STANDARD SUMMARY PROJECT FICHE

1. **Basic Information**

1.1 Désirée Number: 2002/000-282.04.02

1.2 Title: Design and Establishment of a State Treasury System

1.3 Sector: Internal Market and Economic Criteria

1.4 Location: Czech Republic

2. **Objectives**

2.1 Overall objective
- Functioning market economy as well as the capacity to cope with competitive pressure and market force
- The ability to take on obligations of membership including adherence of political, economic and monetary union

2.2 **Project purpose**
To support the reform of public finance management and control by introducing a comprehensive and integrated State Treasury, to increase the efficiency and transparency of budgetary process with the aim to reduce financing of public budget deficits and manage the debt services and cash flow. The concept of an integrated modern State Treasury has been missing in the Czech Republic since 1989.

2.3 **Accession Partnership and NPAA priority**
AP 2001 says that the “pre-accession fiscal surveillance is being conducted satisfactory”. The priority has been partially met. Therefore the reference to the AP is no longer relevant. NPAA (2001): Economic and fiscal affairs: requirements related to greater finance transparency, fiscal risks, consolidating public finances, public deficit issues, reform addressing structural problems in public budgets (NPAA chapter 3.4.1) This is still valid.

2.4 **Contribution to National Development Plan**
n.a.

2.5 **Cross Border Impact**
n.a.

3. **Description**

3.1 **Background and justification**
The issue of State Treasury became one of the priorities in area of public finance. In view of the increasing pressure to make the management and control of public finance more effective and transparent, to revert the trend of the increasing deficits of State budget, to revert increasing indebtedness of overall public budgets and to meet the Maastricht criteria on sound public finance, it is of paramount importance for the Czech Republic to modify and modernise the State Treasury system.

Close co-ordination with the authorities responsible for the financial management and control in public administration, is required under Act 320/2001 on financial control.

The process of the modernisation of State Treasury started in fact by the adoption of Act on Budgetary Rules (no.218/2000 Coll.) and Act on Budgetary Assignment of Taxes (no.243/2000 Coll.). The pace of the process will depend on the human, financial and technical resources available. EU assistance could facilitate this process significantly.

The changes have been strongly recommended also by both the EC and IFI; most recently as a part of strategy recommended in IDF study.
3.2. Profile Activities

The need for a comprehensive, coordinated, and efficient system of public financial management is recognized as a key component of the broader efforts to improve public sector performance in the region. The World Bank and other international institutions have played a crucial role in this process, providing technical assistance and advice to countries in the region. However, the effectiveness of these efforts can be further improved through better coordination and alignment with national priorities.

Recommendations:

1. Strengthen the institutional framework for public financial management by establishing a comprehensive system of internal control and accountability. This includes the establishment of clear roles and responsibilities, the implementation of effective risk management strategies, and the promotion of transparency and accountability. The institutional framework should be reinforced through the establishment of a national audit body, the strengthening of regulatory bodies, and the promotion of good governance practices.

2. Strengthen the capacity of public sector institutions to manage and control public funds. This includes the development of a robust system of budgeting and planning, the implementation of a comprehensive system of financial management, and the promotion of good practices in public procurement.

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4. Strengthen the capacity of public sector institutions to manage and control public funds. This includes the development of a robust system of budgeting and planning, the implementation of a comprehensive system of financial management, and the promotion of good practices in public procurement.
3.3 Results
a) A new concept (model) of the State Treasury as a functionally and legally coherent system for effective management and control of public finance sector - designed
b) Concept of Treasury Single Account (TSA) vis-a-vis public budgets and funds, daily cash-flow management etc. - further developed and applied
c) Execution of state budget and other public budgets - modernised
d) Monitoring of the development of public funds revenues and expenditures vis-a-vis budgetary forecasts and limits - enhanced
e) Public sector debt strategy, financial planning, public sector payments, management of state assets and liabilities etc. - reinforced
f) Effective liaison to regional / local budgets complying with public administration reform - ensured
g) IT integrated system designed and applied

3.4 Activities
Activities will be aimed to achieve the results in art. 3.3 in compliance with previous assistance and recommendations provided under bilateral or multilateral facilities (WB/IDF, EU/OECD - SIGMA and Dutch experts) in art. 3.1:

1) Twinning (0.6 M€)
a) Consultations on conceptual approach and optional solutions for State Treasury model, including TSA concept and cash management
b) Comparative and analytic studies to recommendations in order to achieve the project outputs and project purpose
c) 2-3 day seminars, workshops
d) Study trips to relevant institutions in EU member states, to be specified
e) Training modules prepared and training carried out
f) Further details regarding the qualification and composition of PAA and short term experts are specified under the art. 6.2.

2) Technical Assistance (0.6 M€)
- analyses of current IT status,
- recommendations and technical specification for IT support
- translation and interpretation related to project execution
- designing a new organizational structure

3) Investment - (Phare 3.0 M€; State budget 1.0 M€)
Procurement of necessary software and hardware) based on the technical specification prepared by the MoF and/or under the Service contract (see item 2 above) The supplies related to the cash management part and the budget execution & accountancy reporting part can be tendered separately. See also art. 12 - Conditionality & Sequencing.

