STANDARD SUMMARY PROJECT FICHE

1. Basic Information

1.1 Désirée Number: RO-0006.04
1.2 Title: IMPROVING THE REVENUE COLLECTION SYSTEM
1.3 Sector: Financial Sector
1.4 Twinning component: RO2000/IB/FI/02 Improving the revenue collection system
1.5 Location: Romania, Ministry of Finance

2. Objectives

2.1 Wider Objective:

To improve the performance of the Ministry of Finance with regard to revenues collection through consolidating and completing the legal framework and reinforcing the institutional capacity to collect taxes and duties.

2.2 Immediate Objective:

- to improve the revenue collection through completing and harmonizing the legal framework regarding the whole Romanian taxation system;
- to establish indicators for measuring the revenue collection in the view of policy making;
- to establish methods and procedures for clearing the tax arrears;
- to implement a nation – wide program for improving the activity of the tax administration with regard to collection of taxes;
- to develop the implementation of a comprehensive training program, designed to follow-up the existing programs;
- to develop the information system related to the revenue collection;
- to prepare the conditions for accession of the Ministry of Finance to the Convention on Mutual Administrative Assistance in Tax Matters including the set –up of the Central Liaison Office (CLO);

These objectives are also those of the project’s twinning component.

2.3 Accession Partnership and NPAA priority

Internal market
- short term priorities:
  • taxation: harmonize legislation for VAT and excise duties;

Reinforcement of administrative and judicial capacity including capacity to manage funds:
- short term priorities
  • improve revenue collection;

3. Description

3.1 Background and justification

The improvement of revenue collection throughout the country is a priority for the Ministry of Finance. In 1999 the Ministry of Finance started a programme within its regional bodies to reorganize the structures and the functions of the Tax Administrations.

At present, between the Romanian and the French fiscal administrations there is a Twinning contract RO 98/IB/FIN 04 "Strengthening of the revenue collection capacity". This twinning project helps with the first steps to improve the capacity of the Ministry of Finance to collect revenues.

The project proposed for Phare 2000 will continue the work begun under Phare 1998, in particular by completing the legislative framework and by extending new procedures to the whole country.

3.2 Linked activities:

Phare RO/IB/FIN/9804.01.05 "Strengthening the revenue collection capacity" the following activities are ongoing:

- Elaboration of a Diagnostic study regarding Current Romanian Fiscal System, especially of the revenue collection system;
- Adapting and harmonizing the Romanian legal frame-work for improving the revenue collection;
- Implementing the new collecting measures in a pilot fiscal administration;
- Starting the extension of the new improved measures for fiscal administration at the nation-wide level.

In the Ministry of Finance there are three on-going projects under Phare 97 dealing with the different aspects of the introduction of the new Global Income Tax (in force from the 1st of January 2000):
- PhareRO/IB/FIN/9713.03 : “Training of the fiscal staff of the Ministry of Finance to be involved in implementing the Global Income Tax”- a twinning arrangement with a Spanish twin.
PhareRO/IB/FIN/9713.01 „Achievement of the Information Technology system needed for the administration of the Income Tax for Individuals“ - the contractor is the Spanish Imathia company.

Phare RO/IB/FIN/9713.02 „Information Campaign for the introduction of the Income Tax for Individuals“ – the contractor is the German Media Consulta company.

Under Phare 98 there is on-going project RO/IB/FIN/9804.01.02 aiming at establishing in the Ministry of Finance from Romania a „School of Public Finance“. The school will be operational starting 1st of October 2000 and will deal with all the training related to the Ministry staff. In this respect, the school will offer its logistical and professional support for the training provided under the current Phare 2000 project.

Ministry of Finance, together with IOTA, and supported by the European Commission, is in the course of elaborating Blue Prints on Tax Administration. After the phase of “Gap Analyses” between the system of tax administration from Romania and EU, the MoF will design the measures for improvement of the fiscal system. Currently, the US Treasury is providing a technical assistance program for improving the activity of the units for Large Taxpayers.

