

Standard Summary Project Fiche

1. Basic Information

1.1 Number: RO-2002/000-586.03.04

1.2 Title:

Support for the Strategic Plan of the Ministry of Public Finance

1.3 Sector:

Public Finance

1.4 Location:

Romania, Ministry of Public Finance

2. Objectives

2.1 Overall Objective:

Improving of the legal and administrative capacity of the Ministry of Public Finance regarding the elaboration and implementation of the budgetary and fiscal policies of the Government in connection with the other economics-social policies and with the accession requirements to the European Union.

2.2 Project purposes:

The following purposes are envisaged to be completed for achieving a modern ministry which will contribute in a uniform, efficiently and transparent approach and will be oriented to stakeholders, for elaborating and implementing the Government Strategy and Programme in the field of Public Finance:

A. Institution building regarding the elaboration and implementation of the budgetary policy and public debt administration

(A1) Improving the organisation and performance of the public accounting system in accordance with the European and international standards in force for obtaining the relevant information regarding the patrimony management and efficiently using the public resources by transition from "cash" based accounting to "accrual" based accounting (foreseen by ESA 95);

(A2) Strengthening of the budgetary process, by designing and implementing a complete model simulation of the Romanian contribution to the European Union budget;

(A3) Improving the organisation and performance of the Treasury system as well as Public Debt management by strengthening capacity for managing the financial resources of the State in accordance with the European standards in force.

(A4) Strengthening the capacity of the Romanian Ministry of Public Finance to perform more effectively its role in the design, implementation and monitoring of the economic policy, as well as to build up the necessary know-how in designing and monitoring the economic strategies of Romania during the pre-accession period and beyond it;

(A5) Institution-Building regarding the further elaboration and development of the treasury administration, control, and audit functions of the National Fund as regards to the Pre-Accession Funds; and development of the structures for Sound Financial Management, Control and Audit of the Post-Accession Structural and Cohesion Funds.

(A6) Strengthening the capacity of the Central Finance and Contracts Unit in the context of need to settle a financial management system compatible to EU budgetary

procedures and regulations, ensuring an effective financial control and of existence of a single management unit, adequately equipped and endowed with qualified staff to fulfill the financial administration, accounting recording and payments performance in behalf of the Romanian Government.

B. Institution building regarding the elaboration and implementation of the fiscal policies and revenues administration

(B1) Improving and developing the legal framework as well as the administrative capacity related to VAT in view to complete the approximation of the Romanian VAT legislation with the *acquis communautaire*;

(B2) Setting up the procedural and methodological framework in view of the arrears' diminution, as well as using other modalities for the budgetary debts' extinction;

(B3) Strengthening the control function and the fiscal procedures within the Ministry of Public Finance, by achieving an unique framework for the fiscal control and by improving the personnel skills in the field;

(B4) Strengthening the efficiency of the Financial Guard activity regarding the unexpected and operative control in order to find out, to combat, to restrict and to control the tax evasion facts, by developing the operative capacity both at central and local level;

(B5) 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.

(B6) Strengthening and developing the state revenues administrative capacity

C. Institution building regarding the elaboration and implementation of the public financial control and internal audit

(C1) Drawing up and approximating the secondary legal framework regarding the system audit and the performance audit according with the European Union standards and international standards as well as improving of the staff competencies and practice in this field;

D. Developing and strengthening the support functions (human resources, communication and IT infrastructure)

(D1) Increasing the professional capacity for the experts from public finances and customs, through a conceptual training infrastructure of the Ministry of Public Finance and standardised training activity procedures;

(D2) Improving the information system and the infrastructure of the Information Technology for the Ministry of Public Finance functions, through improving the Disaster Recovery Policy, the IT Security Policy and the IT applications.

2.3 Accession Partnership and NPAA priority:

- Consolidation of the institutions involved in the budgetary process, including the capacity to manage public funds;
- Improving the treasury management;
- Improving the degree of alignment with the ESA 95 Norms within the framework of the annual notification of the government deficit and public debt;
- Regular review of the joint assessment of economic policy priorities, within the Europe Agreement Framework, focusing on satisfying the Copenhagen criteria for membership of the Union and the *acquis* in the area of economic and

monetary policy (co-ordination of economic policies, submission of convergence programmes, avoidance of excessive deficits);

- Ensure legislative alignment with particular attention to VAT levels, exemptions, refund conditions and taxable scope;
- Initiating the process of improving the activity in the field of recovery of budgetary claims and recovering tax areas;
- Improving revenues collection and the tax administration efficiency;
- Strengthening the administrative capacity and control procedures;
- Strengthening the fight against fraud, particularly as regards protection of EC financial instruments;
- Assessing the human resources requirements of the tax system and designing and implementing a training system covering both initial and in-service training;
- Developing the IT infrastructures following the development of the Ministry of Public Finance attribution;
- Defining and quantifying the organisational, human resources and investment needs to establish internal financial control and internal audit in line with the Policy Paper, in key budget spending centres; elaborating and implementing plans for institutional building and human resources development in the field of internal financial control and internal audit.

2.4 Contribution to National Development Plan

Not applicable

2.5 Cross border impact

Not applicable

3. Description

3.1 Background and justification:

The Ministry of Public Finance is one of the most important governmental institutions in Romania, exercising a strong influence on the economy in general and, in particular, on financial aspects. Ministry of Public Finance is responsible with the general administration of public finance, ensuring the use of financial lever in accordance with the requirements of the market economy and for stimulating the economic agents initiative. By revenues reallocation, the Ministry of Public Finance is supporting the activities from the public interest field, such as the social, economic, national defence and public order.

Through the tasks assigned and its structure, the Ministry of Public Finance accomplishes the following main functions:

1. elaborates and implements the Government budgetary policy
2. elaborates and implements the Government fiscal policy
3. correlates fiscal and budgetary policies with social and economic policies
4. administrates the State revenues
5. administrates the Public Debt
6. exercises public financial control and internal audit
7. elaborates and supervises the legal framework in the field of public accounting

The Ministry of Public Finance wants to be a modern organisation, having clear and coherent strategy for attaining the goals in all its activities. The "**Strategy of the Ministry of Public Finance for the period January 1st, 2002 - December 31st, 2006**" represents a first step towards the achievement of this objective.

