STANDARD SUMMARY PROJECT FICHE

Project Number: RO 9804.01

Title: Institution Building for the Ministry of Finance

Sub-programme: strengthen the institutional and administrative capacity to manage the *acquis*

Objectives

1. Development of the Institution Building Plan of the Ministry of Finance, implementation and follow-up;

2. Development of the training function, and provision of training to the personnel of the Ministry of Finance through the set up of a School of Public Finance.

3. Building capacity to elaborate economic policies, assess their budgetary impact, and evaluate the effectiveness of policies;

4. Setting up in the Ministry of Finance of a financial control structure, based on the principles of separation of authorising officers and accountants, and of ex-ante audit to guarantee compliance with budget’s decisions and to prevent the irregular use of public moneys;

5. Improvement of the administration system for the state revenue collection.

Description:

The programme will be implemented in two phases. A first phase will aim at developing the Institution Building Plan for the Ministry of Finance, and prepare the terms of reference and methods for the implementation of the other components of the programme.

The second phase encompasses the implementation of all other components, under the guidance of the Programme Officer and the Institution Building expert.

1. An Institution Building Plan will be developed with the assistance of a Long term Secondee. The Long Term Secondee will be a seasoned expert from a Member State Public Finance Administration or Ministry. The expert will be seconded to the Ministry of Finance of Romania for a period of one year. He will work in close cooperation with the Programme Officer (see below).

2. A permanent training structure will be set up in the form of a School of Public Finance, under the Ministry of Finance. It will aim at providing training to all staff of the Ministry with a view to develop professional knowledge and skills, in all areas of public finance. At present, beside specific training components in Technical Assistance, no permanent training structure or program is in place. The initial endowment in equipment and documentation will be significant. The main lines of the training programme delivered by the School are:

   - Initial Training for selected newly employed personnel of the Ministry of Finance at headquarters will be realised by means of courses of 10 weeks involving 4 teaching modules covering subjects of: macro-economics, econometrics, public finance, international currency and financial relations. For other personnel employed in the central departments and in the territorial administrations, training will be for a period of 2/3 months, having as subjects tax and fiscal legislation, treasury, budget and accounting, as well as financial control.
1. Permanent training for the whole personnel from the Ministry of Finance and its territorial administrations, with the purpose of up-dating knowledge on a continuous basis. Seminars for a 3-15 days period will be organised.

2. For executive and promoting personnel, an intensive 3/4 months programme will be offered with the following topics: EU laws and regulations, EU institutions, Decision making process, Public governance, Communication and negotiation skills, Foreign languages, Principles and organisations of market-based economies, Basic issues in organisation management.

3. The economic policy making capacity of the Ministry of Finance will be developed with a two tier approach:

   In house capacity will be developed through assistance delivered to the MoF, with a view to build a specialised Economic Policy Unit within the Ministry. The project will be implemented under the Department for Macro-economic Analysis and Computerised Financial Systems of the Ministry of Finance. The Unit will acquire the economic analysis and policy formulation capacity that should enable it, at the end of the programme, to ensure continuity of expertise and sustain future development of economic policies in the Ministry, for the use of the Government.

   The Ministry of Finance will identify or recruit counterparts to work alongside the technical assistance team. In order to strengthen the capacity of the local team, and adequate training of short term or medium term duration (up to three month) in economic analysis and planning will be undertaken at appropriate training institutions outside Romania.

   A Centre for Economic Policies will be set up. It will conduct regular analysis of economic situations and policies, prepare macro-economic policy scenarios, analyse outcomes of economic policy alternatives and prepare consistent medium-term quantitative projections, including the quantitative macro-economic framework of the budget, for the MoF and other institutions involved in accession to the EU. The Centre for Economic Policies will deliver as required analysis, tools and methods, training, and conferences to the Ministry of Finance and other bodies involved in the economic policy. The Centre will publish twice a year an analysis of current economic developments and projections.

4. The conceptual and legal framework for the reform of ex-ante financial control will be developed, with a view to prepare Romania implementing in the future Community policies, particularly regarding agricultural and structural funds. Support will be given for the design and implementation of a specific statute for the function of financial controller. The project will build on existing recommendations elaborated by the SIGMA programme. The Court of Auditors will be closely associated to the project and will also be a beneficiary of assistance and training. A clear separation of duties between the ex ante control function of the Ministry of Finance, and the ex-post audit by the Court of Auditors will be worked out and put in practice.

   As soon as the regulatory framework of ex ante financial control has been adapted, transfer of responsibilities of ex ante control from the Court of Auditors to the Ministry of Finance will be organised. The Ministry of Finance will transfer staff currently working in the General Directorate for Financial Control within the Ministry of Finance to the new structure. Civil servants from the Court of Audit will also be transferred to the new structure on a voluntary basis.

   An appropriate information system will be designed for the checking of commitments and disbursements against budget appropriations. Funds will also be allocated for the training of financial controllers through short term visits to similar financial control departments of Finance Ministries of Member States.

5. The last component aims at the elaboration of an Administrative Code of principles and procedures for revenue collection. The code will be in the form of a text binder of regulations and procedures. It
will be organised in an easily revisable format. It will relevant existing laws, regulations and methodological norms, as well as all administrative instructions for state agents involved in tax collections. It will also include a clear definition of the rights and obligation of the tax enforcement offers, and of the tax payers, as well as of all redress procedures and administrative and judiciary recourses. The Administrative Code will be published by the Ministry of Finance; it will be binding on the tax administration and opposable to it.

The regulatory framework, the organisation and management of the departments in charge of the collection of state revenues, both at national and local level, and the operation methods will be reviewed simultaneously. Recommendations will be issued as to the necessary regulatory, organisational or procedural changes or improvement. All such changes will be reflected in the Administrative Code.