The GTZ German organization is also involved in a collaboration with the Ministry of Finance, dealing with Global Income Tax, exchanges of experience on fiscal matters, proposals regarding fiscal reform, etc.

The Phare contribution will not overlap with the others donor’s assistance, but it will be complementary. During the development of the present ongoing projects and the future Phare 2000 project, it is mandatory to have a close cooperation between the donors involving frequent meetings and change of information.

3.3 Expected results

3.3.1 An action plan for improving the revenue collection in Romania, starting with the completion of the legal framework for taxation; start to implement the recommendations in the action plan

3.3.2 Established indicators for measuring the revenue collection serving the policy making;

3.3.3 Develop procedures for clearing the tax arrears; start the implementation of these procedures
3.3.4 Develop procedures for writing off the budgetary obligations for which the costs of collecting them are more expensive than the volume of the obligations; start the implementation of these procedures

3.3.5 Trained personnel;

3.3.6 Developed information system for the revenue collection;

3.3.7 The Central Liaison Office (CLO) will be operational according to the Council Regulation no 218/1999 on administrative cooperation in the field of indirect taxation.

3.3.8 Preliminary specifications for information system for the protocols: VIES- (for VAT), SEED (for excises) FISCAL SCENT (for fraud).

These expected results are also those of the project’s twinning component.

3.4 Activities

There will be two project components: twinning and investment support for the development of an information system:

A. Twinning: Support for the Ministry of Finance to improve revenue collection through harmonizing the legal framework and reinforcing the institutional capacity of the Ministry of Finance.

The twinning will last for 24 months. One long-term PAA will be available for the whole period. S/he will be supported by a team of short time experts from tax administration and for special areas (for example supply of equipment, hardware, software, etc.).

The PAA will be a senior public finance officer, with relevant experience in tax administration, able to coordinate a team of experts from various tax areas, to support the achievement of pre-accession conditions regarding all areas of taxation.

The budget of the twinning will be € 1.5 million.

The twinning will cover the following activities:

In a first phase the PAA and his team will design an action plan covering the activities outlined below, based inter alia on a diagnostic study, which is currently being developed by a PAA under Phare 1998, and other relevant studies that have been carried out in the MOF.
Based on this action plan the following activities will be undertaken:

- Development of an Operational Plan aimed at improvement at the nationwide level of the tax collection in Romania. The plan will include the extension of the new procedures established in the Pilot center under the twinning on Phare 1998.

- designing the indicators for measurement of the revenue collection for purposes of top management policy making;
- designing procedures for clearing tax arrears;
- implementation of the training programs;
- drafting of and support for the adoption of the regulatory act for adhesion to the Convention on Mutual Administrative Assistance in Tax Matters including the set up of the CLO;
- organizing and establishing responsibilities, and training the staff that will work in CLO;
- Elaboration of an up to date strategy for informatics, related to the revenue collection, and to the information system for the protocols: VIES- (VAT), SEED ((for excises) FISCAL SCENT (for fraud).
- Preparation of specifications for a data-base containing information in accordance with Article 22 (6) (b) of Directive 77/388/EEC.
- Establishing procedures for exchange of information between tax authorities and taxable persons

B. Investment support for the development of an information system:

The budget for this project component will be € 500,000. It will provide hardware and software to improve the flow of information within the Ministry of Finance and between the Ministry of Finance and its regional offices.

The technical specifications and ToRs for this investment project will be prepared by the Ministry of Finance by end 2000.