On the basis of the specific priorities of the pre-accession process and of the new Romanian economy orientations, Ministry of Public Finance understood the necessity to adopt some major measures within some of its fields of activities and to accomplish the

following **strategic results**, mentioned in the **"Strategy of the MoPF for the period January 1st, 2002 - December 31st, 2006"**:

(A1) "Restructured budgetary accounting" (see page 18)

(A2) "Complete simulation model of Romanian contribution to the European Union budget" (see page 18)

(A3) "Performant management of the Treasury system; well-managed, well-administered and permanently supervised public debt" (see page 30)

(A4) "Accomplish a stable and predictable macroeconomic framework" (page 22)

(A5, A6) "Increase of efficiency of EU non-reimbursable funds management" (page 17)

(B1) "Tax legislation approximated with the European Union legislation, in conformity with the position paper agreed during the negotiations of Chapter 10 - Taxation" (see page 21)

(B2) "High revenues collection rate, comparable with EU rate; low arrears" (see page 25)

(B3) "Tax evasion fact is kept under control as a consequence of Tax Administration's efficient and determined actions; protection of the personnel working in Tax Administration, granted by law; information and computerized system to support Tax Administration activities, using the information provided by other information systems" (see page 25)

(B4) "Tax evasion fact is kept under control as a consequence of Tax Administration's efficient and determined actions" (see page 25)

(B5) "High voluntary compliance, as a result of the fiscal education of the taxpayers and of improvement of the relationship between them and the Tax Administration, through diversified and high quality services given to taxpayers and also of developing and organising tax audit activity" (see page 25)

(B6) "Setting up of an unified/integrated organizational structure for revenues administration (it includes also the collection of social and health contributions)" (see page 28)

(C1) "Institutional reconstruction and improvement of the existing normative and methodological framework, according to the European Union standards" (see page 32)

(D1) "Increased capacity for the professional education offered by the School of Public Finance (physically and qualitatively)" (see page 43)

(D2) "The Capability Plan, Security Policies, Disaster Back Up Policies, Recovery Policies, AQ Policies (according to quality standards ISO 9000) and e-administration, reorganized data basis and structure of the whole system, in order to better response to new requirements" (see page 46)

The IT strategy is part of the Ministry of Public Finance strategy, which covers all the functions of the Ministry, supporting them to achieve their goals.

The IT strategy is now at the 5th version (the exercise started in 1992 and it was validated by an independent consultant during a Phare project).

The subproject defined for IT represents the needs of assistance for those activities in the direct subordination of the IT Directorate, like security, disaster recovery, quality. All these aspects are support for all the Ministry of Public Finance.

On the other hand, for special needs to support certain functions in its evolution, these needs are expressed in the respective sub-projects. These means that the results of the Technical assistance for the function consist in IT infrastructure and systems will be integrated in the global strategy for IT.

A. Institution building regarding the elaboration and implementation of the budgetary policy and public debt administration

(A1) The development of the public accounting system is a priority for the Ministry of Public Finance, since this sector has to offer relevant and reliable information regarding the execution of the State Budget, State Social Security Budget and Local Budgets and establishing their annual results.

The process regarding the development of public accounting system will be continued in the following years by implementing the accrual accounting and component budgets in the consolidated general budget, in view of the deficit notification according with ESA 95.

(A2) The bases of the Romanian contribution simulation to EU budget project are: the necessity of knowledge and application by simulation of the computing technical procedures for Romanian contribution to the own resources of European Union budget, as well as the necessity of setting up and continuously improving the work procedures and co-operation between the involved institutions (Ministry of Public Finance, Ministry for Development and Prognosis, National Institute for Statistics and Ministry of Agriculture Food and Forestry), in view of achieving an uniform management for Romanian contribution to the own resources (computing, collecting, monitoring and correct payment).

The measures that have to be taken are the designing and implementation of a model for an appropriate simulation of funds, which will represent the Romanian contribution to the general budget of the European Union, at the date of accession. This model will implicitly lead to the improvement of the precision degree of the actual model used in the estimation of the state budget revenue accruing from VAT.

(A3) The improvement of the Treasury and Public Debt management system will contribute at strengthening of the key functions of the State: revenue collection, expenditure management, support for the functioning of the economy. Treasury represents one of the most important departments within the Ministry of Public Finance having as objective to manage the financial resources of the State with maximum efficiency and minimum risk conditions.

(A4) Last year within the Ministry of Public Finance was created the Macroeconomic Analysis Unit. According to the **Strategy of the Ministry of Public Finance for the period January 1, 2001– December 31, 2006**, the main objective of this unit is to improve the capacity of the Ministry of Finance to fulfil the tasks as key government player in the preparation and implementation of a comprehensive economic policy on short, medium and long run, particularly in the following areas:

- Macroeconomic policy;
- Ensuring the consistency between the Government's priorities and sector policies and sound financial management during the budget preparation and execution.

In order to fulfil its goals, the Ministry of Public Finance must develop a strong co-operation based on common professional standards with other ministries and public institutions, particularly Central Bank, the Ministry of Development and Prognosis, as well as private economic think tanks.

In Romania, the role of the Ministry of Public Finance in formulating and managing economic policy must be improved; the economic framework is not very well understood by decision-makers and not really taken into account and the macro-economic projections on which the budget is based are more pro forma than real. They do not meet reasonable standards of quality.

Not only the budget preparation can be improved; the overall political co-ordination from the side of the Ministry of Finance is also weak:

- The Ministry of Public Finance is unable to formulate economic policy strategies and to prepare the supporting measures and it fails to monitor and evaluate the economic impact of political decisions.

(A5) The National Fund is the treasury function, within the Ministry of Public Finance, responsible for the management and oversight of all funding (EU co-financing and State Budget) of pre-accession programs. It will subsequently be the treasury for all such funds following accession. The National Authorizing Officer is wholly responsible and accountable for the good governance of all such funds. The National Fund and its structures and staff are the means by which this good governance is ensured.

It is essential, particularly in view of the still-evolving functions of modern internal audit and financial control procedures, to ensure that the staffing, structures, and procedures of the National Fund can carry out its obligations in accordance with international accounting and auditing standards, and that it is capable of exercising its responsibilities fully in accordance with the relevant Memoranda related to ISPA and Phare (including concordance with EDIS and the requirements of Regulation 1266/99 inter alia), the Multi-Annual Financing Agreement related to SAPARD, as it continues to evolve; and, subsequently, the Sound Financial Management and Control of the ERDF, Social Fund, FEOGA, FIG, and the Cohesion Fund. There must be the certainty that these responsibilities can effectively be exercised in full accordance with the Agenda 2000 Regulations and their successors, most particularly 438/2001 and 448/2001, et al, and that the National Fund can integrate its responsibilities with the emerging requirements of the Position Papers and negotiations under, in particular, Chapters 21, 28, and 29.

(A6) The establishment of CFCU is to be understood in the context of the New Policy Guidelines for the Phare and in the Framework Agreement between the European Commission and the Government of Romania regulating the Phare Programme. Its role is addressed to:

- meet the demands of Phare's changing role as an instrument for supporting Romania's pre-accession strategy;
- establish a Phare administrative and financial management system compatible with European Union's regulations;
- to simplify the working relations with the Delegation in Romania with regard to the Decentralized Implementation System.

The establishment of the Central Finance and Contracting Unit has led to a greater efficiency in the transparency and rate of national Phare commitments and disbursements, and effective and efficient implementation of contracts. According to the Memorandum of Understanding signed on 16 July 1998 between the European Commission and the Romanian Government, Phare support is to be phased out after a three-year period and assistance is required for the running and operational costs for year 3 with a 33% reduction in year 4. As the number of staff is increasing, additional operational costs are highly needed; also the responsibility and CFCU workload is being expanded because of the big volume of new programmes approved, regulations and special procedures to apply. Consequently it is in CFCU's intention to propose an Addendum to the Memorandum of Understanding to expand the three-year period for assistance regarding the running and operational costs.

