1. Basic Information
1.1. CRIS Number: 2002/000-580-01-09  
Twinning number: PL/IB/2002/FI/03
1.2. Project title: Public finance management
1.3. Sector: Public Finance
1.4. Location: Poland

2. Objectives
2.1 Overall objective
Improvement of public finance management through working out and implementation of a uniform system for public finance management (EU funds included).

2.2 Project purpose
• Increase of effectiveness, timeliness and reliability of planning and reporting data delivered by budgetary spending units (SUs) and local governments (LGs) to the Ministry of Finance (MoF), improvement of planning, reporting, monitoring and control of consolidated state budget finances in the MoF and optimisation of budgetary funds allocation\(^1\),
• Adjustment of planning and reporting standards of consolidated state budget finances to EU procedures and required adaptation of the Polish law in the field,
• Increase of effectiveness of calculation, allocation and monitoring of LGs subsidies,
• Improvement of quality and effectiveness of local government budget analyses performed for the Government, Parliament and LGs.

2.3 Accession Partnership and NPAA priorities
The project addresses the following priorities:

2.3.1 Accession Partnership Priorities
Principles
Requirement of the Copenhagen criteria:
• the existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union,
• the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

Priorities and intermediate objectives:
Economic criteria:
• Maintenance of macroeconomic and budgetary stability,
• Further progress on the institutional framework for the market economy and sound economic policy management (in particular on issues relating to public expenditure management and further fiscal decentralisation).
Statistics:
• Further improvement quality and coverage of statistics; availability of adequate resources in order to further strengthen statistical capacities, including at regional level.

2.3.2 NPAA Priorities
Budget and Finance, Priority 29.1:
• Alignment of public finances system to the system of EU own resources in order to ensure efficient and effective management of those resources at a national level.

2.4 Contribution to the National Development Plan: N/A.

2.5 Cross Border Impact: N/A.

3. Description
3.1 Background and justification
The Phare project is a part of a process undertaken in order to optimise a widely understood public finance management in the MoF and to bring it in line with EU requirements and procedures. As a consequence many of the departments applied for Phare financing for their projects. Among the projects were: ‘Public finance’ (PL0003.03) and ‘Tax information system and fiscal consolidation’ (PL0003.05).

The purpose of the whole process, which all the departments of the MoF are involved in, is to work out efficient standards and procedures of the public funds management as a base for a uniform public finance management system which will:

\(^1\) as the annual state budget act and LG budget acts comprise financial plan of the budget as well as financial plans of extra-budgetary funds, the budgetary planning and reporting covers both: budget and extra-budget financing
- improve budgetary resources management assuring public finance stability,
- increase effectiveness of state budget liquidity management,
- help in more effective allocation of resources,
- improve planning, accounting, reporting and monitoring procedures of consolidated public finances,
- develop the annual fiscal surveillance procedures aimed at bringing the planning, reporting, monitoring and control of consolidated public finances, specifically fiscal positions, in line with EU procedures.

The present Phare project covers functions of two MoF Departments: the State Budget Department (SBD) and Local Government Finances Department (LGFD).

Having in mind the division of responsibilities of the a.m. departments within the public finance sector i.e. central government sector and local government sector the system comprises two complementary and coherent components (A and B) reflecting the division.

The State Budget Department is responsible for core planning, accounting and reporting of consolidated state budget as well as for budget execution and short term budget liquidity management. With its recent actions the Department strives for creating an efficient and complete state budget management system which improves and brings in line with EU standards current procedures of planning, accounting, reporting, monitoring and control of consolidated state budget finances and liquidity management decision making. Apart from the a.m. improvements the system will provide quick exchange of reliable electronic data with other departments of the MoF and the budgetary SUs. Creation of such a system, integrated with other systems in the MoF, will guarantee efficient and reliable planning, accounting, reporting and control of public funds (including EU funds) in the MoF and timely delivery of adequate and comparable data to e.g. GUS (National Statistical Office) the European Commission and the Eurostat.

The activities undertaken by the Department have resulted so far in working out new procedures and functional requirements for only a part of the state budget management system which includes the following functions: main budgetary disposers servicing, state budget liquidity management and accounting. The ToR has been submitted to a tendering procedure for a project of the part of the system and its implementation. This part of the system will be operational in the 4th quarter 2003. The equipment of the units and the implementation of the part of the state budget management system in the Ministry (SBD) will be financed by MoF own resources.

