

## EFFICIENCY OF BUDGETARY EXPENDITURES: SYSTEMIC APPROACH

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*Currently, Romania has made considerable efforts to maintain the course of the national development on a constitution of an innovative economy. Therefore, the researches directed through assessing the quality of development directions in accordance with its own budget possibilities, defining government priorities, and then the formation, planning of budget expenditures for certain periods and subsequent evaluation of the effectiveness of their enforcement are relevant. The study aims to outline the elements of a systematic approach in evaluating the budget, which will be more revealing and suitable to formulate conclusions and recommendations on adjusting the activity of all state institutions to ensure the necessary conditions for stimulating the long-term economic growth. The main methods applied in this scientific study are based on a systemic approach to study the concepts and situation of the analyzed branch. During the research there were used the following classic methods: systemic methods, logical and dialectical methods (scientific abstract, analogy, analysis and synthesis, induction and deduction).*

**Keywords:** budget, budget revenues, budget expenditures, economic efficiency.

*În prezent, România face eforturi considerabile pentru menținerea cursului dezvoltării naționale pe vectorul constituirii unei economii inovative. De aceea, cercetările orientate spre evaluarea calității direcțiilor de dezvoltare în concordanță cu posibilitățile propriului buget, definirea priorităților guvernului, iar apoi și formarea, planificarea cheltuielilor bugetare pe anumite perioade, precum și evaluarea ulterioară a eficienței executării lor sunt relevante. Studiul de față își propune drept obiectiv de bază evidențierea unor elemente de abordare sistemică privind evaluarea eficienței bugetare, care va fi mai revelatoare și potrivită pentru a formula concluzii și recomandări privind ajustarea activității tuturor instituțiilor statului, în vederea asigurării condițiilor necesare pentru stimularea creșterii economice pe termen lung. Metodele principale aplicate în prezentul studiu științific sunt fundamentate pe o abordare sistemică a studierii conceptelor și a situației domeniului analizat. Pe parcursul cercetării au fost utilizate următoarele metode tradiționale: metoda sistemică, metoda logică și cea dialectică (abstracția științifică, analogia, analiza și sinteza, inducția și deducția).*

**Cuvinte-cheie:** buget, venituri bugetare, cheltuieli bugetare, eficiență economică.

*В настоящее время Румыния предпринимает значительные усилия для поддержания курса национального развития на векторе формирования инновационной экономики. Поэтому, исследования оценки качества направлений развития в соответствии с возможностями собственного бюджета, определение приоритетов правительства, а затем формирование, планирование расходов бюджета на определенные периоды, а также последующая оценка эффективности их применения актуальны. Целью исследования является выделение отдельных элементов системного подхода в оценке бюджетной эффективности, более показательной и подходящей для формулирования выводов и рекомендаций по регулированию деятельности всех государственных учреждений в целях обеспечения необходимых условий для стимулирования долгосрочного экономического роста. Основные методы, применяемые в этом научном исследовании, основаны на системном подходе к изучению понятий и ситуации в проанализированной области. В ходе исследования были использованы следующие обычные методы: системный, логический и диалектический (научная абстракция, аналогия, анализ и синтез, индукция и дедукция).*

**Ключевые слова:** бюджет, бюджетные доходы, бюджетные расходы, экономическая эффективность.

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**Introduction.** The main objective of the fiscal-budgetary policy in Romania is represented by the increasing absorption capacity of the Romanian economy of available resources both from the collected taxes from the budget and from grants received from the European Union. In order to ensure economic stability and structural reforms, Romania has to direct all efforts towards reducing the level of ineffective budgetary spending, which will change dynamically the selection of priorities of the state budgetary policy.

This fact tells us clearly about the simplified approach in assessing the size of the public sector, realization of tasks on different articles of the budget, etc., finding the fact that increase or decrease of the coefficient for the time period accepted for consideration is defined as the ratio of budget expenses actually incurred by the amount of change in GDP during the same period. Inadequacy of such a method is not only in the fact that besides simplified calculation government transfers will remain out of GDP, but especially that remains unclear in this case, not only differentiation of results in certain (specific) groups, articles and directions of budgetary expenditures but, and most important, hidden causes of inefficient use of budget funds can not be identified. As a result, there will be difficult the search for effective tools that could eliminate this inefficiency. However, the state should not adopt the solution that costs the least, nor the one that produces the most, but the one that provides the greatest difference between revenues and costs evaluated in money [1].

