order concluding the proceedings, by the chief authorising officer, in the local register of insolvency cases for administrative-territorial units, which is managed by the county directorates-general of public finance and the Bucharest municipal directorate-general of public finance, respectively. They shall report monthly on the opening or closure of insolvency proceedings registered to the Ministry of Public Finance, for entry in the national register of insolvency cases of administrative-territorial units.

CHAPTER 7

Institutional Provisions

ART. 76

The Committee on Local Public Finance

(1) The Committee for Local Public Finance is hereby established as a body with an advisory role in the process of drafting financial regulations directly concerning local budgets and in determining the balancing amounts to be allocated annually from the state budget to local budgets; it shall be a partnership-based structure without legal personality.

(2) The Committee on Local Public Finance shall consist of one representative appointed by each of the following:

a) the Romanian Parliament;

b) the Ministry of Administration and the Interior;

c) the Ministry of Public Finance;

d) the association of Romanian municipalities;

e) the association of towns in Romania;

f) the association of municipalities in Romania;

g) the association of county councils in Romania.

(3) The Ministry of Public Finance and the Ministry of Administration and the Interior, through their specialist departments, shall jointly provide the technical secretariat for the Committee on Local Public Finance.

(4) The operating procedures and powers of the Committee for Local Public Finance shall be laid down by a Government decision within 60 days of this Act coming into force.

CHAPTER 8

Penalties

ART. 77

Offences and penalties

(1) The following acts constitute offences:

a) committing, authorising and making payments in excess of the maximum limits of the amounts approved under the expenditure section, through the budgets provided for in Article 1(2);

b) committing expenditure from the budgets referred to in Article 1(2) in excess of the approved budgetary appropriations;

#M5

*c) *** Repealed*

*d) *** Repealed*

#B

e) the exercise of any powers with financial implications throughout the period of insolvency proceedings, in accordance with the provisions of Article 75(11) to (13), by the chief authorising officer or by the deliberative authority of the local authority subject to insolvency proceedings.

(2) The offences referred to *in* **#M5***(1)(a)* **#B** are punishable by imprisonment for a term of one to three months or by a fine of between 5,000 and 10,000 lei, whilst the offences

referred to in paragraph (1)(b) and (e) shall be punishable by imprisonment for a term of between one and three years or by a fine of between 10,000 and 25,000 lei.

ART. 78

Misdemeanours and penalties

(1) The following acts constitute administrative offences:

(a) failure to comply with the provisions of Article 9(2), Article 14(3) and (4), Article 19 (2), Article 40, Article 44, Article 45, Article 57 and Article 69(2) and (4);

b) failure to comply with the provisions of Article 5(2)–(4), Article 24(3), Article 26((4), Article 32(1) to (4), Article 33(3) to (6), Article 39(2) and Article 49(3) to (5) and (7), Article 51(1), Article 54(2) to (6) and (9), Article 55(1), Article 56(1), Article 61(3), Article 62(9) and (10), Article 70(1), Article 72(2), Article 73((3), Article 74(4), (6) and (13) and Article 75(19);

c) failure to comply with the provisions of Article 4(4) and (6), Article 14(1), Article 23, Article 30 (3) to (6), Article 32(7), Article 38, Article 39(3) to (6), Article 63, Article 73(1) and Article 75(4) and (6);

#M7

d) failure to comply with the provisions of Article 33(7^1) and (7^2).

#B

(2) The offences referred to in paragraph (1)(a) shall be punishable by a fine of between 500 lei and 1,500 lei; those referred to in paragraph (1)(b) shall be punishable by a fine of between 1,000 lei and 2,500 lei, and those under paragraph (1)(c) with a fine of between 3,000 lei and 5,000 lei.

#M7

(2^1) The offences referred to in paragraph (1)(d) shall be punishable by a fine of between 10,000 lei and 50,000 lei.

#B

(3) The detection of offences and the imposition of fines shall be carried out by persons authorised for this purpose by the Court of Auditors, the Ministry of Administration and the Interior and the Ministry of Public Finance, in accordance with the law.