Along with creation of the part of the system a reorganisation of state budget bank accounts is being introduced and an electronic banking system is being implemented. According to the plans of the National Bank of Poland, the body implementing the system, electronic banking service of the budget (i.e. of the MoF and the SUs) will be obligatory in the future. Electronic banking system will be implemented in all the budgetary SUs and actions to equip the units with some adequate hardware has been already introduced. The state budget management system in the SBD integrated with the electronic banking system, which enables electronic service of the state budget bank account and SUs’ bank accounts, as well as complex control over the bank accounts and flows among them, is aimed at improvement of consolidated state budget finance management at the MoF level. The lacking functions are: budgetary planning and reporting. This is the reason for regarding the system as incomplete.

As the IT system that is now being implemented is concentrated on improvement of only a part of the budgetary process, i.e. of budget execution (short term budget liquidity management, disbursements, expenditure control and state budget accounting), it cannot be regarded as completed. The planning and reporting functions are still outside the systemic solutions and are still carried out ineffectively (no uniform database, lack of effective programmes for advanced planning and reporting calculations) This is the reason for including those two functions into the implemented part of the state budget management system as its second part. In other words these two additional functions will build the second part of the state budget management system, integrated fully with the first part which will ensure effective planning and reporting data exchange and procession, improve accuracy and timeliness of data standards and generally improve and shorten the budgetary planning and reporting process.

According to the ‘Public Finance’ law of 26 November 1998 the LGs are obliged to submit to the MoF their budgetary reports. For improving the management of local government budget specialised IT budget reporting system was designed and implemented in the MoF, Regional Audit Offices (RAOs), and all LGs. The system enables exchanging reporting data between the LGs, the RAOs and the MoF in an electronic form, extending the scope and increasing accuracy and the level of detail in budget auditing and shortening the time necessary for the MoF to collect the data. The system supports LGs budget management according to the Minister of Finance regulation of 13 March 2001 concerning budgetary reporting which will be in power up to 2002. At this time a change of the LGs reporting is expected. Since the system was implemented, a considerable growth of work efficiency has been achieved in the field of budgetary reporting. Such obligatory LGs reports as revenues, expenditures, liabilities, receivables, etc.
are prepared electronically and they are on-line checked, verified, and transferred to the RAOs. The new regulation, designed to be compliant with EU regulations, will be prepared in 2002 to be effective from 2003 and will change the scope and unify the LGs budget reporting. There is a strong need to design, prepare and implement a new IT system to facilitate the LGs budget management according to the new regulations which the system will base on.

There is still a strong need to improve planning and reporting functions of the state budget and LGs' budget management. Therefore it is necessary to:

- improve and uniform standards and procedures of planning, reporting of consolidated state budget finances, corresponding to the EU norms in the field,
- complete the state budget management system (develop the state budget management system, i.e. create a second part of the system); the missing functions in the system are: budgetary planning and reporting,
- complete LGs budget reporting system,
- improve budgetary planning process (data collection) and assure data of sufficient standard to be used for various fiscal and macroeconomic analysis by other MoF departments,
- assure prompt and effective data exchange between the departments within the MoF.

Polish accession to the European Union implies the necessity to adjust a number of regulations concerning public finance, especially those affecting local governments, to the European standards or internal EU requirements.

3.2 Linked activities

Phare projects (‘Public finance’ - PL0003.03 and ‘Tax information system and fiscal consolidation’ - PL0003.05) implemented in the MoF hitherto are indirectly linked with the activities proposed in the project. Namely the previous Phare projects will ensure reliable analyses of electronic data delivered from other systems, among which are systems proposed by the SBD and the LGFD within the present Phare project. The development of the state budget management system in the SBD and of the LGs budget reporting system in the LGFD aims at assuring accurate and timely data of sufficient standard to be used by other systems for various fiscal and macroeconomic analysis and statistics, e.g. monthly, quarterly and yearly state budget execution reports and LGs budget execution reports the SBD and the LGFD supply for the system created within the project 'Tax information system and fiscal consolidation'. The SBD system also uses data e.g. state budget revenues planning data produced by the 'Tax information system'.

The systems in the SBD and the LGFD are necessary in order to fully benefit from actions undertaken within other Phare projects.

