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The Law on Fiscal and Budgetary Responsibility

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CHAPTER I
General Provisions

ART. 1
The main objectives of this Act are:
1. to ensure and maintain fiscal and budgetary discipline, transparency and the medium- and long-term sustainability of public finances;
2. to establish a framework of principles and rules on the basis of which the Government shall ensure the implementation of fiscal and budgetary policies leading to sound financial management of resources;
3. the efficient management of public finances to serve the long-term public interest, ensure economic prosperity and anchor fiscal and budgetary policies within a sustainable framework.
ART. 2
The provisions of this Act shall apply to the public authorities, institutions and entities and/or public utility bodies referred to in Article 2(30) of Act No. 500/2002 on public finances, as subsequently amended and supplemented, and, respectively, in Article 2(39) of Law No. 273/2006 on local public finances, as subsequently amended and supplemented, funded in accordance with Article 62 of Law No. 500/2002, as subsequently amended and supplemented, and Article 67 of Law No 273/2006, as subsequently amended and supplemented, as well as other entities classified within the public administration in accordance with Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European System of National and Regional Accounts in the European Union, published in the Official Journal of the European Union, Series L, No 174 of 26 June 2013.
ART. 3
For the purposes of this Act, the following terms shall be defined as follows:
1. fiscal and budgetary strategy – the public policy document setting out the objectives and priorities in the fiscal and budgetary field, the revenue and expenditure targets for the consolidated general budget and the component budgets of the consolidated general budget, as well as the evolution of the consolidated general budget balance over a three-year period;
2. the consolidated general budget – the aggregate of the component budgets of the budgetary system, including the state budget, the state social insurance budget, the budgets of special funds, the centralised general budget of administrative-territorial units, the State Treasury budget, the budgets of autonomous public institutions, and the budgets of public institutions financed wholly or partly from

the state budget, the state social security budget and the budgets of special funds, as applicable; the budgets of public institutions financed entirely from their own revenue; the budget of funds derived from external loans contracted or guaranteed by the State, the repayment, interest and other costs of which are covered by public funds; the budget of non-repayable external funds; as well as that of other entities classified within the public administration, aggregated, consolidated and adjusted in accordance with Regulation (EU) No 549/2013 to form a single whole;

3. fiscal and budgetary framework – a summary presentation of the main budgetary indicators, covering both revenue and expenditure, including an aggregated description of fiscal and budgetary policy;

4. public debt, in accordance with the European Union methodology – the general government debt reported to the European Commission (Eurostat) and published by Eurostat, expressed as a percentage of gross domestic product;

5. primary expenditure of the consolidated general government budget – expenditure of the consolidated general government budget, from which interest payments on public debt have been deducted;

6. consolidated general government budget balance – the difference between the revenue of the consolidated general government budget and the expenditure of the consolidated general government budget;

7. the primary balance of the general consolidated budget – the difference between the primary revenue and expenditure of the general consolidated budget;

8. deterioration in the consolidated general government budget balance – the increase in the consolidated general government budget deficit or the reduction in the consolidated general government budget surplus compared with that set out in the fiscal and budgetary strategy for the year in question;

9. annual structural balance of general government – the cyclically adjusted annual balance, net of one-off and temporary measures, calculated in accordance with the methodology agreed at European Union level;

10. medium-term budgetary objective – the target for the annual structural balance of general government, established in accordance with Council Regulation (EC) No 1466/1997 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies, published in the Official Journal of the European Communities, Series L, No 209 of 2 August 1997, as subsequently amended and supplemented;

11. public administration – an institutional unit forming part of the national economy, as defined in Regulation (EU) No 549/2013;

12. extraordinary circumstances – an unusual event over which the public administration authorities have no control and which has a major impact on the financial position of the public administration, or periods of severe economic recession, as defined in the revised Stability and Growth Pact;

13. Stability and Growth Pact – an instrument ensuring budgetary discipline among Member States, to prevent the occurrence of an excessive deficit in accordance with Regulation (EC) No 1466/1997, as subsequently amended and supplemented, and Council Regulation (EC) No 1467/1997 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure, published in the Official Journal of the European Communities, Series L, No 209 of 2 August 1997, as subsequently amended and supplemented;

14. social security administrations – has the meaning set out in Regulation (EU) No 549/2013;

15. economic cycle – defined and measured in accordance with methodologies recognised at European Union level;

16. staff costs – the total expenditure incurred from the general consolidated budget for staff in the public sector during a financial year, namely expenditure on basic salaries, basic post allowances and monthly grade allowances, bonuses, allowances, prizes, incentives and other salary-related entitlements, whether in cash or in kind, established in accordance with the law, as well as the employer's social security contributions relating to

them;

17. financial assistance from the European Union and other donors – non-repayable financial assistance received by Romania in the form of pre-accession and post-accession grants in accordance with the provisions of the memoranda and financing agreements concluded between the European Commission or other donors and the Government of Romania;

18. the centralised budget of local authorities – the revenue and expenditure of the general budgets of local authorities, as defined in Article 3(1) of Law No 273/2006, as subsequently amended and supplemented;

19. investment expenditure – has the meaning set out in Law No 500/2002, as subsequently amended and supplemented;

20. tax expenditure – all provisions of tax legislation, regulations or legislative rules whose effect is to reduce budgetary revenue or defer its collection, applicable to certain categories of taxpayers, in relation to generally established taxation standards. These may include tax exemptions, deductions and reliefs, reduced tax rates, and differentiated rules for calculating taxes, duties and contributions established with a view to granting preferential treatment to a category of taxpayers, as well as any other tax regulations likely to reduce budget revenue.

CHAPTER II
The principles, objectives and rules of fiscal policy

SECTION 1
Principles of fiscal and budgetary policy

ART. 4

(1) The Government of Romania shall define and implement fiscal and budgetary policy on the basis of the following principles:

1. The principle of transparency regarding the setting of fiscal and budgetary objectives and the implementation of fiscal and budgetary policy

The Government and local public authorities are obliged to make public, and to keep open for discussion for a reasonable period of time, all the information necessary to assess the implementation of fiscal and budgetary policies, their outcomes, and the state of central and local public finances, respectively.

2. The principle of stability

The Government is obliged to conduct fiscal and budgetary policy in a manner that ensures its predictability in the medium term, with a view to maintaining macroeconomic stability.

3. The principle of fiscal responsibility

The Government is obliged to conduct fiscal and budgetary policy prudently and to manage budgetary resources and liabilities, as well as fiscal risks, in a manner that ensures the sustainability of the fiscal position in the medium and long term. The sustainability of public finances requires that, in the medium and long term, the Government be able to manage risks or unforeseen circumstances without having to make significant adjustments to expenditure, revenue or the budget deficit that would have destabilising economic or social effects.

4. The principle of equity

The Government will implement its fiscal and budgetary policy whilst taking into account the potential financial impact on future generations, as well as the impact on economic development in the medium and long term.

5. The principle of efficiency

The Government's fiscal and budgetary policy will be based on the efficient use of limited public resources, will be defined on the basis of economic efficiency, and decisions on the allocation of public investment, including those financed from non-repayable funds received from the European Union and other donors, will be based, inter alia, on economic assessment, as well as on an assessment of absorption capacity.

6. The principle of efficient management of staff costs paid from public funds

The policy on salaries and staffing levels for institutions, authorities, public bodies and/or public utility organisations must be in line with the fiscal and budgetary targets set out in the fiscal and budgetary strategy, with the aim of improving the efficiency of the management of funds earmarked for this purpose.

