SECTOR PROGRAMME FICHE

PHARE 2006

for

PUBLIC FINANCE

PHARE 2006/018-147.03.01
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1 Basic Information

1.1 CRIS Number
PHARE 2006/018-147.03.01

1.2 Title
Further institution building of the Romanian Ministry of Public Finance and Court of Accounts

1.3 Sector
Public Finance

1.4 Location
Romanian Ministry of Public Finance and Court of Accounts

1.5 Duration
18 months

2 Objectives

2.1 Overall Objective(s)
The Overall Objective is the same with the onset in 2004: “To improve the legal and administrative capacity of the Ministry of the Public Finance and the Romanian Court of Accounts”.

2.2 Project purpose
To reach a high level of revenues collection by improving the NATA’s capacity to cope with the pressure raised by the accession to the EU;
To improve the notification process for the state aid and to establish the measures needed for the recovery of illegal and forbidden state aids;
To continuing the development of the IT infrastructure in order to efficiently support all the financial and fiscal activities of the Ministry of Public Finance and to be in line with the European standards;
To enable the Romanian Court of Accounts to become a modern and professional external supreme control institution to perform its statutory tasks related to the sound management and use of both internal and EU public funds.

2.3 Accession Partnership (AP) and NPAA priority

➢ In the fiscal sector, reforms should: improve budgetary procedures and the management of public expenditures; simplify tax regulation; and improve the functioning of the tax administration;
Romania still needs to complete transposition of the Directives concerning indirect taxes on the raising of capital, parent-subsidiary, interest and royalties and savings;
Complete the legislative framework in both State aid and anti-trust;
Improve the State aid enforcement record;
Develop IT systems so as to allow for the exchange of electronic data;
Romania needs to step up significantly its efforts if it is to ensure that it will be able to meet its tax IT interoperability requirements upon accession.

2.4 Contribution to National Development Plan

Not applicable

2.5 Cross Border Impact

Not applicable

3 Description

3.1 Background and justification

An improved, transparent, efficiently functioning public finance and administration system is a strategic priority for the Romanian Government, alongside a strengthened Romanian Court of Audit. The aim of the activities under the programme is to develop Romania’s public finance system in order to ensure the generation and prudent/efficient use of financial resources and to meet the requirements of the *acquis communautaire* as set out in the negotiation chapters.

Considering the special role of the Ministry of Public Finance in accelerating the preparations for the accession to the European Union, the complexity of the various fields of activity of our institutions, its responsibility regarding a significant number of negotiations chapters and the involvement in most of the other chapters, we consider Phare assistance necessary to further align the acquis communautaire in fields such as: tax administration, state aid, audit etc.

As regards the fiscal legislation, the business environment (Commerce Chambers, Associations of Employers, other bodies) is permanently involved in the elaboration and implementation of this legislation. Also, the Ministry of Public Finance participates in all the actions organised by the business environment in order to clarify certain issues related to the implementation of the fiscal legislation elaborated by the Ministry of Public Finance.

Furthermore, the Romanian Court of Accounts is going to answer new challenges, determined by the evolution of the circumstances in which it performs its activity. In order to become an independent, professional and trustworthy institution of external control and audit of public funds, capable of complying with the requests for acceding to the EU, the Court of Accounts needs the introduction of modern audit
methods, in compliance with the internationally accepted audit standards and with the best European practices, a highly professional staff, constantly preoccupied to improve its professional performances, a modern and adequate technical and logistical support, a good internal and external communication.

3.2 Sector rationale

The role of the Ministry of Public Finance is to collect and manage the public financial resources, by a complex system of budgets: the state budget, the state social security budget, the local budgets, the special funds budgets, the budgets of the external grants, the state treasury budget and the budgets of other autonomous public institutions. This activity is performed according to the law, securing the budget balance and implementing the financial policy of the state. The formulation and execution of the budget is based on the principles of universality, publicity, unity, annually, budgetary specialisation, and monetary unity.

In order to accomplish its role, the Ministry of Public Finance ensures the collection of the revenues stipulated in the budget, in cash and by means of accounts, and performs the treasury operations regarding the government borrowings. To calculate public expenditures, the Ministry of Public Finance considers the financial policy of the state, the number of employees, the existing public institutions network, the institutions to be created, the efficient use of existing equipment. The main directions for using public funds are aimed at: the social sector (education, health, social care and security, culture, arts, youth and sports, environment recovery and protection); supporting research programs; the economic sector (investments and other economic activities of public interest, subsidies, facilities, etc.); national defence, public order and national safety; central and local public administration; the interests related to the public debt and the expenditures related to issuing and selling securities.

Presently, regarding the organization and functioning, the Romanian Court of Accounts exercises the external subsequent financial control over the formation, administration and use of the financial resources of the state and of the public sector, and over the way the public and private patrimony of the state and of the administrative-territorial units is managed.

All tasks proposed to be financed under Phare funds are priorities for the Ministry of Public Finance and Court of Accounts, priorities that derive from the main functions of the two institutions.