The EC Delegation in Bucharest called upon Price water House Coopers to perform an assessment of the Romanian authorities, with regards to their capacity to manage ISPA and Phare programs, and to their readiness to EDIS.

The activities that are to be undertaken within this project will take account of the specific requirements related to introduction of extended decentralization (EDIS) for the Phare programme. Preparation of an operational procedures manual for ISPA will be undertaken by technical assistance financed by ISPA; closed co-ordination will be maintained between Phare and ISPA support in this area.

B. Institution building regarding the elaboration and implementation of the fiscal policies and revenues administration

(B1) The proposal in the VAT field is based on the need to adapt the legal framework related to VAT to the *acquis communautaire*, on the need to continue the training of the personnel and to provide them and the taxpayers with the adequate working tools.

(B2) The present legal framework related to the revenue collection has to be completed; the Government Ordinance no. 11/1996, approved by the Law no. 108/1996, with its subsequent modifications, is regulating the general legal framework regarding the budgetary debts' execution, but it is necessary to complete the existing provisions with application procedures and techniques, related to bankrupt legal persons, especially banks and enterprises. Also, it is necessary to finalize the Draft Law regarding the budgetary debts' execution and to initiate the procedures and techniques for its practical application.

(B3) The reform of fiscal control in Romania has as main target the institutional and legislative adaptation of this activity to the requirements of the pre-accession process of Romania to the European Union, that consists of: developing the fiscal control function and strengthening its role for increasing the voluntary compliance degree, the taxpayers' discipline, as well as diminishing the fiscal evasion. This proposal is based on the need to further improve the process of training the existing personnel, that an increasing number of fiscal controllers know in-depth the new fiscal control methods and techniques, as well as to provide them with new working tools, adapted to the modern requirements of fiscal control.

(B4) The strategy of the Ministry of Public Finance for the period 2002–2006 stipulates the strengthening of the Financial Guard roles and functions in the field of preventing and combating the tax evasion. For this purpose, the Financial Guard has a special role by collecting to the state budget those revenues shirked from the regular activities of registering and payment by the tax payers that develop activities within the "black and grey market".

Also, through the recommendation of the OMAS Final Report, on 28th September 2001, is mentioned that future Phare assistance should be considered to address the black/grey economy, which is currently policed by the Financial Guard.

The Financial Guard is a militarised organisation for performing operative and unexpected controls regarding the complying with the tax law, custom law, trade norms and moving of the goods and services and co-ordinates its activity with other fiscal bodies from Romania (General Directorate of Custom, General Directorate of Tax Guidance and Control, Local Tax Control Bodies and also Economic Police).

In order to strengthen the co-ordination of the activities between Financial Guard and the other tax bodies are used and requested specific information extracted from the appropriate data bases needed in performing an efficient control activity.

The control missions performed by Financial Guard are only a step in detecting a fraud case which will be more detailed as time of performing and findings by General

Directorate of Tax Guidance and Control which makes complex, total or partial controls. Also Financial works in close co-operation with the economic branch of the Police force, in a system where the Financial Guard provides the specialised knowledge and the police provide manpower in material support. The control activity performed by Financial Guard it is complementary and is not overlap with the other control bodies activities.

(B5) The mass-media reflect a continuous interest of the population to be informed on the taxes and this interest is focused on authorized information coming directly from the Ministry or from its local offices. To meet this goal it is necessary that the taxpayers' assistance units be able not only to give to taxpayers all needed information in an adequate language, but also to contribute to the creation of the civic conscience on meeting their fiscal duties and to use for this modern assistance methods and means, to enlarge the area of information offered to other taxes (profit tax, VAT, excises). This project aims mainly at building the capacity of the ministry to perform such campaigns by itself.

(B6) The existing structures for the revenues collection functions have major systemic weaknesses, representing one of the key problems to be solved by the general effort of reform. The present structures of the Tax Administration within the MoPF encounter difficulties in efficiently planning the activities, that is essentially in order to improve the voluntary compliance of the taxpayers; the fiscal and non-fiscal activities are mixed resulting in an insufficient use of the resources and non-existence of some clear priorities for the Tax Administration. Also, the Tax Administration is not paying enough attention to its most important clients (large taxpayers).

These weaknesses could be eliminated by a major reform of the revenue administration operations (see the recommendations made by the **International Monetary Fund (IMF)** in the Report for technical assistance mission of February 2002 - "**Romania: Priorities and Strategies to Improve Revenues Administrations**")

In order to improve the level of collection and general compliance levels and to provide for a more consistent treatment of taxpayers, as well as in order to reduce the costs of the Government and the administrative burden on taxpayers, it is envisaged to integrate the responsibilities of collection, control and enforcement of the social and health contribution with the tax administration operations, as it is mentioned in IMF Report.

C. Institution building regarding the elaboration and implementation of the public financial control and internal audit

(C1) The current legal framework is represented by Government Ordinance no. 119/1999 regarding the internal public audit and preventive financial control, amended. Setting up and approximation of the secondary legal framework regarding the system audit and performance audit means the implementation of provisions from the Draft Law on Internal Public Audit which is in line with the strategically directions settled for internal audit area through the "Development Strategy of the Public Internal Financial Control in Romania, according with the EC recommendation specifying the strengthening of the Ministry of Public Finance role for the system audit. According to the revised Position Paper II on the negotiation Chapter no. 28 - "Financial Control", another strategic objective for strengthening the efficiency of the internal audit is ensuring a continuous training of auditors in line with the European standards, within a continuous and gradual

training system, on competencies levels and specialised areas, at the School of Public Finance, on the basis of own training strategies for internal auditors.

Another justification consists on the lack of training activities in the field of system and performance audit within the Twinning RO 2000 – “Development of the internal audit and financial preventive control procedures”.

D. Developing and strengthening the support functions (human resources, communication and IT infrastructure)

(D1) The School of Public Finance was set up as following the Twinning Project between Romania and Netherlands for the support and development of the necessary professional knowledge of the civil servants. The Ministry of Public Finance envisages to support the development of the School during the period 2002-2004, in order to achieve the „quantitative development” – to increase the number of the School of Public Finance regional centres, the number of persons involved in the training activities, etc. As mentioned in the Strategy of MoFP the development of the School of Public Finance, both central and local levels, in order to provide the necessary professional training, according to the needs of the MoFP. One way of this development is to set-up three new regional centres of the School of Public Finance. This will allow the development of the Ministry of Public Finance capacity to access EU fund, especially of those that assure sustainable economic growth, compatible with the existing, principles, norms and mechanisms in EU.

The role of the School of Public Finance in development of training components is to:

- to assess the training needs analyses;
- to develop and to implement training programs;
- to develop of handbooks and teaching materials.

(D2) Ministry of Public Finance has developed its IT infrastructure according to the Strategic Planning, responding to the day-by-day necessities for data processing in order to support all its principal functions. The information society strategy has as one of its major goals the implementation of the e-Government, translated in the Ministry of Public Finance strategy into the openness, although through Internet technologies, to the civil society. This put problems related to the data availability and security too. This project is one of the most important proposals, because the IT system represents the support for all the other functions of the Ministry of Public Finance.