**Institutional framework**

The government, via the Ministry of Finance, is responsible for financial policy. At the central level, taxes and duties are set by law. All regulations altering state revenue and expenditure must be adopted in agreement with the Ministry of Finance. Tax policy is undergoing far-reaching reforms. Value-Added-Tax (VAT) was introduced in 1993, and its scope is currently extended. After some minor adjustments to direct taxation, the Government is now introducing in several steps a Global Income Tax on personal income. As a result of administrative decentralisation, major changes are expected in the field of budget management and tax collection and administration.

Economic policy is not attributed to a single Ministry as a main function. Responsibility of economic policy is collectively exercised by the Government and has been in times initiated by the Council for Reform, part of the central government. Some inputs are provided by the National Office of Statistics as well as the National Forecasting Commission.

The Court of Audit is an independent state institution charged with surveillance of the formation, management and use of the financial resources of the state and the public sector. It submits an annual report to Parliament on the result of the National Public Budget and on any anomalies or abuses. The Court of Audit also has administrative responsibilities.

Each chamber of Parliament may request the Court of Audit to open an investigation or carry out an audit on specific aspects of the financial operations of the state or other public entities. The jurisdictional competence of the court is specified by law. The Parliament elects the Court of Audit’s members, who are independent and may not be removed from office.

**Budget**

<table>
<thead>
<tr>
<th></th>
<th>Investment</th>
<th>Institution Building</th>
<th>Total PHARE</th>
<th>Recipient Other donors</th>
<th>Total</th>
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<tbody>
<tr>
<td>1. Institution Building Plan</td>
<td>0</td>
<td>250,000</td>
<td>250,000</td>
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<td>250,000</td>
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<td>2. Development of the training function</td>
<td>0</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>in kind</td>
<td>1,000,000</td>
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Implementation arrangements

The programme will be carried out under the Decentralised Implementation System (DIS) by:

- the Central Finance and Contracting Unit (CFCU) -established within the Ministry of Finance- which will be responsible for financial, contracting and administrative matters; the CFCU will thus be the Implementing Agency;

- the Ministry of Finance acting as Implementing Authority (IA), which will be responsible for the technical management of the programme.

The Ministry of Finance will take care to avoid confusion between the functions exercised by the Ministry of Finance as CFCU on the one side and Implementing Authority on the other side.

A Programme Officer will be nominated for the management of this programme. The Ministry of Finance will allocate adequate counterpart staff to the project in all areas covered.

The CFCU will administer the funds allocated for the programme in accordance with the DIS Phare Manual and with the Phare Manual for procurement and contracting procedures. Technical assistance in the form of long term secondees and specialised assistance or training from Member States administrations will be implemented according to the contracting rules for twinning. An amount of up to 50,000 ECU may be allocated from one or several components to provide managerial and technical support to the Implementing Authority for co-ordination and organisation purposes.

Implementation schedule

<table>
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<tr>
<th>Start tendering/contracting</th>
<th>Start of activity</th>
<th>Completion</th>
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<tbody>
<tr>
<td>November 1998</td>
<td>January 1999</td>
<td>December 2000¹</td>
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Equal opportunities

Equal participation in project by women and men will be assured and women’s’ participation will be measured through, e.g., recording gender breakdown of trainees and consultants employed.

Conditionality and sequencing

1. The Ministry of Finance will first designate the Programme Officer in charge with implementation. The Programme Officer will be a senior official with a position and responsibilities of the level

¹ It is possible that some activities might continue into 2001.
required for the effective implementation of the programme in all departments or branches of the Ministry. The Ministry of Finance will then establish, in agreement with the Commission, the job description of the Long Term Secondee in charge of the preparation of the Institution Building Plan, and proceed with the selection and contracting through the appropriate twinning procedure. The Long Term Secondee will act as the Counterpart to the Programme Officer.

2. All other components will be contingent upon the preparation of detailed specifications and costing under the first component, and their validation by the Ministry of Finance and the European Commission.

3. The Ministry of Finance will provide the necessary logistic support and staff for the operation of all components of the programme, including: office space, class rooms and conference space, supplies, maintenance, etc.

4. The Ministry of Finance will make the appropriate commitments for the long term sustainability of the School for Public Finance as regards building and class rooms, staffing, and operating costs. The development plan of the school will provide for the adequate budget appropriations or other sources of finance to this effect.

5. The financing of the Centre for Economic Policies will be conditional upon the firm and irrevocable commitment from other donors (Foundation for an Open Society and Foundation Pro-Democratia) to contribute to initial expenses for an amount of 300,000 ECU.

6. The Centre will submit to the Ministry of Finance and to the EC for prior agreement the selection criteria and procedures for the recruitment of the staff of the Centre. The selection of the staff of the Centre will be done jointly by the Ministry of Finance, the European Commission, and the other founders (depending on their financial commitment).

7. The Ministry of Finance will set-up modalities which guarantee that the Centre for Economic Policies delivers on a long term basis advice, preparation and policy analysis, and that the Ministry of Finance has effectively recourse and use of such facilities. These modalities will be of an institutional, statutory or contractual nature, and will provide for continuity after Phare funding ends. In this respect, the statutes of the Centre will be submitted for approval by the European Commission before 31st October 1998.

8. A draft law on financial control or financial regulation of equivalent effect will be adopted by the Government and submitted to Parliament by end October 98; institutional responsibilities of the Ministry of Finance and of the Court of Auditors will be adapted, and agreed and confirmed by the Government and the Parliament; legislation to be adopted in 1999.