

**PHARE 2001**  
**STANDARD SUMMARY PROJECT FICHE**

**1 Basic Information**

- 1.1. Désirée Number:** RO-0107.05
- 1.2. Title:** National Bank Romania – Institution Building
- 1.3. Sector:** Banking
- 1.4. Twinning component:** RO/2001/IB-FI-03-TL, Early Warning System Budget: € 0.150 M;  
RO/2001/IB-FI-04-TL, Interest rate risk and foreign exchange risk, sensitivity to market risk, Budget: € 0.150 M;  
RO/2001/IB-FI-05-TL, System for monitoring the banks liquidity, Budget: € 0.150 M;  
RO/2001/IB-FI-06-TL, Balance of Payments System, Budget: € 0.150 M;  
RO/2001/IB-FI-07-TL, Computerised system for cash operations, Budget: € 0.150 M;
- 1.5. Location:** Romania

**2. Objectives**

**2.1 Overall Objective**

Strengthening the institutional and administrative capacity of NBR by implementing the acquis and aligning its activities to best international practice.

**2.2 Project Purposes**

Will be split up by components:

- Strengthening the banking supervision for ensuring full compliance with the prudential regulations
- Full implementation of the new Balance of payments system in line with IMF, Eurostat and ECB criteria through development of the technical infrastructure required.
- Designing and implementing of a computerised system for the supervision of cash operations.
- Upgrading the efficiency of banking operations inside NBR.
- Achieving a high level qualification and career development of NBR staff both in areas mentioned above and other specific central bank fields.

**2.3 Accession Partnership and NPAA Priority**

The NPAA sets clear priorities and objectives for the banking sector on short and medium term perspective with the ultimate goal of having Romanian banking sector in line with the EU acquis and increasing the efficiency of its operations.

Both AP and NPAA emphasise the objectives of restructuring the banking sector, and strengthening the supervisory body.

## **2.4. Contribution to National Development Plan**

not applicable

## **2.5. Cross Border Impact**

not applicable

## **3. Description**

### **3.1 Background and Justification**

The project will be built upon the recommendations of the Operational Audit financed by Phare in 1998 and is part of the institutional building efforts undertaken by the National Bank on its road towards integration in the European Union and aligning to EU central banks' best practices.

### **3.2 Linked Activities**

The project is designed on the foundation created by NBR Phare 1998 programme, i.e.:

- (a,b) Supervision and the Balance of payments components represent a follow-up of the twinning exercise currently underway with a consortium of three central banks (Banque de France, Banque of Italy and the Central Bank of the Netherlands) led by Banque de France.
- (c) Cash operations component built upon the recommendations of the Operational audit regarding improvement of the internal (liquidity) management reporting process in terms of frequency, quality and quantity of information provided.
- (d) Banking operations: continuing the efforts undertaken by the NBR and supported by Phare under 1998 programme towards full computerisation of all banking operations inside NBR.
- (e) Training: in line with NBR existing and future plans on upgrading the qualifications of its staff.

### **3.3 Results**

- a) improved system of indicators for prudential supervision
- b) fully operational electronic BOP system
- c) a data-base system able to provide relevant information for cash-operations
- d) a performing and integrated IT system fully implemented, covering the main operational processes in NBR and able to assist the decision-making process and to provide information in real time.
- e) professional development of NBR staff.

The above achievements will contribute to the strengthening of the NBR institutional capacity.