3.2 Linked activities:

In the last years Ministry of Public Finance has benefited of the technical support from EU and other international bodies in the following fields:

A. Institution building regarding the elaboration and implementation of the budgetary policy and public debt administration

(A1) The twinning project RO 9907.03.02 “The Improvement of the Treasury Management System” in collaboration with Ministry of Economy, Finance and Industry from France made as another recommendation the concentration of the efforts to improve the accounting regulations and the Charts of Accounts for public sector, in order to adapt it to the General Chart of Accounts, in view of achieving a national unitary accounting system.

(A2) In the field of simulation of the Romanian contribution to the EU budget no Phare Assistance was granted before.

(A3) The twinning project RO 9907.03.02 "The Improvement of the Treasury Management System" in collaboration with Ministry of Economy, Finance and Industry from France had, among other objectives, the improvement of the accounting nomenclature for central and local treasuries and the achievement of the accounting centralisation in real time.

Based on the outputs of the project above mentioned, the General Directorate of State Treasury has to continue the approximation of the Treasury accounting nomenclature with the accounting nomenclature system of public institutions, in order to have an uniform approach, as well as to improve the legal framework which will support the implementation of the main functions of the treasury and the electronic payments (at the Treasury level) as well as the integration with the banking and settlement system.

(A4) The following documents and reports give a good overview of previous support and include useful views on project organisation:

- Adam Smith Institute, Policy Review Unit Project, Building Capacity in Macroeconomic Forecasting and Modelling at the National Commission for Prognosis (CNP), November 1998, Project Number: RO-9303-11-01;
- ADE, Assistance to the Review of the Romanian Reform Program and the Preparation of a Medium Term Economic Strategy, February 1999, Project ZZ9632/0205 Contract 98-0162.00.
- In the framework of the RO 9804-01-03 PHARE Program "Monitoring Capacity Building for Economic Policies: Monitoring the Action Plan of the Government for the period 2001-2004".

(A5) Since September 1999 until May 2000, The National Fund benefited of technical assistance under 1998 Phare National Programme, Support to the Establishment of the National Fund Management System".

In May 2001, started a new Phare technical assistance project to the National Fund concerning sound financial management and control of EU funds in Romania (financed under Phare 1999 Programme); the outputs of this project shall enable the National Fund to meet the EU requirements for the conferred management of aid and to start SAPARD financial operations.

During September-November 2001, the National Fund benefited of technical assistance under, Pre-accreditation Review of the SAPARD Agency on behalf of the National Fund" project (financed under Phare 1998 programme).

Later on, at the request of the Ministry of Public Finance, supported by EC Delegation and British Embassy in Bucharest, a contract was concluded between DFID/UK Know-How Fund and Deloitte and Touché, the latest being employed to assist the National Fund in carrying out the pre-accreditation audit for the national accreditation of SAPARD. The result of the assistance is the report on the SAPARD Agency readiness for the national accreditation.

In November 2001, the EC Delegation in Bucharest called upon Price Waterhouse Coopers to perform an assessment of the Romanian authorities, with regards to their capacity to manage ISPA and Phare programmes, and to their readiness to move to EDIS. The assessment upon the National Fund resulted in EDIS Gap analysis of the National Fund containing a full set of recommendations based on which the current project fiche is drafted.

(A6) CFCU benefited of technical assistance under 1999 Phare National Programme, "Technical Assistance to the Central Finance and Contracting Unit-9907.03.04.02". On April 2000 the appointment of the assistance took place with the following objectives:

- ? To upgrade the CFCU's accounting and financial systems to produce reports required by vested parties interested in the activities of the CFCU;
- ? Establish well defined audit trails to support the financial systems and procedures;
- ? Train the CFCU's personnel in the re-engineering and development of the appropriate systems;
- ? Develop procedures for reconciling transactions recorded in the accounting system with that of PERSEUS;
- ? Provide on the job training to the CFCU 's personnel in the preparation of accurate financial reports and additional requests from the management of the CFCU and other vested parties.

B. Institution building regarding the elaboration and implementation of the fiscal policies and revenues administration

(B1) The Romanian legal framework in the field of VAT (the Government Ordinance no. 3/1992) was elaborated during the period 1990-1992, taking into account the Phare and OECD recommendations. Romania benefited of Phare support from GTAF 1991 budget for preparing the publicity campaign for the introduction of VAT, from FDSP 1992 budget for the VAT publicity campaign and the evaluation of its impact, as well as for elaborating a VAT Control Guide. After being enforced (at July 1st, 1993), the legal framework regarding the VAT was continuously improved in view of its approximation to the European Union legislation, Romania benefiting of assistance from PHARE to this purpose, through FDSP 1992 and GTAF 1993 budgets.

(B2) The Twinning Project RO9804.01.05 "Strengthening the Revenue Collection", in collaboration with the Ministry of Finance, Economy and Industry of France, between November 1999 and June 2001, proposed a Draft Law regarding the budgetary debts' execution, in view of its approximation to the European Union legislation, but the draft was not finalized. The Twinning Project RO0006.04 "Improving of the revenue collection", in collaboration with Agencia Tributaria of Spain, deals with some aspects related to the main legislation, but brings not support to development of procedural framework and techniques.

(B3) No previous PHARE assistance was granted in the field of fiscal control. The General Directorate for Fiscal Control and Guidance benefited of assistance from the part of the U.S. Treasury and GTZ from Germany during the last three years, through the organization of workshops, in view of knowing and applying new methods and techniques regarding the fiscal control, especially for large taxpayers.

(B4) In the field of Financial Guard no Phare Assistance was granted before.

(B5) The German Company MEDIA CONSULTA Deutschland GmbH implemented the PHARE project RO 9713.02 "Information campaign of the population regarding the Income Tax for Individuals", focused on improving the image of the Ministry of Public Finance, as well as the perception of the taxpayers related to the Global Income Tax System.

The US Treasury assisted a programme related to taxpayers' education and the change of civil servants ' attitude from Ministry of Public Finance towards taxpayers.

(B6) The Twinning Projects RO9804.01.05 "Strengthening the Revenue Collection", in collaboration with the Ministry of Finance, Economy and Industry of France, between November 1999 and June 2001 and RO0006.04 "Improving of the revenue collection", in collaboration with Agencia Tributaria of Spain" offered and offer support on the organization and management of the revenues collection system.

This proposal does not overlap with the previous Phare assistance; the results obtained so far form the basis of any ulterior activities.

