

SECTOR PROGRAMME FICHE

PHARE 2006

for

PUBLIC FINANCE

PHARE 2006/018-147.03.01

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Basic Information

CRIS Number

PHARE 2006/018-147.03.01

Title

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

Sector

Public Finance

Location

Romanian Ministry of Public Finance and Court of Accounts

Duration

18 months

Objectives

Overall Objective(s)

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

Project purpose

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

Accession Partnership (AP) and NPAA priority

- In the fiscal sector, reforms should: improve budgetary procedures and the management of public expenditures; simplify tax regulation; and improve the functioning of the tax administration;
- Romania still needs to complete transposition of the Directives concerning indirect taxes on the raising of capital, parent-subsidiary, interest and royalties and savings;

- Complete the legislative framework in both State aid and anti-trust;
- Improve the State aid enforcement record;
- Develop IT systems so as to allow for the exchange of electronic data;
- Romania needs to step up significantly its efforts if it is to ensure that it will be able to meet its tax IT interoperability requirements upon accession.

Contribution to National Development Plan

Not applicable

Cross Border Impact

- Not applicable

Description

Background and justification

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

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

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

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

professional performances, a modern and adequate technical and logistical support, a good internal and external communication.

Sector rationale

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

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

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

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

Identification of projects

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

<i>Priority Needs</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
<i>Legislation (primary and secondary)</i>	✓	✓	-	-

<i>Human resources expansion or enhancement (staff numbers, training)</i>	✓	✓	✓	✓
<i>Procedural & systems development (design, operating manuals, including IT)</i>	✓	✓	✓	✓
<i>Equipment</i>	<i>All necessary equipment is foreseen to be purchased within the investment contract programmed on budgetary year 2006.</i>			✓
<i>Building</i>	-	-	-	-
<i>Regulatory and enforcement activity</i>	✓	✓	✓	✓

Sequencing

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

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

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

Results

Project 1

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

Task 1.2: Strengthening the fiscal administration reform

Purpose

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

Results

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

- Increased competence of the staff from the tax administration;
- Updated action plans for training in tax administration field;
- Improved professional training structure.

Project 2

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

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

Purpose

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

Results

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

Project 3

Continuing the implementation of the IT strategy

Purpose

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

Results

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

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

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

- Specific web-enabled applications finalised;
- Migration of the applications to web-enabled technology and centralized architecture finalized;
- Data warehouse improved;
- The building process of the Disaster Recovery Centre finalized;
- Extension of the project for invoices management if new requirements are growing or changes of the current specifications are required;
- Training on analysis, development and programming activities, specific to the methods and tools proposed, project management, management of the system, databases, applications, communications and the inventory;
- Up-grade hardware, software and communications at central level, purchased in order to increase the capacity of the centralised databases, web enabled applications, to enhance the security procedures and to support the data warehouse to be developed;

- Implemented strategy and technical solution of data safety, security and confidentiality procedures and recovery in disaster cases and improved management of the emergency situations based on appropriate IT architecture and broadband communications system (up-grade of hardware, software and communications for the Disaster Recovery Centre in order to become Business Continuity Centre);
- Up-dated data security system for data storage, transmission and usage; data access control system;
- Workstations (WS), printers, communications equipment to contribute to increase the ratio WS/staff from 80% to 90%.

Project 4

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

Purpose

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

Results

Task 4.5: *Certification of the RCoA staff as international certified auditors*

- Speciality staff trained in the implementation of INTOSAI, IFA and ISA Audit Standards, of the European Guidelines for the implementation of the INTOSAI Audit Standards and staff certified as international auditors.

Task 4.6: *Improving the human resources management and the internal information flow of RcoA*

- Good quality training facilities for managers and staff.
 - sound installation for simultaneous translation for 30 staff/centre (for 5 centres); furniture (tables, chairs) for each of 5 professional training centres;
 - 200 desktops and 110 printers procured.
- Real-time information flow of the Court's management with the local audit structures – pilot
 - national video-conference system set up.

Activities (including Means)

Project 1 (task 1.2)

Strengthening the fiscal administration reform

- Improving the system of fiscal statements administration through:
 - Extending the information exchange with external databases: social contributions, patrimony information, information on associations, foundations, agricultural companies setting-up, authorization of natural persons and family associations, banking information, etc;
 - Extending the data base for administration of taxes, levies and contributions by introducing in the tax statements of supplementary information on the method of establishing the tax base, on some commercial transactions etc.;
- Dematerializing the tax file by:
 - Making an inventory of the information to be included in the electronic tax file;
 - Analyzing the possible methods for organizing the electronic tax file;
 - Drafting the methodological norms for the administration of the electronic tax file;
- Harmonizing the procedures for centralized administration of taxes, levies and contributions
 - analyzing the conditions and restrictions for the transfer to the unified administration;
 - establishing the informational flows involved in centralized administration;
 - drawing –up the administration procedures according to the established flows;
- Drafting a Tax Procedure Handbook through:
 - making an inventory of the existing procedures
 - harmonizing and connecting the procedures;
- Improving the system of administration for the not resident persons subject to VAT taxation, who develop taxable operations in Romania by elaborating new working procedures;
- Drawing-up the legislation (regulating and administration provisions) necessary for implementing the Directive 49/2003/CE on a common system of taxation applicable to interests and royalty payments made between associated companies of different Member States;
- Improving the risk analysis on VAT reimbursement, as the result of the implementation of the harmonised legislation and the exchange information procedure;
- Improving the procedures for control of VAT reimbursement;
- Improving the VAT reimbursement system;
- Drawing-up procedures and guides for the fiscal administration of Romanian operators performing intra-community activities;
- Making an inventory of the assistance services granted by the Fiscal administration to the taxpayers:
 - identifying the weak and the strong points of the services system;
 - proposals on improving the existing services and for introducing new services adapted to the Romanian Fiscal Administration; recommendations on the methods to be adopted for their implementation;

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

□

Means: 18 months Twinning Contract

RTA/Project Leader, Short Term Experts, Romanian Experts

Profile of the RTA and of the short team experts

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

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

□

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

□

□

Project 2 (task 2.11)

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

□

- Drawing-up the Diagnostic study regarding the current situation assessment;
- Improving norms by which the Ministry of Public Finance will apply coherent measures in order to recover illegal and forbidden state aids;
- Drawing-up the Diagnostic study regarding the existing flow chart of the MoPF involved in the state aids recovery;

- Designing the Organizational flow chart, responsibilities and hierarchical relations established for the Ministry of Public Finance structure in charge with the state aids recovery considered illegal and forbidden;
- Improving information flows between departments involved;
- Analysing of the current legal framework that allows financial state aids;
- Drawing-up a Diagnostic study regarding the financial state aid categories;
- Identifying the minimum information needed for notifying a financial state aid measure;
- Further improving the State aids notifications;
- Training of the staff in order to strengthen the notification of the state aids measures from the required information quality point of view.

□

Means: 12 months Technical assistance contract

Team Leader, Short Term Experts, Romanian Experts

□

□

Project 3 (task 3.1)

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

□

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

□

Means: 12 months Technical assistance contract

Team Leader, Short Term Experts, Romanian Experts

□

Project 3 (task 3.3)

- Increasing the integration level of new IT and communication systems

□

- Finalising the specific web-enabled applications;
- Improving the data warehouse;
- Consolidating the appropriate IT infrastructure;
- Finalising the migration of the applications to web-enabled technology and centralised architecture;
- Finalising the implementation of the project for the building of the Disaster Recovery Centre;
- Extension of the project for invoices management if new requirements are growing or changes of the current specifications are required;
- Training activities on analysis, development and programming activities, specific to the methods and tools proposed, project management, management of the system, databases, applications, communications and the inventory;

- Up-grading the hardware, software and communications for the Disaster Recovery Centre in order to become Business Continuity Centre in order to secure the centralised databases;
- Data security system for data storage, transmission and usage; data access control system;
- Purchasing workstations (WS), printers, communications equipment to increase the ratio WS/staff from 80% to 90%;
- Purchasing the hardware, software and communications at central level to support the integrated centralised IT system in order to set up the centralised databases, web enabled applications, and to enhance the security procedures and to support the data warehouse to be developed.

□

Means: 18 months Technical assistance contract

Team Leader, Short Term Experts, Romanian Experts

Investment contract

Technical Specifications, Purchase of equipment

□

Project 4 (task 4.5)

□ Certification of the RCoA staff as international certified auditors

□

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

□

Means: 12 months Technical assistance contract

Team Leader, Short Term Experts, Romanian Experts

Project 4 (task 4.6)

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

□

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

□

Means: investment contract

Technical Specifications, Purchase of equipment

□

Linked Activities:

□

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

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

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

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

Regarding the project 3, in the IT field is under implementation the Programme 2003/005-551.03.04 – “Support for the Ministry of Public Finance in the implementation of the IT strategy” which is focused on the development and implementation of the integrated solution for the IT system, in order to support the Ministry of Public Finance functions (IT Strategy and Action Plan – phase 2003). Also, in the IT field assistance will be provided under 2004 and 2005 Phare Programme, both as technical assistance and investment.

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

A mention has to be made, namely that for the 2004 and 2005 Phare projects related to the IT field, there are in the preparing phase a PPF request for the assessment, respectively the preparation of the Terms of Reference and the **Technical Specifications** for these projects. The same procedure will be developed for 2006 Phare IT projects.

Also, it has to be mentioned that the investments proposed to be financed through 2006 Phare budget represent an absolute priority for the Ministry of Public Finance for the followings reasons:

- These investments represent a continuation (development) both of the IT and communications infrastructure and of the applications that will be realized through 2003, 2004 and 2005 Phare budgets;
 - These investments represent a *sine qua non* condition for the proper information exchange with the Member States in the fields related to the direct and indirect taxation, the contribution from own resources to the community budget, the financial flows from and to the community budget;
 - As was required by the European Commission and the EC Delegation in Romania, the IT opportunities and priorities for the MoPF activities have been approached into a coherent and integrated strategy which was elaborated by EU experts and now we are in a such situation when we trying to additionally underlie something that is already substantiate having the risk that through a subjective appreciation of our arguments (which were presented in several times within the 2004-2006 programming exercise) to get to a incoherent and non-integrated approach by the partial financing and achievement of the strategic objectives proposed;
 - If the aspects presented within 2006 Sector Fiche are not considered as objective to be financed by 2006 Phare Programme, this fact will generate the blockage of customs activities in all its aspects, as well as the Customs incapacity to implement the 2007 Customs CE Program, which will represent a real jeopardy not only for the observance of the European integration process as well as for the NCA capacity to react to the requirements of the fight against terrorism, smuggling, counterfeit, cross border criminal activity, drugs etc;
 - Also, we have to remind that the information exchange with the Member States, the improvement of collecting system and the management of the general consolidated state budget revenues and expenditures represent serious reasons of concerning for the European Commission and need increased efforts from our part, efforts that we assume, but we count on the substantial financial support declared by the Commission in the 2005 Comprehensive Monitoring Report when references to the preparation degree of Romania and Bulgaria to EU accession were made.
-
- In the year 2000, the Romanian Court of Accounts has been subject to a peer review performed by SIGMA and SAIs from Member States of the European Union. Based on conclusions and recommendations made in the Background paper, the Court has developed and approved its Strategic development plan for the period 2001-2004, setting as the priority strategic objective “strengthening of responsibility for the use of public funds in Romania”.