(2) The principles set out in paragraph (1) shall apply mutatis mutandis to local public administration authorities and, respectively, to other entities whose budgets form part of the general consolidated budget. SECTION 2 Objectives of fiscal and budgetary policy Art. 5. – (1) The Government is obliged to fulfil the objectives of fiscal and budgetary policy, and to draw up and implement the annual fiscal and budgetary strategy in accordance with the fiscal and budgetary rules laid down in this Act.

(2) The objectives of fiscal and budgetary policy are:

a) to maintain public debt at a sustainable level in the medium and long term;

b) the prudent management of the public sector's resources and liabilities, and of fiscal and budgetary risks;

c) to maintain an adequate level of budgetary resources for the servicing of public debt;

d) ensuring the predictability of tax rates and tax bases.

SECTION 3

Rules of fiscal and budgetary policy

ART. 6

In order to comply with the reference values for the budget deficit and public debt, as set out in Protocol No 12 on the excessive deficit procedure, annexed to the Treaty on the Functioning of the European Union, the general government budgetary position shall be in balance or in surplus.

ART. 7

The rule laid down in Article 6 shall be deemed to have been complied with if one of the following conditions is met:

a) the medium-term budgetary objective does not exceed a lower limit for the annual structural balance of general government of –0.5 per cent of gross domestic product at market prices;

b) where the ratio of public debt, calculated in accordance with the European Union methodology, to gross domestic product at market prices is significantly below 60 per cent and where the risks to the long-term sustainability of public finances are low, the lower limit of the medium-term budgetary objective may not exceed an annual structural balance of general government of no more than -1.0 per cent of gross domestic product at market prices;

c) the annual structural deficit of the general government shall converge towards the medium-term budgetary objective in accordance with an adjustment timetable agreed with the institutions of the European Union, in accordance with Regulation (EC) No 1466/1997, as subsequently amended and supplemented.

ART. 8

(1) A temporary deviation from the rules laid down in Articles 7 and 14 is permitted only in the event of extraordinary circumstances, and such a deviation must not jeopardise medium-term fiscal sustainability.

(2) Following a periodic analysis of the macroeconomic situation, including forecasts of macroeconomic indicators, the Government shall publicly announce, where appropriate, the onset of extraordinary circumstances and seek the Fiscal Council's opinion on this matter.

(3) The Fiscal Council may directly notify the Government of the onset of extraordinary circumstances, whilst also presenting an economic analysis to support this assessment.

(4) After considering the Fiscal Council's opinion expressed in accordance with the provisions of paragraph (2) or (3), the Government shall, where appropriate, inform the Romanian Parliament and the European Commission of the onset of extraordinary circumstances and of the application of the provisions of paragraph (1).

(5) Following a periodic review of the macroeconomic situation, including forecasts of macroeconomic indicators, the Government shall publicly announce, where appropriate, the cessation of extraordinary circumstances and shall seek the Fiscal Council's opinion on this matter.

(6) The Fiscal Council may directly notify the Government of the cessation of extraordinary circumstances, whilst also presenting an economic analysis to support this view.

(7) After analysing the Fiscal Council's opinion, expressed in accordance with the provisions of paragraph (5) or (6), the Government shall, where appropriate, inform the Romanian Parliament and the European Commission of the cessation of extraordinary circumstances and of the country's return to compliance with the rules laid down in Articles 7 and 14.

(8) Following each instance where extraordinary circumstances cease to apply, the corrective measures applied in accordance with the provisions of Article 14 shall lead to an improvement in the structural balance of the general consolidated budget at least equal to the requirements of the Stability and Growth Pact.

(9) Where the Government disagrees with the Fiscal Council's opinions issued in relation to the application of the provisions of Articles 6–9 and Article 14, it shall publicly explain the differences of opinion.

ART. 9

Public debt, in accordance with the European Union methodology, shall not exceed 60 per cent of gross domestic product.

ART. 10

Where the ratio of public debt, in accordance with the European Union methodology, and gross domestic product exceeds the reference value of 60 per cent of gross domestic product, as referred to in Article 1 of Protocol No 12 on the excessive deficit procedure, annexed to the Treaties of the European Union, public debt shall be reduced at an average rate of 5 per cent per annum, as a reference rate, as provided for in Article 2 of Regulation (EC) No 1467/1997, as amended by Council Regulation (EU) No 1177/2011 of 8 November 2011, published in the Official Journal of the European Union, Series L, No 306 of 23 November 2011.

ART. 11

In order to improve the coordination of public debt issuance planning at European Union level, the Ministry of Public Finance shall submit ex ante reports to the European Commission concerning the public debt issuance plan.

ART. 12

Fiscal policy shall be conducted in accordance with the following fiscal rules:

a) the balance of the consolidated general budget and the staff costs of the consolidated general budget, expressed as a percentage of gross domestic product, may not exceed the annual ceilings set out in the fiscal framework of the fiscal strategy for the first two years covered by it;

b) the balance and, respectively, the primary balance of the consolidated general budget, taking into account its components, for the following financial year, may not exceed the ceiling set by the fiscal and budgetary framework in the fiscal and budgetary strategy, as approved by Parliament;

c) total expenditure of the consolidated general budget, excluding financial assistance from the European Union and other donors, and staff costs, taking into account the state budget, the state social security budget, local budgets, the budgets of self-financing institutions, the budgets of special funds and other constituent budgets, shall not exceed the ceiling specified in the fiscal and budgetary framework set out in the fiscal and budgetary strategy for the following financial year;

d) the annual increase in public administration expenditure shall comply with the provisions of Regulation (EC) No 1466/1997, as subsequently amended and supplemented;

e) during the financial year, commitment appropriations and budget appropriations approved but not utilised for investment expenditure may not be transferred and used for current expenditure;

f) Notwithstanding the provisions of point (e), during the financial year, transfers of approved and unused commitment and budget appropriations for investment expenditure may be made, provided that such transfers are made to secure the necessary funds for projects financed from non-repayable pre-accession/post-accession external funds and from repayable funds, or when they are made within the framework of such projects, and only up to a limit of 20 per cent of the appropriations approved for investment expenditure;

g) where the positive balance of the consolidated general budget for the relevant financial year and the following two years is higher than forecast, the difference shall be used to reduce the public debt accumulated in previous years.

ART. 13

Limits on public debt calculated in accordance with the European Union methodology:

1. If public debt exceeds 45 per cent of gross domestic product but is below 50 per cent of gross domestic product, the Ministry of Public Finance shall submit a report to the Government justifying the increase in debt and shall put forward proposals for maintaining this indicator at a sustainable level.

2. If public debt exceeds 50 per cent of gross domestic product but is below 55 per cent of gross domestic product:

a) the Government shall publicly present and implement, as soon as possible, a programme to reduce the ratio of public debt to gross domestic product;

b) the programme referred to in point (a) shall include, but not be limited to, measures to freeze total expenditure on public sector wages;

c) the measures contained in the programme referred to in point (a) shall be implemented through the adoption of legislation, so as to ensure that the measures take effect as soon as possible, at the latest in the half-year following that in which the public debt ratio was found to have been exceeded.

3. If public debt exceeds 55 per cent of gross domestic product but is below 60 per cent of gross domestic product:

a) the provisions of point 2 shall apply;

b) the Government shall introduce measures to freeze total expenditure on social assistance within the public system;

c) the measures set out in point (b) shall be implemented through the adoption of legislation, so as to ensure their application as soon as possible, at the latest in the half-year following that in which the public debt ratio was found to have been exceeded.

4. If public debt exceeds 60 per cent of gross domestic product:

a) the provisions of point 3 shall apply;

b) the Government shall initiate and implement a public debt reduction programme in accordance with the provisions of Article 10;

c) the measures contained in the programme referred to in point (b) shall be implemented through the adoption of legislative acts, identifying urgent measures to reduce the budget deficit and public debt, no later than the half-year following that in which the public debt ratio was found to have been exceeded.