3.2.1 Identification of projects

The tasks comprising the 4 projects proposed for Phare financing on the multi-annual programming exercise 2004-2006 were identified based on a gap analysis. The following table gives an overall picture of the needs related to the priorities of the public finance sector, on 6 main headings.
### Legislation (primary and secondary)

<table>
<thead>
<tr>
<th>2004 budget</th>
<th>2005 budget</th>
<th>2006 budget</th>
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<tbody>
<tr>
<td>✓</td>
<td>✓</td>
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</tbody>
</table>

### Human resources expansion or enhancement (staff numbers, training)

<table>
<thead>
<tr>
<th>2004 budget</th>
<th>2005 budget</th>
<th>2006 budget</th>
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<tbody>
<tr>
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</table>

### Procedural & systems development (design, operating manuals, including IT)

<table>
<thead>
<tr>
<th>2004 budget</th>
<th>2005 budget</th>
<th>2006 budget</th>
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</thead>
<tbody>
<tr>
<td>✓</td>
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</table>

### Equipment

All necessary equipment is foreseen to be purchased within the investment contract programmed on budgetary year 2006.

### Building

<table>
<thead>
<tr>
<th>2004 budget</th>
<th>2005 budget</th>
<th>2006 budget</th>
</tr>
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<td>-</td>
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</table>

### Regulatory and enforcement activity

<table>
<thead>
<tr>
<th>2004 budget</th>
<th>2005 budget</th>
<th>2006 budget</th>
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<tr>
<td>✓</td>
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</table>

#### 3.2.2 Sequencing

The projects for the year 2006 are dependent on an earlier one according to the table presented below:

<table>
<thead>
<tr>
<th>Task no and Title</th>
<th>2004 budget</th>
<th>2005 budget</th>
<th>2006 budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Completing the harmonisation of the tax legislation and strengthening the fiscal administration</td>
<td>2004</td>
<td>2004</td>
<td>2006</td>
</tr>
<tr>
<td>1.1. Completing the harmonisation of the tax legislation and strengthening the fiscal administration</td>
<td>2004</td>
<td>2004</td>
<td>2006</td>
</tr>
<tr>
<td>1.2. Strengthening the fiscal administration reform</td>
<td>2004</td>
<td>2004</td>
<td>2006</td>
</tr>
<tr>
<td>3. Continuing the implementation of the IT strategy</td>
<td>2004</td>
<td>2004</td>
<td>2006</td>
</tr>
<tr>
<td>3.1. Development and implementation of new IT applications related to the optimisation of the business environment and taxpayers’ assistance</td>
<td>2004</td>
<td>2004</td>
<td>2006</td>
</tr>
<tr>
<td>3.3. Increasing the integration level of new IT and communication systems</td>
<td>2004</td>
<td>2004</td>
<td>2006</td>
</tr>
<tr>
<td>Technical assistance Investments</td>
<td>2004</td>
<td>2004</td>
<td>2006</td>
</tr>
</tbody>
</table>
4. Improving the Institutional Capacity of the Romanian Court of Accounts including in order to support its role of Audit Authority as far as auditing the Community funds and protection of the Community interests is concerned.

| 4.3. Certification of the RCoA staff as international certified auditors | 2005 |
| 4.4. Improving the human resources management and the internal information flow of RCoA | 2005 |
| 4.5. Continuing the certification of the RCoA staff as international certified auditor | 2006 |
| 4.6. Improving the information flow at national level | 2006 |

3.3 Results

3.3.1 Project 1

Completing the harmonisation of the tax legislation and strengthening the fiscal administration

Task 1.2: Strengthening the fiscal administration reform

3.3.1.1 Purpose

To reach a high level of revenues collection by improving the NATA’s capacity to cope with the pressure raised by the accession to the EU.

3.3.1.2 Results

- Improved system for the administration of fiscal statements by improved procedures and protocols concluded with other institutions involved;
- Electronic tax file;
- Centralized administration of taxes, levies and contributions;
- Fiscal procedures handbook;
- Improved system of administration for the non-resident persons subject to VAT taxation, who develop taxable operations in Romania by new working procedures;
- Improved capacity of the fiscal administration to implement the Directive 49/2003/CE on a common system of taxation applicable to interests and royalty payments made between associated companies of different Member States;
- Improved risk analysis on VAT reimbursement, as the result of the implementation of the harmonised legislation and the exchange procedure for intra-community information;
- Improved procedures for control of the VAT reimbursement;
- Improved system for the VAT reimbursement;
• Guides and procedures for fiscal administration of the Romanian operators performing intra-community activities;
• Proposals for improving the assistance services for taxpayers;
• Strategy and action plans regarding the dissociation of tax administration activity in “front office” and “back office”;
• Increased competence of the staff from the tax administration;
• Updated action plans for training in tax administration field;
• Improved professional training structure.

3.3.2 Project 2
Continuing the development of the legal framework and of the administrative capacity for the strengthening of the public finance management

Task 2.11: Improving the MoPF capacity to apply the EC Regulation no. 659/1999

3.3.2.1 Purpose
To improve the notification process for the state aid and to establish the measures needed for the recovery of illegal and forbidden state aids.