### **3.4 Activities**

- (a) improve the indicators for banking supervision (through 3 twinning light exercises) in the following areas:
  - Improving the current Early Warning System through amendment of indicators for the identification of problem-banks and designing the software application able to process data in real time. (see “Upgrading the efficiency of banking operations inside NBR”)
  - Developing a system for the evaluation of exposure to interest rate risk and foreign exchange risk – sensitivity to market risk.
  - Improving the system for monitoring the banks liquidity by using a methodology for calculating the liquidity indicators that take into consideration the residual maturity of assets and liabilities.
- (b) full implementation of the new Balance of Payments and infrastructure in place (through twinning light and investment in technical infrastructure)
  - Follow-up of the twinning project currently underway in order to insure full operation of the new BOP system.
  - To provide the infrastructure needed for the new BOP system (currently in progress with Banque de France through the twinning project – Phare 1998 – guaranteed result of this project: Balance of payments system in line with IMF, Eurostat and ECB criteria.); hardware: servers and workstations and software: operating system for server and workstations, the database serve, and development tools for applications.
- (c) set-up a computerised system for cash operations (through twinning light and investment in technical infrastructure)
  - It will be created in order to support management decisions by providing access to complete and relevant information in all aspects of cash operations including monetary issue and circulation.
- (d) upgrade the computerisation of banking operations (through technical assistance and investment).
  - Computerisation of the Market Operations department activities - particularly the front-office - (a follow-up of the current project RO9805.02.01.01 “MIS & computerisation of accounting” – Deloitte & Touche (Phare 1998) – recommendation included in the Operational Audit from 1998.

- Computerisation of the Supervision department activities particularly as regards the Early Warning System (a follow-up of the current twinning – the module on Banking Supervision) - recommendation of the Operational Audit.
  - Setting-up the connection between the front-office and the back-office (an analysis both from an operational point of view and a flow of information analysis) - continuation of MIS & computerization of accounting project – Deloitte & Touche).
  - Payments & Revenues accounting (not covered by Deloitte & Touche contract)
  - Payroll accounting (not covered by Deloitte & Touche contract)
  - Stocks management operations (not covered by Deloitte & Touche contract)
  - The correlation between the last three points mentioned above and the General Ledger.
- (e) training for NBR staff in areas above and other central banks fields (through training programs).
- Training of staff for implementing prudential regulations as well as accounting regulations, training for BOP operating the electronic system and the computerized system for supervision of cash operations, as well as training for staff working on banking operations. Training will be envisaged also for staff of the Internal Audit Department, Legal Department, Monetary Policy Department as well as European Integration aspects.
  - Non-technical training: managerial skills development – training programs provided by courses and trainship and scholarship abroad as well as external long term training actions and activities.

Short-term expertise on banking supervision is necessary to have solid knowledge of the EU directives and standards and their implementation in EU countries, knowledge of the functions of the Early Warning Systems, knowledge of evaluation of exposure to market risks, of systems for monitoring bank's liquidity.

Also short-term expertise will be required in areas of BOP statistics methodology, and international institutions requirements in this area, cash management by central bank and IT knowledge of technical infrastructure required for such systems.

The twinning Light projects for the Supervision (with 3 sub-projects), BOP and Cash operations is estimated at 6 months each.

#### **4. Institutional Framework**

According to law 101/1998 (the Statute of NBR) the National Bank of Romania is the central bank of the country acting as an independent institution whose fundamental objective is to ensure the stability of the national currency in order to contribute to price stability.

The NBR elaborates, implements and is responsible for the monetary, foreign exchange, credit, payments policies, bank licensing and prudential supervision.

As for the investment component of the project, the equipment and relevant software purchased will be transferred to the ownership of the National Bank of Romania.

## 5. Detailed Budget

PHARE 2001 Programming Proposals NBR

(in MEURO)

project title	Phare support (Euro)				
	Investment support	Institution building (incl. twinning light/TA)	Total Phare (Inv. +IB)	National co-financing	Total
Strengthening the supervisory function		0.45	0.45		0.45
BOP(twinning, infrastructure)	0.21	0.15	0.36	0.09	0.45
Computerized system for supervision of cash operations	0.56	0.15	0.71	0.24	0.95
Upgrading the efficiency of banking operations	1.08	1.10	2.18	0.47	2.65
Training for NBR staff		0.30	0.30	0.10	0.40
<b>TOTAL</b>	<b>1.85</b>	<b>2.15</b>	<b>4.00</b>	<b>0.90</b>	<b>4.90</b>

## 6. Implementation Arrangements

### 6.1 Implementing Agency

- For all the projects and its sub-projects, the Implementing Agency will be Central Finance and Contracts Unit (CFCU) which will be responsible for tendering, contracting, administration, accounting, payments and financial reporting.
- Contact details: PAO: Mrs. Daniela Gheorghe Marinescu, director general, CFCU, 36-348 Mendeleev street, 4<sup>th</sup> floor, room no. 157, sector 1 Bucharest, phone no.401/313.66.30, fax. no. 401/315.35.36.