5. The provisions of points 2, 3 and point 4(a) shall not apply in the event of extraordinary circumstances, provided that such non-application does not jeopardise the medium- and long-term sustainability of public debt.

SECTION 4
The correction mechanism

ART. 14
(1) Where a deviation from the medium-term budgetary objective or from the adjustment path towards it is identified, the Government shall approve or, where appropriate, submit to Parliament for adoption a set of measures aimed at correcting that deviation.
(2) For the purposes of this Article, a deviation from the medium-term budgetary objective shall have the meaning set out in Article 6 of Regulation (EC) No 1466/1997, as subsequently amended and supplemented.
(3) The measures to correct the deviation shall be formulated in quantifiable terms, spread over several years, and shall take effect no later than the following financial year.
(4) The measures to correct the deviation shall be proportionate to the size of the deviation.
(5) Measures to correct the deviation shall be applied as a priority to those budgets or entities within the public administration that caused the deviation.
(6) Measures to correct the deviation shall ensure the implementation of the recommendations addressed to Romania by the institutions of the European Union, as well as a pace of correction established in accordance with the Stability and Growth Pact.
(7) A deviation from the medium-term budgetary objective or from the adjustment path towards it may be identified in any of the following ways:
a) on the basis of documents issued by the European Union institutions, in the context of the budgetary surveillance process;
b) on the initiative of the Government, in which case it shall seek the opinion of the Fiscal Council.
(8) The Fiscal Council issues opinions on measures to correct the deviation, as well as on their implementation.
(9) The Government shall inform Parliament's committees on the budget, finance and banking of the finding of a deviation, as well as of the measures to correct it.

CHAPTER III
Budgetary Expenditure

SECTION 1
Expenditure impact assessment

ART. 15
(1) In the case of proposals to introduce measures, policies or legislative initiatives whose adoption would result in an increase in budgetary expenditure, the proposers are required to submit:
a) the financial statement provided for in Article 15 of Law No. 500/2002, as subsequently amended and supplemented, accompanied by the assumptions and calculation methodology used;
b) a statement confirming that the increase in expenditure in question is consistent with the strategic objectives and priorities set out in the fiscal and budgetary strategy, with the annual budget law and with the expenditure ceilings set out in the fiscal and budgetary strategy.
(2) The Ministry of Public Finance is obliged to verify the financial statement submitted in accordance with the provisions of paragraph (1). To this end, the Ministry of Public Finance may seek the opinion of the Fiscal Council.

SECTION 2
Staff costs

ART. 16
The Government and each authorising officer, as well as any entity responsible for drawing up pay policies and agreements in the public sector, must ensure that all such pay policies and agreements are consistent with the principles of fiscal responsibility, fiscal rules, and the objectives and limits set out in the fiscal and budgetary strategy.

ART. 17
(1) No legislation may be enacted less than 180 days before the expiry of the Government's term of office, in accordance with Article 110(1) of the Constitution of Romania, as republished, which leads to an increase in staff costs or pensions in the public sector.
(2) The total staff expenditure of the consolidated general budget may not be increased during the financial year through budgetary amendments.
(3) Negotiations concerning certain entitlements which, by law, are determined by collective labour agreements may only be finalised once the fiscal and budgetary framework set out in the fiscal and budgetary strategy has been approved, in compliance with the established ceilings on staff expenditure.

ART. 18
(1) In relation to the targets set out in Article 37(4), the implementation of staff expenditure is assessed by the Ministry of Public Finance at the end of each quarter.
(2) In order to remain within the quarterly limits for staff expenditure, authorising officers may reduce salary entitlements which are established by law as variable amounts and those whose payment is discretionary, in accordance with the law.
(3) In exceptional and duly justified cases where a chief authorising officer fails to remain within the quarterly limit for staff expenditure, the Ministry of Public Finance may approve an increase in that limit, provided that the chief authorising officer demonstrates compliance with the provisions of paragraph (2) and that they remain within the approved annual budget for this purpose.
(4) Chief authorising officers who find themselves in the situation referred to in paragraph (3) are obliged, during the quarter following the quarter for which the limit on staff expenditure was increased, to achieve savings in staff expenditure equal to the amount by which the previous quarterly limit was increased.
(5) Chief authorising officers are required to take all necessary measures both to comply with the provisions of paragraph (4), and to meet the quarterly targets for total expenditure, including by reducing the number of funded posts and their budgets and, where appropriate, by making some of the permanent staff redundant in accordance with the law.
(6) Until the obligation set out in paragraph (4) has been fulfilled, chief authorising officers whose quarterly limit for staff expenditure has been increased shall be prohibited from:
a) granting bonuses or paying overtime;
b) promoting staff, if this entails an increase in staff costs;
c) advertising vacant posts or filling them by other means provided for by law.

CHAPTER IV
Budgetary revenue

ART. 19
Any amendment by the Ministry of Public Finance to the budget revenue forecasts on which the fiscal and budgetary strategy or the annual budget laws were based, during the debates

on the fiscal and budgetary strategy or the annual budget laws, may be carried out with the agreement of the Government and the favourable opinion of the Fiscal Council.

ART. 20

(1) Within 30 days of the publication of the State Budget Act and the State Social Insurance Budget Act in the Official Gazette of Romania, Part I, the Ministry of Public Finance shall draw up and publish the annual programme for the collection of budgetary revenue for the State Budget, the State Social Insurance Budget and the budgets of special funds, setting out:

a) quarterly revenue collection targets, broken down by type of revenue;

b) quarterly targets for the recovery of tax arrears;

c) the measures envisaged to combat tax evasion and fraud.

(2) Within 30 days of the publication of the State Budget Act in the Official Gazette of Romania, Part I, the Ministry of Public Finance shall publish an annual forecast of the revenue estimated to be collected by local budgets, the budgets of self-financing institutions and other budgets forming part of the general consolidated budget not mentioned in paragraph (1), also presenting quarterly estimates of revenue collection, broken down by type of revenue, as well as quarterly estimates of the recovery of tax arrears, and proposals for legislative acts or amendments to legislative acts, aimed at improving and streamlining revenue collection for local budgets, the budgets of self-financing institutions and other budgets forming part of the general consolidated budget.

ART. 21

Where proposals for legislative acts are made that result in a reduction in budgetary revenue, a financial statement shall be drawn up in accordance with the provisions of Article 15 of Law No. 500/2002, as subsequently amended and supplemented, which must meet at least one of the following conditions:

a) it must have the approval of the Ministry of Public Finance and the Fiscal Council, confirming that the financial impact has been taken into account in the budget revenue forecast and does not affect the annual and medium-term budget targets;

b) be accompanied by proposals for measures to offset the financial impact in question by increasing other budget revenue.

ART. 22

Legislative acts falling within the scope of Article 21 shall be adopted concurrently with the compensatory measures proposed by the initiator and approved by the Government.

CHAPTER V
Rules on budgetary adjustments

ART. 23

(1) Any amendment to the State budget, the State social insurance budget and the budgets of special funds, as well as the use of sums withheld in accordance with the provisions of Article 21(5) (5) of Law No. 500/2002, as subsequently amended and supplemented, must take into account the conclusions of the published half-yearly report on the economic and budgetary situation, as well as the Fiscal Council’s opinion thereon.

(2) No more than two budget amendments may be approved in a financial year, and these may not be introduced during the first six months of the year.

(3) By way of exception to the provisions of paragraphs (1) and (2), in the event of a significant deterioration in the forecast for the macroeconomic indicators on which the Budget Act was based, a budget amendment may be introduced during the first half of the year.

