IMPLICATION OF FISCAL POLICY FOR THE ROMANIAN ECONOMY DURING 2000 - 2015

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Abstract
This paper aims to examine the result of implication of fiscal policy and their objectives in Romanian economy during 2000 – 2015. The analysis is focused on the expectations and results achieved through the implemented objectives of the fiscal policy. The paper draws especially on the results reflected in the revenues collected to the general consolidated budget of the state, in the share of deficit of general consolidated budget of the state in GDP, on the level of taxation. Also the paper use the financial and fiscal regulation during the period mentioned. Fiscal policy has intense interactions with regional policies, budgetary, monetary, social, as well as and development strategies, regional or national. This aspect is important in order to achieve macroeconomic stability, resulted in achieving sustainable economic growth, in condition of des-inflation, maintaining the current account deficit within limits financed in a sustainable way (in particular foreign direct investment) and strengthening the state foreign exchange reserve.

Key words: *fiscal policy, fiscal policy objectives, general consolidated budget of the state, of the budget deficit, GDP, revenues, expenditures, taxation*

JEL Classification: *E61, E62, E63, E64, E65, E66*

I. INTRODUCTION: FISCAL POLICY AND FISCAL POLICY OBJECTIVES

How do we call the activity which is governing how they are made to comply with the provisions of fiscal law? Or what is the manner in which these taxes are levied in order to encourage or discourage a particular economic activity? Or how we thought and implemented *a fiscal reform*? All these considerate together with many other complementary activities designed to ensure the proper functioning of the fiscal system are managed under the umbrella of financial policy.

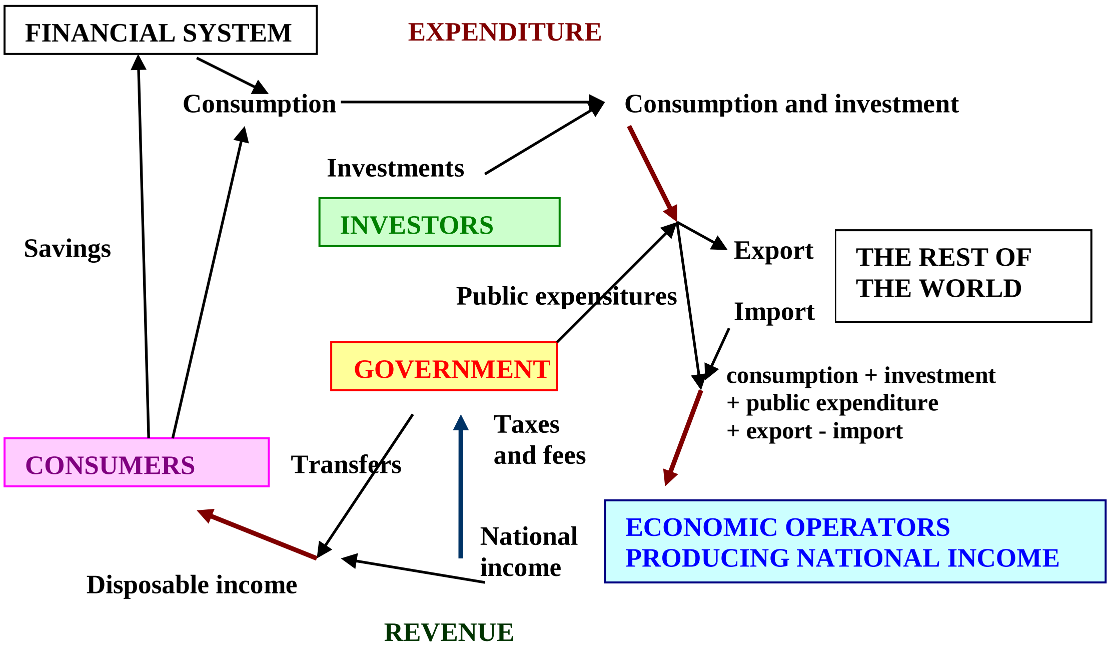

Figure no.1.1: The flow of revenue and expenditure in the economy.
Source: adjustment after Iulian Văcărel & colectiv, *Finanţe Publice*.