3.3.2.2 Results
• Diagnostic study regarding the current situation assessment;
• Improved norms for applying by the Ministry of Public Finance coherent measures in order to recover illegal and forbidden state aids;
• Diagnostic study regarding the existing flow chart of the MoPF involved in the state aids recovery;
• Organizational flow chart, responsibilities and hierarchical relations established for the Ministry of Public Finance structure in charge with the state aids recovery considered illegal and forbidden;
• Improved information flows between departments involved;
• Analysis of the current legal framework that allows financial state aids;
• Diagnostic study regarding the financial state aids categories;
• The minimum information necessary to notify a financial state aid measure;
• State aids notifications further improved;
• Staff training in order to strengthen the notification of the state aids measures from the required information quality point of view.

3.3.3 Project 3
Continuing the implementation of the IT strategy

3.3.3.1 Purpose
To continuing the development of the IT infrastructure in order to efficiently support all the financial and fiscal activities of the Ministry of Public Finance and to be in line with the European standards.
3.3.3.2 Results

**Task 3.1:** Development and implementation of new IT applications related to the optimisation of the business environment and taxpayers’ assistance

1. E-Government – taxpayers and traders are able to interact with the Administration at different levels, according to the objectives of eEurope+ (program in implementation in Romania, to which the MoPF is part);
2. Transition to the processing focused on document and not on data related to the tax return forms and payment documents;
3. Integrated IT System in a centralized database and communication architecture, using web technologies in order to support all the MoPF activities and offer better services to taxpayers and traders through Internet;
4. New IT applications developed for the taxpayers assistance (including customs business), especially for submitting the tax returns through Internet and other electronic means;
5. Portal of the MoPF established and connected to the Portal of Public Administration;
6. Increased electronic exchange of information with other central and local administration (including customs);
7. Collection of budgetary incomes and social contributions ensured through a single procedure that also includes collecting data once for several institutions and communication with these institutions established (Pensions House, Health Insurance House, Social Insurance Agency – further named Social Contributions Houses);
8. Improved assistance to the taxpayers through electronic interfaces (e-readiness indicators will be used);
9. New IT applications for the taxpayers assistance (including customs business), especially for submitting the tax returns through Internet for all taxpayer categories (large/small, real/legal person) and for electronic payment;
10. Integrated IT system in the field of supporting the business environment (including customs business) and taxpayers assistance;
11. Reduced costs, by decreasing the investment needed to support a centralised solution;
12. Decreased corruption, by the electronic collection of taxes and eliminated standing in queue;
13. Controlled tax collection;
14. Increased budget control and better cash-flow management.

**Task 3.3:** Increasing the integration level of new IT and communication systems

- Specific web-enabled applications finalised;
- Migration of the applications to web-enabled technology and centralized architecture finalised;
- Data warehouse improved;
- The building process of the Disaster Recovery Centre finalized;
- Extension of the project for invoices management if new requirements are growing or changes of the current specifications are required;
- Training on analysis, development and programming activities, specific to the methods and tools proposed, project management, management of the system, databases, applications, communications and the inventory;
• Up-grade hardware, software and communications at central level, purchased in order to increase the capacity of the centralised databases, web enabled applications, to enhance the security procedures and to support the data warehouse to be developed;
• Implemented strategy and technical solution of data safety, security and confidentiality procedures and recovery in disaster cases and improved management of the emergency situations based on appropriate IT architecture and broadband communications system (up-grade of hardware, software and communications for the Disaster Recovery Centre in order to become Business Continuity Centre);
• Up-dated data security system for data storage, transmission and usage; data access control system;
• Workstations (WS), printers, communications equipment to contribute to increase the ratio WS/staff from 80% to 90%.

3.3.4 Project 4

Improving the Institutional Capacity of the Romanian Court of Accounts including in order support its role of Audit Authority as far as auditing the Community funds and protection of the Community interests is concerned

3.3.4.1 Purpose

To enable the Romanian Court of Accounts to become a modern and professional external supreme control institution to perform its statutory tasks related to the sound management and use of both internal and EU public funds.

3.3.4.2 Results

Task 4.5: Certification of the RCoA staff as international certified auditors
• Speciality staff trained in the implementation of INTOSAI, IFA and ISA Audit Standards, of the European Guidelines for the implementation of the INTOSAI Audit Standards and staff certified as international auditors.

Task 4.6: Improving the human resources management and the internal information flow of RCoA
• Good quality training facilities for managers and staff.
  ➢ sound installation for simultaneous translation for 30 staff/centre (for 5 centres); furniture (tables, chairs) for each of 5 professional training centres;
  ➢ 200 desktops and 110 printers procured.
• Real-time information flow of the Court’s management with the local audit structures – pilot
  ➢ national video-conference system set up.
3.4 Activities (including Means)

3.4.1 Project 1 (task 1.2)

Strengthening the fiscal administration reform

- Improving the system of fiscal statements administration through:
  - Extending the information exchange with external databases: social contributions, patrimony information, information on associations, foundations, agricultural companies setting-up, authorization of natural persons and family associations, banking information, etc;
  - Extending the data base for administration of taxes, levies and contributions by introducing in the tax statements of supplementary information on the method of establishing the tax base, on some commercial transactions etc.;

- Dematerializing the tax file by:
  - Making an inventory of the information to be included in the electronic tax file;
  - Analyzing the possible methods for organizing the electronic tax file;
  - Drafting the methodological norms for the administration of the electronic tax file;