ART. 24

Total expenditure under the consolidated general budget, excluding financial assistance from the European Union and other donors, may be increased through budget amendments solely for the purpose of servicing the public debt and for the payment of Romania's contribution to the European Union budget.

ART. 25

Where the half-yearly report on the economic and budgetary situation identifies a deterioration in the projected balance of the consolidated general budget relative to the target set at the time of the annual budget's approval by more than 0.5 per cent of the gross domestic product taken into account in drawing up the annual budget, and this deterioration is not due to a significant worsening of the macroeconomic forecast, the Government is obliged to implement appropriate measures to meet the target for the consolidated general government budget balance.

CHAPTER VI
Fiscal and budgetary strategy

ART. 26

(1) By 31 July of each year, the Ministry of Public Finance shall submit to the Government the fiscal and budgetary strategy for the following three years, which shall contain the macroeconomic framework underpinning fiscal and budgetary policy, the fiscal and budgetary framework including budgetary forecasts and fiscal and budgetary policy, and a statement of responsibility, in accordance with the provisions of this Act, which the Government shall present to Parliament by 15 August of each year.

(2) Together with the fiscal and budgetary strategy referred to in paragraph (1), the Government shall also submit the draft law for the approval of the limits specified in the fiscal and budgetary framework referred to in Article 29(1), as set out in the fiscal and budgetary strategy.

(3) The draft law approving the limits specified in the fiscal and budgetary framework shall also include the medium-term budgetary objective, as well as the adjustment path towards it.

(4) The limits on the total balance and staff costs of the consolidated general budget, as set out in Article 29(1)(a) and (c), once approved by Parliament, shall be binding for the following two financial years.

(5) The limits set out in Article 29(1)(d) to (i), as approved by Parliament, are binding for the following financial year.

ART. 27

The macroeconomic framework shall use the most up-to-date information and shall represent the most likely macro-fiscal scenario or a more prudent scenario.

ART. 28

The macroeconomic framework shall contain information on the macroeconomic situation and forecasts:

1. for the current financial year and the following three years, the actual results for the last two financial years, relating to:

a) gross domestic product and its components;

b) the consumer price index and the gross domestic product deflator;

c) unemployment and employment;

d) the current account position of the balance of payments;

e) the assumptions underlying the forecasts;

f) a statement on the consistency with, or differences from, the European Commission's most recent forecasts. Significant differences between the chosen macro-budgetary scenario and the European Commission's forecasts shall be described and justified, in particular if the level or growth of the variables in the external assumptions deviates significantly from the values mentioned in the Commission's forecasts;

2. medium-term macroeconomic forecasts affecting fiscal policy. ART. 29

(1) The fiscal-budgetary framework shall include ceilings for the forthcoming budget year and the two subsequent years, the actual results for the two years preceding the current budget year, and the estimated results for the current year for:

a) the consolidated general government balance, expressed as a percentage of gross domestic product;

b) the annual structural balance of the general government, expressed as a percentage of gross domestic product;

c) personnel expenditure of the consolidated general budget, expressed as a percentage of gross domestic product;

d) the ceilings on repayable loans that may be contracted, as well as those on drawdowns from repayable loans contracted or to be contracted by local authorities;

e) the ceilings on the issuance of guarantees by the Government, through the Ministry of Public Finance, and by local authorities;

f) public debt, calculated in accordance with the European Union methodology;

g) the nominal level of total expenditure and staff costs for the consolidated general budget, the state budget, the state social security budget, local budgets, the budgets of self-financing institutions, the budgets of special funds and other budgets forming part of the consolidated general budget, excluding financial assistance from the European Union and other donors;

h) the nominal balance of the consolidated general budget, the state budget, the state social security budget, the budgets of special funds and other budgets forming part of the consolidated general budget;

i) the primary balance of the consolidated general budget.

(2) The fiscal and budgetary framework section of the fiscal and budgetary strategy shall also include:

a) the actual results for the two years preceding the current financial year and the estimated results for the current year, as well as forecasts for the three years following it for the consolidated general budget and its component budgets, relating to:

- the level of revenue of the consolidated general budget, by type of revenue;
- the level of expenditure of the consolidated general budget, classified by economic function and by functional classification;
- capital expenditure;
- public debt, in accordance with the European Union methodology;
- government guarantees granted in accordance with national legislation;
- any other information which the Ministry of Public Finance considers relevant to the fiscal and budgetary strategy;
- the key assumptions underpinning the determination of the indicators in the fiscal and budgetary strategy;
- a sensitivity analysis of fiscal targets to changes in macroeconomic indicators, as well as sensitivity analyses of public debt and interest expenditure, based on different assumptions regarding economic growth rates and interest rates;

b) an explanation of fiscal and budgetary policies in relation to the principles and objectives of fiscal responsibility and fiscal rules, and any temporary measures to be implemented to ensure compliance with them;

c) an analysis of:

- revenue policy, including planned changes to taxes and duties and policies affecting other revenue;
- public debt and budget deficit financing policy, and an analysis of debt sustainability;
- expenditure policy, including expenditure priorities, intentions regarding total expenditure under the consolidated budget and other budgets, and expenditure ceilings and other targets or limits implied by or imposed by fiscal rules;

d) an analysis of fiscal risks, covering any commitments not included in the and all circumstances that may have a substantial effect on the fiscal and economic forecasts and which have not already been incorporated into the fiscal forecasts, as well as information on losses and outstanding payments of companies with majority state ownership;

e) an explanation of the link between the revised fiscal strategy and the previous one, and an explanation of any significant changes.

(3) The medium-term expenditure framework sets out the plans for the allocation of budgetary resources for the coming financial year and the two years following it, the estimated results for the current financial year and the actual results for the two preceding years, relating to:

a) expenditure priorities and a detailed justification thereof, including an explanation of how the Government intends to improve its policy, the efficiency and effectiveness of the services provided, the quality of its regulatory activities and its initiatives to reduce barriers to the business environment and to encourage the growth of the private sector in various fields;

b) state budget expenditure, broken down by the top 10 main authorising officers of the state budget, in descending order, as determined by the Government; expenditure from other budgets forming part of the general consolidated budget; and estimates of the total expenditure of the centralised budget of the administrative-territorial units;

c) the Government's priority public investment projects proposed for funding over the three-year period covered by the fiscal and budgetary strategy.

(4) The statement of responsibility shall contain a declaration signed by the Prime Minister and the Minister of Public Finance, certifying the accuracy and completeness of the information contained in the fiscal and budgetary strategy and its compliance with this Act, the targets or limits for fiscal rules, and adherence to the principles of fiscal responsibility.

CHAPTER VII
The Annual Budget

ART. 30

(1) Each chief authorising officer shall submit a proposal for budgetary expenditure which shall be in accordance with the fiscal and budgetary strategy and with the methodology for drawing up the annual draft budget, including expenditure ceilings and staffing levels, issued by the Ministry of Public Finance.

(2) The pre-allocation of earmarked budgetary funds to chief authorising officers or sectors is not permitted. Allocations of budgetary funds to chief authorising officers or sectors may only be made through the annual draft budget.

(3) The Ministry of Public Finance shall have the authority to reject all budget proposals that include expenditure proposals submitted by the chief authorising officers of the state budget, the state social insurance budget and the special funds' budgets during the annual budgetary process, if these are not in line with the fiscaland the methodology for drawing up the annual draft budget; and should the authorising officers fail to bring their budget proposal into line within the timeframe specified by the Ministry of Public Finance, the Ministry is empowered, following negotiations mediated by the Prime Minister, to unilaterally adjust the budget proposal for inclusion in the annual budget.

(4) The Government is obliged to submit to Parliament an annual budget that complies with the principles of fiscal responsibility, fiscal rules, the fiscal and budgetary strategy and any other provisions of this Act, and the Prime Minister and the Minister of Public Finance shall sign a declaration certifying such compliance, which shall be submitted to Parliament together with the annual budget.