Within Component A the following activities have been undertaken:

- Start of implementation of the first part of the state budget management system which completes the following functions: main budgetary disposers servicing, state budget liquidity management and accounting - financed from national funds.
- Start of reorganisation of the treasury system and introduction of an electronic banking system for the state budget and all SUs - financed from National Bank funds.

In order to reach the goal of creating the fully efficient state budget management system covering the whole budgetary process, the completion of the state budget management system (creation of the second part of the system) is required.

Within Component B the project will develop the LGs budget reporting system.

The existing IT system for LGs budget reporting comprising all local governments in Poland, regional audit offices, and the Ministry of Finance (LGFD) was designed, constructed, and implemented using the finance resource of the USAID funds. It is maintained using MoF resources allocated annually.

3.3 Results

Actions undertaken within the project should result in:

Component A:

- Working-out and implementation of uniform standards and procedures of planning, reporting, monitoring and control of consolidated state budget finances (e.g. concerning budgetary revenues and expenditures classification) in the MoF (SBD) as well as procedures of efficient resources allocation, corresponding to the EU standards in the field; issuing adequate rulings by the Minister of Finance reflecting mainly technical changes resulting from implementation the system,
- Working-out and implementation of the second part of the state budget management system comprising planning and reporting functions and its integration with the existing part of the system on the base of a pilot implementation conclusions,
- Automation of electronic data exchange between the MoF and the budgetary SUs on the base of existing infrastructure;
Component B:
- Working out and implementation of coherent system for local government reporting, which will be compliant with the new regulation; the regulation will be effective as of 2003,
- Standardisation of local government budget resolutions,
- Working out expenses monitoring procedures in order to undertake effective activities satisfying local governments’ needs,
- Working out standards of essential processes related to gathering, storing, and processing information concerning public finance management in the LGs and automation of the processes,
- Working out rules of subsidies management in order to shorten the time of information processing needed for their proper allocation.

3.4 Activities and means

Contract 1 - Twinning Covenant:

Pre-Accession Advisor’s profile.

In order to carry out the tasks listed below help of one long-term expert (PAA) with the following qualifications will be needed:
- Good knowledge of and experience in the pertinent _acquis communautaire_ and EU standards in the field of public finance and public finance management systems applied in the Member States, especially in the field of state budget planning and reporting and local government issues,
- Basic knowledge of the pertinent polish public finance law especially in the field of state budget planning and reporting and local government issues,
- Language – English,
- Experience in supervising such projects.

The PAA will be responsible for overall supervision of project implementation (including all contracts), for recommendation of solutions and supervision of timely realisation of the tasks. The PAA will assist with and will be responsible for completion of all tasks listed below and will be directly responsible for realisation of the following tasks:
- Component A: Tasks 3, 4, 5, 6;
- Component B: Tasks 2, 3, 4.

Both Components will be implemented simultaneously.

Within Component A following tasks has been identified:

**Task 1.** Preparation of assumptions (specification of uniform rules and procedures) for the second part of the state budget management system in the MoF concerning budgetary planning and reporting (preparation of a functional specification for the system).

_Expert’s profile._ Two medium-term experts for the task with the following qualifications will be needed:
- Good knowledge of and experience in the pertinent acquis communautaire and EU standards as well as procedures applied in the EU countries in the field of budgetary planning and reporting (desirable experts with knowledge of the procedures in greater number of the EU countries),
- Basic knowledge of the pertinent polish public finance law especially in the field of state budget planning and reporting,
- Experience in preparing functional specifications for a system,
- Language – English,
- Ability to provide know-how and transfer experience.

Co-operation with PAA required.

Time needed to complete the tasks: April – July 2003 (4 months).

**Task 2.** Preparation of ToR for the 2nd Contract (TA) and cost assessment of state budget management system development (of creation and implementation of the second part of the state budget management system).

_Expert’s profile._ One short-term expert for the task with the following qualifications will be needed:
- Good knowledge of the pertinent _acquis communautaire_ and EU standards in the field of budgetary planning and reporting as well as of planning and reporting systems applied in the EU countries, which has been recommended for implementation,
- Experience in preparing ToR for TA contracts and cost assessment of such systems,
- Language – English,

Co-operation with PAA required.

Time needed to complete the tasks: May – July 2003 (3 months).
Task 3. Identification of necessary rulings to be issued by the Minister of Finance resulting from system implementation in the field of state budget planning and reporting and assistance with their preparation.
Task 4. Consultations during creation and implementation phase of the system.
Task 5. Official verification of the system and its acceptance.
Task 6. System performance monitoring and its integration with the LGs budget reporting system.