4. Institutional Framework

- The project will operate within the Department of Tax Policy and Administration of Revenue in the Ministry of Finance. Also, the Information Center will be involved in the project.
- During the year 2000, a Phare project regarding the designing of an Institutional Building plan for the Ministry of Finance will be carried out. After completing this plan, the role of the Department of Tax Policy and Administration will be clearer and more structured, having precise duties and responsibilities.
5. **Detailed Budget -EURO**

<table>
<thead>
<tr>
<th>3.4 Phare Support</th>
<th>Investment Support</th>
<th>Institution Building</th>
<th>Total Phare (I+IB)</th>
<th>National co-financing</th>
<th>IFI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.4.1 Twinning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.500.000</td>
</tr>
<tr>
<td>Development of the information system</td>
<td>500.000</td>
<td></td>
<td></td>
<td>125.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>500.000</td>
<td>1.500.000</td>
<td>2.000.000</td>
<td></td>
<td></td>
<td>2.125.000</td>
</tr>
</tbody>
</table>

6. **Implementation Arrangements**

6.1 **Implementing Authority**

The Ministry of Finance acting as Implementing Authority will be responsible for the technical management of the project, through its unit Programming and Monitoring of the Technical Assistance Unit.

The beneficiary department: Tax Policy and Administration of Revenue

The counterpart for the twin will be Ms. Anisoara Popa, Deputy General Director for Tax Policy and Administration of Revenue: tel: 3366769, fax 4100865

**Contact person for twinning**: Iustinian Cucu: tel: 3366769, fax 4100865.

The CFCU, as an Implementing Agency, will be responsible for contracting, financial and administrative matters.

7. **Implementation Schedule**

7.1 **For the twinning component**:

- Distribution of twinning fiches to Member States: June 2000
- Start of project activities: January 2001
- End of project activities: January 2003

7.2 **For the investment component**

- Start of tendering: December 2000
- Start of project activity: second quarter 2001
- End of project activity: January 2003

8. **Equal Opportunity**
The team of the project will consist both of men and women. It is expected that either the position of project leader or deputy project leader to be performed by a woman.

9. **Conditionality and sequencing**

All projects implemented through twinning require the full commitment and participation of the senior management of the beneficiary institution. In addition to providing the twinning partner with adequate staff and other resources to operate effectively, the senior management must be fully involved in the development and implementation of the policies and institutional change required delivering the project results.

For this project a specific conditionality is the successful completion of Phare project "Strengthening Revenue Collection" RO 9804/01/05.

**Annexes to Project Fiche**

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

<table>
<thead>
<tr>
<th>Project number RO-0006.04</th>
<th>RO/IB/FIN/00/01</th>
<th>Improving revenue collection through harmonising the legal framework and reinforcing the institutional capacity of the Ministry of Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project number</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Budget:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phare contribution:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Date of drafting:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contracting period expires:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disbursement period expires:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Wider Objective
- To improve revenue collection through consolidating and completing the legal framework and reinforcing the institutional capacity to collect taxes and duties
- **Indicators of Achievement**
  - volume of revenue collection
  - time for recovering revenues
- **How, When and By Whom Indicators Will Be Measured**
  - Department of Tax Policy and Administration
- **Assumptions and Risks**
  - The Ministry of Finance recognises this matter as a priority and is committed to achieve it.