(5) In the event that the Government is unable to meet the compliance requirement set out in paragraph (4), the Prime Minister and the Minister of Public Finance shall set out in the declaration the deviations, as well as the measures and deadlines by which the Government will ensure compliance with the principles

of fiscal responsibility, the fiscal rules and the fiscal and budgetary strategy.

(6) The Fiscal Council shall issue an opinion on the statement referred to in paragraph (4), including the information set out in paragraph (5).

ART. 31

The State Budget Act and the State Social Insurance Budget Act for each year must be aligned with the fiscal and budgetary strategy and with the provisions of this Act, and shall include, in an annex to the report accompanying the State Budget Act, fiscal targets comprising:

a) annual fiscal targets, both as a nominal value and expressed as a percentage of gross domestic product for the coming financial year and the following two years, relating to: the budget balance, the primary budget balance, total revenue and expenditure, and primary budgetary expenditure for the consolidated general budget;

b) information on public debt, in accordance with the European Union methodology, and government guarantees, in accordance with the European Union methodology;

c) justification of the targets set, including by setting out the calculation methodology used, and a comparison of these with actual performance over the last two years;

d) a presentation of the financial impact of legislative changes, as well as the measures to offset such impact.

ART. 32

The report accompanying the State Budget Act shall also contain detailed information on the impact of fiscal expenditure on budget revenue.

CHAPTER VIII

Derogation clauses

ART. 33

The fiscal and budgetary framework set out in the fiscal and budgetary strategy referred to in Article 29(1) may be revised in the following circumstances:

a) a change to the scope of the consolidated general budget, in which case the reasons for this change must be explained and the information provided for in Article 29(1) must be presented in a format comparable to the new structure of the consolidated general budget;

b) a significant deterioration in the forecast for macroeconomic indicators and the other assumptions used in drawing up the fiscal and budgetary strategy;

c) a change of Government, in which case, at the start of a new Government's term of office, it shall make public whether its government programme is consistent with the latest fiscal and budgetary strategy approved by Parliament or, if not, the Ministry of Public Finance shall draw up a draft of a new fiscal and budgetary strategy.

ART. 34

Derogations from the rules laid down in Article 12(a), Article 26(4) and Article 29(1)(f) are permitted in the event of statistical revisions to gross domestic product.

ART. 35

(1) When drawing up and debating the fiscal and budgetary strategy in accordance with the provisions of Article 26(1) (1) and the annual budget laws, no amendments may be made that would lead to a deterioration in the level of the consolidated general government balance set out in the previous fiscal and budgetary strategy, to an increase in expenditure and in the borrowing and guarantee ceilings, or to any other amendments that are not in accordance with the objectives of this Act and with the fiscal rules.

(2) Parliament may return the fiscal and budgetary strategy to the Government, together with comments and observations. In such a case, the Government shall incorporate and/or respond to these comments within 15 days, in consultation with the Fiscal Council, and shall submit the revised fiscal and budgetary strategy. If, on this occasion too, Parliament does not agree with the proposed fiscal and budgetary strategy and does not approve the draft law referred to in Article 26(2), the Prime Minister, with the advice of the Fiscal Council, shall present a final projection

of the fiscal and budgetary framework, taking into account Parliament's observations, and, on the proposal of the Ministry of Public Finance, shall submit the draft State Budget Act and the draft State Social Insurance Budget Act for the following year.

ART. 36

(1) The fiscal and budgetary strategy may be revised by Parliament, on the proposal of the Government, except in the situation provided for in Article 33(a). In this case, the update to the fiscal and budgetary strategy shall be approved by a Government decision.

(2) The revision of the fiscal and budgetary strategy and of the draft State Budget Law and the draft State Social Insurance Budget Law shall be subject to analysis and an opinion by the Fiscal Council.

(3) The revised fiscal and budgetary strategy must contain a separate section highlighting the differences from the previous version, together with an explanation of those differences.

CHAPTER IX
Transparency of fiscal and budgetary policy

SECTION 1
Budget implementation and monitoring of fiscal and budgetary targets

ART. 37

(1) Within 45 days of the publication of the State Budget Act and the State Social Insurance Budget Act in the Official Gazette of Romania, Part I, the Ministry of Public Finance shall publish on its website the quarterly financial schedule of expenditure for the State Budget, the State Social Insurance Budget and the special funds' budgets, classified by economic category, based on the quarterly programme for the collection of budgetary revenue.

(2) Within 55 days of the publication of the State Budget Act in the Official Gazette of Romania, Part I, the Ministry of Public Finance shall publish on its website the quarterly estimates relating to the expenditure of local budgets, the budgets of self-financing institutions and other budgets forming part of the general consolidated budget which were not mentioned in paragraph (1), classified by economic category.

(3) To this end, the chief authorising officers of the state budget, the state social insurance budget and the special funds' budgets shall submit to the Ministry of Public Finance proposals for the quarterly phasing of expenditure, within 15 days of the publication of the State Budget Act and the State Social Insurance Budget Act in the Official Gazette of Romania, Part I. The chief authorising officers of local budgets, the budgets of self-financing institutions and other budgets forming part of the general consolidated budget shall submit to the Ministry of Public Finance proposals for the quarterly phasing of expenditure, within 45 days of the publication of the State Budget Act in the Official Gazette of Romania, Part I.

(4) On the basis of the quarterly expenditure schedule and the quarterly programme for the collection of budgetary revenue, the Ministry of Public Finance shall draw up, approve and publish quarterly targets for expenditure, revenue and the deficit of the consolidated general budget, as well as quarterly targets for staff costs under the consolidated general budget for the chief authorising officers of the state budget, the state social security budget and the special funds' budgets.

ART. 38

(1) The Ministry of Public Finance shall publish on its own website budgetary data based on cash-based accounting or equivalent data derived from public accounting, where data based on cash-based accounting is not available, at least at the following frequency:

- monthly and before the end of the following month, for central government, state administration and the social security administration sub-sectors;

- quarterly and before the end of the following quarter, for the local government sub-sector.

(2) The Ministry of Public Finance publishes data on public debt on its website, in accordance with European Union methodology, at the following intervals:

- monthly and before the end of the following month, for public debt relating to the central government sub-sector and the social security funds sub-sector;
- quarterly and before the end of the following quarter, for public debt relating to the local government sub-sector.

ART. 39

The Ministry of Public Finance shall publish annually on its website, for all public administration sub-sectors, relevant information concerning contingent liabilities with a potentially significant impact on public budgets, including information on state guarantees, non-performing loans and liabilities arising from the operation of public companies, including the amount of such liabilities. Furthermore, the Ministry of Public Finance shall publish on its website information regarding the public administration’s shareholdings in the capital of companies regulated by Law No. 31/1990, as republished, with subsequent amendments and additions, and of national companies.

ART. 40

By the end of April, July and October of each year, the Government shall publicly present an assessment of quarterly budget implementation and the extent to which the quarterly targets set out in Article 37(4) have been met. In the event of deviations from the established targets, the Government shall also present the measures envisaged to correct these imbalances through expenditure cuts or measures to improve revenue collection.

ART. 41

Quarterly assessments of budget implementation and the measures envisaged to correct any deviations shall be subject to analysis and evaluation by the Fiscal Council.

SECTION 2
Half-yearly report on the economic and budgetary situation

ART. 42

By the end of July each year, the Ministry of Public Finance shall publish on its website a half-yearly report on the economic and budgetary situation.