Within Component B following tasks has been identified:

Task 1. Preparation of procedures (mechanisms and standards) concerning the flow of data related with local government budget management basing on the experience, indications, and/or standards existing in the EU countries; preparation of procedures and mechanisms enabling verification of local government budget reports with local government resolutions; preparation of methods and tools for providing financial analyses of local government budgets for Government, Parliament, and local governments; preparation of the assumptions for IT systems that will facilitate information flow and improve gathering, processing, and making available data related with the management of local government budgets.

Experts’ profile. Medium-term expert for the task with the following qualifications will be needed:
- Good knowledge of and experience in the pertinent acquis communautaire and EU standards as well as solutions applied in the EU countries especially in the field of local government issues,
- Basic knowledge of the pertinent Polish public finance law especially in the field of local government issues,
- Language – English,
- Experience in preparation of IT projects.
Co-operation with PAA required.
Time needed to complete the tasks: April – July 2003 (4 months).

Task 2. Identification of necessary changes in the ruling issued by the Minister of Finance in the field of local government finance reporting resulting from system implementation and assistance with their preparation.
Task 3. Development and implementation of coherent system for the management of local government budget services and its integration with already existing local government budget reporting system.
Task 4. System performance monitoring and its integration with the state budget management system.

In the case of Component B no equipment is needed because a new LGs budget management system will be installed on the existing hardware.

Contract 2 - Technical Assistance
Activities financed from Phare funds
Component A only
The second part of the state budget management system (software) will be created and implemented within the TA Contract by a firm specialised in the field which will guarantee a successful system implementation. Creation of the second part of the system will base on the functional specification worked out within the Twinning Covenant.
Within the TA Contract following activities have been identified:
- Working out a technical project of the second part of the state budget management system basing on the functional specification worked out within the Twinning Covenant,
- Creation of the a.m. second part of the system (e.g. design and coding),
- Training of pilot system users (ca. 100 persons; the number will depend on the main disposer chosen for the pilot implementation),
- Preparation and conduction of pilot integration of the part of the system in the existing part - pilot implementation,
- Creation of a summarising report for further implementation of the system,
- Training of trainers for system users (ca. 70; one trainer for each main disposer),
- Complete implementation of the second part of the system and its integration with the existing part.

Contract 3 - Technical Assistance
Activities financed from national funds
Component A:
- Recognition of planning and reporting IT applications functioning in the SUs,
- Preparation of a feasibility study for the second part of the system,
Component B:
- Preparation of assumptions and ToR for the LGs budget reporting system,
- Preparation of a feasibility study for the LGs budget reporting system.
Contract 4 - Investment Support  
(Component A only)  
Purchase of an adequate server for electronic data exchange among the MoF and the SUs, installed in the MoF. The equipment needs will be identified during preparation of the project for the second part of the state budget management system.

4. Institutional framework  
Participating institutions:
- Ministry of Finance – State Budget Department and Local Government Finances Department, IT Department,
- Budgetary spending units,  
- Regional audit offices.

The main tasks of the MoF concerning the project are: planning and reporting of the state budget, transferring funds down to the SUs, supervising state budget liquidity, collecting budgetary reporting data from the SUs, monitoring financial situation and effectiveness of budget management of the SUs, calculating and transferring subsidies to the LGs according to the rulings of the Minister of Finance and collecting budgetary reporting data from the LGs.

The results of the project will be achieved in the following categories of institutions:
- **Component A**
  - all the SUs (ca. 3500) that manage received resources according to the public finance law and within their hierarchical structure (main disposers – first grade disposers, second grade disposers and third grade disposers),
  - the MoF (the SBD).
- **Component B**
  - all the LGs (i.e. gminas, counties, and voivodships - nearly 3000 in Poland), that manage granted resources and own resources according to the principles defined in regulations on public finance and to the resolutions undertaken by local governments,
  - the RAOs (16 offices – one in each voivodship) that supervise, verify, and control the execution of local government resolutions and local government reporting concerning public finance,
  - the MoF (the DLGF).

Institution responsible for implementation of the project: Ministry of Finance (State Budget Department and Local Government Finances Department).

Direct beneficiary: Ministry of Finance;  
Owner of the hardware purchased within the Investment Support Contract: Ministry of Finance (SBD).

