

Standard sector programme fiche

PUBLIC FINANCE

**FURTHER INSTITUTION BUILDING OF THE ROMANIAN MINISTRY
OF PUBLIC FINANCE AND COURT OF ACCOUNTS**

Sector Programme Fiche 2004 - 2006

Summary

CRIS Nr	Phare 2004/016-772.03.01	
Title	Further institution building of the Romanian Ministry of Public Finance and Court of Accounts	
Sector	Priority sector Public Finance	Evaluation sector PF
2004 – 2006 Budget¹	Total [€Mio] 104.440	Phare contribution [€Mio] 82.720
2004 Budget	Total [€Mio] 40.410	Phare contribution [€Mio] 31.420

The School of Public Finance is a young structure which needs financial support and also examination from the European Union in order to fulfill its task under the proper circumstances required by the accession process. During 2004-2005 another two regional centres of the School of Public Finance will be set up and they will need support.

The efficiency of the activity of the Ministry of Public Finance can not be properly improved without the development of the IT infrastructure. The IT strategy of the Ministry needs to be further implemented, in order to enlarge the electronic taxpayer assistance, to implement a unique procedure to submit and process unified electronic forms of declarations from the taxpayers and contributors, to achieve full inter-operability with the IT systems of EU Member States in the field of taxation and EU budget, to integrate the IT system supporting the activities of MoPF and to develop the IT inter-operability with the National Customs Authority.

It is, also, necessary to strengthen the institutional capacity of the Court of Accounts of Romania as an independent, professional and trusted external audit of the public funds institution; increase of its competencies and activities, by the introduction of modern audit methods, in accordance with international audit standards and the best practice, as well as high quality reports on the manner in which public money is used presented to the Romanian Parliament and the European Union.

¹ The information concerning the budgetary years 2005 and 2006 is only estimative and does not bind the two parties.

Table of projects constituting the Phare measures in the sector

Project Nr.	Title	Total costs €Mio	Phare funding €Mio	Start	End
1	Completing the harmonisation of the tax legislation and strengthening the fiscal administration	2.000	2.000	September 2005	August 2008
2	Continuing the development of the legal framework and of the administrative capacity for the strengthening of the public finance management	9.800	9.800	September 2005	August 2008
3	Continuing the implementation of the IT strategy	79.250	60.000	July 2005	August 2009
4	Improving the Institutional Capacity of the Romanian Court of Accounts	13.390	10.920	November 2005	February 2009
TOTAL		104.440	82.720	July 2005	August 2009

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1 Basic Information

1.1 CRIS Number (2004): 2004/016-772.03.01

1.2 Title:

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

1.3 Sector:

1.3.1 Title of Priority sector: Public Finance

1.3.2 Title of monitoring sector: This sector is monitored in the Sector Monitoring Sub-Committee no. 2 "Strengthening the administrative capacity – Public Function and Public Finance".

1.4 Beneficiaries and geographical coverage:

The **direct beneficiaries** of this programme are the Romanian Ministry of Public Finance with its subordinated structures (county general directorates of public finance, General Directorate for Large Taxpayers Assistance from the Bucharest and Ilfov County) and the Court of Accounts. The organisational chart of the Ministry of Public Finance is included in the Annex 5.

The projects will be implemented within the Ministry of Public Finance and Court of Accounts both at central and local level.

During the implementation of these projects, the beneficiary directorates within the Ministry of Public Finance will collaborate with other entities that will indirectly benefit from the programme:

- ☞ Financial Guard;
- ☞ Prime Minister's Chancellery - Government Control Body;
- ☞ Implementing agencies;
- ☞ National Commission for Prognosis;
- ☞ National Institute for Statistics;
- ☞ Ministry of Agriculture, Forests and Rural Development;
- ☞ National Bank of Romania;
- ☞ National Customs Authority;
- ☞ Ministry of Communications and Information Technology;
- ☞ National House of Pensions and Other Social Insurance Rights;
- ☞ National House for Health Insurance;
- ☞ National Agency of Labour Force;
- ☞ Associations of Employers and Trade Unions;
- ☞ Public contracting authorities.

1.5 Duration: 2004 to 2009

The sector programme will be funded from EU resources of the budgetary years 2004 to 2006. Allocations for 2004 will be subject of the Financing Memorandum 2004 containing also indicative allocations to this programme for the years 2005 and 2006. Contracting deadlines for projects under this programme and deadline for execution of contracts will be determined in the FM as well.

The duration of sector programmes is set from 2004 to 2009.

2 Objectives

2.1 The Needs

Within the public finance sector, both the Ministry of Public Finance and the Romanian Court of Accounts have drawn-up their own strategies for the 2004-2006 period.

The general mission of the Ministry of Public Finance, according to its Strategy for 2004-2006 is to be a modern institution, part, in a coherent, efficient, transparent and stakeholder-focused way, of the elaboration and implementation of the strategy and government program for public finance.

The Development Strategy of the Romanian Court of Accounts for the years 2004-2006, sets the Court as the supreme institution for external control over the formation, administration and use of the financial resources of the state and of the public sector, playing an important role in the reform process in Romania.

By January 1st 2007, the target date for the integration in the European Union, the Ministry of Public Finance, and the Romanian Court of Accounts, should be able to comply with the requirements set by the accession negotiations with the European Union.

In order to achieve this objective, the Ministry of Public Finance needs to focus on:

- Completing the harmonisation of the fiscal legislation;
- Strengthening the tax administration;
- Increasing the collection degree of the state revenues;
- Fulfilment of the European Union requirements related to the administration, reporting and control of the pre-structural funds and PHARE funds;
- Increasing the management responsibility related to the financial management and the control over Community funds;
- Improving the public financial control and the execution of performance audit of all public funds, which will contribute to increase the efficiency of public funds use;
- Increasing the capacity to implement programmes and to absorb the non-reimbursable and reimbursable funds;
- Improving the public finance management;
- 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.

On the other hand, the institutional capacity of the Court of Accounts of Romania as an independent, professional and trusted external audit of the public funds institution should be strengthened; its competencies and activities should be increased by the introduction of modern audit methods, in accordance with international audit standards and the best practice, as well as high quality reports on the manner in which public money is used presented to the Romanian Parliament and the European Union.

These priorities are based on necessities identified in:

Accession Partnership

- ☞ Continuing legislative alignment with particular attention to VAT exemptions, refund conditions, taxable scope and special VAT schemes, as well as excise duties levels, structure and exemptions;
- ☞ Strengthening administrative capacity and control procedures, including administrative co-operation and mutual assistance;
- ☞ Adopting the excise duty suspension regime (in particular the provisions on tax warehouses);
- ☞ Ensuring that future legislation complies with the principles of the Code of Conduct for Business Taxation and revising the existing potentially harmful provisions;
- ☞ 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;
- ☞ Developing institutional capacities for management of EC funds;
- ☞ Ensuring the correct implementation of the provisions with regard to the treatment of irregularities under PHARE, SAPARD and ISPA;
- ☞ Continuing to build up technical and administrative capacity as regards the preparatory activities related to operational management of own resources;
- ☞ Continuing efforts to define the necessary procedures and organisational arrangements and develop the necessary capacities to co-ordinate the calculation, monitoring, payment, control and evaluation of funds to and from the EC budget in accordance with the *acquis* on own resources;
- ☞ Pursuing alignment of legislation on public procurement and ensuring its appropriate implementation;
- ☞ Implementing the Information Society:
 - Public administration and services modernization,
 - Fast access to public administrative services,
 - Passing to e-government,
 - Increase of the electronic services;
- ☞ Developing IT systems to allow the exchange of computerised data within the enlarged Community; preparing for installation and operation of CCN/CSI (Common Communications Network/Common Systems Interface);
- ☞ Continuously renew and develop Information Technology capacity and provide further training for central and regional staff in order to make effective use of the equipment and the software applications;
- ☞ Accelerating the implementation of the IT strategy of the National Customs Authority; developing IT systems to allow the exchange of computerised data within the enlarged Community; preparing for installation and operation of CCN/CSI (Common Communications Network/Common Systems Interface);
- ☞ Ensure the independence of the Romanian Court of Accounts through a Constitutional Amendment in line with the international standards as regards the organisation of supreme audit institutions;
- ☞ Enhance the procedures for parliamentary scrutiny of the Court of Accounts audit findings and improve the transparency and dissemination of the Court of Accounts reports;

- ✎ Develop and implement standards for external audit conforming to internationally accepted external audit standards in line with the EC acquis. Effective staff training should be further developed;
- ✎ Ensure the correct implementation of the provisions with regard to the treatment of irregularities under Phare, SAPARD and ISPA.

2002 Roadmap:

- ✎ Continue the transposition of the VAT legislation, giving particular importance to reducing the scope of the exemptions and to introducing the special VAT schemes;
- ✎ A major effort in the alignment of legislation concerning excise duties is required;
- ✎ Adopt the duty suspension regime (in particular the provisions on tax warehouses);
- ✎ Ensure compliance with the Code of Conduct for Business Taxation;
- ✎ Reform of tax regulations and of tax administration;
- ✎ Reinforce administrative capacity as regards conformity assessment infrastructure;
- ✎ Administrative capacity in the Tax administration must be increased;
- ✎ Further strengthen efforts to set up effective instruments to combat fraud relating to VAT;
- ✎ Decentralise ex ante financial control to resident financial controllers in spending units;
- ✎ Continue to strengthen the capacity of the National Fund, the Central Finance and Contracting Unit (CFCU) and other implementing agencies dealing with pre-accession funds in preparation for the extended decentralisation of Phare and ISPA implementation;
- ✎ Further develop an effective co-ordination structure and legislative framework for the protection of EC financial interests and strengthen mechanisms for administrative enquiries and for the judicial follow-up of anti-fraud investigations;
- ✎ Improve compliance of national accounts' statistics with ESA 95 standard;
- ✎ Reform of budgetary procedures and public expenditures;
- ✎ Ensure adequate administrative capacity to collect and transfer future EC all own resources to the Community budget in a timely manner;
- ✎ Strengthen operational and administrative capacity of customs administration including IT capacity;
- ✎ Upgrade external audit functions, especially in terms of systems-based and performance audits, and enhancing training efforts.