ART. 43

The half-yearly report on the economic and budgetary situation shall include, but not be limited to, the following:

a) a review of the macroeconomic framework on which the budget for that year was based, as well as the most recent data on macroeconomic indicators, and shall identify trends and significant changes compared with those estimated at the time of the finalisation of the State Budget Act and the State Social Insurance Budget Act;

b) quantifying the impact of any changes to the macroeconomic forecast on the annual and medium-term budgetary targets and setting out the measures to be taken;

c) data on the revenue of the consolidated general budget, broken down by revenue category, specifying the initial forecast, revenue collected in the first six months, and an updated forecast for the whole year;

d) data on the expenditure of the consolidated general budget, broken down by economic and functional classification for each budget within the consolidated general budget, specifying the approved programme, expenditure incurred in the first six months, and an updated forecast for the whole year;

e) data on the expenditure of the state budget, broken down by economic classification, for each chief authorising officer of the state budget, specifying the approved programme, expenditure incurred in the first six months, and an updated forecast for the whole year;

f) data on the budget balance, both for the total and primary consolidated general budget, and for each budget forming part of the consolidated general budget, specifying the approved programme, the results achieved in the first six months, and an updated forecast for the whole year;

g) data on the take-up of funds received from the European Union and other donors, specifying the approved programme, the results achieved in the first six months, and an updated forecast for the whole year;

h) data on outstanding payments from the consolidated general budget at the end of the first quarter and estimates for the first half of the year and for each budget within the consolidated general budget;

i) data on the financing of the budget deficit and the level of public debt;

j) explanations for any shortfalls in revenue forecasts, specifying the measures taken and planned to improve revenue collection.

ART. 44

(1) The information contained in the half-yearly report on the economic and budgetary situation must take into account, as far as possible, all Government decisions, as well as all other circumstances that may have an effect on the fiscal and economic outlook for the year in question.

(2) The data and information contained in the half-yearly report on the economic and budgetary situation must be presented in a format comparable to that of the annual budget programme and the fiscal and budgetary strategy.

SECTION 3

Report on the final budget implementation

ART. 45

Within no more than 5 months of the end of the financial year, the Ministry of Public Finance shall publish on its website a report on the final budget implementation, which shall include:

a) information on the results of budgetary policy in the year just ended and a comparison of these results both with the strategic objectives and priorities and with the fiscal targets set out in the fiscal and budgetary strategy and in the annual budget;

b) an analysis of how the Government has complied with the fiscal principles and rules laid down in this Act and an explanation of any deviations from them;

c) to assess the fiscal and budgetary policy for the financial year just ended, as well as its results in accordance with the medium-term objective set out in the fiscal and budgetary strategy;

d) an assessment of any deviations from the Government's medium-term objective and a presentation of the measures to bring the figures into line with the established targets.

ART. 46

The report on final budget implementation shall include data on the performance of the indicators set out in Article 29(1), as well as a separate section highlighting any deviations from the fiscal and budgetary strategy and from the initial annual budget, together with an explanation of any significant changes.

ART. 47

The report on the final budget implementation shall also include a detailed reconciliation table concerning budgetary indicators and those relating to public debt, setting out the methodology for the transition between data based on public accounting and data based on European Union standards.

SECTION 4

Report on the economic and budgetary situation at the end of the Government's term of office

ART. 48

At least 60 days before the holding of parliamentary elections, the Government shall publish on its website a report on the economic and budgetary situation.

ART. 49

The report on the economic and budgetary situation at the end of the Government's term of office must contain the following information:

a) an estimate of revenue, expenditure and the balance of the consolidated general budget for the current financial year, broken down by economic classification and by the component budgets of the consolidated general budget;

b) a forecast of macroeconomic indicators and other economic assumptions on which the estimates referred to in point (a) are based;

c) an analysis of the risks, quantified where possible, which may affect the budgetary outlook, including any other Government commitments not included in the fiscal forecasts, as well as information on losses and outstanding payments of companies with majority state ownership;

d) a statement signed by the Prime Minister and the Minister of Public Finance, certifying that the information in the report reflects the best estimates at that time and has been prepared in a realistic manner, that it reflects all available information regarding the economic and fiscal outlook, includes the information provided by the chief authorising officers, and complies with the provisions of Article 50.

ART. 50

The information contained in the report referred to in Article 49 must take into account all Government decisions, as well as all other known circumstances that may have an effect on the fiscal and economic outlook.

SECTION 5

The financial impact of election pledges

ART. 51

(1) Sixty days before a general election, the leaders of political parties may request the Prime Minister or the Fiscal Council to calculate the financial impact of policies that have been proposed and publicly announced.

(2) Such a request must be made in writing and must describe the proposed policy in detail, providing details relevant to the calculation of the financial impact.

(3) A request addressed to the Prime Minister shall be forwarded directly to the Ministry of Public Finance, the relevant ministries or the Fiscal Council.

(4) The Ministry of Public Finance and/or the relevant ministries shall not respond to requests from the leaders of political parties if these have not been forwarded via the Prime Minister.

ART. 52

(1) Within 30 days of the date of the request, the Ministry of Public Finance and/or the relevant ministry or the Chair of the Fiscal Council shall publish the financial impact of the policy in question, together with the assumptions on which the calculation was based, as well as the calculation methodology, based on the information available to the Ministry of Public Finance and/or the relevant ministries.

(2) Where the Ministry of Public Finance and/or the relevant ministry or the Fiscal Council have not had sufficient information or sufficient time to prepare and publish the financial impact in question, they shall make this known publicly.

CHAPTER X

The Fiscal Council

SECTION 1
Responsibilities and Powers

ART. 53

(1) The Fiscal Council is an independent authority, comprising five members with experience in the field of macroeconomic and budgetary policies, which shall support the work of the Government and Parliament in the process of formulating and implementing fiscal and budgetary policies, to ensure the quality of the macroeconomic forecasts underpinning budgetary projections and fiscal and budgetary policies in the medium and long term. The members of the Fiscal Council shall exercise their mandate in accordance with the law and shall not seek or accept instructions from public authorities or from any other institution or authority.

(2) The Fiscal Council has the following main responsibilities:

a) analysing and drawing up opinions and recommendations on official macroeconomic and budgetary forecasts;

b) monitoring compliance with and the application of the fiscal rules laid down in this Act, including those relating to the correction mechanism and extraordinary circumstances;

c) analysing and formulating opinions and recommendations on the fiscal and budgetary strategy, as well as assessing its compliance with the fiscal principles and rules laid down by law;

d) assessing the Government's fiscal and budgetary performance against the fiscal objectives and strategic priorities set out in the fiscal and budgetary strategy, as well as against the fiscal principles and rules laid down by law, by:

- analysing and formulating opinions and recommendations on the quarterly assessment prepared by the Government regarding budget implementation, the extent to which quarterly targets have been met, and the measures envisaged by the Government to correct any deviations;

- analysing and drawing up opinions and recommendations on the half-yearly report on the economic and budgetary situation;

- analysing and formulating opinions and recommendations on the final report on the economic and budgetary situation;

- analysing and formulating opinions and recommendations on the report on the economic and budgetary situation at the end of the Government's term of office;

e) analysing and drawing up opinions and recommendations, both prior to approval by the Government and prior to submission to Parliament, on annual budget laws, budget amendments and other legislative initiatives that may have an impact on the volume of budgetary expenditure, as well as assessing their compliance with the fiscal principles and rules laid down in this Act;

f) preparing estimates and issuing opinions both on the budgetary impact of draft legislation, other than that referred to in point (e), and on amendments made to annual budget laws during parliamentary debates;

g) providing information falling within its remit, upon written request, to the President of Romania, the Presidents of the two Chambers of Parliament, the President of the Court of Auditors, the Governor of the National Bank of Romania and parliamentary committees;

h) informing the budget and finance committees of the Romanian Parliament or the Government regarding any legislative initiatives designed to promote fiscal discipline and transparency in the budgetary process.