PHARE 2000

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

The program had two components:

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

organization of the human resources; development of IT support and introduction of Computer Assisted Audit Techniques.

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

PHARE 2001 – SAPARD

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

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

PHARE 2002

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

The program includes three components:

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

The Twinning Covenant was signed and it will be carried out during two years, starting with November 2003.

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

DFID

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

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

WORLD BANK

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

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

Lessons learned

All Programmes implemented within the Ministry of Public Finance have made a major contribution or are positively contributing to the objectives of the Accession Partnership and Roadmap, through strengthening the institutional and administrative capacity to implement the acquis communautaire.

Also, all the conclusions and recommendations made by the evaluation performed by EMS Consortium (September and October 2003) and ECOTEC Consortium (March-April 2005), by previous meetings of the Sector Monitoring Sub-Committee no. 4 "Strengthening the administrative capacity – Public Function and Public Finance"

were taken into consideration in the tasks proposed for 2006 Phare. The recommendation and the way in which were taken on board are mentioned in the original Sector Programme Fiche 2004 -2006.

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

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

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

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

1.2 - National Agency of Tax Administration (General Directorate for Management of Taxes and Contributions, Directorate for methodology and procedures regarding the fiscal inspection, General Directorate of Direct Tax Legislation, Directorate of Taxpayers Assistance, General Directorate for Reform and International Cooperation, Counter-fraud Directorate, Legal Directorate);

2.11 – General Directorate for State Aids, Unfair Practices and Regulated Prices;

3.1 and 3.3 - General Directorate of Information Technology;

4.5 and 4.6 - Romanian Court of Accounts.

Detailed Budget

	Phare/Pre-Accession Instrument support	Co-financing			Total Cost
		National Public Funds (*)	Other Sources (**)	Total Co-financing of Project	
€M					
Year 2006 - Investment support jointly co funded					
Sub-project 1 (MoPF) 3.3. Increasing the integration level of new IT and communication	12.00	4.00	-	4.00*	16.00

systems					
Sub-project 2 (RCoA) 4.6. Improving the information flow at national level	3.00	1.00	-	1.00	4.00
Investment support – Sub-total	15.00	5.00	-	5.00	20.00
% of total public funds	<i>max 75 %</i>	<i>min 25 %</i>			

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

Year 2006 Institution Building support					
Sub-project 1.2 Strengthening the fiscal administration reform	0.800	-	-	-	0.800
Sub-project 2.11 Improving the MoPF capacity to apply the EC Regulation no. 659/1999	0.500	-	-	-	0.500
Sub-project 3.1 Development and implementation of new IT applications related to the optimisation of the business environment and taxpayers' assistance	0.300	-	-	-	0.300
Sub-project 3.3 Increasing the integration level of new IT and communication systems	1.000	-	-	-	1.000
Total IB support for MoPF	2.60	-	-	-	2.60
Sub-project 4.5 Certification of the RCoA staff as international certified auditors	1.300	-	-	-	1.300
Total IB support	3.90	-	-	-	3.90

Total project 2006					
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Year 2006 Investment support	15.00	5.00	-	5.00	20.00
Year 2006 IB support	3.90	-	-	-	3.90
Total project 2006	18.90	5.00	-	5.00	23.90

Implementation Arrangements

Implementing Agency

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

Contact:

Central Finance and Contracts Unit (CFCU)

Director (PAO): Mrs. Carmen Rosu

Phone: +4021 326 55 55

Fax: +4021 326 87 30

Address: 44th Mircea Voda St, Entrance B, Bucharest3, Romania

e-mail: carmenrosu@cfcu.ro

□

Twinning

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

Contact:

Central Finance and Contracts Unit (CFCU)

Director (PAO): Mrs. Carmen Rosu

Tel. 00 401 210 326 06 66

Fax: 00 401 210 326 87 30

E-mail: carmenrosu@cfcu.ro

Address: 44 Mircea Voda Boulevard, Sector 3, Bucharest

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

Contact:

General Directorate of Legal Approximation and European Integration
(PIU)

Director: Mrs. Lenuta Stefanescu

Tel. 00 40 21 319 98 58

Fax: 00 40 21 319 98 58

E-mail: lenuta.stefanescu@mfinante.gov.ro

Address: 17 Apolodor Street, Sector 5, Bucharest

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

Contact:

Project Leader - Mr. Robert Hofnar - General Director, General Directorate of Taxes and Contributions Management

Phone: (+4021) 3199759/ ext 1036 (+4021) 3199700

E-mail: Robert.Hofnar@mail.mfinante.gov.ro

□

Non-standard aspects

- For technical assistance and investment projects, the PRAG¹rules will be strictly followed. Regarding the twinning project, the Twinning Manual provisions will be strictly followed.

Contracts

No.	Title	Type of assistance	Allocated Phare budget	Co-financing
1.	Strengthening the fiscal administration reform	TW	0.800	-
2.	Improving the MoPF capacity to apply the EC Regulation no. 659/1999	TA	0.500	-
3.	Development and implementation of new IT applications related to the optimisation of the business environment and taxpayers' assistance	TA	0.300	-
4.	Increasing the integration level of new IT and communication systems	TA	1.000	-
5.	Increasing the integration level of new IT and communication	INV	12.000	3.000

¹ *Practical Guide to Contract Procedures Financed from the EC general Budget in the context of External Actions:* http://europa.eu.int/comm/europeaid/tender/gestion/pg/npg_en.doc

	systems			
6.	Certification of the RCoA staff as international certified auditors	TA	1.300	-
7.	Improving the information flow at national level	INV	3.000	1.000

Implementation Schedule

Start of tendering/call for proposals

- 1st Quarter 2007 (estimated)

-

Start of project activity

- 3rd Quarter 2007 (estimated)

Project completion

2nd Quarter 2009 (estimated)

Equal Opportunity

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

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

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

In the Ministry of Public Finance, equal opportunity for men and women is underlined by the existence of women in high positions such as secretary of state (two out of five are women) and (general) director (42% are women).

Within the Ministry of Public Finance the staff training is ensured by the School of Public Finance (SoPF). This School makes no gender discrimination regarding the access of women and men at the training sessions.

The selection criteria for the training sessions organised by the SoPF as well as within Phare and other donors assistance projects are strictly related to the professional activity of the personnel.

In order to show the equitable gender participation of the MoPF staff in the Phare project trainings, an indicator will be set to determine the number of women who participate at the training sessions.

Environment

The equipments that are planned to be purchased are in fully compliance with the environment and respect all the EU regulation in the filed of environment protection.

The equipments planned to be purchase will not have negative impact over the environment.

Rates of return

Not applicable.

Investment criteria (applicable to all investments)

Catalytic effect

- Not applicable.
-

Co-financing

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

Additionality

Not applicable.

Project readiness and size

- Not applicable.

Sustainability

- Not applicable.

Compliance with state aids provisions

□ Not applicable.

□

Conditionality and sequencing

Not applicable.

Annexes to project Fiche

1. Logframe in standard format; Sector monitoring sheet
2. Detailed implementation chart
3. Contracting and disbursement schedule, by quarter, for full duration of project (including disbursement period)
4. Reference list of feasibility/pre-feasibility studies, indepth ex ante evaluations or other forms of preparatory work.
5. Reference list of relevant laws and regulations
6. Lessons Learnt

Log frame

LOGFRAME PLANNING MATRIX FOR Project 1	Programme name and number	
	Completing the harmonisation of the tax legislation and strengthening of the fiscal administration	
Strengthening the fiscal administration reform	Contracting period (2006) expires: 2008	Disbursement period expires (2006): 2009
	Total budget 2006: 0.800 MEURO	Phare budget 2006: 0.800 MEURO

Overall objective	Relates to Copenhagen criterion and acquis chapter	List of projects with same objective
To improve the legal and administrative capacity of the Ministry of the Public Finance and the Romanian Court of Accounts	<p>2004 Regular Report on Romania towards accession and 2005 Comprehensive Monitoring Report – Chapter 10 Taxation</p> <p>Economic Copenhagen Criterion “the existence of a functioning market economy”</p> <p>Accession Partnership 2003 -</p>	<ul style="list-style-type: none"> • RO 2002-586.03.04.09 - “<i>Strengthening of the fiscal control function within the Ministry of Public Finance</i>” • RO 2002-586.03.04.12 - “<i>Strengthening and developing the State revenues administrative capacity</i>” • RO 2002-586.03.04.11 - “<i>Increasing the tax collection level by improving taxpayers’ voluntary compliance, by building the internal capacity of the MoPF to develop by itself</i>”

		<p><i>information, communication campaigns and a modern taxpayer assistance activity”</i></p> <ul style="list-style-type: none"> • RO2004/IB/FI-01 - “<i>Completing the harmonization of tax legislation and strengthening of the fiscal administration</i>” 	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
To reach a high level of revenues collection by improving the NATA’s capacity to cope with the pressure raised by the accession to the EU	Improved revenue collection degree Improved procedures for tax administration	Budget and fiscal execution Procedures approved and published in the Official Journal System of synthetic indicators for the Agency’s management	The support of the social stakeholders
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<ul style="list-style-type: none"> • Improved system for the administration of fiscal statements by improved procedures and protocols concluded with other institutions involved; • Electronic tax file; • Centralized administration of taxes, levies and contributions; • Fiscal procedures handbook; • Improved system of administration for the non-resident persons subject to VAT taxation, who develop taxable operations in Romania by new working procedures; • Improved capacity of the fiscal 	<p>Improved procedures approved by the NATA’s management for verifying the coherence and the validity of the data submitted by the taxpayers;</p> <p>Identification level of the taxpayers with high level of tax risk</p> <p>Number of protocols concluded with the public institutions involved regarding the exchange of information</p> <p>Methodological norms for the administration of the electronic tax file</p>	<p>Official Journal</p> <p>Statistical reports released by the administration system</p> <p>Common order of the institutions</p> <p>Order of MoPF -NATA approved and published in OJ</p> <p>Order of MoPF -NATA published</p>	<p>Financial resources</p> <p>The resource needs</p> <p>Good collaboration with other institutions involved</p>