**Methodological issues regarding the evaluation of efficiency of budgetary expenditure.** In other news, the projection of fiscal-budgetary policy in the medium term is based on its anchoring in several important key economic and institutional milestones: the macroeconomic balance, fiscal-budgetary responsibility and financial discipline. The balanced conduct is continued, it began in the second half of 2012, with the sustainable fiscal consolidation and, in this context, the economic recovery.

Among the fundamental objectives related to taxes mentioned in the Government Program 2013-2016, there can be mentioned simplification of taxation and creation of a predictable fiscal-budgetary environment, stimulating for the development of private and public economic environment.

*Measures to increase the efficiency of public spending and investment promotion:*

- a) cash deficits and ESA stand at 1.4% of GDP for the period 2015-2016;
- b) structural deficit in 2017 is estimated at 1% of GDP;
- c) limiting the structural deficit promoted by the *Treaty on Stability, Coordination and Governance in the Economic and Monetary Union* signed by Romania on March 2, 2012 drives slowly to a fiscal discipline, responsible spending of public money, which for a country like Romania, given the negative historical experience, can be a significant advantage;
- d) *shifting the emphasis in fiscal policy after 2012 on targeting structural balance* allows to play a role in stabilizing the economic cycle, being possible by installing the institutional framework required by the New Treaty Tax – important tool for strengthening fiscal discipline and development of policies [2].

In these circumstances, now it is necessary to develop a systematic approach to assess the effectiveness of the budget that will be most revealing and suitable to formulate conclusions and recommendations on adjusting the activity of all state institutions, in order to ensure the necessary conditions for stimulating long-term growth. To achieve these objectives, the analysis of efficiency of budgetary expenditure and procedure of formation of priority development directions are crucial.

In this context, we would like to bring to the fore the example of Finland, which showed the world a successful historic leap from raw material economy to an innovative and competitive high-tech economy. Meanwhile, it placed as a first issue the problem of accelerated development of national human capital through productive changes in education, science, health, etc. Finish economy currently holds the top positions in the world in innovation and competitiveness. There is no need for specific evidence that effective development and the quality of economy, reduced to innovative development and growth, requires an efficient public administration, budget and institutional regulation.

The literature reveals that for each direction of budget expenditure, three parameters are important. They are:

- The value of financial investments – government spending according to a budget heading (direction, sector, etc.);
- Investment period, after which repayment begins (or will appear another effect), with a breakdown of finances in the steps of obtaining and use of budget funds;
- Total revenue value obtained based on the results of distribution activity of budgetary funds (public expenses) and income (result) for each specific area of expenditure. Of course, fiscal policy

includes the so-called financing of non-market services (public administration, defense, education, health and others), but mainly these spheres are also providing results, contributing to the creation of GDP.

One of the necessary principles, but certainly not sufficient, which can be used to assess the effectiveness of the budget is a comparison between expenses and income (cost-benefit) for some period of time and for the whole period of budget planning.

It is necessary to take into account that increase of budget spending depends entirely on GDP growth of the country and on the possibilities to make loans – foreign and domestic [3]. Also, internal borrowing depends also on GDP and its dynamics from previous acts of lending and dynamics of real income of population.

But a simple comparison on chapters of expenditure and the obtained results will not provide an accurate assessment of the effectiveness of budgetary spending, not to mention the fact that, based on such an evaluation, there cannot be determine whether funding should be increased or reduced on some chapters and in what amount. Moreover, the budgetary expenditure on different chapters – economic development directions are also investment flows in various fields, interacting with each other, strengthening or diminishing the result after one or the other priority of development.

The economic models of investment (classical) decision-making process, evaluations of results and their effectiveness either does not work or fit poorly with the conditions, which represent the economic practice. A big problem of patterns designed to explain economic growth and provide scenarios for recovery is to implement these models. There are large gaps in knowledge transfer between those who develop models (academics, researchers) and those who should ensure the smooth running of the economy (both governments and businesses). Therefore, in order to develop approaches for analyzing the efficiency of budgetary expenditure, there is appropriate to apply the principles of separation and synthesis known from the field of technological development of the economy [4].

Since budget spending lead to different distributional effects on wellbeing, their assessment is required, as well as the impact of budget expenditure programs. Impact assessment aims to improve the quality of information available to decision makers, people that should correctly understand the consequences of taking or not taking a particular policy: costs, benefits and distributional effects of their decisions [5].