5. Budget (in EUR)  

<table>
<thead>
<tr>
<th>Phare support</th>
<th>National Co- financing</th>
<th>IFIs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investment IB Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract 1 Twinning</td>
<td>1 950 000</td>
<td>450 000</td>
<td>2 400 000</td>
</tr>
<tr>
<td>Contract 2 Technical Assistance</td>
<td>1 485 000</td>
<td></td>
<td>1 485 000</td>
</tr>
<tr>
<td>Contract 3 Technical Assistance</td>
<td>375 000</td>
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<td>375 000</td>
</tr>
<tr>
<td>Contract 4 Investment support</td>
<td>75 000</td>
<td>25 000</td>
<td>100 000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>75 000</strong></td>
<td><strong>850 000</strong></td>
<td><strong>4 360 000</strong></td>
</tr>
</tbody>
</table>

The co-financing funds for the project implementation will be available.

6. Implementation arrangements  
6.1 Implementing Agency  
**PAO:** Mrs Krystyna Gurbiel, Under-secretary of State at the Office of the Committee for European Integration, Aleje Ujazdowskie 9, 00-918 Warsaw; phone 48 22 455 52 41.  
**CFCU:** Foundation Co-operation Fund, Mr Wojciech Paciorkiewicz, CFCU Director, ul. Górnoślaska 4a, 00-400 Warsaw; phone: +4822 622-88-20, fax: +4822 622-75-65
The CFCU is responsible for handling tendering, contracting and payments of contracts on behalf of the Ministry of Finance.

6.2 Twinning
Signature of a twinning covenant with one of the EU Member States is envisaged.
Pre-accession Advisor (long term expert), responsible for project co-ordination, supervision and completion, will work in the MoF; estimated period – 24 months.
Contact Person: Iwona Cikoto-Wawrzyniak, State Budget Department, Ministry of Finance; ul. Swietokrzyska 12, 00-916 Warszawa; phone: +48 22 694 53 74, fax: +48 22 694 54 62.

6.3 Non-standard aspects
Project implementation will proceed in accordance with the standard Phare principles (“Practical Guide to Phare, SAPARD and ISPA contract procedures” and “Reference Manual on Twinning Projects”).

6.4 Contracts
It is planned to conclude 4 contracts:

Contract 1 Twinning 1 950 000 Euro (+ 450 000 Euro national co-financing)
Contract 2 Technical Assistance 1 485 000 Euro (Phare financing only)
Contract 3 Technical Assistance 375 000 Euro (national co-financing only) - minimum one contract
Contract 4 Investment support 75 000 Euro (+25 000 Euro national co-financing) - joint co-financing

7. Implementation schedule
7.1 Start of tendering/call for proposals 3\textsuperscript{rd} quarter of 2002 Contract 1 Twinning
3\textsuperscript{rd} quarter of 2003 Contract 2 TA (Phare)
2\textsuperscript{nd} quarter of 2003 Contract 3 TA (national financing)
2\textsuperscript{nd} quarter of 2004 equipment tender
7.2 Start of project activity 1\textsuperscript{st} quarter of 2003
7.3 Project completion 1\textsuperscript{st} quarter of 2005

Having in mind the complexity and importance of the systems implemented within the project, shortening the time needed for their completion would threaten their successful implementation.

8. Equal opportunities
The project will respect equal participation of men and women. The only criteria for the participation in the project will be professionalism and experience.

9. Environmental impact N/A
10. Rates of return N/A
11. Investment criteria N/A
12. Conditionality and sequencing
The direct objectives of the project will depend on the timely and successful realisation of all its stages. The new regulations concerning LGs budget reporting, compliant with EU requirements, will be effective from 2003.
Sequencing of the actions which will be carried out within the project should be as follows:

Component A:
End of 1\textsuperscript{st} quarter of 2003 Signature of the Twinning Covenant,
3\textsuperscript{rd} quarter of 2003 Specification of rules and procedures (functional specification) for the second part of the system and preparation of ToR for TA Contract,
1\textsuperscript{st} quarter of 2005 Implementation of the second part of the state budget management system and its integration with the already functioning part of the system and with the LGs budget reporting system (Component B); identification of necessary rulings to be issued by the Minister of Finance,
1\textsuperscript{st} quarter of 2005 System performance monitoring;

Component B:
End of 1\textsuperscript{st} quarter of 2003 Signature of the Twinning Covenant,
3\textsuperscript{rd} quarter of 2003 Working out assumptions and a project for the system;
1\textsuperscript{st} quarter of 2005 Implementation of the system and its integration with the state budget management system (Component A),
1\textsuperscript{st} quarter of 2005 System performance monitoring.