2003 Regular Report:

- ✎ Implementation remains the main priority and Romania needs to strengthen the capacity of the newly created administrative structures. Further efforts should be focused on implementing sound *financial control systems* (both public internal financial control systems and external audit systems) by completing legislative alignment, implementing the structural changes and strengthening administrative capacity relating to public internal financial control. In the area of the protection of

the EC financial interests, the legislative framework should be further refined and administrative capacity must continue to be ensured.

- ☞ As regards control of EU pre-accession funding and future structural action expenditure, Romania should concentrate efforts on the *preparation for EDIS*.
- ☞ A sound framework for multi-annual budgeting has been established and Romania should consolidate the progress made in the field of *budget formulation and execution*.
- ☞ In the area of *public accounting*, the Ministry of Finance has started the move towards accrual-based accounting, a lengthy process, which will require also additional capacity and resources. Administrative capacity needs to be further developed, through improved training and an appropriate allocation of staff in the structures responsible for budget management and public accounting.
- ☞ At the same time, the structures and the administrative capacity to manage *Romania's contribution to the EU budget* do not yet exist. An adequately staffed and equipped coordinating body needs to be developed in order to prepare for application of the *acquis* on own resources.

For traditional own resources, Romania needs to develop an adequate reporting system for cases of fraud and irregularities. Accounting requirements (the A and B accounts) will also need to be set up before accession, as will the systems and procedures necessary for sugar levies.

Further efforts should be made to combat fraud relating to VAT. For the purposes of own resources, Romania will need to develop the capacity to properly calculate the VAT based resource. Efforts are still necessary to improve the actual collection of VAT.

The co-ordination unit on own resources established in the Ministry of Public Finance needs to strengthen procedures, organisational arrangements and capacity to create a framework for transparent and efficient financial flows to and from the EC budget.

- ☞ While Romania has achieved some degree of alignment with the *acquis*, it must maintain the pace of alignment on all areas of the *acquis* and pay particular attention to the reform and modernisation of its *tax administration*. Action is also needed to improve IT systems.
- ☞ Romania will have to further align its *direct taxation legislation* with the *acquis*. The review of its tax legislation should be continued in order to eliminate potentially harmful tax measures so as to comply with the Code of Conduct for Business Taxation upon accession to the same extent as current Member States. Limited legislative progress has been made concerning VAT. Alignment remains incomplete in a number of areas, such as exemptions (with and without the right of deduction), taxable persons, the chargeability of the tax, the place of taxation, imports, payment of VAT, and the introduction of all special VAT schemes under the *acquis*.

While recent legislation on excise duties represents progress, a major effort is still needed (mainly regarding the alignment of the scope of exemptions and the duty rates and structure of all harmonised product categories). Incompatibilities with the *acquis* also concern the rules for the chargeability of the excise duty and on losses and irregularities. The duty suspension scheme, and in particular the provisions on tax warehouses, is in the process of being transposed.

Despite the efforts made during the reporting period, the administrative capacity of the Romanian tax authorities remains weak and fraud on VAT refunds is significant. The revenue collection and the refund systems need major improvement and an effective audit system, based on risk analysis, needs to be developed.

- ✎ As regards interconnectivity, although plans for the *VAT Information Exchange System* have now been drawn up Romania will need to make extensive additional efforts to complete these tasks and be in a position to meet the obligations of the *acquis*.
- ✎ A comprehensive set of standards for *external audit*, conforming to internationally accepted external audit standards and in line with the EC *acquis*, should be finalised and implemented. Effective staff training should be provided in order to strengthen the administrative capacity of the Court. Romania needs to enhance the formal procedures for parliamentary scrutiny of the Court's audit findings and to improve the transparency and dissemination of the Court of Accounts' reports.

2.1.1 Contribution to National Development Plan

Not applicable.

2.2 Overall Objective of the sector programme

The overall objective of the sector programme is to improve the legal framework and the administrative capacity of the Ministry of Public Finance and of the Romanian Court of Accounts in a view to comply with the accession requirements to the European Union stated by the Roadmap and Accession Partnership.

2.3 Programme priorities and its impact on the sector

In order to meet the overall objective, four medium-term priorities have been identified:

1. Completing the harmonisation of the tax legislation and strengthening the fiscal administration
2. Continuing the development of the legal framework and of the administrative capacity for the strengthening of the public finance management
3. Continuing the implementation of the IT strategy
4. Improving the Institutional Capacity of the Romanian Court of Accounts

The first priority, to improve the legislation and the tax administration in accordance with the commitments assumed within the negotiation process, is aimed at:

- ✓ Significantly improving the business environment;
- ✓ Ensuring the coherence, long-term stability and predictability of the fiscal legislation;
- ✓ Stimulating the work, savings and investment by simplifying the taxation system and the collection of taxes;
- ✓ Support for the civil society by updating and implementing the Tax Code and the Tax Procedure Code.

With regard to the strengthening of the public finance management, the programme is expected to contribute to:

- ✓ Achieving a consolidated macro-stability;
- ✓ Adapting the managerial culture in the public finance field to the European Union requirements.

Thirdly, the efficient enforcement of the financial-tax regulations, based on a harmonized legislation and on new work methods, is directly dependent on the existence of adequate, specific IT systems to support it. The further implementation of the IT strategy of the Ministry of Public Finance is aimed at efficiently and flexibly support all the functions of the Ministry of Public Finance, as well as to reach a high level of compatibility with similar information systems used in the European Union countries. The modernisation of information system to the newest technologies, the endowment with necessary IT&C equipment and the continuous improvement of services provided to the taxpayers as well as to the internal end-users are means to participate to the enforcement of the financial-tax regulations.

Finally, strengthening the institutional capacity of the Romanian Court of Accounts to improve the public financial audit and the execution of performance audit of public funds is a priority that will contribute to an increase of efficiency in the use of public funds.

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Priority Nr	Short title	Summary of expected results, when achieving them
1	Taxation Legislation and Fiscal Administration	<p>Although our tax legislation is, to a large extent, already harmonized, measures are necessary to be undertaken for fully alignment to the <i>acquis communautaire</i>. Therefore, this project focuses on ensuring the compatibility of the taxation legislation with the <i>acquis communautaire</i> and on strengthening the fiscal administration.</p> <p>The main expected results of the project are:</p> <ul style="list-style-type: none"> ➤ Community regulations in the taxation and fiscal administration field transposed and implemented in national legislation; ➤ Strengthened capacity of the specialized structures in this field; ➤ Improved working procedures of the Fiscal Administration to ensure uniform and correct application of the regulations on direct and indirect taxation field; ➤ Reduced fraud and fiscal evasion; ➤ Completed legislative framework regarding the compatibility of legislation with the Code of Conduct for Business Taxation; ➤ Improved assistance services for taxpayers and fiscal education campaigns; ➤ Trained personnel regarding the new tax legislation; ➤ Trained personnel within seminars for improving the professionalism and integrity of Fiscal Administration; ➤ Legal framework (norms and procedures) in place in order to improve the electronic services to the taxpayers (legal and real persons).
2	Public finance management	<p>The project is aimed at obtaining the following main results:</p> <ul style="list-style-type: none"> ✓ Institutional and procedural framework in place in order to ensure a sound financial management of the Community/structural funds; ✓ Efficient financial management and control system; ✓ Public internal audit function strengthened; ✓ Consolidated financial statements and consolidated reports related to the budget implementation; ✓ Increased administrative capacity of the coordination unit to ensure the transparency and efficiency of the financial flows to and from the European Union budget; ✓ Efficiency of the operation of the public procurement system

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Priority Nr	Short title	Summary of expected results, when achieving them
		<ul style="list-style-type: none"> ✓ Managerial and administrative capacity, required for the efficient implementation of the legislation on public procurement; ✓ Improved risk management of the government debt portfolio; ✓ Increased capacity of the School of Public Finance, to ensure high-standards training to the staff of the MoPF and other concerned institutions.
3	IT infrastructure development	<p>This project is aimed at 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. The expected results are:</p> <ul style="list-style-type: none"> { Efficient enforcement of the financial-tax regulations, based on a harmonized legislation and on new work methods { High level of compatibility with the similar information systems used in the European Union countries { Modernisation of information system to the newest technologies { Improvement of services provided to the taxpayers as well as to the internal end-users { CLO and ELO in place { Increased capacity of staff in managing the IT&C infrastructure and software { Interconnectivity with the National Customs Authority
4	Court of Accounts	<p>In order to fulfil its mandate, the Romanian Court of Accounts needs to strengthen its overall capacity. The expected results of this project are:</p> <ul style="list-style-type: none"> { 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.

The priority number will be used later for reference.

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.

The Ministry is directly responsible for 6 negotiation chapters: no. 3 "Free movement of services", no. 4 "Free movement of capital", no. 10 "Taxation", no. 11 "Economic and Monetary Union", no. 28 "Financial control" and no. 29 "Financial and budgetary provisions".