ART. 79

Legislation applicable to the administrative offence

The offences set out in Article 78 are subject to the provisions of Government Ordinance No. 2/2001 on the legal regime governing administrative offences, approved with amendments and additions by Law No. 180/2002, as subsequently amended and supplemented, with the exception of Articles 28 and 29.

CHAPTER 9

Final Provisions

ART. 80

Public accounting

(1) The public accounts of local public institutions, as defined under this Act, shall comprise:

a) accounting for budgetary revenue and expenditure, reflecting the collection of revenue and the payment of expenditure relating to the financial year;

b) general accounts, based on the accrual basis of accounting, reflecting changes in the financial and asset position, as well as any surplus or deficit in assets;

c) accounting designed to analyse the costs of approved programmes.

(2) The Ministry of Public Finance shall lay down, by means of methodological guidelines, the accounting procedures and the reporting system concerning the information provided by public accounts.

ART. 81

Revenue regime for the budgets referred to in Article 1(2)

The preparation and submission of returns, the settlement of budgetary obligations, the resolution of appeals, tax audits, the enforcement of budgetary claims, and matters relating to tax evasion shall be governed by the relevant legislation.

ART. 82

Allocation of sums from the budgetary reserve and intervention funds at the Government's disposal

#M11

The amounts approved by Government decision, drawn from the budgetary reserve and intervention funds at the Government's disposal, as well as other amounts allocated from the state budget or withdrawn by legislative acts, shall be used to increase or decrease local budgets, as appropriate, by order of the executive authority, in accordance with the law, with the relevant amendments to be validated at the first meeting of the deliberative authority.

#B

ART. 83

Amounts of revenue earmarked for specific purposes

Amounts relating to special deposits set up for housing construction, in accordance with the law, shall be held in a separate account opened in the name of the local authorities at the State Treasury, outside the local budgets, and the implementation account shall be approved by the local council, county council or the General Council of Bucharest, as appropriate.

ART. 84

Methodological rules and instructions

In implementing the provisions of this Act, the Ministry of Administration and the Interior and the Ministry of Public Finance are authorised to issue methodological guidelines and implementing instructions.

ART. 85

Procedure for financial crisis and insolvency of administrative-territorial units

Within 6 months of this Act coming into force, the Ministry of Administration and the Interior and the Ministry of Public Finance shall draw up a draft special Act on the procedure for implementing the provisions of Articles 74 and 75.

ART. 86

Entry into force

(1) This Act shall enter into force on 1 January 2007, with the following exceptions:

a) Article 61, which shall enter into force 3 days after the date of publication of this Act in the Official Gazette of Romania, Part I;

#M7

b) Article 33(4)(f) and (g) shall enter into force on 1 January 2008, and Articles 74 and 75 shall enter into force on the date of entry into force of the special law referred to in Article 85;

#B

c) Article 26(7), Article 33(8) and Article 41, which shall enter into force on 1 January 2008, with a view to underpinning the budget forecast for 2009.

(2) On the date of entry into force of this Act, Government Emergency Ordinance No. 45/2003 on local public finances, **#M1** *published in the Official Gazette of Romania, Part I, No. 431 of 19 June 2003,* **#B** approved with amendments and additions by Law No. 108/2004, as subsequently amended and supplemented, as well as any other provisions to the contrary.

#CIN

NOTE:

The provisions of Articles II and III of Government Emergency Ordinance No. 28/2008 (#M7) are reproduced below.

#M7

"ART. II

For entities established prior to the date of entry into force of this Emergency Ordinance, the application referred to in Article 32((7) of Law No. 273/2006 on local public finances, as subsequently amended and supplemented, including the amendments provided for in this Emergency Ordinance, shall be made within 15 days of the date of entry into force of this Emergency Ordinance."