In other words, financial policy is defined (Iulian Văcărel & colectiv, 2011) as all measures, actions and instruments to collect financial resources as well as and their use in order to meet the public needs. Fiscal policy is based on the criterion of efficiency tax, of a high yield of its, in order to ensure the highest revenue to the state budget, encouraging economic activity, investment, in the same time with the promoting equity in each contribution to the formation of income and with providing social protection. The activity of formatting of public financial resources is followed by a process of redeployment (as can be seen from figure no.1.1) of resources collected by the state, by various beneficiaries, as a rule different taxpayers (According to the budgetary principle – *non-affecting revenue* – any revenue collected at the budget level are not customized, meaning in the process of redistribution does not take account of income source). Therefore, the financial policy includes the fiscal policy and budgetary policy, because the way of the redistribution of income in the economy is through the state *budget*, local, of the social security etc., through public expenditure approved by the respective annual budgetary laws.

Analysis of existing financial flows in an economy (shown in figure no.1.1) it shows how the fiscal and the budget policy should be correlated, because:

- consumption of the population depends directly on the size of disposable income. Thus, an increase in taxes (and/or their rates) applied on individual income of individuals will lead to a reduction in consumption expenditures, of saving capacity, and by default will reduce overall demand in the economy. And so if taxes applied on the results of economic activity of legal persons;
- public spending for satisfaction of public needs is part of the total demand of economy.

While budgetary policy aimed at sizing public spending and the way in which are (re) targeted public revenues in order to meet public consumption and the provision of public goods and services, the fiscal policy have in a view the establishment of the volume and the origin of revenues of formation to the public financial funds, sampling methods which fallow to be used, objectives and means of achieving it by using its specific instruments – taxes and fees.

Fiscal policy can target to achieve different purposes, either economic or social nature, public infrastructure, etc.. Therefore, fiscal policy is an integral part of the general economic actions of the state, and has a strong/intense interactions with regional policies, budgetary, monetary, social, as well as and development strategies, regional or national. Interdependence of these policies in order to ensure macroeconomic balance is called *economic mix*. Thus through fiscal policy can act so as to protect or to encourage certain economic sectors, and, from this point of view the fiscal interventionism targeted different objectives, such as: stimulating economic agents to make investments in some areas; enhancing the quality and competitiveness of products; stimulating exports; encourage small producers; protecting the environment by preventing the development of activities that would prejudice environment; stimulating agriculture and its sectors; ensuring a balanced and sustainable economic development throughout the country by reducing regional disparities and, last but not least, by stimulate investors in the development of economic and social activities in rural areas.

The basic objective of financial policy (with two of its components: fiscal policy and budgetary policy) is to ensure a balance between total demand and total supply of resources and public utilities. This objective is closely followed by another one – ensuring a balanced budget.

In achieving these objectives the financial policy interacts or must interact on a continuous basis with monetary policy (Georgescu Florin, 2002). And this because, assuming that in an economy, at one moment, demand for financial resources is greater than what can be collected at the national level, the Central Bank through monetary policy plays a crucial role regarding the cost of necessary financial resources. Thus, it may act especially by using the interest rate (and the required reserve ratio and money market operations), even:

- the purpose of maintaining interest rates, but providing an increased supply of money being in circulation, which will lead at that time to cover demand for financial resources, but, in time will cause a budget deficit *turned into currency* generating inflation;
- the purpose of increasing interest rates, ensuring an increase of the cost of financial resources, therefore the aggregate demand from economy will fall, volume of consumption and investment will be reduced, take place a process of slow economic growth, while ensuring economic stability and the financial system.

Certainly the authority of government and monetary decision, in the creation and implementation of financial policies more efficient the mix of this and other policies taking into account the concrete situation of the economy at that time, experiences of the previous years, the social conditions, political and geographical, by practices of developed countries and economic and social objectives scheduled to get within a certain time horizon.

II. RESEARCH MODELS: FISCAL POLICY OBJECTIVES, OVER THE TIME

The incipient role and objectives of fiscal policy

In achieving the smooth running of the economic activities of the state competent authorities establish strategic objectives and actions with specific measures to contribute to functioning the state's mechanisms, to collect more and accurate financial resources at the level of consolidated budget of the state and to keep balanced development of economy throughout its.