- Harmonizing the procedures for centralized administration of taxes, levies and contributions
  - analyzing the conditions and restrictions for the transfer to the unified administration;
  - establishing the informational flows involved in centralized administration;
  - drawing up the administration procedures according to the established flows;

- Drafting a Tax Procedure Handbook through:
  - making an inventory of the exiting procedures
  - harmonizing and connecting the procedures;

- Improving the system of administration for the not resident persons subject to VAT taxation, who develop taxable operations in Romania by elaborating new working procedures;

- Drawing-up the legislation (regulating and administration provisions) necessary for implementing the Directive 49/2003/CE on a common system of taxation applicable to interests and royalty payments made between associated companies of different Member States;

- Improving the risk analysis on VAT reimbursement, as the result of the implementation of the harmonised legislation and the exchange information procedure;

- Improving the procedures for control of VAT reimbursement;

- Improving the VAT reimbursement system;

- Drawing-up procedures and guides for the fiscal administration of Romanian operators performing intra-community activities;

- Making an inventory of the assistance services granted by the Fiscal administration to the taxpayers:
- identifying the weak and the strong points of the services system;
- proposals on improving the existing services and for introducing new services adapted to the Romanian Fiscal Administration; recommendations on the methods to be adopted for their implementation;

- Analysing the existing situation in different tax units in order to draw-up the strategy regarding the dissociation of tax administration activity in “front office” and “back office”;
- Drawing-up action plans in view of implementing the strategy regarding the dissociation of tax administration activity in “front office” and “back office”;
- Training the necessary number of personnel within the Tax Administration;
- Updating the actions plans for the tax administration field training;
- Improving the organizational chart and the professional requirements for the professional training structure.

**Means:** 18 months Twinning Contract  
RTA/Project Leader, Short Term Experts, Romanian Experts

### Profile of the RTA and of the short team experts

The secondment of a Resident Twinning Adviser (RTA) will be necessary for the entire duration of the project of 18 months. Requirements for the RTA who will be responsible for the twinning project:

- Minimum 10 years of experience in taxation and tax administration field;
- Detailed knowledge of the good practice/acquis communautaire in the above-mentioned field;
- Proven ability to communicate with seniors decision-makers in the public sector and to get the cooperation of other institutions involved;
- Ability to communicate with the other RTAs in order to ensure interconnectivity with the other project related to this;
- Proven ability to transfer know-how;
- Excellent command of English and/or French;
- Proven abilities of manager in forming an appropriate team of short-term experts, in particular on taxation and tax administration field.

Short-term experts will be required for effective co-operation and provision of know-how and experience in specific areas of project implementation; STEs should possess knowledge and at least 5 years long experience in the field of issues covered by project; they should have a very good command of co-operation with different relevant administrative institutions. Further requirements to the experts include relevant university degree, familiarity with EU acquis, computer skills.

### 3.4.2 Project 2 (task 2.11)

Improving the MoPF capacity to apply the EC Regulation no. 659/1999
• Drawing-up the Diagnostic study regarding the current situation assessment;
• Improving norms by which the Ministry of Public Finance will apply coherent measures in order to recover illegal and forbidden state aids;
• Drawing-up the Diagnostic study regarding the existing flow chart of the MoPF involved in the state aids recovery;
• Designing the Organizational flow chart, responsibilities and hierarchical relations established for the Ministry of Public Finance structure in charge with the state aids recovery considered illegal and forbidden;
• Improving information flows between departments involved;
• Analysing of the current legal framework that allows financial state aids;
• Drawing-up a Diagnostic study regarding the financial state aid categories;
• Identifying the minimum information needed for notifying a financial state aid measure;
• Further improving the State aids notifications;
• Training of the staff in order to strengthen the notification of the state aids measures from the required information quality point of view.

**Means:** 12 months Technical assistance contract

Team Leader, Short Term Experts, Romanian Experts

### 3.4.3 Project 3 (task 3.1)

Development and implementation of new IT applications related to the optimisation of the business environment and taxpayers’ assistance

• Developing new portal applications for taxpayer’s assistance;
• Continuing migration of the applications designated to support the taxpayer’s assistance and customs’ business (as priority) to web-enabled technology and centralised architecture;
• Further training on analysis, development and programming using specific methods and tools.

**Means:** 12 months Technical assistance contract

Team Leader, Short Term Experts, Romanian Experts

### 3.4.4 Project 3 (task 3.3)

Increasing the integration level of new IT and communication systems

• Finalising the specific web-enabled applications;
• Improving the data warehouse;
• Consolidating the appropriate IT infrastructure;
• Finalising the migration of the applications to web-enabled technology and centralised architecture;
• Finalising the implementation of the project for the building of the Disaster Recovery Centre;

2006 programming exercise Romania
• Extension of the project for invoices management if new requirements are growing or changes of the current specifications are required;
• Training activities on analysis, development and programming activities, specific to the methods and tools proposed, project management, management of the system, databases, applications, communications and the inventory;
• Up-grading the hardware, software and communications for the Disaster Recovery Centre in order to become Business Continuity Centre in order to secure the centralised databases;
• Data security system for data storage, transmission and usage; data access control system;
• Purchasing workstations (WS), printers, communications equipment to increase the ratio WS/staff from 80% to 90%;
• Purchasing the hardware, software and communications at central level to support the integrated centralised IT system in order to set up the centralised databases, web enabled applications, and to enhance the security procedures and to support the data warehouse to be developed.