3.5 Lessons learned
Due to the complexity of the introduction of the State Treasury functions and in view of the previous experience it is presumed that the introduction of a new concept and modernisation of the State Treasury will be carried out in several phases in order to avoid systemic risk and other misfunctions that might occur. As for the design and implementation of the project see also art. 3 – Description parts TA (2nd para) and Integrated IT system. All relevant recommendations from previous projects have been taken into account.

4 Institutional Framework
The Ministry of Finance (MoF) is responsible for State budget, both revenue and expenditure side. In practice the State Treasury functions are executed by the MoF in conjunction with the Czech National Bank (CNB). The main beneficiary of the project will be the MoF, in particular the State Final Account Department (Dpt. 20), although the strong involvement of other relevant MoF departments and CNB will be also ensured.
Equal Opportunity Principles and Practices in Ensuring Equality of Gender Participation in the Project will be

Equal Opportunity

Program Concession:

Service Concessions:

Training Concessions:

Service Concessions:

Training Concessions:

Service Concessions:

Training Concessions:

Implementation Schedule

(3) Supply contract: 3.0 M N/A

(2) Service contract: 1.0 M N/A

(1) Training concession: 0.0 M N/A

N/A

3. Non-standard aspects:

6.2. Non-standard aspects (300 - 250 W/d)

- Short-term export

- Export

6.1. Implementation Arrangements

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Detailed Budget (Mill)

2002/000-232 0.42
9 Environment

The investment component of this Project relates to Institutional Building activities. No adverse environment impact is expected.

10 Rates of Return

The investment component relates to the Institutional Building.

11 Investment Criteria

The investment component relates to the Institutional Building. All investment is to be tendered immediately. Specifications will be drafted or reviewed by experts within the framework of twinning where possible and appropriate.

12 Conditionality and Sequencing

The proposals for amendments to legislation, procedures and structures resulting from the project will be reflected in proposals put forward by the Ministry of Finance to the Government of the Czech Republic. The supplies related to the cash management part and the budget execution & accountancy reporting part can be tendered separately. The cash management part will not necessarily be related to the Service contract. The supplies of the equipment will be checked by the independent experts, either in the context of the twinning covenenat or hired by the Delegation.

ANNEXES TO PROJECT FICHE

1. Logical framework matrix in standard format
2. Detailed implementation chart
3. Contracting and disbursement schedule by quarter for full duration of programme
## LOCORAM FRAME PLANNING MATRIX

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Objectives Verifiable Indicators</th>
<th>Results</th>
</tr>
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<tbody>
<tr>
<td>- Public and private sources in Goma</td>
<td>- EC recognition</td>
<td>- Treasury system, and integrated state</td>
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<tr>
<td>- National and local level of public</td>
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<td>- Political economy and monetary union</td>
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<tr>
<td>- Report of Czech Technical University</td>
<td>- Program Of Action</td>
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### Overall Objective
- Decrease Inflation:
  - Four years: 2.5%  
  - Total budget: 4.2%  
  - Disbursement Period: 31/10/2003

### Programmes
- Programme number: 2002/000.22.4.0.2
<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Assumptions</th>
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<tr>
<td>a) Consultations on conceptual approach and optional solutions for State Treasury model, including TSA concept and cash management</td>
<td>Twinning: (0.6 M €)</td>
<td>- Activities will be aimed to achieve the results in compliance with previous assistance and recommendations provided under bilateral or multilateral facilities (WB/IDF, EU/OECD - SIGMA and Dutch expertises)</td>
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<tr>
<td>b) Comparative and analytic studies to recommendations in order to achieve the project outputs and project purpose</td>
<td>PAA (18 months) - see PAA profile as described in SSPF, art. 6.2</td>
<td>- Close co-operation between the Ministry of Finance and Czech National Bank</td>
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<td>c) 2-3 day seminars, workshops</td>
<td>Short-term experts (300 - 350 w/d)</td>
<td>- Professional staff committed to the project and prepared for further training.</td>
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<td>d) Study trips to relevant institutions in EU member states, to be specified</td>
<td>TA 0.6 M € provided as a complementary to the twinning arrangement, if private sector input is required;</td>
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<td>e) Training modules prepared and training carried out</td>
<td>- Service contract (according to Phare standard procedure)</td>
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<td>f) Translation and interpretation related to project execution</td>
<td>- Supply contract (for IT incl. procurement of SW and HW)</td>
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<tr>
<td>g) Procurement of necessary software and hardware</td>
<td>Following the consultations with SIGMA experts, suggestions for the amount for the information system for the State Treasury is about 10-15 MEUR.</td>
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**Preconditions**

- Appropriate budget allocated under the National Phare Programme 2002
- Sufficient human and financial resources allocated
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DETAILED IMPLEMENTATION CHART

annex 3
## CONTRACTING AND DISBURSEMENT SCHEDULE BY QUARTER FOR FULL DURATION OF PROGRAMME

### Cumulative Quarterly Contracting Schedule (mil.€)

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<th>Project</th>
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### Cumulative Quarterly Disbursement Schedule (mil.€)

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