### Immediate Objectives
- To complete and harmonise the legal framework for VAT, excise duties and tax corporation
- To establish indicators for measuring the revenue collection
- To establish methods and procedures for clearing the tax arrears
- raising the performance of units collecting revenues from the large taxpayers
- to implement a nation-wide program for improving the tax collection activity
- to develop a comprehensive
- **Indicators of Achievement**
  - approved legal regulations by Parliament or Government
  - the rate of increased revenues
  - diminishing the volume of arrears
  - increased volume of revenues from the large taxpayers
  - improved tax collection activity all over the country
  - trained personnel
- **How, When and By Whom Indicators Will Be Measured**
  - Department of Tax Policy and Administration
- **Assumptions and Risks**
  - The Parliament and the Government will adopt in due time the regulations concerning the harmonisation with the aquis communitar
<table>
<thead>
<tr>
<th>Inputs</th>
<th>Outputs</th>
<th>Indicators of Achievement*</th>
<th>How, When and By Whom Indicators Will Be Measured</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phare financial support 2MEURO</td>
<td>Action plan for improving the legal regulations concerning VAT, excise duties and tax corporation</td>
<td>approved legal regulation proposals by the MoF</td>
<td>monthly reports prepared by the project management to the Department of Tax Policy and Administration(DTPA)</td>
<td>• the proposals for legal regulations should not fit the Romanian legal framework</td>
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<tr>
<td>twinning 1500,000 Euro</td>
<td>Established indicators for measuring the revenue collection</td>
<td>increased level of the revenue collection</td>
<td>• statistics of the DTPA</td>
<td>• insufficient resources for putting in practice the recommendations</td>
</tr>
<tr>
<td>equipment 500,000 Euro</td>
<td>methods and working procedures for clearing the budgetary claims</td>
<td>reduced number of budgetary claims</td>
<td>• quarterly reports made by the fiscal administrations and forwarded to DTPA</td>
<td></td>
</tr>
<tr>
<td>Romanian cofinancing 125,000 Euro</td>
<td>methods and procedures for clearing the tax arrears</td>
<td>reduced volume of arrears</td>
<td>• quarterly reports made by the fiscal administrations and forwarded to DTPA</td>
<td></td>
</tr>
<tr>
<td>senting the running of the office</td>
<td>trained personnel</td>
<td>increased number of trained personnel</td>
<td>• performing tests prepared by the School of Public Finance</td>
<td></td>
</tr>
<tr>
<td>established Central Liaison Office</td>
<td>operational information system</td>
<td>improved information offered by the information system</td>
<td>• progress reports made by the beneficiary from DTPA</td>
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</tr>
<tr>
<td></td>
<td>established Central Liaison Office</td>
<td>the running of the office</td>
<td>• DTPA</td>
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<td></td>
<td></td>
<td></td>
<td>• EC reports</td>
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</tbody>
</table>

- Must be quantified and measurable
# DETAILED TIME IMPLEMENTATION CHART FOR PROJECT NUMBER RO/IB/FIN/00/01

(Improving revenue collection through harmonising the legal framework and reinforcing the institutional capacity of the Ministry of Finance)

<table>
<thead>
<tr>
<th>activities</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
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<tbody>
<tr>
<td>Action plan</td>
<td>D D C C</td>
<td>I I I I I I I I I I I I I I</td>
<td>I I I I I I I I I I I I I I</td>
<td>I I I I I I I I I I I I I I</td>
</tr>
<tr>
<td>IT equipment</td>
<td>D D C C</td>
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</tbody>
</table>

<table>
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<tr>
<th>5</th>
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</thead>
</table>

D = Design  
C = Contracting  
I = Implementation
(Improving revenue collection through harmonising the legal framework and reinforcing the institutional capacity of the Ministry of Finance)

CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE (MEURO 2 000,000)

DATE: 9.02.2000

<table>
<thead>
<tr>
<th></th>
<th>31/03/01</th>
<th>30/06/01</th>
<th>30/09/01</th>
<th>31/12/01</th>
<th>31/03/02</th>
<th>30/06/02</th>
<th>30/09/02</th>
<th>31/12/02</th>
<th>31/03/03</th>
<th>30/06/03</th>
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<tbody>
<tr>
<td>CONTRACTED</td>
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<td>2000.000</td>
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<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>DISBURSEMENT</td>
<td>200.000</td>
<td>500.000</td>
<td>900.000</td>
<td>1200.000</td>
<td>1500.000</td>
<td>1700.000</td>
<td>1900.000</td>
<td>2000.000</td>
<td></td>
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</tbody>
</table>

NB: 1. All contracting should normally be completed within 6-12 months and **must** be completed within 24 months of signature of the FM.
2. All disbursements **must** be completed within 36 months of signature of the FM.