C. Institution building regarding the elaboration and implementation of the public financial control and internal audit

(C1) Within the PHARE 1998 has been implemented a twinning project with France on setting – up of a financial control function in the Ministry of Public Finance. Within the PHARE 2000 will be developed in the Ministry of Public Finance a twinning project with the Ministry of Economy, Finance and Industry from France, having as scope the strengthening of the institutional capacity regarding the internal audit and financial public control in Romania. The future results of the project will be available for the future partners. The new project will built on the results of the PHARE 2000 as following:

- On the one hand, a general legal framework (primary and secondary legislation) on Internal Public Audit (IPA) in line with *acquis* and EU standards (PHARE 2000) and the other hand the secondary legal framework assessed and completed for the audit of system and audit of performance;
- On the one hand, the definition of the general basic concept on IPA and types of IPA that include also audit of system and audit of performance (PHARE 2000) and the other hand the development of the two types of audit mentioned before (PHARE 2002);
- On the one hand on PHARE 2000 project is mainly developed the audit of financial regularity and on the other hand on PHARE 2002 are developed the audit of system and audit of performance;
- On the one hand, on PHARE 2000 is ensured general training of internal auditors and on the other hand on PHARE 2002 will be ensured specific and permanent training of internal auditors.

D. Developing and strengthening the support functions (human resources, communication and IT infrastructure)

(D1) The Twinning project RO 9804.01.02 "School of Public Finance", developed during the period 1999-2001, created the training structure for the Ministry of Public Finance (one central and two regional training centres) and prepared the conditions for the starting of the training activities planned by the Ministry.

The proposed activities in this fiche will continue and strengthen the activities undertaken within the first project and will develop new activities.

The development of the futures training programs within each project from A1 to A6, B1 to B6, C1 and D2 will be done in close co-operation with the School of Public Finance, based on the evaluation of training needs established by the beneficiary directorates.

As the role and activity of the School of Public Finance has be done to increase and as there is also an increase in the requests to organise training activities, careful scheduling of the training programs will be necessary in order to achieve the proposed targets and to avoid overlaps with other training seminars.

(D2) The IT project will take into account the activities of other projects implemented in the Ministry of Public Finance as much as possible, such as PHARE 1992 RO92.04.03.01 „Study of the informatics function and tasks for the Ministry of Public Finance” and on PHARE 1997 RO97.13.01 „Achievement of the informatic system for the implementation of the GIT” and other PHARE developing projects having IT components.

3.3 Results:

A. Institution building regarding the elaboration and implementation of the budgetary policy and public debt administration

A.1. In the **public accounting** field, the following results will be obtained:

- implemented new regulations;
- new Chart of Accounts for public institutions;
- an appropriate reporting system of the accounting information, in accordance with European and International Standards;
- trained accountants;
- methodological handbooks for proper applications of the new regulations;
- operational information regarding the cash flow on budgets, quarterly and annually information regarding the patrimony management and expenditures and revenues budget execution, information regarding expenditures commitments, as well as budgetary availability in view of establishing a reliable prognosis of the General Current Account of the State Treasury;
- Technical Specifications on procurement related to IT hardware, software.

A.2. As regards the **simulation of the Romanian contribution to EU budget**, the following results will be obtained:

- a complete model for simulation the Romanian contribution to the European Union budget;
- a database structure needed for computing the own resources and which is used in computing techniques regulated by the European Union legislation, continuously updated;
- identified data sources provided by the European Union Regulations regarding computing of the own resources and which are not included within the national accounts (Art. 3-7, Council Regulation no. 1553/89);
- working procedures and informational flows between the involved institutions in view of achieving a uniform management of Romanian contribution to the own resources budget (computing, collecting, monitoring and correct payment), network between the Ministry of Public Finance (General Directorate for Managing the Public Revenues and Monopolies, General Directorate for Customs, General Directorate for Tax Legislation and Policy) and National Institute for Statistics, Ministry of Agricultural, Food and Forestry, Ministry for Development and Prognosis;
- trained experts for the activity of simulating the technical computing procedures of Romanian contribution to the own resources of European Union budget;
- handbook for operating the whole detailed simulation system of communautaire own resources;
- Technical Specifications on procurement related to IT hardware, software.

A.3. In the **treasury** and public debt field, the following results will be obtained:

- legal framework for the Treasury and Public Debt field;
- tested, implemented and extended new regulations at national level;
- a feasibility study and recommendations regarding the decreasing of expenditures for public debt;
- electronic payments and collecting system;
- achieved integration with banking and settlement system;
- an appropriate reporting system for providing the information;
- a methodology handbook;
- Trained experts;
- Technical Specifications on procurement related to IT hardware, software.

A.4. In the **macroeconomic** field, the following results will be achieved:

- Study assessing the needs for developing and improving the economic policy capacity building for the Ministry of Public Finance;
- Improved analytical skills of the ministry's staff in: micro-economics, as a basis for cost-benefit analysis, macro-economics, international economics, with special emphasis on an open economy oriented to the EU, public finance, particularly as regards the framework of the EMU (stability and growth pact), monetary economics, with special emphasis on the monetary policy of the European Central Bank and the monetary policy of a small economy, transition economics; statistics and econometrics; database management and information systems; macro-economic model building; cost benefit analysis and other techniques to evaluate and rank investment projects; organization of economic planning, model-based analysis and policy formulation in selected EU Member States and Central European countries.
- Developed standard national macro-econometric model;
- Several sub-models build, to be used for analysis and forecast in various budgetary categories;
- A certain number of cost-benefit analyses concerning major investment decisions and the process of absorbing EU structural funds on selected areas;
- A selected number of economic assessments concerning major economic decisions and problems;
- Developed and printed Users' manual(s) regarding the macroeconomic models;
- Developed regularly cash flow data and forecast, identifying the impact of all government operations, updated frequently and projected over the year ahead, in order to detect the need for expenditures corrections and to ensure their implementation. An explicit link should be made between the cash flow forecast and borrowing decisions;
- Collected data of economic series, correlated and tested in order to develop a standard macro-econometrical model and several sub-models for different budgetary categories;
- Technical Specifications on procurement related to IT hardware, software.

A5. For the **National Fund** the following results are targeted:

- all EU co-financed programs with accounting and reporting to IAS;
- all EU co-financed programs with internal audit to international auditing standards, including quality assurance of all associated audit trails;

- IT systems and procedures of the National Fund for pre-accession funds, and all related filing and archiving to ISO 9000;
- Restructured organization of National Fund to optimise Sound Financial Management and Control of all pre-accession and post-accession funding;
- National Fund staff increased and developed/trained to International Internal Audit certification standards, with comprehensive competence in risk analysis; and practical experience of all relevant Regulations related to Financial Management and Control of Structural and Cohesion Funds;
- Comprehensive training of National Fund management in sound financial management and control of Structural Funds by internal coaching and properly focused assignments in selected Member States;
- National Fund management competent to participate pro-actively in IFI co-financing deliberations as part of the Structural Funds elaboration, and to participate fully as members of the Treasury/Budgetary team in CSF financing;
- National Fund management competent to participate pro-actively in all financial preparations and negotiations for Community Support Framework at various levels, up to and including negotiation at Commission level;
- Procured IT equipment and related software and interface between National Fund, European Commission, Ministry of European Integration and the other actors in financial management and control of the Funds, including other directorates in Ministry of Public Finance involved in EU funding implementation and control;
- Comprehensive set of methodology handbooks on Financial Management and Control of EU-funded programs;
- Comprehensive reporting systems to government and the Commission on financial management and control of pre-accession and post-accession Funds.