It is, also, involved in other 7 negotiation chapters: no. 1 "Free movement of goods", no. 5 "Company law", no. 6 "Competition policy", no. 13 "Social policy and employment", no. 15 "Industrial policy", no. 21 "Regional policy and coordination of structural instruments", and no. 24 "Co-operation in the field of justice and home affairs".

As well, the Ministry of Public Finance is involved in all negotiation chapters as regards the ensuring of the necessary funds to meet the commitments assumed in the context of the negotiations by the other public institutions.

Within the documents drawn-up during the accession negotiations, the Ministry of Public Finance assumed over 200 own commitments that must be achieved upon accession date.

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: taxation, financial control, protection of national and EC financial interests, public procurement, and external audit.

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.

On other hand, the administrative capacity needs to be further developed in area related to revenue collection, public internal financial control, public accounting, own resources, public procurement, human resources management, external audit, for which European expertise will be of great support.

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, mainly due to:

- Modifications of the constitutional provisions, which imply the modification of its organization and legal framework
- The permanently evolving requests linked to Romania's accession to the EU
- Modification of the public institution accounting, namely through the introduction of engagements accounting
- The gradual expansion of applying the Accounting Regulations, harmonized with the 4th CEE Directive and with the International Accounting Standards (OMF no. 94/2001) and of the Simplified Accounting Regulations, harmonized with the European Directives (OMF 306/2001), at economic agents' level.

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.

This way, the Court will be able to submit to the Romanian Parliament, to the European Union, to other stakeholders and to the public opinion high quality reports regarding the use of public funds.

3.2 Sectoral rationale

The Ministry of Public Finance is a key Government institution, with synthesis role for the activity of the economic, financial and fiscal structures in Romania. It operates on the basis of Law No.90/2001 regarding the organisation and operation of the Romanian Government and the ministries, Law No.500/2002, regarding Public Finance and on Government Decision No.267/2004 regarding the organisation and operation of the Ministry of Public Finance, implementing the Government Program and strategy for Public Finances.

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.

By exercising its control, the Romanian Court of Accounts aims at ensuring that the law is observed in the management of the material and financial means. Also, the Romanian Court of Accounts analyses the quality of financial administration in terms of efficiency and effectiveness.

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:

✓ *Ministry of Public Finance:*

- ❖ ensuring the elaboration of the strategy for implementing the Government Programme in public finance area;
- ❖ regulating and synthesis, ensuring the elaboration of the legal and institutional framework needed for the achievement of the strategic objectives in its activity field;
- ❖ drawing-up and implementing of the budgetary and fiscal policy;
- ❖ administrating the State revenues;
- ❖ administrating the Public Debt;
- ❖ exercising the internal public financial control;
- ❖ elaborating and supervising the legal framework in the field of public accounting;
- ❖ ensuring the control over the unitary application and compliance with the legal regulations in its activity field, as well as over the functioning of the institutions that perform their activity under the subordination or under the authority of MoPF.

✓ *Romanian Court of Accounts:*

- ❖ exercising the external 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.

These tasks described above were grouped in 4 priorities on the basis of Accession Partnership, 2003 European Commission Regular Report and Roadmap, Position Paper regarding the negotiation chapters: no. 1 (Free movement of goods), no. 10 (Taxation), no. 11 (Monetary and Economic Union), no. 25 (Customs Union), no. 28 (Financial Control), no. 29 (Financial and budgetary provisions), recommendations resulted from different assessment missions of the European Union experts.

3.2.1 Identification of needs and necessary action

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 (see Annex 6). The following table gives an overall picture of the needs related to the priorities of the public finance sector, on 6 main headings.

Needs \ Priority	1	2	3	4
Legislation (primary and secondary)	✓	✓	-	✓
Human resources expansion or enhancement (staff numbers, training)	✓	✓	✓	✓
Procedural & systems development (design, operating manuals, including IT)	✓	✓	✓	✓
Equipment	All necessary equipment is foreseen to be purchased within three contracts programmed on each budgetary year: 2004, 2005 and 2006.			✓
Building	-	-	-	-
Regulatory and enforcement activity	✓	✓	✓	✓

3.2.2 Identification of projects

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

<i>Task nr</i>	<i>Title</i>	<i>Means</i>	<i>Explanatory text</i>
1.1	Completing the harmonisation of the tax legislation and strengthening the fiscal administration	Twinning 2004	This task aims at strengthening the fiscal administration and ensuring full harmonisation of tax legislation and its implementation.
1.2	Strengthening the fiscal administration reform	Twinning 2006	This task aims at continuing the support to the reform and strengthening of the fiscal administration.

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

<i>Task nr</i>	<i>Title</i>	<i>Means</i>	<i>Explanatory text</i>
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<i>Task nr</i>	<i>Title</i>	<i>Means</i>	<i>Explanatory text</i>
2.1	Strengthening the capacity of the National Fund and Implementing Agencies to efficiently implement the PHARE and ISPA Programmes in accordance with the EDIS requirements	Technical Assistance 2004	In the context of the protection of EC' financial interests and taking into account the measures already adopted by the Ministry of Public Finance, further efforts are necessary to ensure a sound financial management of the pre-accession funds till the accession date, and of the structural funds, after accession.
2.2	Strengthening the capacity of the National Paying Agency to ensure a sound financial management for the Structural funds and Cohesion Funds	Technical Assistance 2005	
2.3	Capacity building for CFCU to ensure a sound financial management for the Community/structural funds	Twinning 2004	In the context of the protection of EC' financial interests and taking into account the measures already adopted by the Ministry of Public Finance, further efforts are necessary to ensure a sound financial management of the pre-accession funds till the accession date, and of the structural funds, after accession.
2.4	Strengthening of the financial management and control system in the MoPF	Twinning 2004	The activity of institutional development is performed in parallel with the development of the activities carried on for the protection of the Romanian financial interests and EC financial interests, by improving the procedural framework and by training the staff within the MoPF, involved in such activities.
2.5	Strengthening of the public internal audit function	Technical assistance 2005	The activity of institutional development is performed in parallel with the development of the activities carried on for the protection of the Romanian financial interests and EC financial interests, by improving the procedural framework and by training the staff both from MoPF and other public entities, involved in such activities.
2.6	Capacity building for the presentation of the financial consolidated statements and the consolidated reports regarding the budget implementation	Twinning 2004	This task aims at strengthening the capacity of the Ministry's staff focusing on a better understanding of the generally accepted accounting principles and the provisions of IPSAS 1 „Presentation of financial statements”, IPSAS 2 „Cash flow statements” and IPSAS 6 „Consolidated financial

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<i>Task nr</i>	<i>Title</i>	<i>Means</i>	<i>Explanatory text</i>
			statements and accounting of controlled entities". This would ensure availability of financial and budgetary information at governmental level and their submission to the Government, Parliament, financial institutions etc.
2.7	Strengthening the administrative capacity for ensuring the transparency and efficiency of the financial flows to and from the European Union budget	Twinning 2005	The aim of this task is to reach a correct implementation of the <i>acquis communautaire</i> and ensure the transparency and efficiency of the financial flows to and from the European Union budget.
2.8	Strengthening the administrative and managerial capacity, for an efficient implementation of the legislation on public procurement	Technical assistance 2004	Task aimed at: <ul style="list-style-type: none"> • training the staff involved in the public procurement activity at the contracting authorities level; • implementing a specific training program in the field of Remedies Directives; • improving the skills of the Ministry's staff in order to ensure the methodological guidance for the contracting authorities.
2.9	Risk management of the government debt portfolio	Twinning 2004	Through the Position Paper for negotiation chapter no. 11 "Economic and Monetary Union", Romania committed itself to report regularly to the European Commission with regard to governmental deficit and public debt and to comply with reference values specified in the Protocol on the excessive deficit procedure. A framework needs to be developed to enable debt managers to identify and manage the trade-offs between expected cost and risk in the government debt portfolio.
2.10	Strengthening of the School of Public Finance	Twinning 2005	The School of Public Finance is a young structure which needs further support in order to fulfill its task to ensure high-standard training to personnel in the field of public finance.

3. Continuing the implementation of the IT strategy

<i>Task nr</i>	<i>Title</i>	<i>Means</i>	<i>Explanatory text</i>
3.1	Development and implementation of new IT applications related to the optimisation of the business environment and taxpayers' assistance	Technical assistance 2004 2005 2006	Improvement of the business environment by enlarging the electronic Taxpayer assistance, in order to address specific issues to taxpayer's category. Strengthening the Tax Administration capacity to collect all the fiscal and social contributions by implementing a unique procedure to submit and process unified electronic forms of declarations from the taxpayers and contributors.
3.2	Establishment and implementation of the IT structures regarding the administrative cooperation with the other Member States (VIES and SEED)	Technical assistance 2004	Needed in order to develop proper information exchange with the other Member State Administration in the field of VAT and Excises.
3.3	Increasing the integration level of new IT and communication systems – technical assistance	Technical assistance 2004 2005 2006	Needed in order to improve the efficiency of all the functions of the MoPF with the main purpose of increasing the level of working standards.
3.3	Increasing the integration level of new IT and communication systems – investment	Investment 2004 2005 2006	
3.4	Enhancement of IT interoperability between MoPF and National Customs Authority	Technical assistance 2005	Needed in order to have efficient and correlated exchange of information between MoPF and Romanian Customs Administration.