#M7

"ART. III

The provisions of this Emergency Ordinance shall enter into force 3 days after their publication in the Official Gazette of Romania, Part I, with the exception of points 4 and 5 of Article I, which shall enter into force on 1 January 2009 and shall be used for the allocation of the shares deducted from income tax and the amounts deducted from certain state budget revenues intended to balance local budgets from 2009 onwards."

#B

ANNEX 1

LIST
of taxes, duties and other revenues of local budgets

No. No.	Name of revenue

CHAPTER 1

Revenue provided for in the counties' own budgets

A. Own revenue:
1. Profit tax from autonomous public enterprises and commercial companies under the authority of county councils
2. Shares of income tax:
   a) shares of income tax;
   b) amounts allocated by the county council from the shares of income tax to to balance local budgets.
3. Other taxes on income, profits and capital gains:
   - other taxes on income, profits and capital gains
4. Charges for the use of property, authorisation to use property or the carrying out of activities:
   a) tax on means of transport;
   b) fees and charges for the issue of licences and operating permits.
5. Income from property:
   a) contributions from the net profit of autonomous public utilities under the authority of county councils;
   b) reimbursements of funds from budgetary financing in previous years;
   c) revenue from concessions and rentals;
   d) income from dividends;
   e) other revenue from property.
6. Revenue from the provision of services and other activities:
   a) revenue from the provision of services;
   b) monthly contributions from parents towards the maintenance of children in social care institutions;
   c) income from the recovery of legal costs, charges and compensation;
   d) other income from the provision of services and other activities.
7. Fines, penalties and confiscations:
   a) income from fines and other sanctions imposed in accordance with the law;
   b) proceeds from the sale of confiscated, abandoned and other amounts identified at the time of confiscation, in accordance with the law;
   c) other fines, penalties and confiscations.
8. Revenue from the realisation of certain assets:
   a) revenue from the disposal of certain assets belonging to public institutions;
   b) revenue from privatisation;
   c) revenue from the sale of assets belonging to the private sector.

B. Amounts deducted from certain state budget revenues
C. Donations and sponsorships
D. Grants from the state budget and from other public authorities
E. Financial operations.

CHAPTER 2

Revenue provided for in the own budgets of communes, towns, municipalities, sectors of Bucharest and the municipality of Bucharest

A. Own revenue:
1. Profit tax from autonomous public enterprises and commercial companies under the authority of local councils
2. Shares of income tax:
   a) shares of income tax;
   b) amounts allocated by the county council from the shares of income tax to to balance local budgets.
3. Other taxes on income, profits and capital gains:
   - other taxes on income, profits and capital gains.
4. Property taxes and charges:

a) property tax;
b) land tax;
c) legal stamp duties, stamp duties on notarial services and
other stamp duties;
d) other property taxes and duties.

5. Other general taxes and duties on goods and services:
   - hotel taxes.
6. Taxes on specific services:
   a) entertainment tax;
   b) other charges on specific services.
7. Charges on the use of goods, authorisation to use goods or the carrying out of activities:
   a) taxes on means of transport;
   b) fees and charges for the issue of licences and operating permits;
   c) other charges on the use of goods, authorisation for the use of goods or
   on the carrying out of activities.
8. Other taxes and fiscal charges:
   - other taxes and fiscal charges.
9. Income from property:
   a) contributions from the net profit of autonomous public utilities under the authority of local councils;
   b) repayments of funds from budgetary financing in previous years;
   c) income from concessions and rentals;
   d) income from dividends;
   e) other property income.
10. Interest income:
   - other interest income.
11. Income from the provision of services and other activities:
   a) income from the provision of services;
   b) contributions from parents or legal guardians towards the cost of childcare in nurseries;
   c) contributions from beneficiaries of social welfare canteens;
   d) fees from land registry and agricultural activities;
   e) monthly contributions from parents towards the care of children in social care facilities;
   f) revenue from the recovery of legal costs, charges and compensation;
   g) other revenue from the provision of services and other activities.
12. Revenue from administrative fees and the issue of permits:
   a) extrajudicial stamp duties;
   b) other revenue from administrative fees and the issuing of permits.
13. Fines, penalties and confiscations:
   a) revenue from fines and other sanctions imposed in accordance with the law;
   b) penalties for failure to submit or late submission of tax returns tax and duty returns;
   c) proceeds from the disposal of confiscated or abandoned property and other amounts
   ascertained at the time of confiscation, in accordance with the law;
   d) other fines, penalties and confiscations.
14. Miscellaneous revenue:
   a) revenue and/or cash surpluses from public institutions;
   b) other revenue.
15. Revenue from the disposal of assets:
   a) revenue from the disposal of assets belonging to public institutions;
   b) revenue from the sale of housing built using state funds;
   c) revenue from privatisation;
   d) revenue from the sale of assets belonging to the private sector.