<p>administration to implement the Directive 49/2003/CE on a common system of taxation applicable to interests and royalty payments made between associated companies of different Member States;</p> <ul style="list-style-type: none"> • Improved risk analysis on VAT reimbursement, as the result of the implementation of the harmonised legislation and the exchange procedure for intra-community information; • Improved procedures for control of the VAT reimbursement; • Improved system for the VAT reimbursement; • Guides and procedures for fiscal administration of the Romanian operators performing intra-community activities; • Proposals for improving the assistance services for taxpayers; • Strategy and action plans regarding the dissociation of tax administration activity in “<i>front office</i>” and “<i>back office</i>”; • Increased competence of the staff from the tax administration; • Updated action plans for training 	<p>Number of revised procedures</p> <p>Reduced period for establishing the income tax</p> <p>Performance indicators—performance plan</p> <p>Number of procedures included in the handbook</p> <p>Order of MoPF – NATA approved</p> <p>Modified legislation according to the directive provisions</p> <p>Number of risk analysis indicators</p> <p>Number of drawn-up procedures</p> <p>Improved norms for VAT reimbursement</p> <p>Number of procedures and guides</p> <p>Percentage of the improved services out of the total services</p> <p>Number of new introduced services</p> <p>Strategy and action plans approved by NATA’s management</p> <p>100 civil servants trained regarding the new approved procedures</p> <p>Action plans approved</p> <p>Organization and functioning rules</p>	<p>in OJ</p> <p>Monitoring report</p> <p>Statistical reports on the administration of the income tax</p> <p>MoPF’s web-site</p> <p>Official Journal</p> <p>Official Journal</p> <p>Order of the MoPF – NATA</p> <p>Activity reports</p> <p>Order of the MoPF – NATA approved and published in the OJ</p> <p>Order of MoPF – NATA published in OJ</p> <p>Activity reports</p> <p>Activity reports</p> <p>Order of NATA’s President</p>	
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<p>in tax administration field;</p> <ul style="list-style-type: none"> • Improved professional training structure. 	<p>for the professional training structure</p>	<p>Activity reports</p>	
<p>Activities</p>	<p>Means</p>		<p>Assumptions</p>
<ul style="list-style-type: none"> • Improving the system of fiscal statements administration through: <ul style="list-style-type: none"> - Extending the information exchange with external databases: social contributions, patrimony information, information on associations, foundations, agricultural companies setting-up, authorization of natural persons and family associations, banking information, etc; - Extending the data base for administration of taxes, levies and contributions by introducing in the tax statements of supplementary information on the method of establishing the tax base, on some commercial transactions etc.; • Dematerializing the tax file by: <ul style="list-style-type: none"> - Making an inventory of the information to be included in 	<p>18 months Twinning Contract 1 RTA, short term experts, Romanian experts</p>		<p>An adequate experience of the twinning partner(s)</p> <p>Availability of qualified experts and contractors</p> <p>Financial and human resources</p> <p>The 2004 Phare project will be implemented according to the schedule</p> <p>Good collaboration with other institutions involved</p>

<p>the electronic tax file;</p> <ul style="list-style-type: none">- Analyzing the possible methods for organizing the electronic tax file;- Drafting the methodological norms for the administration of the electronic tax file; <ul style="list-style-type: none">• Harmonizing the procedures for centralized administration of taxes, levies and contributions<ul style="list-style-type: none">- analyzing the conditions and restrictions for the transfer to the unified administration;- establishing the informational flows involved in centralized administration;- drawing –up the administration procedures according to the established flows;• Drafting a Tax Procedure Handbook through:<ul style="list-style-type: none">- making an inventory of the exiting procedures- harmonizing and connecting the procedures;• Improving the system of administration for the not resident persons subject to VAT taxation, who develop taxable operations in			
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<p>Romania by elaborating new working procedures;</p> <ul style="list-style-type: none">• Drawing-up the legislation (regulating and administration provisions) necessary for implementing the Directive 49/2003/CE on a common system of taxation applicable to interests and royalty payments made between associated companies of different Member States;• Improving the risk analysis on VAT reimbursement, as the result of the implementation of the harmonised legislation and the exchange information procedure;• Improving the procedures for control of VAT reimbursement;• Improving the VAT reimbursement system;• Drawing-up procedures and guides for the fiscal administration of Romanian operators performing intra-community activities;• Making an inventory of the assistance services granted by the Fiscal administration to the			
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<p>taxpayers:</p> <ul style="list-style-type: none"> - identifying the weak and the strong points of the services system; - proposals on improving the existing services and for introducing new services adapted to the Romanian Fiscal Administration; recommendations on the methods to be adopted for their implementation; <ul style="list-style-type: none"> • Analysing the existing situation in different tax units in order to draw-up the strategy regarding the dissociation of tax administration activity in “<i>front office</i>” and “<i>back office</i>”; • Drawing-up action plans in view of implementing the strategy regarding the dissociation of tax administration activity in “<i>front office</i>” and “<i>back office</i>”; • Training the necessary number of personnel within the Tax Administration; • Updating the actions plans for the tax administration field training; • Improving the organizational 			
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chart and the professional requirements for the professional training structure.			
			Preconditions

Log frame

LOGFRAME PLANNING MATRIX FOR Project 2	Programme name and number	
	Continuing the development of the legal framework and of the administrative capacity in order to strengthen the improvement of the public finance management	
Improving the MoPF capacity to apply the EC Regulation no. 659/1999	Contracting period (2006) expires: 2008	Disbursement period expires (2006): 2009
	Total budget 2006: 0.500 MEURO	Phare budget 2006: 0.500 MEURO

Overall objective	Relates to Copenhagen criterion and acquis chapter	List of other projects with same objective	
To improve the legal and administrative capacity of the Ministry of the Public Finance and the Romanian Court of Accounts	<ul style="list-style-type: none"> • Chapter 6 - "Competition policy" • The existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union 	<ul style="list-style-type: none"> • No other projects 	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
To improve the notification process for the state aid and to establish the measures needed for the recovery of	<ul style="list-style-type: none"> • The number as percentage of the notifications authorized by the EC out of 	<ul style="list-style-type: none"> • European Commission Monitoring Report 	<ul style="list-style-type: none"> • Availability of qualified experts and contractors

illegal and forbidden state aids	<p>the total number of notifications submitted</p> <ul style="list-style-type: none"> • Number of the further information required by EC 	<ul style="list-style-type: none"> • Final report regarding the project 	<ul style="list-style-type: none"> • Financial and human resources
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<ul style="list-style-type: none"> • Diagnostic study regarding the current situation assessment; • Improved norms for applying by the Ministry of Public Finance coherent measures in order to recover illegal and forbidden state aids; • Diagnostic study regarding the existing flow chart of the MoPF involved in the state aids recovery; • Organizational flow chart, responsibilities and hierarchical relations established for the Ministry of Public Finance structure in charge with the state aids recovery considered illegal and forbidden; • Improved information flows between departments involved; • Analysis of the current legal framework that allows financial state aids; • Diagnostic study regarding the financial state aids categories; • The minimum information necessary to notify a financial state aid measure; 	<p>Diagnostic study</p> <p>Norms improved and approved</p> <p>Diagnostic study</p> <p>Improved organizational flow chart, responsibilities and hierarchical relations</p> <p>Proposals of the information flows</p> <p>Diagnostic study</p> <p>Diagnostic study</p> <p>Check list</p>	<ul style="list-style-type: none"> • Order of the Minister of Public Finance, methodological norms • Periodical activity reports • Order of the Minister of Public Finance for approving the organizing and functioning regulation • Periodical activity reports 	<ul style="list-style-type: none"> • Human and financial resources

<ul style="list-style-type: none"> • State aids notifications further improved; • Staff training in order to strengthen the notification of the state aids measures from the required information quality point of view. 	<p>Number of notifications approved by EC out of the total number of the notifications submitted</p> <p>Number of staff trained</p>		
<p>Activities</p>	<p>Means</p>		<p>Assumptions</p>
<ul style="list-style-type: none"> • Drawing-up the Diagnostic study regarding the current situation assessment; • Improving norms by which the Ministry of Public Finance will apply coherent measures in order to recover illegal and forbidden state aids; • Drawing-up the Diagnostic study regarding the existing flow chart of the MoPF involved in the state aids recovery; • Designing the Organizational flow chart, responsibilities and hierarchical relations established for the Ministry of Public Finance structure in charge with the state aids recovery considered illegal and forbidden; • Improving information flows between departments involved; • Analysing of the current legal framework that allows financial state aids; • Drawing-up a Diagnostic study regarding the financial state aid categories; 	<p>Technical Assistance</p>		<ul style="list-style-type: none"> • An adequate assistance from the partners • Availability of qualified experts and contractors • Financial and Human resources.

<ul style="list-style-type: none"> • Identifying the minimum information needed for notifying a financial state aid measure; • Further improving the State aids notifications; • Training of the staff in order to strengthen the notification of the state aids measures from the required information quality point of view. 			
			Preconditions

Log frame

LOGFRAME PLANNING MATRIX FOR Project 3		Programme name and number	
		Continuing the implementation of the IT strategy	
Continuing the implementation of the IT strategy (PHARE 2006)		Contracting period (2006) expires: 2008	Disbursement period expires (2006): 2009
		Total budget 2006: 1,300 MEURO	Phare budget 2006: 1,300 MEURO
Overall objective	Relates to Copenhagen criterion and acquis chapter	List of other projects with same objective	
To improve the legal and administrative capacity of the Ministry of the Public Finance and the Romanian Court of Accounts	<ul style="list-style-type: none"> ▪ Chapter 10 - Taxation ▪ Chapter 21 - Regional policy and coordination of structural instruments ▪ Chapter 25 – Customs Union ▪ Chapter 28 – Financial control ▪ Chapter 29 – Financial and budgetary provisions ▪ A functioning market economy 	<ul style="list-style-type: none"> ▪ Phare 2002/000-586.03.04.15 Improvement of the Information System and the infrastructure of hardware, software and communications, support of the MoPF functions ▪ Phare 2003/005-551.03.04 Support for the Ministry of Public Finance in implementation of IT strategy ▪ PHARE 2004 and 2005 - Continuing the implementation of the IT strategy 	
Project purpose Continuing the development of the IT infrastructure in order to efficiently support all the financial	Objectively verifiable indicators	Sources of Verification	Assumptions

<p>and fiscal activities of the Ministry of Public Finance and to be in line with the European standards.</p> <p>The project purpose is to be achieved through the following tasks:</p>			
<p>Task 3.1. - Development and implementation of new IT applications related to the optimization of business environment and taxpayers' assistance</p>	<ul style="list-style-type: none"> • Integrated IT System in a centralized database and communication architecture • IT applications for the taxpayers assistance and customs business activities especially for submitting the tax returns through Internet and other electronic means and developing the bilateral communication • The collection of budgetary incomes and social contributions through a single procedure • Increasing the assisting level of the taxpayers and traders through electronic interfaces 	<ul style="list-style-type: none"> • European Commission' Monitoring Report • Intergovernmental accession conferences EU - Romania • World Bank reports • Regular Customs Administrative and Operational Capacity Monitoring Reports. • In field tests 	<ul style="list-style-type: none"> • High level of management involvement and commitment • Monitoring financial support for IT function (investment, current costs, personnel) • PHARE 2004 and PHARE 2005 in due time with reports concerning IT needs