4. Improving the Institutional Capacity of the Romanian Court of Accounts

Improving the institutional capacity of the Romanian Court of Accounts			
Task nr	Title	Means	Explanatory text
4.1	Further development of the institutional capacity of the Romanian Court of Accounts	Twinning	Tasks aimed to: update the legal framework; implement the control and audit methodologies, harmonized with the INTOSAI audit standards, with the European guidelines for the implementation of INTOSAI audit standards and with IFAC standards; improve the efficiency of human resources; improve the organization, management and internal communication system; adopt an efficient policy regarding external communication system; adopt an efficient policy regarding external communication.
4.3	Certification of the RCoA staff as international certified auditors	Technical Assistance	
4.5	Continuing the certification of the RCoA staff as international certified auditor		
4.2	Improving the management information system of RCoA and the efficiency of its administrative support	Investment	Tasks aimed at improving the use of information technology in support to the activities, strengthening the institutional capacity and improving efficiency and effectiveness of the Court's operations.
4.4	Improving the human resources management and the internal information flow of RCoA		
4.6	Improving the information flow at national level		

The proposed projects are:

Project Nr	Title	Number of tasks	Relates to priority	Total Phare cost €Mio	Starts at MM/YY	Ends MM/YY	Implementation tools
1	Completing the harmonisation of the tax legislation and strengthening of the fiscal administration	2	1	2.000	September 2005	August 2008	Twinning
2	Continuing the development of the legal framework and of the administrative capacity for the strengthening of the public finance management	10	2	9.800	September 2005	August 2008	Twinning Technical assistance
3	Continuing the implementation of the IT strategy	11	3	60.000	July 2005	August 2009	Technical assistance Investment
4	Improving the institutional capacity of the Romanian Court of Accounts	6	4	10.920	November 2005	February 2009	Twinning Technical assistance

3.2.3 Activities and Means

<i>Project</i>	<i>Actions</i>	<i>Means</i>
1. Completing the harmonisation of the tax legislation and strengthening of the fiscal administration	1.1 Completing the harmonisation of the tax legislation and strengthening of the fiscal administration (2004)	24-month Twinning Contract RTA/Project Leader, Short Term Experts, Romanian Experts
	1.2 Strengthening the fiscal administration reform (2006)	12-month Twinning Contract RTA/Project Leader, Short Term Experts, Romanian Experts
2. Continuing the development of the legal framework and of the administrative capacity for the strengthening of the public finance management	2.1 Strengthening the capacity of the National Fund and Implementing Agencies to efficiently implement the PHARE and ISPA Programmes in accordance with the EDIS requirements	8-month Technical assistance contract Team Leader, Short Term Experts, Romanian Experts
	2.2 Strengthening the capacity of the National Paying Agency to ensure a sound financial management for the Structural funds and Cohesion Funds	15-month Technical assistance contract Team Leader, Short Term Experts, Romanian Experts
	2.3 Capacity building for CFCU to ensure a sound financial management for the Community/structural funds	18-month Twinning Contract RTA/Project Leader, Short Term Experts, Romanian Experts
	2.4 Strengthening of the financial management and control system in the MoPF	24-month Twinning Contract RTA/Project Leader, Short Term Experts, Romanian Experts
	2.5 Strengthening of the public internal audit function	12-month Technical assistance contract Team Leaders, Short Term Experts, Romanian Experts
	2.6 Capacity building for the presentation of the financial consolidated statements and the consolidated reports regarding budget implementation	12-month Twinning Contract RTA/Project Leader, Short Term Experts, Romanian Experts
	2.7 Strengthening the administrative capacity for ensuring the transparency and efficiency of the financial flows to and from the European Union budget	12-month Twinning Contract RTA/Project Leader, Short Term Experts, Romanian Experts
	2.8 Strengthening the administrative and managerial capacity, for an efficient implementation of the legislation on public procurement	20-month Technical assistance contract Team Leader, Short Term Experts, Romanian Experts
	2.9 Risk management of the government debt portfolio	18-month Twinning Contract RTA/Project Leader, Short Term Experts, Romanian Experts
	2.10 Strengthening of the School of Public Finance	24-month Twinning contract RTA/Project Leader, Short Term Experts, Romanian Experts
3. Continuing the implementation of the IT strategy	3.1 Development and implementation of new IT applications related to the optimisation of the business environment and taxpayers' assistance	3 18-month Technical assistance contracts 3 Team Leaders, Short Term Experts, Romanian Experts

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<i>Project</i>	<i>Actions</i>	<i>Means</i>
	3.2 Establishment and implementation of the IT structures regarding the administrative cooperation with the other Member States (VIES and SEED)	18-month Technical assistance contract Team Leaders, Short Term Experts, Romanian Experts
	3.3 Increasing the integration level of new IT and communication systems	3 18-month Technical assistance contracts 3 Team Leaders, Short Term Experts, Romanian Experts 3 investment contracts 3 Technical Specifications, Purchase of equipment
	3.4 Enhancement of IT interoperability between MoPF and National Customs Authority	18-month Technical assistance contract Team Leader, Short Term Experts, Romanian Experts
4. Improving the institutional capacity of the Romanian Court of Accounts	4.1 Further development of the institutional capacity of the Romanian Court of Accounts	24-month Twinning contract RTA/Project Leaders, Short Term Experts, Romanian Experts
	4.2 Improving the management information system of RCoA and the efficiency of its administrative support	1 investment contract 1 Technical Specifications, Purchase of equipment
	4.3 Certification of the RCoA staff as international certified auditors	12-month Technical assistance contract 1 Team Leaders, Short Term Experts, Romanian Experts
	4.4 Improving the human resources management and the internal information flow of RCoA	1 investment contract 1 Technical Specifications, Purchase of equipment
	4.5 Continuing the certification of the RCoA staff as international certified auditor	12-month Technical assistance contract 1 Team Leaders, Short Term Experts, Romanian Experts
	4.6 Improving the information flow at national level	1 investment contract 1 Technical Specifications, Purchase of equipment

All the details in the sector programme fiches referring to number of contracts, experts' number and profile, as well as mandays are only for planning reasons and will be more precisely defined and agreed at the implementation stage.

3.3 Linked Activities:

Previous Phare assistance, received by the **Ministry of Public Finance** under **Phare RO9713** was aimed at supporting the implementation of the global income tax by achieving a related IT system, necessary legislation, information campaign and personnel training, while **Phare Programme RO9804.01** - Institution Building for the Ministry of Finance aimed at strengthening the capacity of the Ministry of Public Finance to manage the acquis. The assistance was targeted towards designing an Institution Building Plan for the Ministry, setting-up the School of Public Finance,

strengthening the revenue collection and setting up the financial preventive control function.

The assistance provided through **Phare RO9907.03** was aimed at supporting the implementation of the institution building in key acquis areas for supporting substantial reforms in the main areas of responsibility of the Ministry of Public Finance, in accordance with the Accession Partnership priorities: public procurement, treasury system, public investments, sound financial management and control of PHARE funds in the context of the application of the new Policy Guidelines of the Phare Programme and development of structural funds projects.

The on going **Programmes RO0006.04-06** was conceived in order to facilitate and accelerate the preparation of Romania for European Union accession.

Taking into account this challenging objective, Phare assistance under Programmes RO0006.04-06 provided support in order to strengthen the institutional capacity of the Ministry of Public Finance to collect taxes and duties for improving the revenue collection, improving the management of public funds, developing the control systems and procedures related to financial management and control of all national and extra-budgetary public funds.

Under **2001 ISPA Programme**, CFCU benefits together with the Ministry of Transport, Constructions and Tourism, from a technical assistance project 2001/RO/16/P/PA/009 "Technical Assistance to strengthen the capacity of **ISPA** Implementing Agencies to Implement ISPA measures – Stage I of gap plugging in Romania".

The Ministry of Public Finance, also, benefited from two twinning light projects within 2001 Phare Programme that were implemented in first semester of 2003: **RO 0106.06** "Initiation of the process for creation of a model for Simulation the Romanian contribution to the European Union Budget" (RO 2001/IB/FI-08); **RO 0106.06** "Improvement of the organisation and performance of the public accounting system" (RO 2001/IB/FI-09) and the Project Preparation Facility - **RO01.06.06.01**, "Buzduga 59 - Assessment of the IT strategy of the Ministry of Public Finance".

Within **2002 Phare Programme**, the Ministry of Public Finance benefits of the sub-programmes: **000-586.03.04** "Support for the Strategic Plan of the Ministry of Public Finance", which has the objective of supporting priority actions during the period 2003/2005 that are stated in the strategy document prepared by the Ministry of Public Finance for the period 2002 – 2006, in areas of budgetary and fiscal policy, co-ordination of fiscal and budgetary policy with social and economic policy, administration of state revenues and public debt, financial control and internal audit, and public accounting; and **2002/000-585** "Horizontal Programme preparing candidate countries for Extended decentralisation (EDIS) in the management of pre-accession funds in Romania" that provides technical assistance to develop adequate administrative capacity within National Fund, the Implementing Agencies, and other involved bodies in the management of pre-accession funds to meet EDIS requirements.

The **Programme 2003/005-551.03.04** – "Support for the Ministry of Public Finance in the implementation of the IT strategy" 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).

Department for International Development, through the British Know How Fund, provides support to the Ministry of Public Finance for adapting the accounting system for the private sector to the *acquis communautaire*.

GTZ from Germany provided technical assistance during the last three years in view of knowing and applying new methods and techniques regarding the fiscal control, especially for large taxpayers and also in the field of taxation. The assistance ended in December 2003.