Annexes to the project fiche
Annex 1. Logical framework matrix
### Annex 1: Logical framework matrix

<table>
<thead>
<tr>
<th>Programme number</th>
<th>End contracting</th>
<th>End disbursement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30/11/2004</td>
<td>30/11/2005</td>
</tr>
</tbody>
</table>

#### 01.09 Public finance management

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement of public finance management through working out and implementation of a uniform system for public finance management (EU funds included).</td>
<td>- Efficient system of budgetary planning, accounting and ensuring efficient allocation of public resources,</td>
<td>Official publications and reports made by the MoF or statistical institutions.</td>
<td>- Implementation of developed principles and complete project implementation,</td>
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<td></td>
<td>- Public access to complete and reliable information,</td>
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<td>- Successful implementation of proposed changes in the public finance mgmt,</td>
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<td></td>
<td>- Shorter time of information flows.</td>
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<td>- Integration of the state budget mgmt system with other systems in the MoF;</td>
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</tbody>
</table>

#### Project purpose

- Increase of effectiveness, timeliness and reliability of planning and reporting data delivered by budgetary spending units (SUs) and local governments (LGs) to the Ministry of Finance (MoF), improvement of planning, reporting, monitoring and control of consolidated state budget finances in the MoF and optimisation budgetary funds allocation,
- Adjustment of planning and reporting of consolidated state budget finances to the EU procedures and required adaptation of the Polish law in the field,
- Increase of effectiveness of calculation, allocation and monitoring of local governments’ (LGs) subsidies,
- Improvement of quality and effectiveness of local government budget analyses performed for the Government, Parliament and LGs.

<table>
<thead>
<tr>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Extension of planning horizons,</td>
<td>- Reports and budget analyses,</td>
<td>- Preparation of relevant legal acts (rulings) by the Minister of Finance,</td>
</tr>
<tr>
<td>- Shorter time of budgetary reports preparation,</td>
<td>- Statistics made by (or delivered to) various departments of the MoF</td>
<td>- Implementation of solutions worked out during project implementation,</td>
</tr>
<tr>
<td>- Decrease of resources lingering at the accounts of budgetary units,</td>
<td>- Post-control reports of controlling institutions.</td>
<td>- Right assessment of current standing of units of the public finance sector,</td>
</tr>
<tr>
<td>- Prompter information flows between the budgetary SUs and the MoF in respect of current execution of the state budget,</td>
<td></td>
<td>- Selection of proper solutions to be implemented in the Polish state budget management system,</td>
</tr>
<tr>
<td>- Smaller number of unplanned demands for budget resources,</td>
<td></td>
<td>- Selection of the twinning partner.</td>
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<tr>
<td>- Smaller number of calculation mistakes,</td>
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<tr>
<td>- Shorter time for the allocation of subsidies for local governments,</td>
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<tr>
<td>- Shorter time for preparation of public finance analyses for the Government and Parliament,</td>
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<td></td>
</tr>
<tr>
<td>Results</td>
<td>Objectively Verifiable Indicators</td>
<td>Sources of Verification</td>
</tr>
<tr>
<td>-----------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>• Component A:</td>
<td>• Adjustment of planning and reporting standards (e.g. budgetary classification) to the EU requirements,</td>
<td>• Reports from project implementation (e.g. PAA reports) on the base of developed set of measures,</td>
</tr>
<tr>
<td>• Working-out and implementation of uniform standards and procedures of planning, reporting, monitoring and control of consolidated state budget finances (e.g. concerning budgetary revenues and expenditures classification) in the MoF (SBD) as well as procedures of efficient resources allocation, corresponding to the EU standards in the field; adequate legislation in form of rulings issued by the Minister of Finance reflecting mainly technical changes resulting from implementation the system,</td>
<td>• Amendment of relevant legal acts (Minister of Finance rulings) pertaining to public finance,</td>
<td>• Acceptance of the systems by PAA.</td>
</tr>
<tr>
<td>• Working-out and implementation of the second part of the state budget management system comprising planning and reporting functions and its integration with the existing part of the system on the base of a pilot implementation conclusions,</td>
<td>• Successful pilot implementation of the state budget management system,</td>
<td></td>
</tr>
<tr>
<td>• Automation of electronic data exchange between the MoF and the budgetary SUs on the base of existing infrastructure;</td>
<td>• Full implementation of the local government budget reporting system,</td>
<td></td>
</tr>
<tr>
<td>• Component B:</td>
<td>• Possibility of tracing and analysing financial needs of the LG,</td>
<td></td>
</tr>
<tr>
<td>• Working out and implementation of coherent system for local government reporting, which will be compliant with the new regulations; the new regulations will be effective from 2003,</td>
<td>• Unification of control rules for the LGs,</td>
<td></td>
</tr>
<tr>
<td>• Standardisation of local government budget resolutions,</td>
<td>• Developed set of measures.</td>
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<tr>
<td>• Working out expenses monitoring procedures in order to undertake effective activities satisfying local governments’ needs,</td>
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<tr>
<td>• Working out standards of essential processes related with gathering, storing, and processing information concerning public finance management in the LGs and automation of the processes,</td>
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<tr>
<td>• Working out rules of subsidies management in order to shorten the time of information processing needed for their proper allocation.</td>
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</tr>
<tr>
<td>Activities</td>
<td>Means</td>
<td>Sources of Verification</td>
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</tbody>
</table>