**Means:** 18 months Technical assistance contract

  Team Leader, Short Term Experts, Romanian Experts

  Investment contract

  Technical Specifications, Purchase of equipment

### 3.4.5 Project 4 (task 4.5)

Certification of the RCoA staff as international certified auditors

- Introduction in the fundamental requirements of the international standards on a standard-by-standard basis through seminars and/or presentations;
- Intensive training courses through seminars, presentations, case studies and/or exercise groups, aiming at guiding and enabling the Court’s staff to use and implement the international standards in practice;
- Intensive specific training courses aiming to support the Court’s staff to understand and implement the international auditing standards through seminars and/or presentations case studies and exercise groups. In the end of each of these sessions the participants will be subject to the evaluation tests.

**Means:** 12 months Technical assistance contract

  Team Leader, Short Term Experts, Romanian Experts

### 3.4.6 Project 4 (task 4.6)

Improving the human resources management and the internal information flow of RCoA

- Providing good quality training facilities for managers and staff
  - Procurement of sound installation for simultaneous translation for 30 staff/centre (for 5 centres) and of furniture (tables, chairs) for each of 5 professional training centres;
- Procurement of IT equipment.
  Providing a real-time information flow of the Court’s management with the local audit structures – pilot – through a national videoconference system.

**Means:** investment contract

Technical Specifications, Purchase of equipment

### 3.5 Linked Activities:

Regarding the project 1, in the fiscal administration field, the assistance required under Phare 2006 aim to continuing and consolidating the results obtained under Phare 2004 project - *Completing the harmonisation of the tax legislation and strengthening the fiscal administration.*

Also, among the 2002 Phare projects, there was implemented the project 2002/000-586.03.04.11 – “Increasing the tax collection level by improving taxpayers voluntary compliance by building the internal capacity of the Ministry of Public Finance to develop by itself information communication campaigns and a modern taxpayer assistance activity”, but information and training activities are still needed for the proper implementation of the legislation in this field.

A proposal for technical assistance regarding the quality management for taxpayers’ services was sent to the EVD International business and co-operation (International Public Co-operation Department) for bilateral assistance provided by Netherlands through 2005 PSO Programs, but wasn’t approved. The same proposal will be sent for assistance within the technical cooperation with Germany. We have to mention that the proposal for bilateral assistance does not overlap the requirements for Phare assistance.

Regarding the project 2, in the state aid field, no kind of technical assistance was received by now. It has to be mentioned that the interventions, which will take place under this project, are only in the MoPF attributions and doesn’t imply the Competition Council and the courts.

Regarding the project 3, in the IT field is under implementation the Programme 2003/005-551.03.04 – “Support for the Ministry of Public Finance in the implementation of the IT strategy” which is focused on the development and implementation of the integrated solution for the IT system, in order to support the Ministry of Public Finance functions (IT Strategy and Action Plan – phase 2003).

Also, in the IT field assistance will be provided under 2004 and 2005 Phare Programme, both as technical assistance and investment.

The investments foreseen within 2004 – 2006 multi-annual programming represent the infrastructure for all the projects included to be financed under 2004, 2005 and 2006 Phare budgets. The inexistence of these investments will lead to non-synchronization with others projects from which the Ministry is benefitting.

A mention has to be made, namely that for the 2004 and 2005 Phare projects related to the IT field, there are in the preparing phase a PPF request for the assessment, respectively the preparation of the Terms of Reference and the Technical Specifications for these projects. The same procedure will be developed for 2006 Phare IT projects.
Also, it has to be mentioned that the investments proposed to be financed through 2006 Phare budget represent an absolute priority for the Ministry of Public Finance for the followings reasons:

- These investments represent a continuation (development) both of the IT and communications infrastructure and of the applications that will be realized through 2003, 2004 and 2005 Phare budgets;
- These investments represent a *sine qua non* condition for the proper information exchange with the Member States in the fields related to the direct and indirect taxation, the contribution from own resources to the community budget, the financial flows from and to the community budget;
- As was required by the European Commission and the EC Delegation in Romania, the IT opportunities and priorities for the MoPF activities have been approached into a coherent and integrated strategy which was elaborated by EU experts and now we are in a such situation when we trying to additionally underlie something that is already substantiate having the risk that through a subjective appreciation of our arguments (which were presented in several times within the 2004-2006 programming exercise) to get to a incoherent and non-integrated approach by the partial financing and achievement of the strategic objectives proposed;
- If the aspects presented within 2006 Sector Fiche are not considered as objective to be financed by 2006 Phare Programme, this fact will generate the blockage of customs activities in all its aspects, as well as the Customs incapacity to implement the 2007 Customs CE Program, which will represent a real jeopardy not only for the observance of the European integration process as well as for the NCA capacity to react to the requirements of the fight against terrorism, smuggling, counterfeit, cross border criminal activity, drugs etc;
- Also, we have to remind that the information exchange with the Member States, the improvement of collecting system and the management of the general consolidated state budget revenues and expenditures represent serious reasons of concerning for the European Commission and need increased efforts from our part, efforts that we assume, but we count on the substantial financial support declared by the Commission in the 2005 Comprehensive Monitoring Report when references to the preparation degree of Romania and Bulgaria to EU accession were made.