For the next period, the Ministry of Public Finance also made various proposals for other types of technical assistance (such as **MATRA** and **PSO** provided by Netherlands) that were sent to the Ministry of European Integration.

Another project “The aid of the Romanian fiscal administration in the process to harmonize with the European standards” started on 1st February 2004 with **SENTER INTERNATIONAAL** (Dutch governmental agency).

Through other donors (**World Bank**) the following projects are in stage of implementing or will start to be implemented within the next few months:

1. Connection of the State Treasury to the Electronic Interbank Payment System
2. Centralized Real-Time Public Accounting Ledger

The **American Treasury** provides technical assistance to the Ministry of Public Finance, in view of achieving the 2004 Budget brochure with an in-depth analysis and a higher distribution than in 2003, organising 3 seminars for the local public finance directorates regarding the Budget on Programmes in each of the 3 regional training centres and elaborating a set of alternatives for reducing the budgetary expenditures designated to the use of the Ministry management.

In the year 2000, the **Romanian Court of Accounts** has been subject to a peer review performed by **SIGMA** and SAs 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 privatization;
 - 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.

3.4 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*.

An evaluation was performed by EMS Consortium during September and October 2003 covering all projects Phare 2000 of the Ministry of Public Finance (RO0006.04 - *Improving the Revenue Collection System*, RO0006.05 – *Public Procurement*, RO0006.06 - *Strengthening Internal Audit and Financial Control*) and Court of Accounts (RO-0006.07 - *Strengthening the Romanian Court of Accounts*), until 24th October 2003. The overall rating of the sector was 'Satisfactory'. Several recommendations were made and actions were set to implement them:

- ☞ Foundations have been laid to improve *revenue collection* but there is still a need to extend the training provision, particularly to regional personnel, if the improvements are to have a significant impact. This need is foreseen to be addressed by the project 1 "*Completing the harmonisation of the tax legislation and strengthening of the fiscal administration*".
- ☞ Regarding the training activities for *public procurement*, the interest of the participants attending the training events clearly illustrates the demand for this provision. A radical improvement should not be anticipated until the training programme will not be extended to cover a relevant stake of the estimated 10,000 organisations involved with public procurement.

The extension of the training programme will be achieved by the implementation of the training programme for the Ministry of Public Finance structures' staff developed by the School of Public Finance in 2004 in the Public Procurement field. This training will be continued under the task 2.8 "*Strengthening the administrative and managerial capacity, for an efficient implementation of the legislation on public procurement*".

- ☞ Given the task at hand and the extent of work to be done regarding *internal audit and financial control*, there are concerns that the future Phare 2002 project on Performance and System audit will be spreading the resources too thinly and that they would be more efficiently and effectively used to consolidate the work undertaken and underway.

This issue is being taken into consideration in the task proposed for 2005 Phare funds (2.5 "*Strengthening of the public internal audit function*").

- ☞ Regarding the IT strategy of the *Romanian Court of Accounts*, there are concerns that there is an overemphasis on finding a technological 'solution' in the face of an obvious need to develop human resources. Nevertheless, the substantial investments in IT (under this and future programmes) will have to be accompanied by technical support and a comprehensive training programme.
- ☞ As concerns the IT procurement, sustainability of all the programmes evaluated will be heavily dependant on the successful implementation of the MoPF's IT Strategy for 2002-2006. Although for the time being the IT Directorate is performing satisfactorily and is well managed, it becomes increasingly difficult to

recruit and retain staff due to the increasing disparity of salaries between the public and private sectors.

The insufficiencies regarding the staff number, wages, employment difficulties, etc. are specific to the entire public administration and they are caused by the budgetary constraints, inherent to the period of current economic development that we are crossing. However, the activity of the Ministry of Public Finance was not impeded by these shortcomings and it was, is and will be carried on the best way possible in this context.

At the last meeting of the Sector Monitoring Sub-Committee no. 2 "Strengthening the administrative capacity – Public Function and Public Finance", it was reinforced the recommendation to establish a closer co-ordination with the Romanian Court of Accounts regarding the audit activities in the future. Also, it is expected that in the future the Romanian Court of Accounts and the Audit Department within the MoPF will start performing self-audit for the programmes they have had in order to be able to inform about their opinion on the achievements and the points that need further improvements under future programmes.

The 2003 Regular report on Romania's progress towards accession concluded the followings:

- ✎ Romania has made some progress in aligning with the *acquis* on *taxation* and particular attention should now be paid to the modernisation of the tax administration and improvement of IT systems.
- ✎ Romania has continued to make progress with the transposition of sector specific legislation on public procurement. Particular attention must be paid to developing the ability to administer the public procurement.
- ✎ Considerable progress has been made in the financial control area. Further efforts should concentrate on implementing sound financial control systems, completing legislative alignment, and strengthening the administrative capacities.
- ✎ Romania should continue strengthening its technical and administrative capacity for preparatory activities related to management of own resources.

In the Final Report No. 8, June 2003 to August 2003 of the Twinning Project RO 0006.07 "Strengthening the Court of Accounts of Romania" a number of themes have emerged that relate to the achievement of project objectives. These were:

- a. Twinning is (or should be) a partnership between institutions. It is considered that the personal commitment of the leadership of partner institutions is critical if this is to be a reality. The project had the necessary commitment of the heads of the candidate country and member state institutions.
- b. The need for partners to be flexible enough to adapt to changes in the timetable of activities; and for tight control of the budget. For this project, flexibility and tight control helped achieve a projected spend of 96 per cent of the budget.
- c. The needs to actively manage risks. That is, manage the factors that could affect achieving the results. The loss of important staff key staff would be an example of a risk. The project team needs to be ready to ensure that such factors do not affect achievement of objectives.

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The PAA concluded that the scope for the PAA is to take on a wider co-ordination role in relation to the activities of other donors, to help avoid wasteful duplication of effort. He suggested that this role should continue to be important in the Court's next twinning project.

4 Expected Results of the programme

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

1.1 Regarding the fiscal administration reform (2004 task):

- Relevant national legislation in the taxation field updated to the EU legislation;
- Methodology and procedural framework in place for managing each revenues category;
- Know-how transferred, on how to reduce tax fraud and evasion;
- Procedures regarding the internal and international jurisprudence in the tax field;
- Updated management strategy for NATA and periodical action plans drawn-up in order to implement this strategy;
- Proposals of diversified and developed assistance services for taxpayers;
- Program of fiscal education campaign for taxpayers;
- Draft of training strategy for the staff of the Agency;
- Increased competence of personnel in European law and jurisprudence and in revised tax legislation;
- 6 teams of 4 trainers in the field of fiscal administration;
- Proposals of organizational chart for an internal training structure in the tax field, professional requirements for the trainers, training scheme for the personal involved in the fiscal administration field;
- Updated performance indicators for the personnel from the Fiscal Administration;
- Proposal of organizational chart, attributions and responsibilities designed for structures specialized in the legislation from the excise duties field at the territorial level;
- A complete organizational chart for the Central Liaison Office both in the field of VAT and excise duties, which have to ensure the necessary structure for achieving the exchange of information;
- Norms and procedures for CLO;
- The electronic submission of the fiscal statements extended (Internet);
- Evaluation study regarding the situation of the National Agency for Tax Administration, after the termination of the project;
- Objectives, actions and results designed for the new project for year 2006.

1.2 Regarding the fiscal administration reform (2006 task):

- Know-how transfer on how to reduce tax fraud and evasion;
- Proposals for improving the assistance services for taxpayers;
- Standardized methodological framework regarding internal and international cooperation;
- Communication strategy;
- Strategy regarding the dissociation of tax administration activity in “*front office*” and “*back office*”;
- Increased competence of staff in fiscal administration;
- Updated action plans for the tax administration field training;
- Improved professional training structure.

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

2.1 In the *Community funds management* (EDIS - 2004 task):

- Systems for the management and control of PHARE and ISPA Programmes fully operational and compliant with the EDIS requirements;
- PHARE and ISPA Programmes implemented in accordance with the EDIS requirements;
- Increased absorption capacity of the PHARE and ISPA bodies verified by increased rates of contracting and payments;
- Increased competence of staff able to manage the PHARE and ISPA funds in accordance with EDIS requirements.

2.2 In the *Community funds management* (Paying Agency - 2005 task):

- Set of management and control systems fully tested and improved;
- Set of management and control systems fully updated in accordance with the needs emerging from the daily implementation of the structural instruments;
- Structural and Cohesion Funds managed by the National Paying Agency, implemented in accordance with the EC requirements;
- Certified declaration of expenditures in accordance with the internal audit standards;
- Increased competence of personnel able to manage the structural instruments in accordance with the EC regulations.

2.3 In the *Community funds management* (CFCU - 2004 task):

- Inventory of the current working practices and identification of improvement needs;
- Internal Procedures Manual properly applied and implemented in respect of all programmes managed by CFCU;
- Training plan updated and implemented, qualified personnel involved in the financial and technical project implementation;
- Relationships and networking with other similar agencies developed, transfer of know how, use of common practices regarding structural funds, use of decision patterns and recommendations of various MS, use of procedures ensuring compliance with European Union and national rules;
- Management strengthened and able to implement European policies.