B. Amounts deducted from certain state budget revenues

C. Donations and sponsorships
D. Grants from the state budget and from other public authorities
E. Financial transactions.

NOTE:

Local budget revenue may be updated as a result of improvements to tax legislation, as well as through annual budget laws, in line with programmes to increase the financial autonomy of administrative-territorial units and to decentralise public services.

ANNEX 2

LIST
of expenditure to be provided for in local budgets

No. No.	Description of expenditure

CHAPTER 1
Expenditure provided for in the counties' own budgets

1. Public authorities and external activities:
   - executive authorities.
2. Other general public services:
   a) the budgetary reserve fund available to local public administration authorities;
   b) the guarantee fund for external loans, contracted or guaranteed by the state;
   c) the for guaranteeing external , contracted/guaranteed by local public administration authorities;
   d) community public services for the registration of persons;
   e) other general public services.
3. Interest
4. Transfers with a general between different levels of government:
   - transfers from county council budgets to fund child protection day centres.
5. Defence:
   - national defence (military centres).
6. Public order and national security:
   a) community policing;
   b) civil protection and fire safety.
7. Education:
   a) pre-school and primary education*);
   - pre-school education*);
   - primary education*);
   b) special needs education;
   c) other expenditure in the field of education.

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*) This includes expenditure on the provision of dairy and bakery products, in accordance with Government Emergency Ordinance No. 96/2002 on

the provision of dairy and bakery products to pupils in Years 1 to
IV in state education, as well as for pre-school children in state nurseries with a standard 4-hour programme, approved with amendments and additions by Law No. 16/2003, as subsequently amended and supplemented.

8. Health:
   a) medical services in inpatient healthcare facilities:
   - general hospitals;
   b) other expenditure in the health sector:
   - other healthcare institutions and initiatives.
9. Culture, recreation and religion:
   a) cultural services:
   - county public libraries;
   - museums;
   - public theatres and concert halls;
   - community arts and crafts schools;
   - centres for the preservation and promotion of traditional culture;
   - consolidation and restoration of historic monuments;
   - other cultural services;
   b) recreational and sporting services:
   - sport;
   c) religious services;
   d) other services in the fields of culture, recreation and religion.
10. Insurance and social care:
   a) assistance for the elderly;
   b) social assistance in the event of illness or disability:
   - social assistance in the event of disability;
   c) social assistance for families and children;
   d) other expenditure in the field of social security and social assistance.
11. Housing, services and public development:
   a) water supply and hydraulic engineering works:
   - water supply;
   - hydraulic engineering works;
   b) other services in the fields of housing, services and municipal development.
12. Environmental protection:
   a) sanitation and waste management:
   - waste collection, treatment and disposal.
13. General economic, commercial and labour measures:
   a) general economic and commercial activities:
   - prevention and control of floods and ice;
   - regional and local development programmes;
   - other expenditure on general economic and commercial measures.
14. Fuel and energy:
   a) thermal energy;
   b) other expenditure on fuel and energy.
15. Agriculture, forestry, fisheries and hunting:
   a) agriculture:
   - plant protection and phytosanitary quarantine.
16. Transport:
   a) road transport:
   - roads and bridges;
   b) air transport:
   - civil aviation;
   c) other transport expenditure.
17. Other economic activities:
   a) free zones;
   b) tourism;
   c) multifunctional development projects;
   d) other economic activities.