In the year 2000, the Romanian Court of Accounts has been subject to a peer review performed by SIGMA and SAIs from Member States of the European Union. Based on conclusions and recommendations made in the Background paper, the Court has developed and approved its Strategic development plan for the period 2001-2004, setting as the priority strategic objective “strengthening of responsibility for the use of public funds in Romania”.

**PHARE 2000**

The Romanian Court of Accounts benefited from non-refundable financial aid within the **PHARE RO 0006.07 program**, having as a general objective the strengthening its institutional capacity. The program’s amount was 1.6 million EURO, to which was added a national co-financing in amount of 0.175 million EURO.

The program had two components:

- The twinning component (Twinning 0.9 million EURO), carried out jointly with United Kingdom’s NAO (and with the contribution of the Greek Court of...
Audit), ended in September 2003. The main activities were aimed at:
development of jurisdictional activity; updating the legal framework;
introduction of the performance audit, development of the financial audit and
introduction of the audit of the EU funds; improved management and
organization of the human resources; development of IT support and
introduction of Computer Assisted Audit Techniques.

✓ The investment component, amounting to 0.7 million EURO, plus 0.175
million EURO national co-financing, had as an objective “The Development
of the IT support for the management of the Court of Accounts, the audit
activity and the staff training”.

**PHARE 2001 – SAPARD**

Starting with 2003, the Romanian Court of Accounts, in its position of Certifying
Body of the SAPARD Agency accounts, benefits of technical assistance granted to the
SAPARD Agency through the PHARE RO 0106.07 component and financed through
PHARE 2001 Program. The Program for the Court of Accounts as certifying body
has two components.

- The first component, focused on professional training, comprised training
courses of the staff involved in the activity of SAPARD funds certification
(training finalized in 2003), with the purpose of improving the theoretical
knowledge and practical abilities of the staff with specific attributions in
auditing the funds granted through the SAPARD program.
- The second component is oriented at assistance and long-term consultancy in
the domain of SAPARD program auditing. This component is already running
and will last 12 months, until December 2004.

**PHARE 2002**

The Romanian Court of Accounts will receive from the EU non-refundable technical
assistance through the PHARE RO-2002/000-586.03.03 program, having as a general
objective the further consolidation of the institutional capacity. The total amount of
the program is of 2.1 million EURO, plus 0.367 million EURO from national co-
financing.

The program includes three components:

- The twinning component, amounting to 0.8 million EURO, implemented
through a Twinning Covenant concluded between the Romanian Court of
Accounts and the Spanish Court of Accounts in cooperation with the German
Court of Accounts, which has the following objectives:
  ➢ To develop the audit of funds granted to Romania by the EU and by
other international financing sources, in line with the European and
international standards for external auditing of public money;
  ➢ To organize training courses for the specialized staff that performs the
audit of privatisation;
  ➢ To continue the development of financial audit, at central and local
level;
  ➢ To improve the professional training of the Court’s staff for auditing
the following specific domains: health, banking sector, grants,
subsidies or other forms of financial aid of the state;
  ➢ Training courses aimed at enabling the Court’s auditors to identify
criminal activities such as fraud, corruption, tax evasion and money
laundering, establishment of legal accountability and prosecution of the
responsible persons.
The Twinning Covenant was signed and it will be carried out during two years, starting with November 2003.

- The technical assistance component, amounting to 0.2 million EURO, is aimed at training 50 of the Court’s staff to obtain the professional certification as international auditor.
- The investment component, amounting to 1.1 million EURO, plus 0.367 million EURO national co-financing, is aimed at connecting the RCoA with other public institutions, the development of an information system regarding the control/audit activity, the continuation of equipping the Court of Accounts with IT equipment and the modernization of four new professional training centers.

**DFID**

The Court of Accounts benefited of a financial assistance program granted by the United Kingdom’s Governmental Department for International Development (DFID), which is responsible for promoting worldwide development and fight against poverty. The project had three stages, namely:

- **Stage 1** – technical assistance, having as main objective the improvement of Romanian public expenditure audit activity, based on international and European standards. This stage lasted from October 2000 to October 2001.
- **Stage 2** – training the RCoA staff in the area of auditing the privatization process according to INTOSAI Standards. The program lasted throughout the year 2002 and consisted in training of 170 employees.
- **Stage 3** – will be running during 2003 – 2005 and has as an overall objective the implementation of financial and performance audit according to international and European standards. Its main specific objectives are to contribute at the improvement of the efficiency of the public spending in Romania, to support the RCoA in the process of Romania’s integration in the European structures and to perform its audits according to the International Audit Standards. The third stage began with the planning process meant to identify the directions for the future assistance and its implementation started in January 2004.

**WORLD BANK**

In May 2001 the World Bank organized and sponsored a three-days training course in the domain of external audit of budgetary funds, attended by 300 auditors of the RCoA.

At the end of 2003, the Romanian Court of Accounts has submitted a request for receiving a loan from the World Bank included in the Private-Public Institution Building Loan (P.P.I.B.L.) project. These funds will be allocated for training the audit staff in financial audit and accruals accounting.