2.4 In the *financial management and control* field (2004 task):

- Creation of Central Harmonization Unit of financial management and control systems, by extending the attributions of the General Directorate for Preventive Financial Control, which, so, will perform the role of harmonizing the whole system of financial management and control;
- General standards of financial management and control (FMC) elaborated;
- Approval, by order of the Minister of Public Finance, of the general standards of financial management and control;
- Methodological guidance, coordination and monitoring the elaboration of the specific standards of financial management and control by the main budget and spending institutions of the State budget, State social insurance budget, or any special funds budget;

- Implementation of the general standards of financial management and control, in an experimental manner, at the level of 10 main budget spending institutions, in order to extend them to all budget spending institutions, monitored;
- Improved capacity of personnel to carry out the activity in the area of financial management and control, in order to implement the general standards in this field;
- Improved capacity of personnel to carry out the activity in the area of financial management of Community funds and control;
- National programme's elaboration of professional training for the staff who is carrying out its activity in the area of financial management and control;
- IT application created and implemented in order to centralize the data for elaborating the national report on internal control, which will include also an evaluation of conformity with recognized standards and proposal for improving the legislation in this area.

2.5 In the *public internal audit* field (2005 task):

- Designed strategy for CHUIA, including elements of protection of the national and EC financial interests;
- Implementation of the secondary legislation for assuring the protection of the financial interests for national and EC funds;
- Professionally trained auditors:
 - { audit manuals and guides on audit on assuring the protection of the EC financial interests;
 - { functional web-based training;
 - { a programme for continuous training for internal auditors from both central and territorial level, including modules on EU funds established;
- Strengthened role and functions of the public internal audit units;
- Strengthened cooperation between units involved in public internal audit from different main line ministries and Romanian Court of Accounts;
- Improved networking relations of CHUIA with the internal audit units in the line ministries in order to provide proper guidance and coordination and between the internal audit units within the line ministries.

2.6 In the *public accounting* field (2004 task):

- Recommendations regarding the elaboration and presentation of the consolidated financial statements and the consolidated reports related to the budget implementation;
- Increased capacity of the personnel regarding the elaboration of the consolidated financial statements and the consolidated reports related to the budget implementation;
- Improved cooperation with the public entities, which will apply, on an experimental basis, the draft norms on the elaboration and presentation of the above-mentioned statements;
- Final methodological norms regarding the drawing-up of the consolidated financial statements and the consolidated reports related to the budget implementation, norms incorporating the proposals and observations resulted from the experimental application;
- Handbook regarding the elaboration of the consolidated financial statements and the consolidated reports related to the budget implementation;

- Developed consolidation software package.

2.7 In the *own resources* field (2005 task):

- Organizational framework (completed co-ordination unit) and improved activity of the special unit for coordination of own resources, within the Ministry of Public Finance, of contacts with EU and reporting in this field, in order to ensure efficient and transparent financial flows to and from European Union budget;
- Application Norms of EC decisions regarding the calculation of own resources by revising and implementing the legal framework regarding the development of the financial operations between Romania and EU;
- Increased capacity of staff regarding the coordination activity of the financial cash-flow to and from the EU budget;
- Procedures drawn-up based on the experience shared by Member State in order to be prepared for participating at Advisory Committee on Own Resources (ACOR) and Advisory Committee on Communities' Own Resources in TORs area, Committee for GNI;
- Modern methods of analysis, forecast and control of the Romanian contribution to Community own resources with regard to its components (customs duties, agriculture contribution, VAT, GDP) and of evaluation related to the impact of the VAT and customs duties evasion/fraud at national level, according to the methods applied in the Member States;
- Recommendations regarding the purchase of IT equipment and relevant programmes for the adequate collection in due time of the data necessary for computing the Romanian contribution to the EU budget and to facilitate the contacts with the European Commission;
- Increased capacity of personnel in using OWNRES programme for collection of the information on description of the fraud case and irregularities identified for traditional own resources in amount of over 10,000 Euro, in preparing and submitting the reports on fraud cases.

2.8 In the *public procurement training* field (2004 task):

- A new training plan of the staff involved in the public procurements activities at the contracting authorities level; The most important target group will be consisted of "main purchasers".
- A specific training plan in order to increase skills of the employees of the Service of public procurement regulation and monitoring, taking into consideration that this staff shall keep on delivering guidance and training activities;
- A specific training plan in the area regarding Remedies Directives;
- Manuals, guidebooks, informing brochures leading to a permanent knowledge of the legislative evolution in the public procurement field;
- Personnel trained in accordance with the new European practices from the public procurement field at local and central level;
- Transferred know-how from the EU experts to the MoPF experts in public procurement field and an increased degree of awareness regarding the implications deriving from the future capacity of Member State, with particular rights and liabilities in public procurement field, for all participants at the process of public procurement (contracting authorities, associations of employers, tenderers);

- Web site improved in order to ensure the efficiency of the public procurement system within Ministry of Public Finance.

2.9 In the *public debt* field:

- Financial IT model designed and implemented to perform risk analysis;
- Increased capacity of staff in risk management theory and the risk analysis model;
- Increased capacity of staff in assessing the risks specifically in the light of ESA95 requirements for accounting and reporting of public debt;
- Active management of the debt portfolio to profit from expectations of movements in interest rates and exchange rate;
- Appropriate strategy for managing the tradeoffs between expected cost and risk in the government debt portfolio;
- Improved management of the issuance of domestic guarantees and strengthened monitoring of the liabilities from guarantees on external loans previously issued.

2.10 Regarding the *development of the School of Public Finance*:

- An improved and functional organizational SPF structure, able to ensure long term training strategy development, the creation of quality indicators and a tracking mechanism, liaisons with similar national and foreign institutions in order to organize international seminars, on specific fields, and the initiation of experience exchange activities with EU candidate or member states, on training topics;
- Legal framework and regulations to organize paid trainings for the private sector and for using the funds obtained for the development of the School's activity;
- Quality standards and certification and control procedures;
- An internal and external communication system, of SFP with other structures from MoPF and without. MoPF;
- Increased competency of the staff involved in the training process and a training roadmap defined on the basis of the professional practices of the European Community;
- Training performance indicators used by SoPF;
- Field curricula, accessible on Intranet;
- Increased competency of specialists from SPF and from the other directorates within MoPF in fields like: teamwork, leadership, organizational culture, client-orientated services, project management, time management, cost management;
- Unitary and performant software for training needs analysis, course offer, evidence records on persons and directorates, compatible with other IT systems (National Agency for Tax Administration, National Institute of Administration), monitoring system of training and quality control system.

3. Continuing the implementation of the IT strategy

3.1 Regarding the *development of the business environment and taxpayers' assistance systems* (2004, 2005 and 2006 task):

- e-Government – taxpayers are able to inter-act with the Administration at different levels, according to the objectives of eEurope+ (program in implementation in Romania, to which the MoPF is part);
- Transition to the processing focused on document and not on data related to the tax return forms and payment documents;

- 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 through Internet;
- New IT applications developed for the taxpayers assistance especially for submitting the tax returns through Internet and other electronic means;
- Portal of the MoPF established and connected it to the Portal of Public Administration;
- Increased electronic exchange of information with other central and local administration;
- 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).
- Improved assistance to the taxpayers through electronic interfaces (e-readiness indicators will be used)
- New IT applications for the taxpayers assistance especially for submitting the tax returns through Internet for all taxpayer categories (large/small, real/legal person) and for electronic payment;
- Integrated IT system in the field of supporting the business environment and taxpayers assistance;
- Reduced costs, by decreasing the investment needed to support a centralised solution;
- Decreased corruption, by the electronic collection of taxes and eliminated standing in queue;
- Controlled tax collection;
- Increased budget control and better cash-flow management;

3.2 Regarding the *IT administrative cooperation and CLO* (2004 task):

- CLO in place:
 - ☞ All types of messages are implemented and accurate information is available;
 - ☞ CCN/CSI is managed at central level;
 - ☞ Tax administration manages the procedures and IT systems to collect all needed information concerning VAT and insures the access of VIES and SEED to this information in the adequate format;
- Information received through CLO and ELO are a day-to-day fiscal control tools:
 - ☞ Information is available to all the local offices in connection to the fiscal file;
 - ☞ Mail system or Intranet in place to smooth communication between CLO and ELO with the local staff.

3.3.1 Regarding the *integration of the new IT systems* (technical assistance):

{ **2004 task:**

- IT&C infrastructure management tools:
 - Centralised management of the IT infrastructure;
 - Centralised management of the telecommunications infrastructure;

- Centralised management of the databases and applications;
- New IT sub-systems or new features added to the existing ones, re-engineering of the existing sub-systems:
 - Automated budgetary process by achieving the interrelations between Budgetary Programming, Public Investment Monitoring and Prioritisation, Budgetary Revenues Estimation;
 - Centralised Real Time Public Accounting Ledger;
 - Public Investment Contracts Management;
 - Data warehouse for Public Accounting and Public Contracts information as a framework able to increase the fiscal discipline and to provide a correct image for financial and accounting activities;
 - Improved State revenue collection and management;
 - Improved management of the control activity based on risk analysis;
 - Implementation of the necessary measures for the transition to the Extended Decentralized Implementation System (EDIS);
 - Integrated financial and accounting activities in a common environment for an efficient and easier management of the invoice issued by the suppliers of the public institutions;
 - Assisted Audit for Public Institutions;
 - Decision support system for the MoPF's function: macroeconomic models and studies and economic policies,
 - Coherent and comprehensive Management Information System (MIS);
 - Enhanced internal electronic communication with all MoPF units;
 - Employee's assistance by user oriented systems for internal affairs;
- Increased capacity of IT staff in new software products and in methods and tools to develop the new applications in the proposed technologies; trained IT staff to manage the IT&C infrastructure;
- Strong IT organisation within the MoPF managing the IT activity at central and local level.