<p>Task 3.3. - Increasing the integration level of new IT and communication systems (Technical Assistance and Investments)</p>	<ul style="list-style-type: none"> • The state revenue collection including the customs debts and management improved • The existent electronic internal communication extended • Implementation of the strategy and the technical solution of data safety, security and confidentiality procedures and recovery in disaster cases and the management of the emergency situations • Coherent and comprehensive Management Information System • Improved storage and archiving data procedures • Strong IT organization within the MoPF managing the IT activity at central and local level • 	<ul style="list-style-type: none"> • Technical Reports • Monitoring Reports of the European Commission • Linked Monitoring Reports of projects on PHARE 2004 and PHARE 2005 projects • In field tests 	<ul style="list-style-type: none"> • Good collaboration with the tax and customs administration and with other institutions as third parties of the projects • Territory coverage by country-wide providers, thus being able to find the best cost/performance report, the efficient coverage and not being dependent on one provider for all the country • It is meant to supervise the integrated solution and its implementation • The Beneficiary has the capacity to create a counterpart project team and to manage the project • Good collaboration with general directorates from MoPF, RCA and with other institutions as third parties of projects
<p>Results</p>	<p>Objectively verifiable indicators</p>	<p>Sources of Verification</p>	<p>Assumptions</p>
<p>Task 3.1: <i>Development and implementation of new IT application</i></p>	<ul style="list-style-type: none"> • IT application designed in order to support the taxpayers 	<ul style="list-style-type: none"> • Technical Reports • Monitoring Reports of the 	<ul style="list-style-type: none"> • Phare 2004 and PHARE 2005 started in time,

<p><i>related to the optimisation of the business environment and taxpayers assistance</i></p> <p>15 E-Government – taxpayers and traders are able to interact with the Administration at different levels, according to the objectives of eEurope+ (program in implementation in Romania, to which the MoPF is part);</p> <p>16 Transition to the processing focused on document and not on data related to the tax return forms and payment documents;</p> <p>17 Integrated IT System in a centralized database and communication architecture, using web technologies in order to support all the MoPF activities and offer better services to taxpayers and traders through Internet;</p> <p>18 New IT applications developed for the taxpayers assistance (including customs business), especially for submitting the tax returns through Internet and other</p>	<p>assistance and business environment (including customs business)</p> <ul style="list-style-type: none"> • Portal applications designed for business environment (including customs business) and taxpayers • Development degree of electronic communication with the taxpayers through Internet • Enhancement degree of security procedures • The capacity of IT staff to manage the hardware, software and IT applications • Methodologies and working procedures enacted and disseminated • Human resources allocated and trained: information management 2 experts; Complaint system 2 experts; Help desk business 6 experts; Help desk technical 3 experts; Trainer 1 expert • Financial resources allocated • Adequate IT and communication infrastructure and dedicated IT applications installed • Dedicated personnel trained as end users certificated 	<p>European Commission</p> <ul style="list-style-type: none"> • Linked Monitoring Reports of projects on PHARE 2004 and PHARE 2005 projects • In field tests 	<p>technical recommendations in due time</p> <ul style="list-style-type: none"> • Good collaboration with the fiscal administration and with other institutions as third parties of the projects • It is meant to supervise the integrated solution and its implementation • Timely and adequate technical information and assistance provided by the Commission and Member States
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<p>electronic means;</p> <p>19 Portal of the MoPF established and connected to the Portal of <i>Public Administration</i>;</p> <p>20 Increased electronic exchange of information with other central and local administration (including customs);</p> <p>21 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);</p> <p>22 Improved assistance to the taxpayers through electronic interfaces (e-readiness indicators will be used);</p> <p>23 New IT applications for the taxpayers assistance (including customs</p>			
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<p>business), especially for submitting the tax returns through Internet for all taxpayer categories (large/small, real/legal person) and for electronic payment;</p> <p>24 Integrated IT system in the field of supporting the business environment (including customs business) and taxpayers assistance;</p> <p>25 Reduced costs, by decreasing the investment needed to support a centralised solution;</p> <p>26 Decreased corruption, by the electronic collection of taxes and eliminated standing in queue;</p> <p>27 Controlled tax collection;</p> <p>28 Increased budget control and better cash-flow management.</p>			
<p>Task 3.3: <i>Increasing the integration level of new IT and communication systems</i></p> <p>Specific web-enabled applications finalised; Migration of</p>	<ul style="list-style-type: none"> • Automated budget system for interrelation of the budgetary functions • Designed IT systems in order to support the main function of the MoPF 	<ul style="list-style-type: none"> • Technical Reports • Monitoring Reports of the European Commission • Linked Monitoring Reports of projects on PHARE 2004 and 2005 projects 	<ul style="list-style-type: none"> • Good collaboration with the tax administration and customs with other institutions as third parties of the projects • Territory coverage by

<p>the applications to web-enabled technology and centralized architecture finalized;</p> <p>Data warehouse improved;</p> <p>The building process of the Disaster Recovery Centre finalized;</p> <p>Extension of the project for invoices management if new requirements are growing or changes of the current specifications are required;</p> <p>Training on analysis, development and programming activities, specific to the methods and tools proposed, project management, management of the system, databases, applications, communications and the inventory;</p> <p>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;</p> <p>Implemented</p>	<ul style="list-style-type: none"> • Internal communication system in place • Number of databases designed and integrated • Web enabled access to the databases • Transforming degree of the Disaster Recovery System into Business Continuity Centre • Set-up degree of centralized databases and web enable applications • Enhancing degree of security procedures • Accomplish degree of increasing the ratio workstation/staff from 80% to 90% 	<ul style="list-style-type: none"> • Other technical reports issued by the European Commission's experts • Guides / handbooks / Minister orders • Regular progress reports of the European Commission and Romanian Government • Regular monitoring reports • Interim evaluation reports 	<p>country-wide providers, thus being able to find the best cost/performance report, the efficient coverage and not being dependent on one provider for all the country</p> <ul style="list-style-type: none"> • It is meant to supervise the integrated solution and its implementation • The Beneficiary has the capacity to create a counterpart project team and to manage the project • Good collaboration with general directorates from MoPF, RCA with other institutions as third parties of projects
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<p>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);</p> <p>Up-dated data security system for data storage, transmission and usage; data access control system;</p> <p>Workstations (WS), printers, communications equipment to contribute to increase the ratio WS/staff from 80% to 90%.</p>			
Activities	Means		Assumptions

<p><i>Project 3 (task 3.1)</i></p> <p>Development and implementation of new IT applications related to the optimisation of the business environment and taxpayers' assistance</p> <ul style="list-style-type: none"> • Developing new portal applications for taxpayer's assistance; • Continuing migration of the applications designated to support the taxpayer's assistance and customs' business (as priority) to web-enabled technology and centralised architecture; • Further training on analysis, development and programming using specific methods and tools. 	<p>12 months Technical Assistance contract</p>		<ul style="list-style-type: none"> • The 2004 and 2005 Phare projects will be implemented according to the schedule • Sustainability of the Technical assistance and Investments on Phare 2004 and 2005 • Reports in time, proposals for solutions in time on Phare 2004 and 2005 • Full commitment of the parties involved • Timely and adequate resources available • Effective monitoring of project implementation • High level management commitment to the project
<p><i>Project 3 (task 3.3)</i></p> <p>Increasing the integration level of new IT and communication systems</p>	<p>18 months Technical Assistance contract</p>		<ul style="list-style-type: none"> • The 2004 and 2005 Phare projects will be implemented according to the schedule

<ul style="list-style-type: none"> • Finalising the specific web-enabled applications; • Improving the data warehouse; • Consolidating the appropriate IT infrastructure; • Finalising the migration of the applications to web-enabled technology and centralised architecture; • Finalising the implementation of the project for the building of the Disaster Recovery Centre; • Extension of the project for invoices management if new requirements are growing or changes of the current specifications are required; • Training activities on analysis, development and programming activities, specific to the methods and tools proposed, project management, management of the system, databases, applications, communications and the inventory; • Up-grading the hardware, software and communications 	<p>Team Leader, Short Term Experts, Romanian Experts</p> <p>Technical specifications, Purchase of equipment</p>	<ul style="list-style-type: none"> • Action plans to retain the trained and experienced staff within the MoPF structures • Resources allocated in terms of budget and necessary IT staff • Full commitment of the parties involved • Timely and adequate resources available • Effective monitoring of project implementation • Efficient collaboration with the foreign experts
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<p>for the Disaster Recovery Centre in order to become Business Continuity Centre in order to secure the centralised databases;</p> <ul style="list-style-type: none"> • Data security system for data storage, transmission and usage; data access control system; • Purchasing workstations (WS), printers, communications equipment to increase the ratio WS/staff from 80% to 90%; • Purchasing the hardware, software and communications at central level to support the integrated centralised IT system in order to set up the centralised databases, web enabled applications, and to enhance the security procedures and to support the data warehouse to be developed. 			
			<p>Preconditions</p>

Log frame

LOGFRAME PLANNING MATRIX FOR Project 4		Programme name and number	
Further institution building of the Romanian Court of Accounts including in order to support its role of Audit Authority as far as auditing the Community funds and protection of the Community interests is concerned		Contracting period expires: 2008	Disbursement period expires: 2009
		Total budget: 1.3 MEURO	Phare budget: 1.3 MEURO
Overall objective	Relates to Copenhagen criterion and acquis chapter	List of other projects with same objective	
To improve the legal and administrative capacity of the Ministry of the Public Finance and the Romanian Court of Accounts	<ul style="list-style-type: none"> No.28 Financial Control 	<p>PHARE RO 0006.07 Strengthening the institutional capacities of the Romanian Court of Accounts</p> <p>PHARE RO-2002/000-586.03.03 Further institutional strengthening of the Court of Accounts</p> <p>PHARE/2004/016-772.03.01 Further institution building of the Romanian Ministry of Public Finance and Court of Accounts</p>	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions

<p>The project purpose is to enable the Romanian Court of Accounts to become a modern and professional external supreme control institution to perform its statutory tasks related to the sound management and use of both internal and EU public funds.</p>	<p>The Court's reports to the Parliament reflect the Court's new competences, including audit of European Union funds and of privatisation</p>	<p>The Court's reports to Parliament.</p>	<p>The Parliament establishes arrangements to consider the Court's reports and follow up recommendations.</p>
<p>Results</p>	<p>Objectively verifiable indicators</p>	<p>Sources of Verification</p>	<p>Assumptions</p>
<p>Task 4.5: <i>Certification of the RCoA staff as international certified auditors</i></p> <ul style="list-style-type: none"> • 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. <p>Task 4.6: <i>Improving the human resource management and the internal information flow of RCoA</i></p> <ul style="list-style-type: none"> • Good quality training facilities for managers and staff. <ul style="list-style-type: none"> ➢ 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 – 	<ul style="list-style-type: none"> ➢ 150 trained staff specialized in the following areas: implementation of INTOSAI Audit Standards, of the European Guidelines for the implementation of the INTOSAI Audit Standards and of the IFAC International Audit Standards; ➢ 150 certified specialised staff as international auditors. 	<p>Reports of the TA suppliers (key expert's reports); Monitoring performed by the Ministry of Public Finance / Management Authority for Community Aid Framework. Monitoring of the EC Delegation in Romania;</p>	<ul style="list-style-type: none"> ▪ Full commitment from the trained staff ▪ After conducting the needs assessment on the investment requirements of the RCoA, the investment needs are real and justified.

