
THE APPLICABILITY OF THE PRINCIPLES THAT GOVERN THE BUDGETARY ACTIVITY

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Abstract:

When applying the financial and budgetary rules, or in other words, when applying the budgetary process (the preparation, approval, execution and completion procedure of the public budget) certain principles that consistently and accurately conduct activities that this procedure involves need to be considered. These principles are the following: the universality principle, the unity principle, annuality of the public budget, the monetary unit, publicity and budgetary specialization. Through this work I performed an analysis of the budgetary rules and principles, analysis that allowed me to identify the special situations that are exceptions and exemptions from the budgetary principles. I also pointed out the advantages and disadvantages of each budgetary principle governing the budgetary activity and also the defining features of each technical rule as they appear to us rendered in the public finance law in our country, but also seen in comparison with the budgetary principles of other states.

Key words: *public budget, budgetary principles, budgetary process*

1. Introduction

For a proper and smooth coordination of all operations that activities in public finance involve, the state is legally required to manage through the Government the budgetary activity. This requires on the one hand developing and implementing the financial and budgetary legislation and the effective management of specific activities that actually require implementation of the law, on the other hand. Carrying out the state's tasks in the economic and financial domain is possible due to *the budget* - the document through which income and expenditure are provided and approved each year.

The design and execution of the budget are possible due to a strict succession of papers and operations, legally regulated, called *budget process*, which is done by going through several stages: the preparation of the budget project, its approval, the budget execution and the closing of the budgetary exercise, and also the control of the budgetary execution. According to the Law on public finance at the base of the

preparation and execution of the public budget components we can see the following *principles*: universality, publicity, unity, annuality, budgetary specialization, monetary unit.

2. Principles and rules that underlie at the basis of the budgetary process

Respecting the budgetary principles has a number of features, advantages and disadvantages, as follows:

2.1. The universality principle requires that the budget should comprise in extenso all the revenues and expenditures from each budgetary exercise.

The principle of universality of the budget also sits at the basis of the legislation regarding the public finances from our country and according to it (article 8 of Law no. 500/2002 on public finances) *"Income and expenses are totally included in the budget, in gross sums. Budget revenues cannot be directly affected to a specific budget expenditure, with the exception of donations and sponsorships, which have established distinct destinations."*

Complying with this principle when elaborating the budget presents both a series of advantages and some disadvantages.

The main advantage of the budget universality is of political nature, since presenting the budget – made in extenso, including all incomes and all expenses in a detailed manner – for the approval of the Parliament, allows the most accurate and real knowledge of the total volume of the public revenues and expenditures, and also of the correlation that exists between certain incomes and expenses that are in close connection.

This exact knowledge of Government policy or financial guidance for each year, thus also allows asserting a thorough control of the Parliament (the legislative power) over the budgetary practice.

This strict application of the principle of universality gives the public budget the character of a gross budget, meant to highlight the sum of the global scale representing the public revenues or covering the public expenses. The major inconvenience that arises from the excessive proportions of the gross budget lies in hindering and amplifying the budgetary accounting.

These difficulties in applying the principle of budgetary universality have promoted and joined the procedure of the net budget with the procedure of the gross budget, which includes only the balance resulted from compensating the incomes and expenses. The surplus revenue is included in the state budget revenue and the resulted deficit falls into the expenditure side. This procedure of the net budget has been criticized since the beginning of operating with him because it allowed camouflaging real amounts of money in the form of income or expenses.

Given the advantages and difficulties found, the procedure of the mixt budget was used in practice, in which, for certain activity sectors or branches, action categories, institutions and so on, in the annual state budget all incomes and all expenses are recorded and for the other sectors, communities, etc., only the net

balances are recorded. (Gliga, I., 1998, *Financial Law*, Humanitas Publishing, Bucharest, p. 64).

2.2. The unity principle implies that the public revenues and expenditures are recorded in a single document, in order to ensure the effective use and monitoring of the public funds.

The principle of budget unity is based on two types of motivations, some financial, others political.

From a financial standpoint, through the uniqueness of the document, it is provided an overview presentation and therefore a clear and real knowledge of the situation of the public finances, meaning of the income sources and the expense destination and also of the balanced or deficit form of the budget.

In political terms, this principle allows the Parliament to exercise control over government policy regarding the collection of taxes and the spending of public funds and also on the usefulness and appropriateness of the social and economic measures that it initiates.

Although the budgetary unit presents a number of advantages, more and more states abandoned the full compliance with this principle, preferring the plurality budget process, this happened due to some needs imposed by the socio-economic life of the various countries.

Thus, in addition to the state budget which is considered to be central ordinary budget, other public budgets are being prepared such as the extraordinary budgets, the annexes budgets, the autonomous budgets, the special budgets and so on, which are usually smaller and of less overall importance than the ordinary budget. In the literature and in the budgetary practice the accepted deviations from the budget unit requirement are called "exemptions".

According to the regulation in force in our country it is required that the state social insurance budget or the special funds budget to also be approved by the Parliament together with the State Budget Law. Moreover, in the transition to the market economy, the new legislation on public finances in Romania regulated the right of the territorial-administrative units and of the autonomous bodies to have autonomous budgets.

Therefore, through the new conditions, applying the principle of budget unity must be seen and understood as a necessity related to each of the budgets that form the budgetary system, the rule that is required by that principle cannot cover the whole range of budgets.

2.3. The public budget annuality principle. From the historical point of view, the budget annuality represents the first budgetary rule in practice.

The annuality principle, which refers to the development of a budget for a period of time limited to one year, is an appreciated principle both in terms of budget approval by the legislature, and also from the technical and financial point of view, compared to the process of developing budgets over several years.