} **2005 task:**

- New IT&C infrastructure management tools:
 - Centralised management of the IT infrastructure;
 - Centralised management of the telecommunications infrastructure;
 - Centralised management of the databases and applications;
- New IT sub-systems or new features added to the existing ones, re-engineering of the existing sub-systems:
 - Automated budgetary process by achieving the interrelations between Budgetary Programming, Public Investment Monitoring and Prioritisation, Budgetary Revenues Estimation enhanced by enlarging the addressability of the project to include smaller public investments;
 - Enhanced Public Investment Contracts Management;
 - Enhanced Data warehouse for Public Accounting and Public Contracts information with new information and new services offered to the end-users;
 - Improved State revenue collection and management;
 - Improved management of the control activity based on risk analysis based on new sources of data concerning the taxpayers;
 - improved Extended Decentralized Implementation System (EDIS);

- Integrated management of the invoice issued by the suppliers of the public institutions with information about public investment contracts;
 - Enhanced assisted Audit for Public Institutions;
 - Improved storage and archiving data procedures;
 - Increased capacity of IT staff in new software products and in methods and tools to develop the new applications in the proposed technologies; increased capacity of IT staff to manage the IT&C infrastructure.
- { **2006 task:**
- Extension of the project for invoices management if new requirements are growing or changes of the current specifications are required;
 - Increased capacity of staff in analysis, development and programming activities, specific to the methods and tools proposed, project management, management of the system, databases, applications, communications and the inventory.

3.3.2 Regarding the *integration of the new IT systems* (investment):

- { **2004 task:**
- Existing hardware, software and communications infrastructure in place to support the target integrated, unique, centralised IT system:
 - Up-date 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-date data security system for data storage, transmission and usage; data access control system;
 - Ensured high performance broadband IP WAN to connect the 450 remote sites to the central site;
 - Workstations (WS), printers, communications equipment to contribute to increase the ratio WS/staff from 50% to 60% (2,600 this project);
 - Call Centre for taxpayers put in place at central level.
- { **2005 task:**
- Existing hardware, software and communications infrastructure in place to support the target integrated, unique, centralised IT system:
 - 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-date data security system for data storage, transmission and usage; data access control system;
- Ensured high performance broadband IP WAN to connect the 450 remote sites to the central site;
- Workstations (WS), printers, communications equipment to contribute to increase the ratio WS/staff from 60% to 80% (9,400 this project);

} **2006 task:**

- Existing hardware, software and communications infrastructure in place to support the target integrated, unique, centralised IT system:
 - 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-date data security system for data storage, transmission and usage; data access control system;
 - Ensured high performance broadband IP WAN to connect the 450 remote sites to the central site;
 - Workstations (WS), printers, communications equipment to contribute to increase the ratio WS/staff from 80% to 90% (6,000 this project).

3.4 Regarding the *IT interconnectivity with the National Customs Authority* (2005 task):

- Realization of the interoperability with other systems and databases of the European Commission regarding Romania own resources contribution to EU budget by accurate results of the simulations taking into account all data sources, NCA included;
- “Fiscal files” and “Fiscal criminal files” record information about taxpayer’s behaviour in Customs or direct access to this information is granted to support fiscal control activity: data queries and data requests for information are identified and procedures (manual and automatic) are in place to respond;
- Facilities of electronic payment developed for taxpayers are expanded to Customs duties of the trade operators;
- MoPF administrates the CCN/CSI node and the communications infrastructure with NCA is using the same node for its own purposes.

4. Improving the institutional capacity of the Romanian Court of Accounts

4.1 Regarding *the further institutional development of the Romanian Court of Accounts* (2004 twinning task):

- Developed capacity to audit funds from the financial assistance granted to Romania by the EU and other international financing sources, based on international and European standards for external audit of public money;
- Extended capacity and specialised staff further trained to perform financial audit, IT systems audit, performance audit in all territorial units of the Court, in line with the commitments included in the Romania's position document for Chapter 28- Financial control;
- Highly competent staff on specific domains (banking sector, granting of subsidies and other State financial support);
- Staff trained in detecting fraud, corruption, tax avoidance and money laundering (as far as the RCoA mandate, this is to audit the proper use of public funds and detecting fraud, corruption, tax avoidance and money laundering is presently important. Therefore, a specific structure has been created to deal with such issues).
- Increased capacity to perform computer assisted audit;
- Increased capacity of staff to audit State budget programmes;
- The RCoA own audit standards, harmonized with the INTOSAI Audit Standards, with the European Guidelines for the implementation of the INTOSAI audit standards, with the IFAC and ISA standards completed and approved;
- Specific audit guidelines and procedures for the domains within the RCoA competence established (IT systems audit; state budget programmes audit; detecting fraud, corruption, tax avoidance and money laundering; auditing the grants, subsidies and other state financial support; privatisation process audit);
- Standardized audit/control documents and reports.

4.2 Regarding the *improvement of management information and the efficiency of administrative support* (2004 investment task, subject to the recommendations of a needs assessment to be conducted in 2004 on the investment requirements of the RCoA)

- Endowment of 3 territorial training centres with the necessary training equipment;
- Procurement of soft packages for the computer assisted audit activity;
- Integrated solution for the IT system (hard and soft) concerning programming and follow-up of the control activity, capitalisation of the control documents, as well as a documents follow up system developed;
- An IT system for a data base comprising documents archiving of the Court of Accounts set up;
- Project and integrated system for financial, accounting and HR activities of the Court.

4.3 Regarding *certification of the RCoA speciality staff as international certified auditors* (2005 technical assistance task):

- Specialised staff trained in the implementation of INTOSAI Audit Standards, of the European Guidelines for the implementation of the INTOSAI Audit Standards and of the IFAC International Audit Standards and staff certified as international auditors.

4.4 Regarding the *improvement of the human resources management and the internal information flow* (2005 investment task, subject to the recommendations of a needs assessment to be conducted in 2004 on the investment requirements of the RCoA)

- Integrated solution for IT system (hard and soft) for a time resource planning and monitoring system
- Good quality training facilities for managers and staff.
 - sound installation for simultaneous translation for 30 staff/centre (for 6 centres), furniture (tables, chairs) for each of 6 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.

4.5 Regarding *further certification of the RCoA speciality staff as international certified auditors* (2006 technical assistance task):

- 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.

4.6 Regarding the *improvement of the information flow at national level* (2006 investment task, subject to the recommendations of a needs assessment to be conducted in 2004 on the investment requirements of the 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.

5 Detailed Budget

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Year 2004	EU Support					
	Investment Support	Institution Building	Total EU (=I+IB)	National Co-financing*	IFI*	TOTAL
Project 1	-	1.200	1.200	-	-	1.200
Project 2	-	6.000	6.000	-	-	6.000
Project 3	16.600 ²	6.000	22.600	5.550	3.300	31.450
Total MoPF	16.600	13.200	29.800	5.550	3.300	38.650
Project 4	0.420	1.200	1.620	0.140	-	1.760
Total 2004	17.020	14.400	31.420	5.690	3.300	40.410

Indicative budget for the budgetary years 2005 and 2006

Year 2005	Indicative EU support					
	Investment Support	Institution Building	Total EU (=I+IB)	National Co-financing*	IFI*	TOTAL
Project 2	-	3.800	3.800	-	-	3.800
Project 3	22.200	4.900	27.100	7.400	-	34.500
Total MoPF	22.200	8.700	30.900	7.400	-	38.300
Project 4	4.000	1.000	5.000	1.330	-	6.330
Total 2005	26.200	9.700	35.900	8.730	-	44.630

Year 2006	Indicative EU support					
	Investment Support	Institution Building	Total EU (=I+IB)	National Co-financing*	IFI*	TOTAL
Project 1	-	0.800	0.800	-	-	0.800
Project 3	9.000	1.300	10.300	3.000	-	13.300
Total MoPF	9.000	2.100	11.100	3.000	-	14.100
Project 4	3.000	1.300	4.300	1.000	-	5.300
Total 2006	12.000	3.400	15.400	4.000	-	19.400

* In cases of co-financing only

² See MoPF reply to the DG TAXUD report

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Note: expenditure on equipment should be put under Investment

The co-financing amount will be included in the institutions' budget for the relevant contracting year, that is 2005 for 2004 contracts, 2006 for 2005 contracts and 2007 for 2006 contracts.

	Twinning	Budget
2004	1.1 Completing the harmonisation of the tax legislation and strengthening the fiscal administration	1.200
	2.3 Capacity building for CFCU to ensure a sound financial management for the Community/structural funds	0.800
	2.4 Strengthening of the financial management and control system in the MoPF	1.200
	2.6 Capacity building for the presentation of the financial consolidated statements and the consolidated reports regarding the budget implementation	0.700
	2.9 Risk management of the government debt portfolio	0.800
	4.1 Further development of the institutional capacity of the Romanian Court of Accounts	1.200
TOTAL 2004		5.900
	2.7 Strengthening the administrative capacity for ensuring the transparency and efficiency of the financial flows to and from the European Union budget	0.800
	2.10 Strengthening of the School of Public Finance	1.200
TOTAL 2005		2.000
2006	1.2 Strengthening the fiscal administration reform	0.800
TOTAL 2006		0.800

6 Implementation Arrangements

6.1 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 at both central and local level in the following directorates, as follows:

1.1 General Directorate of Policies and Legislation regarding the Revenues of the General Consolidated Budget; National Agency of Tax Administration (General Directorate for Management of Taxes and Contributions; General Directorate of Budgetary Debts' Collection; General Directorate of Financial and Fiscal Inspection; Directorate of Public Internal Audit)

1.2 National Agency of Tax Administration (General Directorate for Management of Taxes and Contributions; General Directorate of Budgetary Debts' Collection; General Directorate of Financial and Fiscal Inspection)

2.1 General Directorate of the National Fund for Pre-Accession;

2.2 Future Paying Agency;

2.3 Central Financing and Contracting Unit;

2.4 General Directorate of Preventive Financial Control;

2.5 Central Unit for Harmonising the Public Internal Audit; Directorate of Public Internal Audit;

2.6 General Directorate of Public Accounting;

2.7 Directorate for Evaluation of the General Consolidated Budget Revenues;

2.8 Directorate of Public Procurement Regulation and Public Investments Prioritisation;

2.9 Unit of State Treasury Management (Service of Public Debt Synthesis and Reporting);

2.10 General Directorate of Human Resources and Policies (School of Public Finance)

3.1, 3.2 and 3.3 General Directorate of Information Technology;

3.4 General Directorate of Information Technology and National Customs Authority;

The organisational chart of the Ministry of Public Finance is included in the Annex 5.