<p>pilot</p> <ul style="list-style-type: none"> ➤ national video-conference system set up. 	<ul style="list-style-type: none"> ➤ sound installation for simultaneous translation for 30 staff for 5 centres ➤ furniture for 5 professional centres ➤ 200 desktops and 110 printers ➤ national video-conference system 		
<p>Activities</p>	<p>Means</p>		<p>Assumptions</p>
<p>Certification of the RCoA staff as international certified auditors</p> <ul style="list-style-type: none"> ➤ Introduction in the fundamental requirements of the international standards on a standard-by-standard basis through seminars and/or presentations; ➤ Intensive training courses through seminars, presentations, case studies and/or exercise groups, aiming at guiding and enabling the Court's staff to use and implement the international standards in practice; ➤ Intensive specific training courses aiming to support the Court's staff to understand and implement the international auditing standards through seminars and/or presentations case studies and exercise groups. In the end of each of these sessions the participants will be 	<p>12 months Technical Assistance contract Team Leader, Short Term Experts, Romanian Experts</p>		<ul style="list-style-type: none"> ➤ Full commitment from the trained staff; ➤ Training centres financed through PHARE 2004 to be operative by mid 2006. ➤ After conducting the needs assessment on the investment requirements of the RCoA, the investment needs are real and justified.

<p>subject to the evaluation tests.</p> <p><i>task 4.6</i></p> <p>Improving the human resources management and the internal information flow of RcoA</p> <ul style="list-style-type: none"> • Providing good quality training facilities for managers and staff <ul style="list-style-type: none"> ➤ Procurement of sound installation for simultaneous translation for 30 staff/centre (for 5 centres) and of furniture (tables, chairs) for each of 5 professional training centres; ➤ Procurement of IT equipment. <p>Providing a real-time information flow of the Court's management with the local audit structures – pilot – through a national videoconference system.</p>	<p>Technical Specifications, Purchase of equipment</p>		
			Preconditions

Log frame

LOGFRAME PLANNING MATRIX FOR Project 4		Programme name and number	
Further institution building of the Romanian Court of Accounts including in order to support its role of Audit Authority as far as auditing the Community funds and protection of the Community interests is concerned		Contracting period expires: 2008	Disbursement period expires: 2009
		Total budget: 1.3 MEURO	Phare budget: 1.3 MEURO
Overall objective	Relates to Copenhagen criterion and acquis chapter	List of other projects with same objective	
To improve the legal and administrative capacity of the Ministry of the Public Finance and the Romanian Court of Accounts	<ul style="list-style-type: none"> • No.28 Financial Control 	<p>PHARE RO 0006.07 Strengthening the institutional capacities of the Romanian Court of Accounts</p> <p>PHARE RO-2002/000-586.03.03 Further institutional strengthening of the Court of Accounts</p> <p>PHARE/2004/016-772.03.01 Further institution building of the Romanian Ministry of Public Finance and Court of Accounts</p>	
Project purpose	Objectively verifiable	Sources of Verification	Assumptions

	indicators		
The project purpose is to enable the Romanian Court of Accounts to become a modern and professional external supreme control institution to perform its statutory tasks related to the sound management and use of both internal and EU public funds.	The Court's reports to the Parliament reflect the Court's new competences, including audit of European Union funds and of privatisation	The Court's reports to Parliament.	The Parliament establishes arrangements to consider the Court's reports and follow up recommendations.
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>Task 4.5: <i>Certification of the RCoA staff as international certified auditors</i></p> <ul style="list-style-type: none"> 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. <p>Task 4.6: <i>Improving the human resource management and the internal information flow of RCoA</i></p> <ul style="list-style-type: none"> Good quality training facilities for managers and staff. <ul style="list-style-type: none"> ➤ 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. 	<ul style="list-style-type: none"> ➤ 150 trained staff specialized in the following areas: implementation of INTOSAI Audit Standards, of the European Guidelines for the implementation of the INTOSAI Audit Standards and of the IFAC International Audit Standards; ➤ 150 certified specialised staff as international auditors. 	<p>Reports of the TA suppliers (key expert's reports);</p> <p>Monitoring performed by the Ministry of Public Finance / Management Authority for Community Aid Framework.</p> <p>Monitoring of the EC Delegation in Romania;</p>	<ul style="list-style-type: none"> ▪ Full commitment from the trained staff ▪ After conducting the needs assessment on the investment requirements of the RCoA, the investment needs are real and justified.

<ul style="list-style-type: none"> • Real-time information flow of the Court's management with the local audit structures – pilot <ul style="list-style-type: none"> ➤ national video-conference system set up. 	<ul style="list-style-type: none"> ➤ sound installation for simultaneous translation for 30 staff for 5 centres ➤ furniture for 5 professional centres ➤ 200 desktops and 110 printers ➤ national video-conference system 		
<p>Activities</p> <p>Certification of the RCoA staff as international certified auditors</p> <ul style="list-style-type: none"> ➤ Introduction in the fundamental requirements of the international standards on a standard-by-standard basis through seminars and/or presentations; ➤ Intensive training courses through seminars, presentations, case studies and/or exercise groups, aiming at guiding and enabling the Court's staff to use and implement the international standards in practice; ➤ Intensive specific training courses aiming to support the Court's staff to understand and implement the international auditing standards through seminars and/or presentations case 	<p>Means</p> <p>12 months Technical Assistance contract Team Leader, Short Term Experts, Romanian Experts</p>		<p>Assumptions</p> <ul style="list-style-type: none"> ➤ Full commitment from the trained staff; ➤ Training centres financed through PHARE 2004 to be operative by mid 2006. ➤ After conducting the needs assessment on the investment requirements of the RCoA, the investment needs are real and justified.

<p>studies and exercise groups. In the end of each of these sessions the participants will be subject to the evaluation tests.</p> <p><i>task 4.6</i></p> <p>Improving the human resources management and the internal information flow of RcoA</p> <ul style="list-style-type: none"> • Providing good quality training facilities for managers and staff <ul style="list-style-type: none"> ➤ Procurement of sound installation for simultaneous translation for 30 staff/centre (for 5 centres) and of furniture (tables, chairs) for each of 5 professional training centres; ➤ Procurement of IT equipment. <p>Providing a real-time information flow of the Court's management with the local audit structures – pilot – through a national videoconference system.</p>	<p>Technical Specifications, Purchase of equipment</p>		
			<p>Preconditions</p>

Annex 1E

Phare Programme Monitoring Sheet
MAP - Further institution building of the Romanian Ministry of Public Finance and Court of Accounts
PHARE 2006

Priority 1 - Completing the harmonisation of the tax legislation and strengthening the fiscal administration

Task	Result	Foreseen deadline	Source of information	Information provided by	Status	Proposed action by SMSC
Task 1.2 – Strengthening the fiscal administration reform (TW)						
	Circulation of twinning fiches	1st Quarter 2007	Offers received	EC Delegation		
	Offers' evaluation	2nd Quarter 2007	Evaluation fiches	CFCU		
	Twinning Contract approved	4th Quarter 2007	Twinning contract	CFCU		
	Improved system for the administration of fiscal statements by improved procedures and protocols concluded with other institutions involved;	2nd Quarter 2009	Project reports	MoPF/PIU		
	Electronic tax file;	2nd Quarter 2009	Project reports	MoPF/PIU		
	Centralized administration of taxes, levies and contributions;	2nd Quarter 2009	Project reports	MoPF/PIU		
	Fiscal procedures handbook;	2nd Quarter 2009	Project reports	MoPF/PIU		
	Improved system of administration for the non-resident persons subject to VAT	2nd Quarter 2009	Project reports	MoPF/PIU		

Task	Result	Foreseen deadline	Source of information	Information provided by	Status	Proposed action by SMSC
	taxation, who develop taxable operations in Romania by new working procedures;					
	Improved capacity of the fiscal administration to implement the Directive 49/2003/CE on a common system of taxation applicable to interests and royalty payments made between associated companies of different Member States;	2nd Quarter 2009	Project reports	MoPF/PIU		
	Improved risk analysis on VAT reimbursement, as the result of the implementation of the harmonised legislation and the exchange procedure for intra-community information;	2nd Quarter 2009	Project reports	MoPF/PIU		
	Improved procedures for control of the VAT reimbursement;	2nd Quarter 2009	Project reports	MoPF/PIU		
	Improved system for the VAT reimbursement;	2nd Quarter 2009	Project reports	MoPF/PIU		
	Guides and procedures for fiscal administration of the Romanian operators performing intra-community activities;	2nd Quarter 2009	Project reports	MoPF/PIU		
	Proposals for improving the assistance services for taxpayers;	2nd Quarter 2009	Project reports	MoPF/PIU		
	Strategy and action plans regarding the dissociation of tax administration activity in “ <i>front office</i> ” and “ <i>back office</i> ”;	2nd Quarter 2009	Project reports	MoPF/PIU		
	Increased competence of the staff from	2nd Quarter	Project reports	MoPF/PIU		

Task	Result	Foreseen deadline	Source of information	Information provided by	Status	Proposed action by SMSC
	the tax administration;	2009				
	Updated action plans for training in tax administration field;	2nd Quarter 2009	Project reports	MoPF/PIU		
	Improved professional training structure.	2nd Quarter 2009	Project reports	MoPF/PIU		

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

Task	Result	Foreseen deadline	Source of information	Information provided by	Status	Proposed action by SMSC
Task 2.11 - Improving the MoPF capacity to apply the EC Regulation no. 659/1999 (AT)						
	Terms of Reference drawn up and approved	1 st Quarter 2007	Transmission Note	CFCU, EC Delegation		
	Tender notice	1 st Quarter 2007	www.europa.eu.int	CFCU		
	Shortlist established	2 nd Quarter 2007	Shortlist	CFCU		
	Tender launched	3 rd Quarter 2007	Tender publication	CFCU		
	Contract signed	4 th Quarter 2007	Signed contract	CFCU		
	Diagnostic study regarding the current situation assessment	4 th Quarter 2008	Project reports	MoPF/PIU		
	Improved norms for applying by the Ministry of Public Finance coherent measures in order to recover illegal	4 th Quarter 2008	Project reports	MoPF/PIU		

Task	Result	Foreseen deadline	Source of information	Information provided by	Status	Proposed action by SMSC
	and forbidden state aids					
	Diagnostic study regarding the existing flow chart of the MoPF involved in the state aids recovery	4 th Quarter 2008	Project reports	MoPF/PIU		
	Organizational flow chart, responsibilities and hierarchical relations established for the Ministry of Public Finance structure in charge with the state aids recovery considered illegal and forbidden	4 th Quarter 2008	Project reports	MoPF/PIU		
	Improved information flows between departments involved	4 th Quarter 2008	Project reports	MoPF/PIU		
	Analysis of the current legal framework that allows financial state aids	4 th Quarter 2008	Project reports	MoPF/PIU		
	Diagnostic study regarding the financial state aids categories	4 th Quarter 2008	Project reports	MoPF/PIU		
	The minimum information necessary to notify a financial state aid measure	4 th Quarter 2008	Project reports	MoPF/PIU		
	State aids notifications further improved	4 th Quarter 2008	Project reports	MoPF/PIU		
	Staff training in order to strengthen the notification of the state aids measures from the required information quality point of view	4 th Quarter 2008	Project reports	MoPF/PIU		