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### Contract 1 (Twinning Covenant):

#### Component A

- Preparation of assumptions (specification of uniform rules and procedures) for the second part of the state budget management system in the MoF concerning budgetary planning and reporting (functional specification).
- Preparation of ToR for the 2nd Contract TA and cost assessment of state budget management system development.
- Identification of necessary rulings to be issued by the Minister of Finance resulting from system implementation and assistance with preparation of the new regulations in the field of state budget planning and reporting.
- Twinning Covenant, Assistance of experts experienced in public finance systems of the EU countries, in designing information systems, and in their implementations.
- Technical assistance contract, Purchase of adequate equipment.

#### Component B

- Project progress reports, Reports from various analyses, System design, Conclusive report comprising indications for the implementation of the systems.
- Assurance of relevant telecommunication infrastructure.

#### Component C

- Project progress reports, Reports from various analyses, System design, Conclusive report comprising indications for the implementation of the systems.
- Assurance of relevant telecommunication infrastructure.

#### Component D

- Project progress reports, Reports from various analyses, System design, Conclusive report comprising indications for the implementation of the systems.
- Assurance of relevant telecommunication infrastructure.

#### Component E

- Project progress reports, Reports from various analyses, System design, Conclusive report comprising indications for the implementation of the systems.
- Assurance of relevant telecommunication infrastructure.

### Consultations during system implementation phase, Official verification of the system and its acceptance, System performance monitoring and its integration with the LGs budget reporting system;

- Preparation of procedures (mechanisms and standards) concerning the flow of data related with local government budget management basing on the experience, indications, and/or standards existing in the EU countries; preparation of procedures and mechanisms enabling verification of local government budget reports with local government resolutions; preparation of methods and tools for providing financial analyses of local government budgets for Government, Parliament, and local governments; preparation of the assumptions for IT systems that will facilitate information flow and improve gathering, processing, and making available data related with the management of local government budgets.
- Identification of necessary changes in the ruling issued by the Minister of Finance in the field of local government finance reporting resulting from system implementation and assistance with preparation of the new regulations.
- Development and implementation of coherent system for the management of local government budget services and its integration with already existing local government budget reporting system.
- System performance monitoring and its integration with the state budget management system.
- Working out a technical project of the a.m. second part of system.
- Creation of the a.m. second part of system (design and coding).
- Training of pilot system users.
- Preparation and conduction of pilot integration of the part of the system in the existing part - pilot implementation.
- Creation of a summarising report for further implementation of the system.
- Training of system users.
- Complete implementation of the second part of the system.
- Recognition of planning and reporting IT applications functioning in the SUs.
- Preparation of a feasibility study for the second part of the system.
- Preparation of the assumptions and ToR for the LGs budget reporting system.
- Preparation of a feasibility study for the LGs budget reporting system.

#### Purchase of a adequate server for electronic data exchange among MoF and SUs, installed in the MoF.
Annex 2-3: Implementation, contracting and disbursement schedules

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D = design of sub-projects  
C = tendering and contracting  
I = contract implementation and payment