CHAPTER 2

Expenditure provided for in the own budgets of communes, towns, municipalities, sectors of Bucharest and the municipality of Bucharest

1. Public authorities and external activities:
   - executive authorities.
2. Other general public services:
   a) the budgetary reserve fund available to local public administration authorities;
   b) the guarantee fund for external loans, contracted or guaranteed by the state;
   c) the for guaranteeing external , contracted/guaranteed by local public administration authorities;
   d) community public services for the registration of persons;
   e) other general public services.
3. Interest
4. Transfers with a general between different levels of administration:
   - transfers from local budgets to social care institutions for people with disabilities.
5. Defence:
   - national defence (military centres).
6. Public order and national security:
   a) community policing;
   b) civil protection and fire safety.
7. Education:
   a) pre-school and primary education:
   - pre-school education;
   - primary education;
   b) secondary education:
   - lower secondary education;
   - upper secondary education;
   - vocational education;
   c) post-secondary education;
   d) special needs education*);
   e) support services for education:
   - boarding schools and canteens for pupils;
   - other ancillary services;
   f) other expenditure in the field of education.

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*) For the budgets of the sectors of Bucharest.

8. Health:
   a) medical services in inpatient healthcare facilities:
   - general hospitals;
   b) other expenditure in the health sector:
   - other healthcare institutions and initiatives.
9. Culture, leisure and religion:
   a) cultural services:
   - communal, town and municipal public libraries;
   - museums;
   - public theatres and concert halls;
   - community arts and crafts schools**);
   - cultural centres;
   - cultural centres;
   - centres for the preservation and promotion of traditional culture;
   - consolidation and restoration of historic monuments;
   - other cultural services;
   b) recreational and sporting services:
   - sport;
   - youth;
   - maintenance of public gardens, parks, green spaces, sports and

leisure facilities;
c) religious services;
d) other services in the fields of culture, recreation and religion.

**) For the budget of the Municipality of Bucharest.

10. Insurance and social assistance:
a) social assistance in the event of illness and disability:
- social assistance in the event of disability;
b) social assistance for families and children*);
c) housing benefits;
d) nurseries;
e) prevention of social exclusion:
- social assistance;
- social welfare canteens;
f) other expenditure in the field of social insurance and social assistance.

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*) For the budgets of the sectors of Bucharest Municipality.

11. Housing, services and public development:
a) housing:
- development of the housing system;
- other expenditure in the field of housing;
b) water supply and hydraulic engineering works:
- water supply;
- hydraulic engineering works;
c) street lighting and rural electrification;
d) natural gas supply in localities;
e) other services in the fields of housing, utilities and municipal development.
12. Environmental protection:
a) sanitation and waste management:
- sanitation;
- collection, treatment and disposal of waste;
b) sewerage and wastewater treatment.
13. General economic, commercial and labour measures:
a) general economic and commercial measures:
- prevention and control of floods and ice;
- support for small and medium-sized enterprises;
- regional and local development programmes;
- other expenditure on general economic and trade measures.
14. Fuel and energy:
a) thermal energy;
b) other fuels;
c) other expenditure on fuels and energy.
15. Agriculture, forestry, fisheries and hunting:
a) agriculture:
- plant protection and phytosanitary quarantine*);
- other expenditure in the agricultural sector.
16. Transport:
a) road transport:
- roads and bridges;
- public transport;
- streets;
b) other transport expenditure.
17. Other economic activities:
a) the Romanian Social Development Fund;
b) free zones;
c) tourism;
d) multifunctional development projects;
e) other economic initiatives.

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*) For the budget of the Municipality of Bucharest.

NOTE:

Local budget expenditure may be updated as a result of improvements to tax legislation, as well as through annual budget laws, in line with programmes to increase the financial autonomy of administrative-territorial units and to decentralise public services.