A6. For **CFCU** the following results are expected:

- Comprehensive written procedure manual for PHARE Implementation;
- Accounting and Payment manual;
- Code of Conduct;
- IT framework, including a strategy, policies and procedures;
- Perform training on risk assessment and internal control;
- Human Resources strategy.

B. Institution building regarding the elaboration and implementation of the fiscal policies and revenues administration

B.1. In the field of the **Value Added Tax** the following results are envisaged to be achieved:

- approximated VAT legislation with the Sixth Directive;
- trained personnel in the VAT field;
- printed and distributed VAT Guides;
- improved VAT administrative capacity.

B.2. In the **budgetary debts' extinction** field the following results are envisaged to be achieved:

- Diagnostic studies;

- clear techniques and procedures, as well as trained staff on establishing the insolvency status, as well as on writing off the debts in case of enterprises and banks bankruptcy;
- identification of new modalities of valuation and sale within the budgetary debts' extinction;
- identification of new modalities regarding the budgetary debts' recovery;
- clear techniques, procedures and conditions, as well as trained staff regarding the valuation and sale of the real estate and/or movables owned by the debtor, or of the commercial papers, if considered that these goods could be sold faster or in more advantageous pecuniary conditions, taking into account the creditors legal rights, as well as the rights and obligations of the sued debtor;
- clear techniques, procedures and conditions, as well as trained staff, regarding the joint and unlimited liability of the associates, managers and other persons, legally involved in the companies' management, related to any due budgetary debts, when the debtor - legal person - hasn't other income source or sequestrated goods or the existing goods couldn't be sold;
- proposals for improvements in the organizational structures, taking account of best practices in the EU and internationally.

B.3. In the **fiscal control** field the following results are envisaged to be achieved:

- unique legal framework and aligned legislation in the fiscal control field to the EU Member States' practice;
- unique and coherent methodologies and procedures of fiscal control for each category of taxpayers and taxpayers' selection system;
- clear system of assessment of the risks associated to this activity;
- draft law related to the legal taxpayers defence, the investigation function and the informational system;
- trained personnel and trainers in the field of fiscal control, as well as printed and distributed manuals and procedures guides (Financial Controllers' Guide); trained staff on using the IT equipment and software procured;
- Data base for fiscal control activity;
- Technical Specifications on procurement related to IT hardware, software.

B.4. Through the implementation of the project on **Financial Guard** it will be achieved the following results:

- harmonised legislation in the field of tax evasion fight in Romania with legal framework in this field from Member States, giving particular attention to defining clearly the respective competencies of the Financial Guard and other services within the tax administration;;
- an assessment of the role and organisation of the Financial Guard in combating tax evasion, corruption and organised crime;
- strengthened operative reaction capacity against tax evasion cases;
- mechanisms for co-ordination with other services within the tax administration;
- effective internal mechanisms to prevent corruption and ensure accountability;
- New set-up pilot units representing the base for enlargement of this action to all sections level;

- coherent, co-ordinated approach in order to achieve the objective of unitary treating of the same case anywhere in the country, in accordance with the fiscal legislation in this matter;
- Developed legal informatic program;
- trained officers in order to answer to the requirements imposed by the accession to the European Union and printed and distributed Officers' Guide;
- Ensure access to the data basis;
- Technical Specifications on procurement related to IT hardware, software.

B.5. As for the **information campaign** the main results will be:

- Built and developed capacity of the MoFP to perform by itself information campaigns;
- Improved image of the tax administration;
- Optimised activity of the taxpayers' assistance units;
- Concrete Action Plans for taxpayers assistance campaigns;
- Developed skills in the field of Public Relation/Communication field;
- Designed and printed promotional materials;
- Implemented pilot project;
- Performed Public Relation activities;
- Signed agreements with radio and TV channels;
- Concrete Action Plan regarding the information of mass-media and different representatives of target groups;
- increased voluntary compliance, materialised into much more tax returns reported at the total number of taxpayers having tax liabilities;
- positive results regarding the tax collection level;
- Technical Specifications on procurement related to IT hardware, software.

B.6. For the organisation and management of the **revenues administration** project, the main results will be:

- Unified and consolidated organizational structure, allowing an efficient planning of the state revenues administration;
- Increased efficiency of the revenues administrative process;
- Diagnostic Studies;
- Feasibility studies in order to analyse the IT needs for all the tax administration fields;
- Enforced promotion regarding the use of systems of electronic filling for major administrative processes, as well as enforced promotion of the bank systems and associate electronic payment services use in order to levy overall revenues;
- Improved national management information needed for revenues administration;
- Integrated tax and social and health contributions to the Tax Administration;
- Recommendations regarding the proper organizational pattern for the new integrated structure of revenues administration;
- An adequate reporting, performances assessment and standardization system, implemented for all the activities of revenues administration;
- Strengthened functional capacity and extended Large Taxpayers' Office (LTO);
- Trained staff;
- Technical Specifications on procurement related to IT hardware, software.

C. Institution building regarding the elaboration and implementation of the public financial control and internal audit

C.1. The development of the **performance audit and system audit** in Romania will have as results:

- implemented performance and system audit;
- increased competencies in the theory and practice of the system audit and performance audit area;
- an adapted secondary legislation with the EU and international standards regarding audit of system and audit of performance;
- a permanent training system for audit through the Public Finance School;
- developed selection system of recruiting new competitive staff to work in the field of audit system and performance audit for the public institutions;
- elaborated and printed handbooks and Guides of Procedures regarding the system and performance audit.

D. Developing and strengthening the support functions (human resources, communication and IT infrastructure)

D.1. In the **human resources and training activities** field are envisaged to be achieved as main results:

- extended distance learning pilot project, axed on various fields;
- diagnostic study;
- trained staff at the School central and regional level in management, institutional identity, negotiation and communication, public accounting, treasury, VAT, fiscal control, PR and communication strategies, performance audit and system audit, IT matters, in view of the continuous development of the School of Public Finance infrastructure;
- developed teaching and learning materials;
- developed training quality assurance system;
- established training programs /curricula;
- modern training methods (e-learning methods);
- procured books and materials related to the finance field;
- coordinated training activities of projects from PHARE 2002;
- trained trainers on different specialised areas of the Ministry of Public Finance, through courses organized in central and local level or abroad;
- trained of experts within the Ministry of Public Finance in the specialised areas of School of public Finance (training design, trained trainers and elaboration of courses support)
- developed training structures
- a written and implemented working procedures for training needs analysis, training programming, training design and concrete training performance;
- trainers capable to use e-learning method;
- Technical Specifications on procurement related to IT hardware, software.