Priority 3 - Continuing the implementation of the IT strategy

Task	Result	Foreseen deadline	Source of information	Information provided by	Status	Proposed action by SMSC
Task 3.1 – Development and implementation of new IT applications related to the optimisation of the business environment and taxpayers’ assistance (TA)						
	Terms of Reference drawn up and approved	1 st Quarter 2007	Transmission Note	CFCU, EC Delegation		
	Tender notice	1 st Quarter 2007	www.europa.eu.int	CFCU		
	Shortlist established	2 nd Quarter 2007	Shortlist	CFCU		
	Tender launched	3 rd Quarter 2007	Tender publication	CFCU		
	Contract signed	4 th Quarter 2007	Signed contract	CFCU		
	E-Government – taxpayers and traders are able to inter-act with the Administration at different levels, according to the objectives of e-Europe+ (program in implementation in Romania, to which the MoPF is part)	4 th Quarter 2008	Project reports	MoPF/PIU		
	Transition to the processing focused on document and not on data related to the tax return forms and payment documents;	4 th Quarter 2008	Project reports	MoPF/PIU		
	Integrated IT System in a centralized database and communication architecture, using web technologies in order to support all the MoPF and Customs activities and offer better services to taxpayers and traders through Internet;	4 th Quarter 2008	Project reports	MoPF/PIU		
	New IT applications developed for the	4 th Quarter 2008	Project reports	MoPF/PIU		

Task	Result	Foreseen deadline	Source of information	Information provided by	Status	Proposed action by SMSC
	taxpayers assistance (including customs business), especially for submitting the tax returns through Internet and other electronic means;					
	Portal of the MoPF established and connected to the Portal of Public Administration;	4 th Quarter 2008	Project reports	MoPF/PIU		
	Increased electronic exchange of information with other central and local administration (including Customs);	4 th Quarter 2008	Project reports	MoPF/PIU		
	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);	4 th Quarter 2008	Project reports	MoPF/PIU		
	Improved assistance to the taxpayers through electronic interfaces (e-readiness indicators will be used);	4 th Quarter 2008	Project reports	MoPF/PIU		
	New IT applications for the taxpayers assistance (including customs business), especially for submitting the tax returns through Internet for all taxpayer categories (large/small, real/legal person) and for electronic payment;	4 th Quarter 2008	Project reports	MoPF/PIU		

Task	Result	Foreseen deadline	Source of information	Information provided by	Status	Proposed action by SMSC
	Integrated IT system in the field of supporting the business environment (including customs business) and taxpayers assistance;	4 th Quarter 2008	Project reports	MoPF/PIU		
	Reduced costs, by decreasing the investment needed to support a centralised solution;	4 th Quarter 2008	Project reports	MoPF/PIU		
	Decreased corruption, by the electronic collection of taxes and eliminated standing in queue;	4 th Quarter 2008	Project reports	MoPF/PIU		
	Controlled tax collection;	4 th Quarter 2008	Project reports	MoPF/PIU		
	Increased budget control and better cash-flow management.	4 th Quarter 2008	Project reports	MoPF/PIU		

Task 3.3 – Increasing the integration level of new IT and communication systems (TA)

	Terms of Reference drawn up and approved	1 st Quarter 2007	Transmission Note	CFCU, EC Delegation		
	Tender notice	1 st Quarter 2007	www.europa.eu.int	CFCU		
	Shortlist established	2 nd Quarter 2007	Shortlist	CFCU		
	Tender launched	3 rd Quarter 2007	Tender publication	CFCU		
	Contract signed	4 th Quarter 2007	Signed contract	CFCU		
	Specific web-enabled applications finalised;	2 nd Quarter 2009	Project reports	MoPF/PIU		
	Migration of the applications to web-	2 nd Quarter 2009	Project report	MoPF/PIU		

	enabled technology and centralized architecture finalized;					
	Data warehouse improved;	2 nd Quarter 2009	Project reports	MoPF/PIU		
	The building process of the Disaster Recovery Centre finalized;	2 nd Quarter 2009	Project reports	MoPF/PIU		
	Extension of the project for invoices management if new requirements are growing or changes of the current specifications are required;	2 nd Quarter 2009	Project reports	MoPF/PIU		
	Training on analysis, development and programming activities, specific to the methods and tools proposed, project management, management of the system, databases, applications, communications and the inventory;	2 nd Quarter 2009	Project reports	MoPF/PIU		
Task 3.3 – Increasing the integration level of new IT and communication systems (INV)						
	Technical Specifications drawn up and approved	1 st Quarter 2007	Transmission Note	CFCU, EC Delegation		
	Tender notice	1 st Quarter 2007	www.europa.eu.int	CFCU		
	Tender launched	2 nd Quarter 2007	Tender publication	CFCU		
	Contract signed	3 rd Quarter 2007	Signed contract	CFCU		
	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;	3 rd Quarter 2008	Final acceptance report	MoPF/PIU		
	Implemented strategy and technical	3 rd Quarter 2008	Final	MoPF/PIU		

	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 (upgrade of hardware, software and communications for the Disaster Recovery Centre in order to become Business Continuity Centre);		acceptance report			
	Up-dated data security system for data storage, transmission and usage; data access control system;	3 rd Quarter 2008	Final acceptance report	MoPF/PIU		
	Workstations (WS), printers, communications equipment to contribute to increase the ratio WS/staff from 80% to 90%.	3 rd Quarter 2008	Final acceptance report	MoPF/PIU		

Priority 4 - Improving the institutional capacity of the Romanian Court of Accounts including in order to support its role of Audit Authority as far as auditing the Community funds and protection of the Community interests is concerned.

Task	Result	Foreseen deadline	Source of information	Information provided by	Status	Proposed action by SMSC
Task 4.5 – Continuing the certification of the RCoA staff as international certified auditor (TA)						
	Terms of references drawn up and approved	1 st Quarter 2007	Transmission Note	CFCU, EC Delegation		
	Tender notice	1 st Quarter 2007	www.europa.eu.int	CFCU		

Task	Result	Foreseen deadline	Source of information	Information provided by	Status	Proposed action by SMSC
	Shortlist established	2 nd Quarter 2007	Shortlist	CFCU		
	Tender launched	2 nd Quarter 2007	Tender publication	CFCU		
	Contract signed	3 rd Quarter 2007	Signed contract	CFCU		
	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 th Quarter 2008	Project reports	RCoA/PIU		
Task 4.6 – Improving the information flow at national level (INV)						
	Technical Specifications drawn up and approved	1 st Quarter 2007	Transmission Note	CFCU, EC Delegation		
	Tender notice	1 st Quarter 2007	www.europa.eu.int	CFCU		
	Tender launched	2 nd Quarter 2007	Tender publication	CFCU		
	Contracts signed	3 rd Quarter 2007	Signed contracts	CFCU		
	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	2 nd Quarter 2008	Final acceptance report	RCoA/PIU		

Task	Result	Foreseen deadline	Source of information	Information provided by	Status	Proposed action by SMSC
	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	2 nd Quarter 2008	Final acceptance report	RCoA/PIU		

Contracting And Disbursement Schedule By Quarter

Priority 1 - Completing the harmonisation of the tax legislation and strengthening the fiscal administration Phare 2006

Phare (Meuro)

	31/03 2007	30/06 2007	30/09 2007	31/12 2007	31/03 2008	30/06 2008	30/09 2008	31/12 2008	31/03 2009	30/06 2009	30/09 2009	31/12 2009
	Q I	Q II	Q III	Q IV	Q I	Q II	Q III	Q IV	Q I	Q II	Q III	Q IV
Task 1.2 – Strengthening the fiscal administration reform (TW): 0.800 Meuro Phare												
CONTRACTED				0.800								
DISBURSED					0.640	0.640	0.640	0.640	0.640	0.720	0.800	

□

Priority 2 - Continuing the development of the legal framework and of the administrative capacity for the strengthening of the public finance management Phare 2006

Phare (Meuro)

	31/03 2007	30/06 2007	30/09 2007	31/12 2007	31/03 2008	30/06 2008	30/09 2008	31/12 2008	31/03 2009	30/06 2009	30/09 2009	31/12 2009
	Q I	Q II	Q III	Q IV	Q I	Q II	Q III	Q IV	Q I	Q II	Q III	Q IV
Task 2.11 – Improving the MoPF capacity to apply the EC Regulation no. 659/1999 (TA): 0.500 Meuro Phare												

	31/03 2007	30/06 2007	30/09 2007	31/12 2007	31/03 2008	30/06 2008	30/09 2008	31/12 2008	31/03 2009	30/06 2009	30/09 2009	31/12 2009
	Q I	Q II	Q III	Q IV	Q I	Q II	Q III	Q IV	Q I	Q II	Q III	Q IV
CONTRACTE D				0.500								
DISBURSED					0.300	0.350	0.400	0.450	0.500			

**Priority 3 - Continuing the implementation of the IT strategy
Phare 2006**

Phare (Meuro)

	31/03 2007	30/06 2007	30/09 2007	31/12 2007	31/03 2008	30/06 2008	30/09 2008	31/12 2008	31/03 2009	30/06 2009	30/09 2009	31/12 2009
	Q I	Q II	Q III	Q IV	Q I	Q II	Q III	Q IV	Q I	Q II	Q III	Q IV
Task 3.1 – Development and implementation of new IT applications related to the optimisation of the business environment and taxpayers’ assistance (TA): 0.300 Meuro Phare												
CONTRACTE D				0.300								
DISBURSED					0.180	0.210	0.240	0.270	0.300			
Task 3.3 – Increasing the integration level of new IT and communication systems (TA): 1.000 Meuro Phare												
CONTRACTE D				1.000								
DISBURSED					0.600	0.660	0.720	0.780	0.840	0.900	1.000	

	31/03 2007	30/06 2007	30/09 2007	31/12 2007	31/03 2008	30/06 2008	30/09 2008	31/12 2008	31/03 2009	30/06 2009	30/09 2009	31/12 2009
	Q I	Q II	Q III	Q IV	Q I	Q II	Q III	Q IV	Q I	Q II	Q III	Q IV
DISBURSED				0.780	0.877	0.975	1.072	1.170	1.300			
Task 4.6 – Improvement of the human resources management and the internal information flow of RCoA (INV): 3.000 Meuro Phare + 1.000 Meuro National Co-financing = 4.000 Meuro												
CONTRACTE D			3.000									
DISBURSED				1.800	2.000	2.400	3.000					

ANNEX 5

Reference list of relevant laws and regulations

The reference list of relevant laws and regulations is attached to the original Sector Programme Fiche 2004-2006.
Regarding the task no. 2.11 – Law no 603/2003 regarding the state aid.