The objectives of fiscal policy are closely linked with policy's functions and with their effects on national economy, as well with obtainable results by using taxes, state's loans, budgetary expenditure, as the interventions within the reach of public authorities.

Economists (Musgrave Richard & Musgrave Paggy, 1984) identified three functions of fiscal policy which are inter conditioned and related to the state economy: allocation, distribution and stabilization.

The allocation's role of fiscal policy is to measure the desirability of intervention of the state into economy to correct market failures by identifying these forms of *the slippages* of the market and through the efficient allocation of resources to prevent and reduce such "failures". The involvement of the state into economy, through fiscal policy in correcting the allocation/reallocation process of resources will be made after analyzing the main factors (Gheorghe Burlacu, Dragoş Pătroi, 2005) that lead to dysfunctions of the market, respectively: public goods, merit goods, non-merit goods, externalities, monopoly power and asymmetry and imperfections of information.

The distribution's role of fiscal policy has its roots in the existence of inequalities in income distribution, which however much they try would be impossible to remove. In carrying out this role in the best way possible, the following should be considerate (Gheorghe Burlacu, Dragoş Pătroi, 2005):

- efficiency – by encouraging all economic operators to obtain results in the economy;
- equity – actors of economic life to be paid depending on the yield obtained;
- solidarity – cohesion of action for those who are temporarily in difficulty; and
- economic's growth – that fiscal policy should take account, support and encourage the increase of gross domestic product in a sustainable way.

The role of fiscal policy to stabilize economic life is dependent on budgetary policy applies (Mosteanu Tatiana, 2008), and by the regional development policies[1] promoted by our country. Thus, through the state budget is established a relationship between public income – formed in proportion of over 90% of taxes and fees – and social needs – for which there are made public expenditures – aiming to avoid inequality in the allocation of the tax burden on members of society, and, through the policy of regional development are provided certain tax facilities granted to entrepreneurs located in the regions/areas whose economic development level is lower than the rest of the country.

Based on contemporaneous economists (Iulian Văcărel & collective, 2011 and Mosteanu Narcisa Roxana, 2011,a) and European law in force, all these functions overlap with the basic functions of public finance: allocation and distribution of the public funds, in order to have a sustainable development of the economy.

Modern objectives of fiscal policy

The research[2] could find that most of the time the public authorities have used and use fiscal policy to achieve non-tax targets, of the economic type, such as: influencing economic processes, correcting the economic cycle, removing economic imbalances. In this respect we can say that fiscal policy deal with: revenue, expenditure, public loan, public debt, public deficit and in the end (but not last) budget balance.

In this respect, following the general directions founding on fiscal policies, it can distinguish, as the overall objective of fiscal policy: economic stabilization; adjusting the juncture and relaunch the economy; restructuring and economic growth; modernization of the productive body.

Primary objective concerns **economic stability** and because it is easy to understand what constitutes inconsistency in tax laws. Economic instability in the short term – *cyclical* – is determined by rule of: fluctuations in economic investment and the savings of the population; changes in the volume of exports caused by variations in external demand; changes in the structure of foreign trade; production of exceptional events – disasters, epidemics etc. To achieve this objective, during the recession period, fiscal policy reduced the rates of taxes while increasing public spending. During the period in which the aggregate demand tends to be excessive generating mainly as a result price increases and budget deficit, the fiscal policy will use an increase in tax rates and/or reduce public expenditure.

[1] *Law no.315/ 28th of June2004 related to regional development in Romania*, published in Official Gazette of Romania, Part I, no.577/29th of June 2004, with all subsequent amendments till 1st of April 2015.

[2] Following the recent movement that had place in all economies, it can be seen that fiscal policy took an important role, being finalized also with signing *The Treaty on Stability, Coordination and Governance in the Economic and Monetary Union*, signed in 2013, and well known as *Fiscal Treaty* (Romania is also part of it); http://europa.eu/rapid/press-release_DOC-12-2_en.htm

Adjusting the juncture and recovery of economy is closely linked to the mix of monetary-financial policy which we have presented above, Central Bank, through monetary policy has a decisive role in respect of the cost of purchasing financial resources necessary.