(3) The Fiscal Council's opinions, forecasts, analyses and recommendations shall be published on its website.

(4) The Fiscal Council’s opinions and recommendations shall be analysed by the Government and Parliament when drawing up the fiscal and budgetary strategy, the annual budget laws, as well as when drawing up other measures required by the implementation of this Act and, respectively, when adopting or approving them.

(5) Where the Fiscal Council finds, in accordance with the provisions of Article 61(2), persistent deviations in the same direction between macroeconomic forecasts and actual data, which have been recorded over a period of at least four consecutive years, the Government shall take the necessary measures and make them public.

ART. 54

(1) The Fiscal Council may request from any public institution or authority information, documents or data relevant to the fulfilment of its duties and responsibilities as set out in this Act.

(2) The Fiscal Council may request information, documents or data relevant to the fulfilment of its duties and responsibilities, in any format or level of detail, from the entity that manages such information or is responsible for processing it. That entity shall provide the requested information, documents or data, in the form requested, within 15 days of the Fiscal Council’s request.

(3) If the requested information is not available or cannot be provided within the time limit set out in paragraph (2), the relevant entity shall inform the Tax Council of this in writing.

(4) If the entity obliged to provide the information, documents or data requested by the Tax Council fails to do so within the time limit set out in paragraph (2), the Tax Council may request the relevant information from the Ministry of Public Finance. The Ministry of Public Finance shall provide the requested information within 7 days of the date of the request or shall inform the Tax Council in writing if such information is not available.

(5) If the entity obliged to provide the information/documents/data requested by the Tax Council fails to do so within the time limits set out in paragraphs (2) and (4), the Tax Council shall make this public.

(6) Requests from the Tax Council to the entity obliged to provide the requested data may also be made in the form of a document bearing an electronic signature, where an agreement to that effect exists.

(7) No person acting on behalf of an entity obliged to provide information to the Tax Council shall be disadvantaged for having communicated to the Tax Council the data necessary for the fulfilment of its duties and responsibilities, provided that the rules on the treatment of confidential information set out in paragraph (2) have been complied with.

SECTION 2

Members of the Fiscal Council

ART. 55

(1) Members of the Fiscal Council shall be appointed by a resolution of Parliament for a term of 9 years. Members of the Fiscal Council may not be re-elected upon the expiry of their term of office. If the term of office of a member of the Fiscal Council has ended after a period of 3 years, that member may be re-elected on one occasion only.

(2) The Romanian Academy, the National Bank of Romania, the Bucharest Academy of Economic Studies, the Romanian Banking Institute and the Romanian Banking Association shall each nominate one person to serve on the Fiscal Council.

(3) The nominees for the Fiscal Council shall be interviewed by the budget and finance committees of Parliament and shall be voted on by Parliament. Should the nominees referred to in paragraph (2) fail to secure the necessary votes, the aforementioned bodies shall submit further nominations within 15 days.

(4) Individuals nominated to serve on the Fiscal Council must have no criminal record or tax record, be Romanian citizens with the right to vote, hold a university degree in economics, have a good reputation and professional experience in the field of economic, budgetary or financial policies, and have at least 10 years' experience in the field.

(5) A person may not be nominated to serve on the Fiscal Council if:

a) who, within four years prior to their nomination, held a public office within the Government;

b) who, within the four years prior to their nomination, was a member of the Romanian Parliament or the European Parliament, or held a leadership position within a political party;

c) whose spouse, parents, children, brothers or sisters, other relatives or relatives by marriage, up to and including the fourth degree, hold a public office within the Government, are members of the Romanian Parliament or the European Parliament, or hold a leadership position within a political party.

(6) During their term of office, members of the Fiscal Council:

a) may not accept a public office within the Government or an equivalent position, nor may they become members of the Romanian Parliament or the European Parliament, or hold a leadership position within a political party;

b) may not be spouses, relatives or relatives by marriage, up to and including the second degree, of persons who hold a post within the Government or an equivalent post, are members of the Romanian Parliament or the European Parliament, or hold a leadership position within a political party;

c) they may not be civil servants;

d) they may not be members of boards of directors, executive directors, auditors or statutory auditors of state-owned companies or companies with majority state ownership.

(7) Members of the Fiscal Council are obliged to notify the Parliament's budget and finance committees immediately, in writing, of the occurrence of any of the situations of incompatibility set out in paragraph
(6) and to take the necessary steps to remedy the incompatibility within 10 days of its occurrence.

(8) If members of the Fiscal Council who find themselves in any of the situations of incompatibility set out in paragraph (6) fail to fulfil the obligations set out in paragraph (7), the budget and finance committees of Parliament shall declare them to be in a state of incompatibility.

(9) If members of the Fiscal Council who find themselves in any of the situations of incompatibility set out in paragraph (6) provide evidence that such incompatibility has ceased within the time limit set out in paragraph (7), the budget and finance committees of Parliament shall not establish their incompatibility.

(10) If a member of the Fiscal Council ceases to hold office before the expiry of the term provided for in paragraph (1), the relevant body, in accordance with the provisions of paragraph (2), shall propose to the budget and finance committees of Parliament, within 15 days, a new nominee for the remainder of the term.

ART. 56

(1) The Chair and Deputy Chair of the Fiscal Council shall be elected by the members of the Council by secret ballot, by a simple majority of the members.

(2) The Chair of the Fiscal Council shall have the following duties:

a) to chair the Council;

b) to convene meetings of the Council;

c) to act as the Council's official representative;

d) to approve the publication of analyses, studies, opinions and recommendations drawn up by the Council, in accordance with its duties and responsibilities, following their adoption by the Council members through a vote;

e) coordinates the council's secretariat.

(3) The Chair of the Fiscal Council shall be accountable to the Romanian Parliament for

the correctness and accuracy of the analyses, studies, opinions and recommendations drawn up by the Fiscal Council, in accordance with its powers and responsibilities.

(4) The Rules of Organisation and Procedure of the Fiscal Council shall be adopted by the Council by unanimous vote.

(5) The Fiscal Council shall meet in the presence of a majority of its members, including the Chair or, in his or her absence, the Deputy Chair. Decisions shall be adopted by a simple majority of those present.

ART. 57

The Chair of the Fiscal Council shall receive a monthly allowance equivalent to that of a Secretary of State, and the Vice-Chair, to that of an Under-Secretary of State. The other members of the Fiscal Council are entitled to an allowance amounting to 90 per cent of the Vice-Chair’s allowance, which shall be granted if the Chair determines that the tasks set by the Council have been fulfilled. The allowances shall be paid from the budget of the Fiscal Council.

SECTION 3

Termination of membership of the Fiscal Council

ART. 58

(1) Membership of the Fiscal Council shall cease in the following circumstances:

a) upon expiry of the term of office for which the member was appointed, in accordance with Article 55(1);

b) upon resignation;

c) upon dismissal by the plenary session of Parliament, in the following circumstances:

- where a state of incompatibility is established in accordance with the provisions of Article 55(6);

- where a member of the Fiscal Council has been convicted of a criminal offence punishable by imprisonment, and the conviction has become final;

d) by replacement, in the event of definitive inability to carry out the mandate. Any circumstance resulting in unavailability for a period exceeding 90 calendar days shall be deemed to constitute definitive inability to carry out the mandate;

e) upon death.

(2) Resignation shall be notified in writing to the chairpersons of the Parliament’s budget and finance committees.

SECTION 4

Organisation and functioning of the Fiscal Council

ART. 59

(1) The work of the Fiscal Council is supported by a Technical Secretariat, organised within the Romanian Academy.