D.2. Regarding the **Information Technology** field there are envisaged to be achieved as results:

- IT policies (disaster recovery and security policies);
- IT application to support the internal communication In MoFP;
- trained civil servants;

- implemented and operational pilot projects;
- Technical Specifications on procurement related to IT hardware, software;
- preparatory studies related to investment needs and equipment procurement in some or all of the following areas: public accounting for supporting the implementation of the General Chart of Accounts; simulation of the Romanian contribution to the EU budget; treasury and management of public debt; macroeconomic policy; management of EU funds; VAT for upgrading the IT systems in this field; fiscal control; Financial Guard; public information; revenues administration; School of Public Finance and MoPF IT systems, as needed.

Significant investment requirements for IT equipment and software development are anticipated linked to the activities under Phare 2002 in for the following programme sub-components: public accounting system, simulation of the EC budget, Treasury System, Economic Policy, National Fund, CFCU, Fiscal control, Financial Guard, Information Campaign, Revenues Administration, School of Public Finance, and Information Technology. Subject to progress in preparation of technical specifications it is expected that this investment will be financed out of the Phare 2003 programme. However, in order to enable the immediate purchase of limited quantities of IT equipment supporting the objectives of the overall project, a general IT budget is provided to be used as a priority for the National Fund and the CFCU, and in support of the other project components as required. The allocation of the IT equipment budget will be agreed with the Commission prior to the launching of any procurement.

3.4 Activities:

A. Institution building regarding the elaboration and implementation of the budgetary policy and public debt administration

There are two types of activities to be carried out in the view of strengthening the capacity of the MoPF to elaborate and implement budgetary policies and to administrate its Public Debt:

- I. Twinning arrangements**
- II. Technical assistance**
- III. Investment**

I. The **twinning arrangements** (two Twinning Covenants) will provide on going advice and training to the MoPF, covering the best practises in the EU related to public accounting system and budgetary process, in order to facilitate collective work between the Ministry and the Twinning partners:

A.1 In the field of public accounting:

- To prepare a diagnostic study of the existing regulations regarding the organisation and keeping accounting;
- To draw up the General Chart of Accounts for public institutions and financial statements (quarterly and annually);
- To implement the new regulations analysed on diagnostic study base;
- To get operational information regarding the cash flow on budgets, quarterly and annually information regarding the patrimony management and expenditures and revenues budget execution, information regarding expenditures commitments, as well as budgetary availability in view of

establishing a reliable prognosis of the General Current Account of the State Treasury;

- To train the accountants from public institutions for applying of the new accounting regulations;
- To prepare the methodological handbooks;
- To write the Technical Specifications and to provide advice on procurement of related IT hardware, software.

A.2 As regards the simulation of the Romanian contribution to EU budget:

- To design a model for detailed simulation of Romanian contribution to the own resources of the EU budget;
- To design a synthetic model for presenting the own resources accruing from agricultural taxes and levies, custom duties, rate applied on uniform VAT base, rate on GNP, other levies;
- To organize the data collection activity, analysing the results provided from alternative data sources;
- To set up a database structure needed for computing the own resources and which is used in computing techniques regulated by the European Union legislation;
- To train the specialists regarding the utilization of the database structure, continuously updated;
- To prepare a handbook for operating the model, database, control and working procedures
- To write the Technical Specifications and to provide advice on procurement of related IT hardware, software.

The **Twinning arrangements** is expected to involve:

- Two Pre-accession Advisers (PAA) for a period of 24 months;

Requirements:

- Minimum 5 years in public accounting field in designing and implementing public accounting related policies and minimum 10 years in designing and implementing budgetary policy;
- Detailed knowledge of the *acquis communautaire* in public accounting and budgetary fields;
- Proven ability to communicate with seniors decision-makers in the public sector and to get the cooperation of other institutions involved;
- Proven ability to transfer know-how;
- Excellent command of English and/or French, as well as good knowledge of other EU languages.

Desired:

- Experience of working in a Central-Eastern European administrative environment;
- Good knowledge of the Romanian situation and Romanian administrative structures.
- Short-term expertise on specific issues related to accrual accounting legislation and methodologies, to designing, implementing and assessing models for presenting the own budgetary contribution to the EU budget and in using the related computing techniques;

- Short-term assistance in the training of accountants from public institutions for applying of the new accounting regulations and preparing methodological handbooks;
- Short-term assistance in designing database structure needed for computing the own resources, organizing data collection and training the staff in using this database;
- Local experts supporting the projects' activities;
- Study visits to EU Members States or candidate countries to provide first hand information regarding the accrual accounting and the computing of the own contribution to the EU budget.

II. The **Technical assistance** will ensure the provision of the following activities:

A.3 In the treasury field:

- To prepare a diagnostic study of the existing regulations in the Treasury field, in order to find the gaps between the Romanian Treasury system and the Treasury Systems agreed by European Union, as well as of the existing regulations in the Public Debt field, in order to find the gaps between the Romanian Public Debt management system and the existing models used for this activity within the EU Member States, setting up the appropriate legal framework which has to provide the following:
 - Optimising the financial flows management of the State Treasury;
 - Improving the management of Treasury liquidates;
 - Increasing performances of the public debt management;
 - Optimising the working flows within the Treasury;
 - Implementing and developing the specified operations for managing the general current account of the State Treasury;
- To test the implementation of the new regulations on a new representative sample of spending agencies within a pilot project;
- To extend the implementation of the new regulations at the national level;
- To elaborate an assessment study regarding the implementation of an electronic payments system, at the Treasury level and to implement the recommendations made;
- To achieve the integration with banking and settlement system;
- To elaborate an assessment study and recommendations for defining the functions and the concept of the Treasury and Public Debt and to implement these recommendations;
- Training the staff;
- To write the Technical Specifications and to provide advice on procurement of related IT hardware, software.

A.4. In the macroeconomic field:

- To perform a study for assessing the needs for developing and improving the economic policy capacity building for the Ministry of Public Finance;
- To organize specific training and to provide teaching/didactic materials in: micro-economics, as a basis for cost-benefit analysis, macro-economics, international economics, with special emphasis on an open economy oriented to the EU, public finance, with special reference to the framework of the EMU (stability and growth pact), monetary economics, with special emphasis on the monetary policy of the European Central Bank and the monetary policy of a

small economy, transition economics; statistics and econometrics; database management and information systems; macro-economic model building; cost benefit analysis and other techniques to evaluate and rank investment projects; organization of economic planning, model-based analysis and policy formulation in selected EU member states and Central European countries;

- To develop a standard national macro-econometric model;
- To build several sub-models to be used for analysis and forecast in various budgetary categories;
- To make a certain number of cost-benefit analyses concerning major investment decisions and the process of absorbing EU structural funds on selected areas (to be specified in the Terms of Reference);
- To make a certain number of economic assessments concerning: major economic decisions, and major problems. These assessments will result in clear, realistic and practical policy recommendations;
- To develop and print Users' manual(s) regarding the macroeconomic models build;
- To develop and maintain regularly cash flow data and forecast, identifying the impact of all government operations, updated frequently and projected over the year ahead, in order to detect the need for expenditures corrections and to ensure their implementation. An explicit link should be made between the cash flow forecast and borrowing decisions;
- To collect data of economic series, correlated and tested in order to develop a standard macro-econometrical model and several sub-models for different budgetary categories;
- To write the Technical Specifications and to provide advice on procurement of related IT hardware, software.