To achieve the objective of **restructuring and economic growth**, fiscal policy encourages the development of certain economic sectors or activities either by reducing tax rates, or by providing tax incentives. These activities concern also some social objectives often directed toward: discouraging consumption of certain products harmful health, stimulating taxpayers to charitable activities, reducing inequalities of income and assets, etc.

Modernization of the production body is an interim objective of fiscal policy is closely related to the development of foreign trade and increase local economic competitiveness on international market. This objective is achieved, mostly by reducing tax rates for the economic operators according to the reinvested profit; by granting tax deductions for a share of the investment already done; by promoting savings, etc.

III. RESEARCH RESULTS: IMPLICATIONS OF FISCAL POLICY FOR THE ROMANIA DURING 2000 -2015

In time, for the basis of fiscal policy have been taken into account numerous factors whose influence has varied depending on how the policy makers have opted for ensuring economic development of the country, by the internal and external constraints, and the emergence of other factors as a result of trying to achieve some important objectives such as: stimulating behaviours to work, savings, investment, export; promoting a high attractive tax; providing sufficient budgetary resources to enable the functioning of state institutions; providing revenue needed for social protection of population under conditions of complex phenomena in the specific construction of a functioning market economy; improving the fiscal system, by enhancing transparency, elasticity, non-discrimination, fiscal efficiency; modernizing fiscal administration.

From experience gained within taxation and fiscal policy research field (Narcisa Roxana Mosteanu, 2008, 2011,b) it can highlight some aspects of fiscal policy promoted in Romania started with 1989 and present. In the imbalances that have accompanied the transition process, Government had to take difficult decisions, sometimes controversial, but every time subordinate concerns for further reform in the financial-banking field and to resolve moments of extreme tension.

So, immediately after major policy changes occurred in December 1989, starting since 1990 main objectives of fiscal policy were: re-routes and methods of sampling and distribution of public financial resources, ensuring the equity regarding the participation of individuals and legal resources to formation of public financial resources by changing the tax system, combating tax evasion and the provision of budgetary resources to meet the conditions of state's functions and its institutions. Even if the public manages intention was to ensured a better fiscal framework in order to collect the budgetary revenues, the pour experience in founding the financial (both fiscal and budgetary) rules and the numerous changes in fiscal field have led to confusion in application the rules and opened the gateway to tax evasion.

In Romania, fiscal policy objectives are constantly changing, from 2000 until now. Here's how the fiscal policy implemented in this period did not lead to improving the way to collection the budgetary revenues, and did not lead to GDP growth, but favoured raising public expenditures and created destabilization on political scene, from economic view.

For 2000, fiscal policy was designed to support the resumption of sustainable economic growth through tax reform and limiting the general consolidated budget deficit to 3% of GDP. In this respect, the main corrections of fiscal policy in tax system had resulted in the introduction of global income tax, reducing the tax rate on profit from 38% to 25%, unifying VAT rate from 19%, as well as eliminating a significant part of facilities and tax exemptions from previous years. Therefore, at the end of 2000, general consolidated budget deficit was 4.1% of GDP, exceeding the limit being proposed and being more than 1.4 percentage points from the previous year. This increase was due in particular to budgetary expenditure which, although it experienced a reduction of its share in GDP to 35.1% from the previous year, exceeded the growth of budgetary revenues, whose share fell to 31.5% of GDP, with 2.9 percentage points lower than in 1999. Fiscal measures adopted in early 2000 (changes in tax system) had led to a decrease in the level of taxation at 29.4%, by 2 percentage points from the previous year and hence a tightening of budgetary revenues.

In 2001, fiscal policy and has set as objectives: an accelerated growth of the economy, reduction of unemployment, continuing disinflation and ensuring a sustainable balance of payments. The target for deficit of general consolidated considered able to reconcile these objectives it was originally set at 3.7% of GDP, and the achievement was 3.2%. The share of deficit of general consolidated budget in GDP at 3.2% was the result of fiscal measures implemented, respectively granting the facilities to support small and medium enterprises, introduction of income tax for micro enterprises, with a much smaller share, 1.5% of quarterly revenue and increase the rates of excise duty on some product categories, but maintaining the result of almost constant of budgetary expenditure, 29.9% of GDP, even if the revenue share in GDP declined from 31.3% to 30.5%.