**3.6 Lessons learned**

All Programmes implemented within the Ministry of Public Finance have made a major contribution or are positively contributing to the objectives of the Accession Partnership and Roadmap, through strengthening the institutional and administrative capacity to implement the acquis communautaire.
Also, all the conclusions and recommendations made by the evaluation performed by EMS Consortium (September and October 2003) and ECOTEC Consortium (March-April 2005), by previous meetings of the Sector Monitoring Sub-Committee no. 4 “Strengthening the administrative capacity – Public Function and Public Finance” were taken into consideration in the tasks proposed for 2006 Phare. The recommendation and the way in which were taken on board are mentioned in the original Sector Programme Fiche 2004-2006.

Also, a table on Lessons Learnt is annexed to this Project Fiche.

4 Institutional Framework

The Ministry of Public Finance is managed by the Minister, who leads the whole activity of this institution and represents it in relation to the other Ministries, to the domestic public authorities and organisations, to similar agencies in other countries, as well as to legal and natural persons.

The Minister directly co-ordinates five Secretaries of State and the General Secretary, who have assignments and tasks specific to the Ministry's activities and are appointed by order of the Minister of Public Finance. Also, under the supervision of the minister of public finance are the territorial general directorates of public finance, General Directorate for Large Taxpayers Assistance from the Bucharest and Ilfov County.

The projects will be implemented within the Ministry of Public Finance in the following directorates:

1.2 - National Agency of Tax Administration (General Directorate for Management of Taxes and Contributions, Directorate for methodology and procedures regarding the fiscal inspection, General Directorate of Direct Tax Legislation, Directorate of Taxpayers Assistance, General Directorate for Reform and International Cooperation, Counter-fraud Directorate, Legal Directorate);
2.11 – General Directorate for State Aids, Unfair Practices and Regulated Prices;
3.1 and 3.3 - General Directorate of Information Technology;
4.5 and 4.6 - Romanian Court of Accounts.

5 Detailed Budget

<table>
<thead>
<tr>
<th>Year 2006 - Investment support jointly co funded</th>
<th>Phare/Pre-Accession Instrument support</th>
<th>Co-financing</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>€M</td>
<td>National Public Funds (*)</td>
<td>Other Sources (**)</td>
<td>Total Co-financing of Project</td>
</tr>
</tbody>
</table>

2006 programming exercise Romania
<table>
<thead>
<tr>
<th>Sub-project 1 (MoPF) 3.3. Increasing the integration level of new IT and communication systems</th>
<th>12.00</th>
<th>4.00</th>
<th>-</th>
<th>4.00*</th>
<th>16.00</th>
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</thead>
<tbody>
<tr>
<td>Sub-project 2 (RCoA) 4.6. Improving the information flow at national level</td>
<td>3.00</td>
<td>1.00</td>
<td>-</td>
<td>1.00</td>
<td>4.00</td>
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</tbody>
</table>

**Investment support – Sub-total**

<table>
<thead>
<tr>
<th></th>
<th>15.00</th>
<th>5.00</th>
<th>-</th>
<th>5.00</th>
<th>20.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of total public funds</td>
<td>max 75 %</td>
<td>min 25 %</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* contributions form National, Regional, Local, Municipal authorities, FIs loans to public entities, funds from public enterprises - The co-financing amount will be included in the MoFP’ budget for the relevant contracting year, respectively 2007/2008 for 2006 contracts and will be ensured by way of Joint Co-financing.

| Year 2006 Institution Building support |
|---|---|---|---|---|
| Sub-project 1.2 Strengthening the fiscal administration reform | 0.800 | - | - | - | 0.800 |
| Sub-project 2.11 Improving the MoPF capacity to apply the EC Regulation no. 659/1999 | 0.500 | - | - | - | 0.500 |
| Sub-project 3.1 Development and implementation of new IT applications related to the optimisation of the business environment and taxpayers’ assistance | 0.300 | - | - | - | 0.300 |
| Sub-project 3.3 Increasing the integration level of new IT and communication systems | 1.000 | - | - | - | 1.000 |
| **Total IB support for MoPF** | **2.60** | - | - | - | **2.60** |
| Sub-project 4.5 Certification of the RCoA staff as | 1.300 | - | - | - | 1.300 |

2006 programming exercise Romania
### 6 Implementation Arrangements

#### 6.1 Implementing Agency

The Central Finance and Contracts Unit (CFCU) will be the Implementing Agency and as such be responsible for all procedural aspects of the tendering process, contracting matters and financial management (including payments) of the project activities.

**Contact:**
- **Central Finance and Contracts Unit (CFCU)**
- **Director (PAO): Mrs. Carmen Rosu**
- Phone: +4021 326 55 55
- Fax: +4021 326 87 30
- Address: 44th Mircea Voda St, Entrance B, Bucharest3, Romania
- e-mail: carmenrosu@cfcu.ro

#### 6.2 Twinning

The Central Finance and Contracts Unit (CFCU) will be the Implementing Agency and as such be responsible for all procedural aspects of the tendering process, contracting matters and financial management (including payments) of the project activities.

