IMPROVING THE PRIORITIZATION OF PUBLIC INVESTMENT – THE ROMANIAN EXPERIENCE
GENERAL CONTEXT

• In the current macroeconomic framework, a major priority for the Romanian Government is the improvement of budgetary planning and prioritization of significant public investment projects, in order to increase the absorption of the EU funds, to create fiscal space and to support economic growth.

• Based on the information presented by the Ministry of Finance in the 2016 Report on the macro-economic situation and its projection for 2017-2019, the level of investments expenditure for 2016 amounts 37.7 billion lei, representing about 5.1% of the GDP and about 14.9% of the total budget expenditure.
GENERAL CONTEXT

In light of this, the Government of Romania has embarked on a reform of the public investment management system. Reform priorities aim to:

(i) ensure maximum economic benefits from public investment by identifying, developing and financing strategically relevant, high-priority projects, using also as criteria the performance economic indicators ranking;

(ii) efficiently manage the fiscal space implications resulting from investments projects; and

(iii) strengthening the implementation of investment projects to reduce time and cost overruns, including by strengthening the project preparation.

Ministry of Public Finance, Romania
ACTIONS TAKEN IN THIS DIRECTION

• Establishment of a new Unit within the Ministry of Public Finance, the Public Investment Evaluation Unit;

• Adoption of Government Emergency Ordinance no. 88/2013, which establishes in Chapter II, the prioritization criteria for the significant public investment projects, as well as the main lines of action of the Ministry of Public Finance in the process of assessing and prioritizing public investment projects.

• Adoption of the Government Decision no. 225/2014, approving the Methodological Norms for the prioritization of public investment projects.

Ministry of Public Finance, Romania
ACTIONS TAKEN IN THIS DIRECTION

In the prioritization process of significant public investment projects, a major role is played by the Public Investment Evaluation Unit within the Ministry of Finance which is acting as technical secretariat and performs the following tasks:

• Pre-feasibility study assessments, in terms of affordability and sustainability of proposed public investment projects;

• Assessing the readiness and maturity of public investment projects;

• Assessing the line ministries proposals in the prioritization process
ACTIONS TAKEN IN THIS DIRECTION

• Also, in 2014 an agreement was signed with the World Bank for a technical assistance on Strengthening the Public Investment Management.

• The support focused on:
  • Strengthening the role of the MoPF to coordinate the preparation of new public investments by line ministries;
  • Identification of criteria for rationalizing the existing Public Investment Portfolio;
  • Strengthening the link between prioritized projects and budgeting process.
PUBLIC INVESTMENT PROJECTS PRIORITIZATION PROCESS

• According to the existing legal provisions, line ministries submit to the Ministry of Public Finance the prioritized significant public investment lists, together with all necessary supporting information.

• The principles underlying the prioritization of the new and ongoing significant public investment projects are, as follows:
  • the opportunity of the project in the context of sector or national strategies,
  • the economic and social performance elements of support,
  • the financial affordability and sustainability,
  • arrangements for implementation/implementation performance,
  • the time remaining up to the completion of the public investment project.

Ministry of Public Finance, Romania
PUBLIC INVESTMENT PROJECTS PRIORITIZATION PROCESS

• In the prioritization process of significant public investment projects, a major role is played by the Public Investment Evaluation Unit within the Ministry of Finance, which is managing the flow of information to ensure the consistency of the public investment prioritization process.

• Ministry of Public Finance reviews all information submitted and compiles the list of prioritized significant public investment projects.

• The Ministry of Public Finance drafts the Memorandum presenting the results of the prioritization and submits it to the Romanian Government, for approval.
In 2015, within the prioritization process, 9 line ministries submitted lists of prioritized significant public investment projects totaling 120 projects:

- 73 significant public investment projects were identified as being under implementation (with an implementation progress between 0.01% and 99.9%);
- 26 projects were completed (but still in the budget in order to complete all outstanding payments);
- 21 projects, in an incipient stage of development.
2015 PUBLIC INVESTMENT PROJECTS PRIORITIZATION PROCESS

- Information on the funding source:
  - 45% of the significant public investment projects are funded from EU funds;
  - 26% are funded from other sources (reimbursable funds, own revenues, etc.)
  - 29% are funded from state budget;

Ministry of Public Finance, Romania
### 2015 Public Investment Projects Prioritization Process

Line ministries that submitted lists of significant public investment projects:

<table>
<thead>
<tr>
<th>Line ministries</th>
<th>Number of significant projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Transport</td>
<td>101</td>
</tr>
<tr>
<td>Ministry of Health</td>
<td>2</td>
</tr>
<tr>
<td>Ministry of Justice</td>
<td>3</td>
</tr>
<tr>
<td>Ministry of Regional Development and Public Administration</td>
<td>2</td>
</tr>
<tr>
<td>Ministry of Environment, Waters and Forests</td>
<td>8</td>
</tr>
<tr>
<td>Ministry of Economy, Trade and Tourism</td>
<td>1</td>
</tr>
<tr>
<td>Ministry of Education and Scientific Research</td>
<td>1</td>
</tr>
<tr>
<td>Protection and Guard Service</td>
<td>1</td>
</tr>
<tr>
<td>Ministry of Information Society</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>120</strong></td>
</tr>
</tbody>
</table>

Ministry of Public Finance, Romania
The Government approved the memorandum at the beginning of July, 2015.

Highlights of the evaluation and prioritization process:
- The average score obtained by the 120 significant public investment projects was 75 points;
- 70 projects out of the 120 projects (58.33%) have reached scores above average.
2015 PUBLIC INVESTMENT PROJECTS PRIORITIZATION PROCESS

Transparency in public investment projects

In order to increase the transparency level on significant prioritized public investment projects, Ministry of Public Finance published on its website, the list of 120 projects (over 100 million lei), including information related to:

- the total value of the project,
- the implementation progress,
- the payments progress status,
- the completion date and
- the budget allocations in 2016, in accordance with the state budget law.

Data shows that most projects are in advanced stages of implementation, respectively over 75%. Most of them are in transport sector. Fewer projects, less than 10%, have an implementation progress between 50 and 75%.
PUBLIC INVESTMENT PRIORITIZATION PROCESS – FURTHER ACTIONS

- Introducing a stronger "challenge function" for the Ministry of Public Finance integrated throughout the entire project cycle, with a main focus on the prioritization phase;

- Improving the prioritization criteria in order to:
  
  A) create a stronger link between the prioritization and the budgeting process;

  B) complete the projects found in advanced stages of implementation.