Fiscal policy promoted in 2002 was marked by constraints resulting from the economic program, including limiting the overall share of consolidated budget deficit within 3% of GDP. Fiscal measures taken in 2002 in order to growth the economy and maintaining general consolidated budget deficit within 3% of GDP consisted in: relieving taxpayers of certain taxes for the abolition or reduction of contributions to some special funds, increasing some excise duties, eliminating exemptions and zero rate of VAT and introducing tax on land exceeding 10 ha. These measures have led to a decrease in the revenues of budget with 0.4 percentage points lower than the previous year, respectively 29.7% of GDP. However budgetary revenue decrease was offset by a decrease of budgetary expenditure (lowering interest payments on public debt and transfers), which caused the general consolidated budget deficit to range within the limits laid down, respectively at 2.6% of GDP. With regard to the level of taxation, this dropped to 27.6% of GDP, compared with 28% in 2001.

In 2003 the Romanian economy continued favourable trends from previous years with respect to economic criteria such as growth, disinflation, and control of the budget deficit and reduction of unemployment. The main constraint imposed on the budget was capping general consolidated budget deficit to 2.65% of GDP, like in the previous year. Therefore the fiscal policy measures have been provided in order to: reduce contributions for social security; reduce the development tax within the electricity tariff, gradually increasing tax on profit in the case of export activities and gradually increasing excise in order to bring tax rates at the European level. The conservation ratio of budget deficit to a similar share of GDP as last year would normally lead to an increase in revenue share in GDP; however revenue growth was lower as a result of reducing direct tax revenue. By achieving savings more pronounced to payments interest for debt and through the failure of transfers program and capital expenditure, the share of budgetary expenditure in GDP has remained at the same level as in the previous year. All of this has placed the share of general consolidated budget deficit to GDP not only within the limit set, but even at a lower level by 0.3 percentage points, respectively 2.2% of GDP.

In 2004, fiscal policy had in its view two macroeconomic objectives: continuing the process of disinflation and maintaining under control of the general consolidated budget deficit within the limit of 3% of GDP. In this context, expenditure policy of the public authorities focused on priority on social programs and infrastructure development, and those of budgetary revenues on the gradual reduction of fiscal pressure and the continuation of tax reform. At the end of the 2004, the introduction of Fiscal Code which unified the fiscal legislation also the maintaining budgetary revenue share in GDP at the same rate as in the previous year together with the restricting of budgetary expenditure and caused the general consolidated budget deficit to reach 1.5% of GDP.

In 2005 the main objectives of fiscal policy were restructuring the tax system - especially direct taxes and maintaining general consolidated budget deficit below 1% of GDP. Fiscal reform aimed in particular the introduction of flat 16% at tax on profit and tax on income, which led to a reduction in budgetary revenues. The share of general consolidated budget deficit to GDP was 0.8% as a result also of performed and the corresponding reduction of budget expenditure The promoted fiscal policy successfully achieved the gap. The share 0.8% was falling into the limit set.

In 2006 the fiscal policy was relaxed, even if economic policies and actions led to Romania's accession to the European Union, at 1 January 2007. The main fiscal measures were: reducing social security contributions by 1.5 percentage points, introducing tax flaw for tobacco and alcohol. Fiscal relaxation contributed to increased investors, development of the economic sectors, increased the trust on the foreign market, an increased in savings and investments also to an increased consolidated budget deficit to 1.5% of GDP from 0.8% the previous year.

In 2007 it maintain the policy of fiscal relaxation which are observed from increase the share of general consolidated budget deficit to GDP to 2.3%, which was reflected in the inflation rate increased to 6.6% from 4.9% the previous year and recording a deficit of the current state budget at 14% of GDP, compared to 10% as the record in 2006. So a fiscal policy based on fiscal relaxation was not good for a long period.

In 2008 even it registered an economic growth the fiscal policy promoted the same rules as in 2007 without taking into account the fast changes which were happened on financial market. Therefore at the end of the year the deficit of the general consolidated budget was – 4.1% to GDP. Therefore, from the second half of 2008, global economic crisis has made its presence felt also in Romania.