Budget expenditure should be spread over the main areas and groups, with the development of an evaluation algorithm for each group, and then forming a specific "portfolio" of certain areas of budgetary financing like the investment projects, which enable the application of already known tools and methods of optimization the investment portfolio and well known analysis algorithms. But such units are not very suitable for carrying out evaluations of efficiency of budgetary expenditure and look for necessary algorithms of systemic analysis, because in each area mentioned there are a number of similar economic subjects according to some commonalities [6].

Consequently, the areas identified for further consideration can be divided into groups of subjects, to which funds are allocated within each area. A similar procedure is used in some way in budget planning, but its impact on power efficiency of budgetary expenditure and effectiveness of operating of objects that receive finance is underestimated.

The subsequent systematization of economic agents who receive budget funding, despite of the source of obtaining finance, because it is important to review the efficiency of spending, relies in the selection of similar items within each group of spending based on the principle of "destination" of budget funds allocated to them. The embodiment of such a destination (one of the possible) is the so-called public procurements.

Before the selection phase and the formation of similar groups of expenditure, it is necessary to define the basic characteristics and principles of such selections, allowing to assess the efficiency of budget spending in the future. Of course, it would be wrong to put the task of analyzing the efficiency of state budget spending in some absolute coordinates, taken in isolation from the direction of investment and time of their appointment, and the system status during the examination and evaluation of its potential changes. Moreover, it seems inappropriate to achieve such an analysis, without solving the problems of the establishment of corrective measures, which have a positive impact on the economic growth. An important factor is time – track after economic changes associated with the capitalization of allocated budgetary funds.

In this respect, the basic constants of a systematic approach to the evaluation process of the effectiveness of the budget should be [7]:

a) Evidence of the budget process dynamics: comparison of assessment of the expected effect within the investment direction at the moment of decision making on the level and the need for funding, with the assessment and relevance of this direction at time of the analysis of result;

b) Invariability of accepted criteria to assess the effectiveness at the beginning and end of the period of the carried out assessment;

c) The cycling of the efficiency evaluation process after each corrective action on the system, being necessary to monitor changes in the level of efficiency of budget expenditures;

d) Budgetary expenditures incurred should not be a reason for growth or expansion of financing, in case when the direction finished the development;

e) Qualitative assessment of the effectiveness of budget expenditures destinations, highlighting the immanent values of spending, whose reduction is not possible for social considerations.

Given the cyclical nature of the processes associated with the formation, planning and execution of budget expenditures, ie the presence of the starting point – the beginning of the process, just relying on accepted priorities of the state development, may propose some primary criteria necessary for evaluation: necessary characteristics, budgetary criteria for future projects of any orientation.

Thus, it becomes appropriate to develop a general evaluation criteria system, which must remain immutable, at least at the beginning and end one of the examined periods of cycle of planning, budget allocation and actual recovery. Strategic development objectives ensure the formulation of objectives, which establish the necessary administrative decisions that also determine and assess the effectiveness of budget expenditures tactics.

The aim to assess the effectiveness is to develop and optimize the budget, ensuring the minimization of inevitable losses in the public sector [8].

### **Concluzions**

However, taking into account the strategic objectives of budgetary policy, we can point out several milestones that could be effective for a period of perspective:

1) Transition to strategy to boost the economic growth where budget financing instruments and development of state regulation will be subordinated to the task of keeping the potential to increase the efficiency in all areas, with an increase in the state's rate, at least in the key sectors of the economy;

2) Giving up on the heavily import in high-tech areas, an active process of import substitution, with the proper positioning of finances in the country's budget;

3) The concentration of investments in a new national product, proceeding exclusively from the presence in it of a key parameter of competitiveness on the domestic and foreign markets.

In order to achieve strategic objectives, management of budget processes should be based on:

- Efficiency of planning procedures, distribution and exploitation of budgetary resources, increasing efficiency of the executors interaction with government customers, subcontractors and partners, a high level of implementation of budgetary projects.

- The unconditioned execution of contracts and contractual obligations within the determined terms.

- Activism, continuously improvement of quality management system operation; maintaining and increasing product quality indicators produced for budgetary needs; compliance of products and projects of international standards.

- The steady growth of labor productivity; reducing production costs and other costs and expenses of manufacturing.

Formation of future financial conditions for increase in production, taking into account future development projects, with the attraction to their development of national organizations of advanced research.

The listed factors required for the efficient use of budget, outlines the general operational circle of questions, algorithms whose solutions are fairly well known and familiar to companies and organizations involved in projects implementation from the budget. Their condition and prospects should be the object of evaluation in the allocation of budgetary funds.

However, budgetary policy will support the economic reform program and macroeconomic stabilization through maintaining the budget deficit at a prudent level, improve collection and increase revenues.

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