The project 4 – “Strengthening the institutional capacity of the Romanian Court of Accounts” will be implemented within the Court of Accounts.

The Court of Accounts is the supreme financial control institution on the way of formation, administration and use of financial resources of the State and the public sector that also has judicial powers, in accordance with the provisions of Law No. 94/1992 with its further amendments and completions. The Court of Accounts has decentralised financial control units, organised at district level. The Court has 1366 positions and a total number of 1284 staff is composed of: The Subsequent Financial Control Section, The Jurisdictional Section, the district chambers of accounts and the chamber of accounts of the municipality of Bucharest. The Court of Accounts has a General Secretariat.

For an efficient management of the projects, a Senior Programme Officer will be appointed for each contract at high level.

6.2 Implementing authority

The **Ministry of Public Finance** is the Implementing Authority of the following projects:

1. Completing the harmonisation of the tax legislation and strengthening the fiscal administration
2. Continuing the development of the legal framework and of the administrative capacity for the strengthening of the public finance management
3. Continuing the implementation of the IT strategy

For the project no. 4 – Improving the institutional capacity of the Romanian Court of Accounts, the Implementing Authority is the **Court of Accounts**.

6.3 Implementation Schedule

A draft contracting and implementation schedule will be annexed to this document.

6.4 Monitoring and indicators of achievement

The programme will be monitored in the Sector Monitoring Sub-Committee no. 2 “Strengthening the administrative capacity – Public Function and Public Finance” that meets twice a year, and the Joint Monitoring Committee for Phare Programmes that meets annually.

The technical implementation of the projects will be monitored by the Phare Programme Implementation Units from the Implementing Authorities of the programme.

Description of monitoring indicators for the programme:

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<i>Indicator</i>	<i>Target value set for 2004 contracts</i>
<ul style="list-style-type: none"> - The number of procedures and manuals, handbooks, guides drawn-up; 	<p>MoPF – Project 1</p> <ul style="list-style-type: none"> - Handbook of audit procedures regarding the budgetary revenues - Procedures regarding the internal and international jurisprudence in the tax field - Procedures for CLO <p>MoPF – Project 2</p> <ul style="list-style-type: none"> - The set of procedures for the management and control of PHARE and ISPA Programmes - Internal Procedures Manual properly applied and implemented in respect of all programmes managed by CFCU - General standards of financial management and control elaborated - Guides, procedures manual regarding the general standards of financial management and control - Handbook regarding the elaboration of the consolidated financial statements and the consolidated reports related to the budget implementation - Handbooks, guides drawn up, printed and distributed to the interested contracting authorities <p>RCoA – Project 4</p> <ul style="list-style-type: none"> - 5 Specific guidelines and procedures for: IT systems audit; state budget programmes audit; detecting fraud, tax avoidance, corruption and money laundering; auditing the grants, subsidies and other state financial supports; privatization process audit; - Standardized audit/control documents and reports; - RCoA audit standards harmonized with the IFAC and ISA audit standards and with the European Guidelines for the implementation of the INTOSAI audit standards completed and approved.
<ul style="list-style-type: none"> - Legislation drafted and approved; 	<p>MoPF – Project 1</p> <ul style="list-style-type: none"> - The updated legislation in taxation field: <ul style="list-style-type: none"> { The harmonized Fiscal Code

Sector Programme Fiche 2004 - 2006

<i>Indicator</i>	<i>Target value set for 2004 contracts</i>
	<p> { The harmonized Tax Procedure Code </p> <ul style="list-style-type: none"> - Approved Orders of Public Finance Minister for each revenue category (methodology and norms) <p>MoPF – Project 2</p> <ul style="list-style-type: none"> - Organisational chart of Central Harmonization Unit of financial management and control systems - General standards of financial management and control (FMC), approved by order of the Minister of Public Finance, law, government decisions, methodological norms - Methodological norms regarding the drawing-up of the consolidated financial statements and the consolidated reports related to the budget implementation
<ul style="list-style-type: none"> - Annual training programs; 	<p>MoPF – Project 1</p> <ul style="list-style-type: none"> - Draft of training strategy for staff of the National Agency of Tax Administration <p>MoPF – Project 2</p> <ul style="list-style-type: none"> - National programme of professional training for the staff who is carrying out its activity in the area of financial management and control - Training plan updated and implemented for personnel involved in the financial and technical project implementation <p>RCoA – Project 4</p> <ul style="list-style-type: none"> - 9 complete training courses in the following specific areas: financial audit; IT system audit; performance audit; banking sector; granting of subsidies and other state financial support; detecting fraud, corruption, tax avoidance, money laundering; accrual accounting; CAATs; audit of the EU funds.
<ul style="list-style-type: none"> - The number of trained staff; 	<p>MoPF – Project 1</p> <ul style="list-style-type: none"> - 400 trained fiscal inspectors - 100 internal auditors trained on the budgetary revenues

Sector Programme Fiche 2004 - 2006

<i>Indicator</i>	<i>Target value set for 2004 contracts</i>
	<ul style="list-style-type: none"> - 80 trained personnel in European law and jurisprudence - 300 trained personnel regarding the revised tax legislation - 24 trained trainers in the field of fiscal administration <p>MoPF – Project 2</p> <ul style="list-style-type: none"> - Staff of PHARE and ISPA bodies trained in accordance with EDIS requirements - Qualified staff of CFCU involved in the financial and technical project implementation - 400 persons carrying out the activity in the area of financial management and control, trained in order to implement the general standards in this field - 20 persons carrying out the activity in the area of financial management of Community funds and control, trained - 80 persons from central and local administration that will submit consolidated financial statements, trained on the elaboration of the consolidated financial statements and the consolidated reports related to the budget implementation - Personnel trained in accordance with the new European practices from the public procurement field at local and central level; - Transferred know-how from EU experts to MoPF experts in public procurement field and increased degree of awareness regarding the implications deriving from the future status of Member State - 20 trained staff in risk management theory and the risk analysis model; - 10 trained staff in assessing the risks specifically in the light of ESA95 requirements for accounting and reporting of public debt; <p>MoPF – Project 3</p> <ul style="list-style-type: none"> - Trained IT staff;

Sector Programme Fiche 2004 - 2006

<i>Indicator</i>	<i>Target value set for 2004 contracts</i>
	<p>RCoA – Project 4</p> <ul style="list-style-type: none"> - 400 trained staff specialized in the following areas: financial audit, IT system audit, performance audit, banking sector, granting of subsidies and other state financial support, detecting fraud, corruption, tax avoidance, money laundering, accrual accounting; - 50 auditors trained to perform CAATs; - 50 auditors trained to audit the EU funds.
<ul style="list-style-type: none"> - Software designed 	<p>MoPF – Project 2</p> <ul style="list-style-type: none"> - IT soft application created and implemented in order to centralize the data for elaborating the national report on internal control - Consolidation software package - Financial IT model to perform risk analysis <p>MoPF – Project 3</p> <ul style="list-style-type: none"> - IT application designed in order to support the taxpayers assistance and business environment - Portal applications designed for business environment and taxpayers - New applications in order to support the data gathering and processing according to VIES, SEED and national contribution to EU Budget - Automated budget system for interrelation of the budgetary functions - Designed IT systems in order to support the main function of the MoPF - Internal communication system put in place; - Databases designed and integrated - Web enabled access to the databases

Sector Programme Fiche 2004 - 2006

<i>Indicator</i>	<i>Target value set for 2004 contracts</i>
- Equipment purchased and installed.	<p>MoPF – Project 3</p> <ul style="list-style-type: none"> - Increasing the ratio workstation/staff from 50% to 60% <p>RCoA – Project 4</p> <ul style="list-style-type: none"> - Data sampling and analysis software for audit staff (200 licenses procured). - Integrated solution for the IT system (hard and soft) concerning programming and follow-up the audit activity, capitalisation of the audit documents, as well as a documents follow up system developed - IT system for a data base comprising documents archiving (hard and soft) of the Court of Accounts set up - Project and integrated system (hard and soft) for financial, accounting and HR activities of the Court
- Training centres set up.	<p>RCoA – Project 4</p> <ul style="list-style-type: none"> - 3 new local training centres equipped.

Annexes to programme fiche

1. Sector Programme Monitoring Sheet
2. Detailed implementation Chart
3. Contracting and Disbursement Schedule
4. Logical framework for 2004 projects
5. Legislative Framework and reference list of laws, regulations and strategic plans