**Contact:**
- **Central Finance and Contracts Unit (CFCU)**
- **Director (PAO): Mrs. Carmen Rosu**
- Tel. 00 401 210 326 06 66
- Fax: 00 401 210 326 87 30
- E-mail: carmenrosu@cfcu.ro
Address: 44 Mircea Voda Boulevard, Sector 3, Bucharest

The General Directorate of Legal Approximation and European Integration (Programme Implementation Unit) will be responsible for monitoring the technical implementation.

Contact:

General Directorate of Legal Approximation and European Integration (PIU)

Director: Mrs. Lenuta Stefanescu
Tel. 00 40 21 319 98 58
Fax: 00 40 21 319 98 58
E-mail: lenuta.stefanescu@mfinante.gv.ro
Address: 17 Apolodor Street, Sector 5, Bucharest

The twinning project will be implemented within more directorates from Ministry of Public Finance - National Agency for Tax Administration (Address: Str. Apolodor, no. 17, sector 5, Bucharest).

Contact:

Project Leader - Mr. Robert Hofnar - General Director, General Directorate of Taxes and Contributions Management
Phone: (+4021) 3199759/ ext 1036 (+4021) 3199700
E-mail: Robert.Hofnar@mail.mfinante.gv.ro

6.3 Non-standard aspects

For technical assistance and investment projects, the PRAG\textsuperscript{1} rules will be strictly followed. Regarding the twinning project, the Twinning Manual provisions will be strictly followed.

6.4 Contracts

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Type of assistance</th>
<th>Allocated Phare budget</th>
<th>Co-financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Strengthening the fiscal administration reform</td>
<td>TW</td>
<td>0.800</td>
<td>-</td>
</tr>
<tr>
<td>2.</td>
<td>Improving the MoPF capacity to apply the EC Regulation no. 659/1999</td>
<td>TA</td>
<td>0.500</td>
<td>-</td>
</tr>
<tr>
<td>3.</td>
<td>Development and implementation of new IT applications related to the optimisation of the business environment and taxpayers’ assistance</td>
<td>TA</td>
<td>0.300</td>
<td>-</td>
</tr>
</tbody>
</table>

\textsuperscript{1} Practical Guide to Contract Procedures Financed from the EC general Budget in the context of External Actions: \url{http://europa.eu.int/comm/europeaid/tender/gestion/pg/npg_en.doc}
4. Increasing the integration level of new IT and communication systems | TA | 1.000 | - |

5. Increasing the integration level of new IT and communication systems | INV | 12.000 | 3.000 |

6. Certification of the RCoA staff as international certified auditors | TA | 1.300 | - |

7. Improving the information flow at national level | INV | 3.000 | 1.000 |

7  Implementation Schedule

7.1  Start of tendering/call for proposals

1st Quarter 2007 (estimated)

7.2  Start of project activity

3rd Quarter 2007 (estimated)

7.3  Project completion

2nd Quarter 2009 (estimated)

8  Equal Opportunity

The Ministry of Labour, Social Solidarity and Family is the governmental body who, through the Directorate for Equal Opportunities between Men and Women, has the responsibility to initiate legislative measures for the improvement of the relevant legal frame and to monitor their implementation.

The legal framework in this area is continuously improved, recently being adopted the Government Decision no. 24/2003 (OJ 823/20.11.2003) regarding the set-up of the Commission for Equal Opportunities between Men and Women. This Commission is responsible for eliminating any forms of gender discrimination and improving woman’s condition in society, integrating the principle of equal opportunities between men and women in the legislative initiatives and the relevant policies and programs and following-up the application of the provisions from international documents ratified by Romania in this field.

The equal opportunities and treatment between men and women is regulated by Law no. 202/2002 regarding equal opportunities between men and women.

In the Ministry of Public Finance, equal opportunity for men and women is underlined by the existence of women in high positions such as secretary of state (two out of five are women) and (general) director (42% are women).
Within the Ministry of Public Finance the staff training is ensured by the School of Public Finance (SoPF). This School makes no gender discrimination regarding the access of women and men at the training sessions.

The selection criteria for the training sessions organised by the SoPF as well as within Phare and other donors assistance projects are strictly related to the professional activity of the personnel. In order to show the equitable gender participation of the MoPF staff in the Phare project trainings, an indicator will be set to determine the number of women who participate at the training sessions.

9 Environment

The equipments that are planned to be purchased are in fully compliance with the environment and respect all the EU regulation in the filed of environment protection. The equipments planned to be purchase will not have negative impact over the environment.

10 Rates of return

*Not applicable.*

11 Investment criteria (applicable to all investments)

11.1 Catalytic effect

Not applicable.

11.2 Co-financing

In section 5 above, data referring to the amount and source for co-financing the investment projects are mentioned.

11.3 Additionality

Not applicable.

11.4 Project readiness and size

Not applicable.

11.5 Sustainability
Not applicable.

11.6 Compliance with state aids provisions

Not applicable.

12 Conditionality and sequencing

Not applicable.
Annexes to project Fiche
1. Logframe in standard format; Sector monitoring sheet
2. Detailed implementation chart
3. Contracting and disbursement schedule, by quarter, for full duration of project (including disbursement period)
4. Reference list of feasibility/pre-feasibility studies, indepth ex ante evaluations or other forms of preparatory work.
5. Reference list of relevant laws and regulations
6. Lessons Learnt