### 6.2 Twinning Light

- beneficiary institution: the National Bank of Romania;
- contact person: Mrs. Nicoleta Brebenel, position: Division Chief, Division for International Relations and European Integration, address: Str. Lipscani 25, sector 3, Bucuresti; tel: 401 314 05 60; fax: 401 312 43 71; e-mail: [nicoleta.brebenel@bnro.ro](mailto:nicoleta.brebenel@bnro.ro)

### 6.3 Non-standard Aspects

The Phare/DIS manual will strictly be followed for TA/Investment contracts.

## **6.4 Contracts**

**Twinning light arrangements** are expected for the following components:

- Supervision: 3 arrangements at 150,000 EURO each.
- BOP : one arrangement at 150,000 EURO
- Cash operations: one arrangement at 150,000 EURO

**DIS procedures** will apply to TA/Investment contracts as follows:

- BOP: 210,000 Euro
- Cash operations: 560,000Euro
- Banking operations: (TA: 1,095,000 Euro and Investment 1,085,000 Euro).
- Implementation arrangements for training programs: to be detailed with the expert recruited within the PPF.

## **7. Implementation Schedule**

- 7.1 Start of tendering/call for proposals: November 2001 for (a), (b), (c) projects, April 2002 for (d) project and around June 2002 for (e) project.
- 7.2 Start of project activity: July 2002 for (a) project, May 2002 for (b) project, August 2002 for (c) project, October 2002 for (d) project and around January 2003 for (e) project.
- 7.3 Project Completion: at the beginning of 2003 for (a) and (c) project , around October 2002 for (b) project, around the first quarter of 2004 for (d) project and around the third quarter of 2003 for the (e) project.

## **8. Equal Opportunity**

The proportion between men and women in the personnel involved in the project design and implementation will be balanced, with no discrimination regarding women's tasks and salaries compared to the men's.

## **9. Environment**

N/A

## **10. Rates of Return**

To be completed with the PPF experts support.

## **11. Investment Criteria**

### **11.1 Catalytic effect**

all investment actions provided for this project will have an catalytic effect for current and future actions of the NBR towards narrowing the gap against EU central banks standards and practice.

### **11.2 Co-financing**

this project is cofinanced from the NBR own resources.

### **11.3 Additionality**

Phare funds do not displace but add to the NBR investment efforts increasing its institutional and administrative capacity for implementing the acquis.

### **11.4 Project Readiness and Size**

All necessary technical studies (Terms of Reference, feasibility studies, economic and financial evaluation, technical specifications) will be completed during 2001, before the signature of Financing Memorandum.

### **11.5 Sustainability**

The investment will be sustainable in the long term and will comply with EU norms and standards and will be in line with sector policy acquis.

### **11.6 Compliance with State Aids Provisions**

not applicable

### **11.7 Contribution to National Development Plan**

not applicable

## **12. Conditionality and Sequencing**

- adoption of acquis in banking legislation
- guaranteed results under twinning and outputs under classical technical assistance delivered before the start of activities.