In order to tackle the economic crisis that swept our country and to reduce the budget deficit, the Romanian Government decided, in the first half of 2009, on a loan from International Monetary Fund, European Union and World Bank. In this respect there were necessary certain measures to adjust budgetary expenditures. These measures focused on a better collection of budget revenues and a reduction in capital expenditure to offset the additional current expenses and to meet the proposed target deficit for 2009 of 7.8% of GDP. However, expenses foreseen in the programmed budget have been exceeded, and even the better monitored revenues have not been collected as they were programmed.

The first part of the year 2010 there were a lot of major decisions related to fiscal policy. Some decisions were directly linked by taxation and public expenditures and other one was an important movement for Romanian fiscal policy, as a legal rule. In order to reduce the share of deficit in GDP, there were taken a lot of measures in taxation area as: increasing quota of VAT from 19% to 24% and taxation of all income with 16% with no exception; and cutting the public personal expenditures with 25%. All this measures force the economy to go down, because automatically the public and private consumption decreased and, as a natural consequence, public income decreased. At the end of the year 2010, the share of budgetary deficit in GDP was 6.5% (almost the same as it was foreseen by the International Monetary Fund).

Following the conclusion of the Agreement between the International Monetary Fund and Romanian Government, it was born and came into force *Law on fiscal responsibility* which, for the first time in Romania, which makes clear and concrete the principles and objectives of fiscal policy. This law is meant to provide and maintain fiscal and budgetary discipline, transparency and medium and long term sustainability of public finances; establish a framework of principles and rules on which the Government to ensure the implementation of fiscal policies conducive to sound financial management of resources; and efficient management of public finances to ensure economic prosperity and anchoring fiscal policies in a sustainable framework. The main objective of fiscal policy became a rule: **maintaining public debt to a sustainable level on medium and long term; achieving a consolidated budget's balance close to zero during the economic cycle, while ensuring the country's competitiveness; prudent management of resources and obligations of the public sector and fiscal risks; maintaining an appropriate level of budgetary resources for debt service payment; and, predictability level of rates and tax bases or tax**. Achieving and maintaining a consolidated budget's balance close to zero during the economic cycle come to meet directives of Fiscal Treaty (http://europa.eu/rapid/press-release_DOC-12-2_en.htm), which was signed also by our country in 2012, and entered into force with 1st of January 2013. Fiscal Responsibility Law brings a new public institution: Fiscal Council. This new public body is called to monitor fiscal rules and implementation of the Fiscal Strategy and its objectives.

In 2011, in order to achieve the targets foreseen, policymakers follow the same policy of austerity, with high taxation and public spending restraints. For the first time, public authorities must take into account also objectives foreseen within Fiscal Strategy for the period 2011-2014. Fiscal policy objectives contained in the Fiscal Strategy for 2011 aims austere measures focused on sustainable adjustment in public spending, but also considering measures that increase tax base in order to prevent getting the country to the level where access to sources of funding would be very difficult. At the end of the year 2011, the share of budgetary deficit in GDP was 4.2%, improved compared to 2010, and this due especially from exports and adjustment in public spending.

Year 2012 was characterized by severe drought adverse effects on output agricultural and reduced absorption of structural funds programs due to interruption and on the other euro area recession reduced external demand. Under these conditions, growth GDP was 0.7%. Fiscal policy tried to maintain stability within taxation field, reduce tax fraud, maintain public expenditures under limits foreseen within Fiscal Responsibility Law, maintain budget balanced and develop a sustainable economy. In this line, in this year 2012, Romania sign Fiscal Treaty. The main objective of this treaty is *balanced budget rule* and an automatic mechanism to take corrective action. So, the budgetary position of the general government shall be balanced or in surplus, this rule shall be deemed to be respected if the annual structural balance of the general government is at its country-specific medium-term objective, with a lower limit of a structural deficit of 0.5% of the GDP at market prices (The Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, 2012, Article, Title III, Art.3, http://europa.eu/rapid/press-release_DOC-12-2_en.htm). Trying to maintain a balanced budget, the budgetary deficits reach the share 2.5% in GDP.