Thus, the first meaning of this principle is represented by the length of time for which the parliament authorizes the government to collect public revenues and to perform public expenditure. Analyzed from this perspective of authorizing (approving) the parliamentary activity budget, the annuality is also accepted as the optimal time to exercise an effective control, exercised by the legislative power over the executive power.

From a technical and financial point of view, the annual periodicity of the state budget was confirmed as being responsible for the real programming and prior establishing possibilities of the state's budget revenues and expenditures.

Therefore, the second meaning of the budget annuality is the period of time in which the budget is executed; this period is usually limited to one year.

In the international budgetary practice, the budgetary year (the budgetary exercise) coincides or not with the calendar year. In countries like Austria, Belgium, France, Germany the budgetary exercise coincides with the calendar year (January 1 to December 31), while in England, Canada and Japan the fiscal year begins on April 1 and ends on March 31 the next year, in Australia, Italy, Sweden the time range is from 1 July to 30 June the following year, and in the U.S. the start and end dates of the financial exercise are October 1 and September 30 next year.

This different budgetary practice is influenced by the economic rationality of the state in matter, by traditions, by the nature of the economy, by its development level, by the work period of the Parliament, by the length of the annual debates and also by other reasons.

Recently, this principle has been questioned, from a first issue related to the problem of financing the expenses with the state's investment, which requires more calendar years. Another reason is determined by the emergence of the idea of programming the budget on medium and long term, which aims at removing the hazard from the state's budgetary activity (the need to elaborate program budgets).

In our country the budgetary exercise is annual and coincides with the calendar year. As far as we are concerned, the principle of budget annuality – as it is stated in the Public Finance Act provisions (article 11 of Law no. 500/2002 on public finances) states that *"The budgetary revenues and expenditures are approved by law for a period of one year, which corresponds with the budget year."*

2.4. The monetary unity principle

It is noteworthy the express enrollment - between the budget rules - and the monetary unity principle, which states that *"All budgetary operations are expressed in national currency"* (in the sense of Art. 13 of Law no. 500/2002 on public finances). Thus it is regulated, in a direct manner, the obligation of expressing the budget operations speech exclusively in national currency.

2.5. The publicity principle

The principle of the budget publicity is stated through the informational need both internal - of its own citizens, and international regarding the annual financial

situation of the state. The budget publicity is the main reason the budget must be brought up to the public opinion, so as to ensure transparency about the origin and use of the public money.

In our country, the budgetary system is open and transparent through:

- a) the public debate of the budget projects, during their approval;
- b) the same public debate of the annual general accounts of budget execution, during their approval;
- c) publication in the Official Gazette of Romania, Part I, of the budget approval normative acts and of the implemented annual general accounts;
- d) using mass media to disseminate information on the content of the budget.

In this way the state budget is known through the mass media since its design stage and during the parliamentary debates, following that after the adoption by the Parliament, the annual law to be published in the Official Gazette.

2.6. The budgetary specialization principle requires that the budgetary revenues to be subscribed in the budget and approved by the Parliament based on their source and the public expenditures that follow must be subscribed to the budget into categories depending on the destination and according to their economical content / nature according to budget classification.

According to the legal definition, *the budget classification* represents grouping the budgetary revenues and expenditures in a mandatory order and using unitary criteria. Therefore the budget classification consists in legal grouping, numbering and naming the state's revenue and expenditure, which is mandatory for the content of this budget and for the state budgetary accounting evidence.

Regarding the *classification of the budgetary revenues*, their enrollment is done in chapters and subchapters of current income or capital income, after their fiscal or non-fiscal content and after its origin source.

Concerning the *classification of budgetary expenditures*, it is necessary to emphasize that it is more complex, comprising on the one hand, *the functional classification*, which states grouping the expenses according to their destination in order to evaluate the allocation of the public funds of some activities or objectives that define the public needs (the legal definition of the functional classification, according to art. 2 of Law no. 500/2002.). According to this, on the one hand, the expenses are entered in the budget in parts, chapters, subchapters, paragraphs, and on the other hand, *the economic classification*, which involves grouping the expenses according to their nature and to their economic effect (according to this, the expenses are listed by title, articles and paragraphs of budget expenditures).

In addition to the legal regulation of the principles discussed above, in the theory of public finances were expressed other principles such as the principle of not affecting the incomes or the principle of budgetary balance.

2.7. The principle of not affecting the incomes involves depersonalization of the budgetary revenues, by concentrating them in a single budgetary monetary fund that would be used for all budget expenditures, thereby avoiding the damage to certain incomes for certain expenses. Failure to precisely respect this principle is in fact a result of the complete failure in respecting other principles, especially those regarding the budgetary universality and unity. The principle of not affecting can be interpreted by analogy with that of universality due to similar consequences that should not be confused.

2.8. The budgetary balance principle requires that the public revenue to cover the public expenditure, which means that the budget must be balanced.

The classical doctrine considers this principle as being the cornerstone of public finances, but in practice this principle is not respected, since modern public budgets are drawn up often deficient.

In countries with a less prosperous economy, respecting this principle is a necessity and a legislated goal. Since Law no. 500/2002 does not contain provisions including such obligations in the task of the specialized state bodies, we can say that at political level the budgetary balance it is no longer considered absolutely necessary.

Where there is a strong national economy, some states have abandoned the traditional practice of balancing each year the revenues and expenditures, using the budgetary deficit as a mean of influencing the economic development by taking as loan and using by the state the available state capital in the society.

3. Conclusions

Therefore, in order to ensure a correct management of the financial resources and public expenditures is recommended that these technical rules known as **budgetary principles** should be respected. As shown in this paper, in the budgetary practice it is found that respecting the budgetary principles presents some advantages, but also some inconveniences and certain exemptions from the budgetary rules.

4. References

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