## **ANNEXES TO PROJECT FICHE**

1. Logical framework matrix in standard format (compulsory)
2. Detailed implementation chart (compulsory)
3. Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period) (compulsory)
4. Reference to feasibility /pre-feasibility studies. For all investment projects, the executive summary of the economic and financial appraisals, and the environmental impact assessment should be attached (compulsory)



<b>LOGFRAME PLANNING MATRIX FOR Project NBR – Institution Building Programme</b>		Programme name and number	
<b>NBR - INSTITUTION BUILDING PROGRAMME</b>		Contracting period expires 30.11.2003	Disbursement period expires 30.11.2004
		Total budget :4,9 MEURO	Phare budget :4 MEURO
<b>Overall objective</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	
<ul style="list-style-type: none"> <li>Strengthening the institutional and administrative capacity of NBR by implementing the acquis and aligning its activities to best international practice.</li> </ul>	<ul style="list-style-type: none"> <li>NBR role as central bank executed properly</li> </ul>	<ul style="list-style-type: none"> <li>mature and solid banking sector</li> </ul>	
<b>Project purpose</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<ul style="list-style-type: none"> <li>Strengthening the banking supervision for ensuring full compliance with the prudential regulations</li> <li>Full implementation of the new Balance of Payments system in line with IMF, Eurostat and ECB criteria through development of the technical infrastructure required.</li> <li>Designing and implementation of a computerized system for the supervision of cash operations.</li> <li>Upgrading the efficiency of banking operations inside NBR.</li> <li>Achieving a high level qualifications</li> </ul>	<ul style="list-style-type: none"> <li>NBR norms and regulations on supervision, BOP.</li> <li>monetary policy decisions</li> <li>timely and high-quality decision-making process in NBR</li> <li>NBR staff well prepared in central bank areas.</li> </ul>	<ul style="list-style-type: none"> <li>published NBR bulletins</li> <li>Commission regular report</li> <li>published NBR accounts</li> </ul>	<ul style="list-style-type: none"> <li>banking community to have willingness and resources to implement NBR norms and regulations.</li> </ul>

and career development of NBR staff both in areas mentioned above and other specific central bank fields.			
<b>Results</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<ul style="list-style-type: none"> <li>improved system of indicators for prudential supervision</li> <li>fully operational electronic BOP system</li> <li>a data-base system able to provide relevant information for cash-operations</li> <li>a performing and integrated IT system fully implemented and covering the main operational processes in NBR and able to assist the decision-making process and to provide information in real time.</li> <li>professional development of NBR staff.</li> </ul>	<ul style="list-style-type: none"> <li>relevant EU acquis on supervision adopted and implemented</li> <li>Eurostat and IMF criteria on BOP in place</li> <li>indicators of cash operations aligned to EU practice</li> <li>relevant department equipped and well-functioning</li> <li>increased efficiency of NBR staff</li> </ul>	<ul style="list-style-type: none"> <li>short-term experts reports under twinning light</li> <li>NBR statistical reports</li> <li>twinning light and NBR statistical reports</li> <li>financial statements and management reports</li> <li>NBR records</li> <li>monitoring by Delegation</li> </ul>	<ul style="list-style-type: none"> <li>for supervision and BOP: cooperation by commercial banks</li> <li>for BOP, cash operations, banking operations and training: adequate provision of resources by NBR</li> </ul>
<b>Activities</b>	<b>Means</b>		<b>Assumptions</b>
<ul style="list-style-type: none"> <li>improve the indicators for banking supervision</li> <li>full implementation of the new Balance of Payments and infrastructure in place</li> <li>set up a computerized system for cash operations</li> <li>upgrade the computerization of banking operations</li> </ul>	<ul style="list-style-type: none"> <li>twinning light arrangements</li> <li>twinning light and investment</li> <li>twinning light and investment</li> <li>technical assistance with investment</li> <li>training programs</li> </ul>		<ul style="list-style-type: none"> <li>co-financing by NBR of investment component for BOP, cash operations, banking operations and training components</li> <li>recruit and retain adequate staff</li> </ul>

<ul style="list-style-type: none"> <li>• training for NBR staff in areas above and other central bank fields</li> </ul>			
			<b>Preconditions</b>
			<ul style="list-style-type: none"> <li>• adoption of acquis in banking legislation</li> <li>• guaranteed results under twinning and outputs under classical technical assistance delivered before the start of activities.</li> </ul>



*Annex 3 –Cumulative contracting and disbursement schedule by quarter for project RO0107.05*