Lesson Learnt PHARE 2006

<i>Identified Gaps or Recommended courses of intervention</i>	<i>Action for covering the Gap or implement the recommended intervention (financed by EU Phare funds)</i>	<i>On going and foreseen actions for covering the Gap or implement the recommended intervention (financed from own resources) <u>legislative and institutional progress</u></i>	<i>Phare Programming (Project Reference) 2006</i>
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<p>Accession Partnership 2003 <i>Economic criteria</i> 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</p> <p>2004 Regular Report on Romania towards accession Economic Criteria</p> <ul style="list-style-type: none"> - Fiscal sustainability needs to be strengthened by advancing expenditure reform and further improving tax compliance - Particular attention has to be paid to further strengthening revenue collection, controls and audit as well as to bring activities in the black economy into the open - Improvement of the IT system is necessary to speed up the procedures of VAT return. 	<ul style="list-style-type: none"> • Activities in order to reach a high level of revenues collection by improving the NATA's capacity to cope with the pressure raised by the accession to the EU - Improving the system of fiscal statements administration - Harmonizing the procedures for centralized administration of taxes, levies and contributions 		<p>1.2 Strengthening the fiscal administration (TW)</p>
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<p>2005 Comprehensive Monitoring Report <i>Economic Criteria</i></p> <ul style="list-style-type: none"> - VAT administration is still perceived as an obstacle by many businesses, particularly as regards reimbursement delays. - The pro-cyclical impact of public sector wage slippage and major tax cuts, which risk causing a lasting decline of tax revenues. - The overall policy mix turned less prudent, notably due to pro-cyclical tax cuts and strong wage growth. - The totality of enterprises in which the state holds majority or minority shares still suffer from low profitability. Out of 1950 such companies, more than half posted net losses. - The accumulation of new arrears was not brought to a standstill. - Continued use in 2004 of debt cancellation for individual companies created an adverse incentive in the enterprise sector at large for non-payment of tax and social security obligations. - No particular success in reforming expenditures can be noted. The modernised Public Finance Law was applied to elaborate indicative multi-annual budgets, set expenditure ceilings for budgetary agents and make use of budgetary reserve funds. 		<p>General consolidated budget execution in 2005, was affected by the fiscal lessening measures, maintaining the objective regarding the contribution of sustaining the descending trend of the inflation rate and the current account deficit evolution in sustainable limits. According to this objective, the budgetary deficit target initially established at 1.5 % of GDP has decreased at 1.0 %, obtaining a 0.8 % deficit.</p> <p>At the end of 2005 the deficit was in amount of RON 2,362.3 million, respective 0.8 % points of GDP, leading to a primary balance account of 0.2 % of GDP, strengthening the fiscal sustainability.</p> <p>From the situation presented on 31.12.2005, for the monitored companies, under the provisions of the EGO no. 79/2001 for straightening the economic – financial discipline and other financial provisions, has resulted a total arrears, in amount of 8944.5 million RON, diminishing compared to the program by 2760.6 million RON, namely by 23.6%.</p>
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<p>This was complemented by further fiscal decentralisation, which increased the fiscal autonomy of local authorities in terms of the allocation of revenues and expenditures, but without at the same time strengthening control mechanisms for local public finances.</p> <ul style="list-style-type: none"> - Romania has not yet established a clear medium-term expenditure framework to support the reallocation of public expenditure towards human capital, infrastructure and administrative capacity. - A better link between the budget execution and an overall strategy for reallocating public spending is needed, including a more prominent role for the multi-annual budgetary framework. - The privatisation process continued, but slowed down. The total number of companies in state ownership decreased from 1187 in mid-2004 to 1180 in mid-2005, of which close to 90% belonged to the AVAS. - Bankruptcy and other liquidation procedures are not yet effectively applied to foster market exit. Bankruptcy or liquidation procedures remained cumbersome and have not yet become an effective way to foster competition and deter continued accumulation of debts. 		<p>As regards the arrears to the state consolidated general budget, (without increases and/or delay penalties) these are in amount of 1599.8 million RON, and have registered a reduction compared with the established program in amount of 1101.0 million RON, respectively by 40.8%, and compared on 31.12.2004 a reduction in amount of 402.3 million RON.</p> <p>According to the Law no. 64/1995 regarding the judicial reorganization and bankruptcy, republished, subsequently amended and completed, during 01.09.2005-31.12.2005, at the competent Court, there have been submitted 699 introductory applications for budgetary claims, amounting of 647.3 million RON.</p>	
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<p>2005 Comprehensive Monitoring Report</p> <p>Chapter 5 “Company law”</p> <p>With regard to accounting and, in particular, the transposition of the 4th and 7th directive, a number of issues still have to be corrected in the Romanian legislation.</p>		<p>The fully harmonization with European Directives from the accounting field (4th and 7th) has been ensured by the MoPF Order no. 1.752/17.11.2005 for approving the accounting regulation in accordance with European directives. (OJ. no. 1.080 bis/30.11.2005);</p>	
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<p>Accession Partnership 2003 Competition policy - Complete the legislative framework in both State aid and anti-trust; - Improve the State aid enforcement record.</p> <p>2004 Regular Report on Romania towards accession</p> <p><i>Chapter 6 “Competition policy“</i></p> <ul style="list-style-type: none"> - Major efforts are needed to ensure <i>ex-ante</i> notification of all new aid measures, proper accumulation control and full enforcement of state aid rules in relation to restructuring cases, payment deferrals and measures in connection with privatization. A pro-active follow-up of the actual implementation of decisions is also important; - As regards state aid, major efforts should be made to resolve the problem of alignment of incompatible state aid schemes and to enforce state aid rules. 	<ul style="list-style-type: none"> - Activities in order to improve the notification process for the state aid and to establish the measures needed for the recovery of illegal and forbidden state aids. - Analyzing of the current legal framework that allows financial state aids. - Improving norms by which the Ministry of Public Finance will apply coherent measures in order to recover illegal and forbidden state aids. 		<p>2.11 Improving the MoPF capacity to apply the EC Regulation no. 659/1999 (TA)</p>
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<p>2005 Comprehensive Monitoring Report Competition policy</p> <ul style="list-style-type: none"> - <i>Romania must increase efforts to meet the commitments and requirements arising from the accession negotiations in the state aid area;</i> - <i>Furthermore, attention needs to be given to following up the actual implementation of decisions;</i> - Major continued efforts are therefore required to ensure ex-ante notification of all new aid measures in relation to restructuring cases, payment deferrals and measures in connection with privatization; - Knowledge and respect of state aid rules among aid granting authorities need to be further developed. <p>Commitments in negotiations</p> <ul style="list-style-type: none"> - Assessment of all existing state aid, including the fiscal aids and alignment of the incompatible ones; - strict implementation of the ex-ante notification of all state aid measures before their approval; - recovery of illegal or forbidden state aids. 	<p>Training of the staff in order to strengthen the notification of the state aids measures from the required information quality point of view.</p> <ul style="list-style-type: none"> - Identifying the minimum information needed for notifying a financial state aid measure; - Diagnostic study regarding the financial state aids categories; - Further improving the State aids notifications; - Improved norms for applying by the Ministry of Public Finance coherent measures in order to recover illegal and forbidden state aids. 		
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<p>Accession Partnership 2003 • <i>Chapter 10 Taxation</i></p> <p>Develop IT systems so as to allow for the exchange of electronic data.</p> <p>2004 Regular Report on Romania towards accession <i>Chapter 10 „Taxation”</i> The administrative capacity of the entire Romanian tax administration needs to be improved significantly. Romania still needs to complete transposition of the Directives concerning indirect taxes on the raising of capital, parent-subsidiary, interest and royalties and savings.</p> <p>2004 Regular Report on Romania towards accession <i>Chapter 10 Taxation</i> As regards administrative capacity, Romania has made some progress. Nevertheless, its administrative capacity remains weak. Particular attention has to be paid to strengthening the revenue collection, control and audit functions. Although a new system for risk-based controls at refund has been introduced, delays in VAT refund continue to occur.</p>	<p>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.</p> <ul style="list-style-type: none"> • Drawing-up the legislation (regulating and administration provisions) necessary for implementing the Directive 49/2003/CE on a common system of taxation applicable to interests and royalty payments made between associated companies of different Member States; • Improving the system of administration for the not resident persons subject to VAT taxation, who develop taxable operations in Romania by elaborating new working procedures; • Improving the risk analysis on VAT reimbursement, as the result of the implementation of the harmonised legislation and the exchange information procedure; • Improving the procedures for control of VAT reimbursement; • Improving the VAT reimbursement system; 	<p>At the budget rectification for year 2005 (GEO no. 66/29.06.2005) it was approved a supplementary amount of Meuro 3 for the Ministry of Public Finance. This amount was meant for purchasing IT equipment helping the ministry preparation for the IT exchange of information with European Union.</p> <p>The main objective of the fiscal policy in the VAT field is represented by the legal approximation with the European legislation, until the date of accession to the European Union. Thus, it was elaborated a draft for amending the Tax Code through which several amendment were made in the field of VAT, that will enter into force at the date of accession. The most important amendment regard:</p> <p>1. Including in the national legislation the transitional regimme in the VAT field, which will be applied only in the relation with the EU member states.</p>	<p>3.1 Development and implementation of new IT applications related to the optimisation of the business environment and taxpayers’ assistance (TA)</p> <p>1.2 Strengthening the fiscal administration (TW)</p>
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<p>The system needs to be improved and extended in order to reduce delays and combat fraud, which remain significant problems. Romania should address as a matter of urgency tax evasion, most notably in the area of excise duties and with specific regard to alcoholic products, by strengthening control mechanisms and structures. Adequate plans should also be developed for the shift in VAT controls from import to domestic and intra-EU transactions after accession.</p> <p>2005 Comprehensive Monitoring Report <i>Chapter 10 „Taxation”</i></p> <p>Romania needs to step up significantly its efforts if it is to ensure that it will be able to meet its tax IT interoperability requirements upon accession.</p> <p>As regards administrative cooperation and mutual assistance, Romania should complete legislative alignment and undertake the necessary preparations to be able effectively to exchange information with EU Member States as of accession.</p>	<ul style="list-style-type: none"> • Finalising the specific web-enabled applications; • Improving the data warehouse; • Consolidating the appropriate IT infrastructure; • Finalising the migration of the applications to web-enabled technology and centralised architecture; • Finalising the implementation of the project for the building of the Disaster Recovery Centre; • Extension of the project for invoices management if new requirements are growing or changes of the current specifications are required; • Training activities on analysis, development and programming activities, specific to the methods and tools proposed, project management, management of the system, databases, applications, communications and the inventory; 	<p>2. Transposition of the directives VIII and XIII, that establish the VAT refund procedure for transactions carried on in Romania by foreign taxable persons, established both in EU member states (Directive VIII) and in third countries (Directive XIII).</p> <p>3. Elimination of VAT exemptions that are not allowed by the Sixth Directive:</p> <ul style="list-style-type: none"> - VAT exemption for operations financed from non-reimbursable funds granted by international bodies or foreign governments; - VAT exemption for commodity exchange; VAT exemption for veterinary medical care; - VAT exemption for river transport for the inhabitants of the Danube Delta and on the routes between Orsova-Moldova Noua, Braila-Harsova, Galati-Grindu; - VAT exemption with the right of deduction for the construction of religious building; - VAT exemption for the activity of research-development and innovation. 	<p>3.3. - Increasing the integration level of new IT and communication systems (Technical Assistance and Investments)</p>
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- Up-grading the hardware, software and communications for the Disaster Recovery Centre in order to become Business Continuity Centre in order to secure the centralised databases;
- Data security system for data storage, transmission and usage; data access control system;
- Purchasing workstations (WS), printers, communications equipment to increase the ratio WS/staff from 80% to 90%.