(2) The rules of organisation and operation and the organisational chart of the Technical Secretariat of the Fiscal Council shall be established by the members of the Council.

ART. 60

(1) The Fiscal Council shall draw up its own budget, which shall form an annex to the budget of the Romanian Academy.

(2) The budget required for its operation until the end of the first calendar year shall be provided through allocations from the Budget Reserve Fund at the Government’s disposal.

(3) The Technical Secretariat of the Fiscal Council shall not exceed 10 posts. The remuneration of the staff of the Technical Secretariat shall be determined by analogy with the remuneration of staff within the Ministry of Public Finance.

(4) The financial management of the Fiscal Council shall be audited by the Romanian Court of Auditors.

SECTION 5
The Fiscal Council's Annual Report

ART. 61
(1) By the end of May each year, the Fiscal Council shall draw up and publish an annual report.
(2) The Fiscal Council's annual report shall contain an analysis of the implementation of fiscal and budgetary policy in the previous year compared with that approved in the fiscal and budgetary strategy and the annual budget, and shall include, but not be limited to:
a) an ex-post assessment of the macroeconomic and budgetary forecasts contained in the fiscal and budgetary strategy and in the annual budget for the financial year covered by the report, including, where appropriate, a note of any persistent deviations in the same direction between the macroeconomic forecasts and the actual data, recorded over a period of at least four consecutive years;
b) an assessment of the objectives, targets and indicators set out in the fiscal and budgetary strategy and in the annual budget for the financial year covered by the report;
c) an assessment of the Government's performance and of the extent to which the principles and rules laid down in this Act were complied with in the previous financial year;
d) the Fiscal Council's opinions and recommendations for improving fiscal and budgetary policy in the current financial year, in accordance with the principles and rules laid down in this Act.

CHAPTER XI
Responsibilities and sanctions

ART. 62
Responsibilities of the Government:
a) shall ensure that the Government Programme is fiscally sustainable and complies with the provisions of this Act;
b) manage public finances and public resources in a manner consistent with this Act, in accordance with the principles and objectives of fiscal responsibility and fiscal rules, and ensure the implementation of the fiscal and budgetary strategy, including by proposing annual budgets, in accordance with this Act and the fiscal and budgetary strategy;
c) exercising all its powers in a manner that ensures compliance with this Act and the fiscal and budgetary strategy, including by issuing legislative acts in accordance with this Act.
ART. 63
Responsibilities of the Ministry of Public Finance:
a) to monitor the implementation of the provisions of this Act concerning the fiscal and budgetary strategy and to report to the Government on any deviations found;
b) to draw up the reports provided for by this Act;
c) drafts the fiscal and budgetary strategy;
d) manages the annual budgetary process to ensure compliance with this Act;
e) monitors the financial results and related outcomes recorded by central and local public authorities in relation to the provisions of this Act;
f) issues regulations, orders, instructions or notices for the implementation of the provisions of this Act. ART. 64
Responsibilities of chief authorising officers:
a) each chief authorising officer shall ensure that all decisions falling within the scope of their powers are taken in accordance with the provisions of this Act, including in accordance with the principles of fiscal responsibility, fiscal rules and the fiscal and budgetary strategy;

b) monitor the financial and non-financial performance of the entities under their coordination to ensure that such performance complies with the provisions of this Act;

c) provide the Ministry of Public Finance, in the format and within the timeframe requested by the Ministry, with the information necessary for the preparation of the fiscal and budgetary strategy, and shall be responsible for the accuracy of the information provided;

d) provide the Ministry of Public Finance, in the format and within the timeframe requested by the Ministry, with the information necessary for the preparation of the reports provided for in this Act, as well as any other information regarding decisions and/or situations that may have an effect on the fiscal and economic outlook, and shall be responsible for the information provided.

ART. 65

Any breach of the provisions of this Act by members of the Government shall entail joint and several political liability with the other members, in accordance with the provisions of the Constitution of Romania, as republished, and of Act No. 115/1999 on ministerial responsibility, as republished, as subsequently amended.

ART. 66

(1) The chief authorising officers of the State budget, the State social security budget, the budgets of special funds, local budgets and the heads of public institutions or authorities are obliged to provide the Ministry of Public Finance and/or the Fiscal Council, in the format and within the time limits requested by the latter, with the information necessary for the application of this Law.

(2) Failure to comply with the provisions of paragraph (1) constitutes an administrative offence and is punishable by a fine of

5,000 lei.

ART. 67

(1) Authorising officers and the heads of companies with majority state ownership whose budgets form part of the general consolidated budget are required to comply with the fiscal responsibility objectives and the fiscal rules set out in Articles 5–18, 21, 23–25 and 30, the expenditure and borrowing ceilings, as well as the budget balance targets specified in Article 31. Any breach of these provisions shall result in one or more of the following measures being taken:

a) the submission to the Government or, where applicable, to the deliberative bodies of local public authorities, of a programme to reduce expenditure or to restructure and, where appropriate, merge public institutions;

b) a ban on the issuance of guarantees, as well as on contracting or drawing down loans, until the financial situation has been rectified and the approved indicators are met;

c) a ban on increasing expenditure and borrowing ceilings in the following financial year as a result of exceeding budgetary commitments in the current year;

d) local authorities, self-financing public institutions and economic entities with majority state ownership whose budgets form part of the general consolidated budget shall offset deficits from previous years through surpluses recorded in the following financial year.

(2) The Fiscal Council shall assess, through its annual reports, compliance with the provisions of this Act and shall publish its findings.

ART. 68

It shall constitute an administrative offence, punishable in accordance with the provisions of Article 69, to commit or pay expenditure in excess of the established quarterly ceilings, and to enter into any legal commitments that oblige the State or local authorities to incur expenditure in excess of the level approved under the provisions of this Act.

ART. 69

(1) Failure to comply with the provisions of Article 16, Article 18(4), Article 24 and Article 30(1) (1) constitutes an administrative offence and shall be punishable, depending on the degree of culpability of the persons responsible, by a fine of between 2,000 lei and 20,000 lei and the recovery of damages, where applicable. During the administrative investigation, the persons responsible shall be suspended from office.

(2) The determination of administrative offences for failure to comply with the provisions of Articles 16 and 24, as well as

the imposition of fines shall be carried out by the supervisory bodies of the Romanian Court of Auditors.

(3) The determination of administrative offences and the imposition of penalties for non-compliance with the provisions of Article 18(4) and Article 30(1) shall be carried out by persons authorised by order of the Minister of Public Finance.

(4) Once the administrative penalty has become final, it shall be published on the website of the Ministry of Public Finance.

ART. 70

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, shall apply to the administrative offences provided for in Articles 68 and 69.

ART. 71

Verification of compliance with the provisions of this Act shall also be carried out by the Romanian Court of Auditors, in accordance with its powers and duties, as laid down in Law No. 94/1992 on the organisation and functioning of the Court of Auditors, as republished, applying the sanctions provided for by this Law and by other legislation in force in the field of public finance.

CHAPTER XII

Final provisions

ART. 72

(1) Within 45 days of the date on which this Act comes into force*), the entities referred to in Article 55(2) shall submit to the budget and finance committees of Parliament the nominations for the persons who are to sit on the Fiscal Council.

(2) Within no more than 30 days of the submission of the nominations in accordance with the provisions of paragraph (1), the budget and finance committees of Parliament shall organise hearings for the nominated persons following a vote in the plenary session of Parliament, and the chairpersons of the budget and finance committees shall forward to the President of the Romanian Academy the list of the persons appointed to serve on the Fiscal Council.

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*) Law No. 69/2010 came into force three days after its publication in the Official Gazette of Romania, Part I, No. 252 of 20 April 2010.