In 2013 it apply the same fiscal austerity measures and is trying to increase absorption of European funds and increase spending on public and private investments. This leads to registering the same trend of reducing the budget deficit to GDP ratio at 1.8% compared to 6.5% in 2010. The economic growth was about 1.6% compared to year 2012. On average, they managed an annual reduction of 1.4 percentage points.

If at the beginning (2010 – 2011) the Fiscal Strategy was at the beginning and had no well-defined fiscal targets (Mosteanu Narcisa Roxana, 2011,c), starting with years 2013, and continued in 2014 by improving fiscal objectives in order to keep the budget balanced and ensure a sustainable economic development. This objective aim: provision resources for sustainable economic development; continue the process of fiscal consolidation measures to stimulate growth and create new jobs, increase revenue in a faster increase in spending, creating a more efficient and equitable tax system, and better revenue administration budget; strengthen fiscal discipline by paying arrears to the state budget, local authorities and state enterprises as well as measures to prevent the formation of new arrears; increase the efficiency of budget allocations by public investment reform, substantial orientation of funds to co-finance European projects and priority funding from their own resources, only those investments that have high performance and can be completed in a medium-term horizon (3-5 years); strengthening national fiscal frameworks, fiscal institutions in accordance with Fiscal Treaty commitments; transparency in the use of public funds and budgetary reporting best practices; and appropriate management of public debt (*Fiscal Strategy 2014-2016*, http://discutii.mfinante.ro/static/10/Mfp/strategbug/Strategiafiscal_bugetara2014_2016.pdf, pg.9). Follow these objective, at the end of 2014, it succeed to have an economic growth about 2.2% (compared to previous years) and a deficit to GDP ratio at 1.0%.

For 2015, the Fiscal Strategy has foreseen a deficit to GDP ratio at 0.8%. In 2015, Fiscal Strategy will continue to support the business environment through measures to support state aid, subject to regulations in the field, watching predilection: selecting investments with real impact on regional development; providing financial resources needed to pay state aid to support investment projects; ongoing monitoring of investments financed; new measures to support SMEs; further harmonization of national legislation with European Commission law; improving tax legislation in order to counter evasion phenomena; increase budget revenues by broadening the tax base; and further reforms in the health, transport, education, justice.

IV. CONCLUSIONS AND PROPOSALS

Through this work paper the research come and show that fiscal policy using public expenditures, public revenue (especial taxation) and public loan to influence the evolution of the economy. All the governments (including Romania’s government) use fiscal policy to promote a strong, viable and sustainable economic growth and reduce regional imbalances and poverty. Fiscal policy is in present time a very important tool use by any government in order to support financial systems to mitigate the impact of the crisis on vulnerable groups.

Fiscal policy does not work alone. When the government wants to influence the economy, they have two main tools: monetary policy and fiscal policy. National Bank indirectly target activity by influencing the money supply through adjustments to interest rates, bank reserve requirements, and the sale of government securities and foreign exchange. Public administration, government influence the economy by changing the level and types of taxes, the extent and composition of expenditure, and the degree and form of borrowing. We call this: mix of policies.

Looking back to the last years, since fiscal policy is in force by law in our country and respect the Fiscal Treaty conditions, we can clearly see that this policy and their objective has a very important role in economic development. This policy really managed to move our economy in a good direction, helped to emerge from the economic crisis and it seems to help the government in economic development decisions.

With regard of our country, it believes that this mix of fiscal, budgetary, monetary and social policies is strongly needed, to be in place and to work with some help and goodwill from public administration, at any level. The fiscal objective can be improved, and in this respect we have to release the credit access for companies SMSs and starts up, to reduce interests on individuals’ credit, to stimulate individuals’ savings, to try to purchase loans from domestic capital market, to release taxation and ensure legislative stability over a long period of time, and to reduce the number of employees in public sector but stimulate in the same time the employment process within private sectors by some facilities especially for this issue.

As a conclusion to the above we can say that the whole logic of fiscal policy must be designed as a harmonious combination between the incentive and restrictive elements in order to achieve macroeconomic stability, resulted in achieving sustainable economic growth, in condition of des-inflation, maintaining the current account deficit within limits financed sustainable way (in particular foreign direct investment) and strengthening the state foreign exchange reserve.

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