4. Introducing VAT exemptions that are provided by the Sixth Directive and were not implemented yet in the national legislation, as:

- VAT exemption for deliveries of constructions that are not considered new, as well as deliveries of land, excepting for that designated for constructions;
 - VAT exemption for postal public services;
 - VAT exemption for private lessons by teachers at secondary school and university level;
- VAT exemption for postal stamps with marking role within the country.

5. Introducing in the national legislation other provisions like:

- adjusting of the right to deduction;
- introducing the special schemes for farmers, at the same time with eliminating the respective VAT exemption;
- introducing the special schemes for travel agents, second hand goods, works of art, antiques and collectors' items, investment gold, goods on consignment and gage. Currently, for these fields, special rules are applied, alike those provided by the directive.

<p>2004 Regular Report on Romania towards accession</p> <p>With regard to IT and interconnectivity, Romania has started to make progress in this area but efforts should be sustained with high momentum, as the time frame is already tight.</p>	<ul style="list-style-type: none"> - Developing new portal applications for taxpayer's assistance; - Continuing migration of the applications designated to support the taxpayer's assistance and customs' business (as priority) to web-enabled technology and centralised architecture; - Further training on analysis, development and programming using specific methods and tools. 		<p>3.1. - Development and implementation of new IT applications related to the optimization of business environment and taxpayers' assistance</p>
<p>2005 Comprehensive Monitoring Report Chapter 11 "Economic and Monetary Union"</p> <p>Romania needs to establish the necessary safeguards to avoid that the national bank bears financial commitments of the state sector through monetary financing.</p>		<p>During this year the Law of Public Dept will be modify in accordance with these recommendations.</p>	

<p>Commitments in negotiations <i>Chapter 21 „Regional policy and coordination of structural instruments”:</i></p> <ul style="list-style-type: none"> - Setting up of an integrated management information system. <p>2005 Comprehensive Monitoring Report</p> <ul style="list-style-type: none"> - Some budgetary legislation and instruments still need to be revised and completed to ensure full multi-annual budget programming and budgetary flexibility; 		<p>Through the Law of State budget in 2006 (no.370/2005) is ensured the necessary flexibility for absorption and implementation of the structural funds. Thus, starting with 2007, the necessary measures between the main spending agencies that are managing non-reimbursable funds, including the ones regarding the co-financing from the State budget, with the condition of registering in the total level of the non-reimbursable external funds of the related co-financing.</p>	
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<ul style="list-style-type: none"> - The legislation related to Public Private Partnership and concessions as well as secondary legislation and methodological norms need to be further harmonized. A reliable ex-ante procurement control system needs to be set up and become fully operational on all relevant levels; - Action is needed regarding the strengthening of the administrative capacity across all main ministries and other relevant bodies on central, regional and local level, including in relation to the European Social Fund and especially for some lagging structures such as the management of the future Competitiveness programme. - Staffing level and the pace of recruitment needs to be improved in order to reduce the related backlogs; - Cooperation between central and regional level must be significantly strengthened. The Single action plan aiming at improving the management of EU funds in Romania needs to be put into effective and rapid implementation. - The co-financing mechanisms especially at local level need to be clarified and secured. 		<p>The co-financing mechanism was included in the draft legal act regarding the amendment and completion of the Emergency Government Ordinance no. 45/2003 regarding the local public finance, with subsequent amendments and completions.</p>	
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<ul style="list-style-type: none">- There are serious concerns in relation to the administrative capacity of the institutional structures, and in the area of financial management and control. Immediate action is required to strengthen administrative capacity across all concerned bodies at national, regional and local level, including in relation to the European Social Fund;- The cooperation between the central and regional level needs to be clarified and considerably improved. The ability of Romania to guarantee sound financial management and control should be considerably strengthened to be ready by the date of accession.			
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<p>ECOTEC – Interim Evaluation Report R/RO/FIN/0519</p> <ul style="list-style-type: none"> - Improvements to the tax administration remain heavily reliant on the modernization of its IT infrastructure and training of staff across the country - Increasing voluntary tax compliance remains an important element of improving tax collection 	<ul style="list-style-type: none"> - Training the necessary number of personnel within the Tax Administration; - Updating the actions plans for the tax administration field training; - Improving the organizational chart and the professional requirements for the professional training structure. • Making an inventory of the assistance services granted by the Fiscal administration to the taxpayers: <ul style="list-style-type: none"> - identifying the weak and the strong points of the services system; - proposals on improving the existing services and for introducing new services adapted to the Romanian Fiscal Administration; recommendations on the methods to be adopted for their implementation. 		<p>1.2 Strengthening the fiscal administration (TW)</p>
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<p>Chapter 25 “Customs”</p> <p>The eCustoms multi-annual strategic plan (MASP), sets down the vision, objectives, the strategic framework and the milestones to implement the eCustoms initiative. The MASP contains the following elements:</p> <ul style="list-style-type: none"> ▪ Legal changes and simplification; ▪ Operational convergence; ▪ Development of computerized customs systems. <p>The Council Resolution of December 5, 2003, which endorsed the Communication by the Commission on a simple and paperless environment for customs and trade, invites the Commission to “draw up, in close cooperation with Member States, a multi-annual strategic plan, aiming at creating a European electronic environment, which is consistent with the operational and legislative projects and developments scheduled or underway in the areas of customs and indirect taxation”.</p> <p><i>(2005 – e-Customs Multi-Annual Strategic Plan)</i></p> <p>The results of the DGTAXUD monitoring visit held on NCA premises on 10 November 2005, reflect the following milestones:</p> <ul style="list-style-type: none"> ▪ Setting up a Help Desk environment ▪ Optimize the actual infrastructure ▪ Improvement of IT working procedures and provide the necessary hardware and software equipments ▪ Participate to the strengthening of CCN network. 	<p>Development of the following computerized components to sustain a paperless environment, an e-Government platform based on:</p> <ul style="list-style-type: none"> ▪ Portal applications in order to sustain the business environment ▪ IT application to support the taxpayers assistance and business environment, including customs application ▪ Dedicated electronic interfaces <p>Improvement of the security procedures and deploying new IT solutions in order to provide a secure environment ready to sustain the electronic exchange of information.</p> <p>Development of training activities to ensure with human resources trained for business and technical support within the Help Desk.</p> <p>Enhancement of the IT staff capacity in order to manage the hardware and software equipments.</p>		<p>3.1. - Development and implementation of new IT applications related to the optimization of business environment and taxpayers’ assistance</p>
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Monitoring visit on 4-5 October 2005
“Customs and taxation IT interoperability and IT interconnectivity”

The 4th Meeting of the Customs 2007 IT Technical Group joined with the SCAC Information Technology Sub-Committee (SCIT) and the Excise Computerisation Working Party (ECWP) underlined the necessity to raise awareness among the politic environment in order to sustain with staff and equipment for the implementation of e-Customs programme.

Romania 2005 Comprehensive Monitoring Report:

- Attention also needs to be paid to improving the practical use of risk-analysis criteria, coupled with post-clearance controls.
- Post-clearance audits need to be improved significantly. Clear and uniform procedures need to be developed and distributed to all post-clearance control departments at regional level.
- Several issues will need to be resolved rapidly, such as plans to redeploy staff after accession, rationalising the training approach and channels, or full use of the School for Public Finance facilities.

- The pre-conformance tests and the conformance tests for NCTS 3.2. and TARIC & tariff related systems have been fulfilled successfully in direct connection with the EC systems.
- The draft of the new Romanian Customs Code was drawing up, observing as such the structure of the Community Customs code and changing significantly the Romanian customs legislation. The Customs Code draft was approved by the Government of Romania, adopted by the Senate of Romania and it is at present under consideration at the Deputies Chamber of Romania.
- A Commission of analyzing the reorganization of the customs activity after the adhesion of Romania to the European Union was set up at the NCA level.

In 2005 the percentage of using simplified procedures was of 40% as compared to the whole customs operations.

Chapter 25 „Customs union”:

Accelerate the implementation of the IT strategy of the Romanian customs administration; develop IT systems to permit the exchange of computerized data within the enlarged Community; prepare for installation and operation of CCN/CSI (Common Communication Network / Common System Interface).

- Methodological norms of post-clearance control were drawn up, based on the stipulations of the new Romanian Customs Code and Rules of Application of the Romanian Customs Code, norms which are significantly improved as compared to the current methodological framework. The norms have in view the harmonization of the stipulations contained by the internal fiscal regulations and the concept existent at Community level on the general principles of the customs control activity based on the risk analysis.
- Starting with March 2005 the courses delivered through the School of Public Finance and Customs included about 1050 customs officers, out of which over 200 persons was trained as trainers in different fields (e.g: common agriculture policy, simplified procedures, origin of goods etc). Monthly training sessions were carried out in each interior or border customs office and the inter-institutional professional training programs are on-going.

3.3. - Increasing the integration level of new IT and communication systems (Technical Assistance and Investments)

<p>2005 Comprehensive Monitoring Report <i>Chapter 28 “Financial control”</i></p> <p>As far as the control over structural action expenditure is concerned, the manuals on internal audit for the Phare, ISPA and SAPARD programmes still need to be improved.</p> <p>Progress by Romania’s implementing agencies has not been sufficient, given the increase in programmed levels of EU support from 2004 onwards. The lack of a corresponding increase in management and control capacity has prevented Romania providing the required degree of assurance on the decentralised authorities’ systems.</p> <p>-</p>		<p>In accordance with the recommendation of the Assessment Mission have been revised and completed the manuals of procedures for Phare and ISPA programmes</p> <p>The Romanian official request to pass at EDIS phase, has been submitted to European Commission in 23 December 2005.</p>	
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Chapter 29 “*Financial and budgetary provisions*”

The implementation of the Customs Accounting System needs to be completed and the IT module in the accounting system for managing the A & B accounts and generating the related statements automatically needs to be developed.

Continued efforts are needed to strengthen administrative capacity for the calculation of the **VAT-based resource**, in particular for the Weighted Average Rate (WAR) of VAT. The capacity to collect and control VAT, including instruments to combat fraud and evasion must be further developed..

- Implementation procedures and the structures to collect and control the tax on sugar;

Development of the capacity to collect and control of VAT and customs tax;

Procurement procedure for this IT application was started, terms of reference being drawn-up. The tender process will take place during 27 February and 3 March within National Authority for Customs;

The handbook on the administration of European Union own resources drawn-up with support of Greek experts (October, 2005) includes also working procedures for submitting the fraud and irregularity reports by OWNRES system;

National Authority for Customs identified the related legal acts for post-clearance control and analyzed the existing reports for best practice in some Members States; and also there were required from local bodies the proposals for amending the post-clearance control procedures;

Experts from the Ministry of Public Finance and National Institute for Statistics, with support of Greek experts, have performed during 2005, the simulation exercises for computing the weighted average rate calculated for 2004 taking into

		consideration the application of the VAT standard rate of 19% and reduced VAT rate of 9% and the correction for farmers integrated in the flat-rate scheme – its impact on the calculation of the VAT own resources base if this special regime would applied in Romania starting with 2006.	