A.5. For the National Fund, the activities to be undertaken are:

- To implement, test and accredit all related accounting systems to IAS, with continuous professional accounting training of National Fund staff, and where relevant, staff of related functions;
- To implement, test and accredit on internal audit functions to International Auditing Standards, together with professional training of National Fund management and staff in internal auditing and risk analysis to IIA certification standards;
- To make a diagnostic review and feasibility study of necessary IT systems for the National Fund, procedures, hardware, software, and associated filing and archiving to ISO 9000. To design, develop, test and commission the IT system of National Fund in the Ministry of Public Finance;
- To make a detailed organizational diagnosis and development of HR strategy covering the 5-10 year period of pre- and post-accession Financial Management and Control by the National Fund of all EU co-financed programs;
- To provide detailed training in interpretation, implementation, and enforcement at Managing Authority and Paying Agency levels of all Financial Management and Control Regulations;
- To provide training for senior National Fund management in Structural Funds Financial Management and Control functions of selected Member States, with strong emphasis on 438/01 and 448/01;

- To write the Technical Specifications and to provide advice on procurement of related IT hardware, software, and system maintenance requirements for National Fund operations within the Ministry of Public Finance.

A.6. For the Central Finance and Contracts Unit, the activities to be undertaken are:

- To prepare an accounting manual including the following aspects:
 - legal basis (including use of standards)
 - structure of accounting unit and responsibilities (should include the role of management in reviewing reports)
 - description of the accounting software in respect of IT security and audit trail requirements
 - chart of accounts (incl. Description of each account) with typical entries instructions
 - audit trail description
 - reconciliation objects and procedures
 - reports generated
- To create a Code of Conduct;
- To prepare a comprehensive manual of procedures, including activities, standard forms and checklists, job descriptions and profiles, information and document flow, with due attention to segregation of duties and internal control (based on a formal risk assessment). This should also include procedures for internal audit;
- To design an IT framework, including a strategy, policies and procedures, in line MoPF strategy and procedures;
- To create short term software aids (in Excel or Access) for project and financial management;
- To implement an integrated accounting manual and project management tool.
- To perform training on risk assessment and internal control;
- To develop a Human Resources strategy and career development and appraisal policies;
- To prepare and develop written Procedure Manuals on payments, accounting, archiving system, information technology and implementation acceptable for EDIS purposes.
- To organize training seminars for old and new CFCU staff outside Bucharest on payments and contracting procedures, audit, IT and project implementation.

II. The **technical assistance** is expected to involve:

- Four senior long term EU experts to coordinate and support the successful implementation of the project activities;
- Short-term EU experts with experience in treasury, Public Debt, macroeconomic, IT and training fields, management of EU funds;
- Short-term experts to be able to enhance capacity of CFCU to perform a quality and fair evaluation of offers for ISPA projects as well to draft better Tender Dossiers for both Technical Assistance and Works project so that to assure a successful implementation of ISPA projects in Romania;
- Specialized software and hardware related to community funds management.

III. For the **Investment component** the main activities are:

Procurement of the specific IT equipment and software for strengthening the community funds management;

The additional operational costs for CFCU are: vehicle running costs, consumables (stationary/office running costs), utilities, phone/e-mail, express mail, tender advertising, travel, training/seminars/workshops and mission to Bruxelles, service equipment, furniture, computers and printers and security system.

B. Institution building regarding the elaboration and implementation of the fiscal policies and revenues administration

There are two types of activities to be carried out in the view of strengthening the capacity of the MoPF to elaborate and implement fiscal policies and to administrate the State revenues:

- I. Twinning arrangements**
- II. Technical assistance**

I. The **twinning arrangements** (three Twinning Covenants) will provide on going advice and training to the MoPF, covering the best practises in the EU related to budgetary debts' extinction, fiscal control and revenues administration, in order to facilitate collective work between the Ministry and the Twinning partners.

B.2 In budgetary debts' extinction field:

- To analyse the current legal provisions related to insolvency status, as well as to writing off the debts in case of enterprises and banks bankruptcy and to establish the Diagnostic Study;
- To formulate the methods, techniques and procedures, which must be used in case of insolvency status and writing off the debts for bankrupt enterprises and banks, in view of their alignment to the European Union Member States' practice;
- To train the staff on the new techniques and procedures;
- To analyse the current legal provisions and to establish the corresponding Diagnostic Study;
- To formulate the techniques, procedures and conditions regarding the valuation and sale of the real estate and/or movables owned by the debtor, or of the commercial papers, if considered that these goods could be sold faster or in more advantageous pecuniary conditions, taking into account the creditors legal rights, as well as the rights and obligations of the sued debtor;
- To train the staff on the new elaborated techniques and procedures;
- Identifying new modalities of valuation and sale within the budgetary debts' extinction, as well as regarding the budgetary debts' recovery;
- To analyse the current legal provisions and to establish the related Diagnostic Study;
- To formulate the techniques, procedures and conditions related to the joint and unlimited liability of the associates, managers and other persons, legally involved in the companies' management, related to the due budgetary debts, when the debtor - legal person - hasn't other income source or sequestrated goods or the existing goods couldn't be sold;
- To train the staff on the new elaborated techniques and procedures;
- To make proposals for improvements in the organizational structures, taking account of best practices in the EU and internationally.

B.3. In the fiscal control field:

- To analyse the legal framework related to the fiscal control field, in view of its improvement, unification and alignment to the EU Member States' practice, as well as for a clear separation, stipulated by law, of the fiscal control activity against the Financial Guard activity;
- To elaborating the procedures, methods and general techniques of fiscal control for each category of taxpayers, either natural or legal persons;
- To elaborate a taxpayers' selection system regarding the fiscal control;
- To set up a system for assessing the risks associated to this activity;
- To analyse and amend the legislation in order to defend through law both the taxpayers, as well as the fiscal controllers, against any abuses that could occur in this activity and to include in the draft law that regulates this activity, the investigation function and the informational system, in order to prevent and fight the fiscal evasion;
- To design and facilitate the access to a database for the fiscal control activity;
- To train the fiscal controllers in order to know in depth the new fiscal control methods and techniques;
- To elaborate manuals and procedures guides (Fiscal Controllers' Guide);
- To write the Technical Specifications and to provide advice on procurement of related IT hardware, software.

B.6. In the field of organisation and revenues administration:

- To consolidate the unified organisation of revenues administration;
- To analyse the current situation and to elaborate a Diagnostic Study;
- To perform a Feasibility Study to analyse the IT needs (IT systems) for all the fields of the tax administration;
- To aggressively promote the use of systems of electronic filling for major administrative processes and to enforce the promotion of the bank systems and associate electronic payment services use in order to levy overall revenues;
- To undertake a review of national management information system for the revenues administration.
- To unify and integrate the tax and social and health contributions administration to the tax administration;
- To analyse the current organizational patterns applied within the systems for administration of the state revenues and the elaboration of some recommends regarding the new organizational patterns applied to the integrated system of state revenues administration;
- To set up and implement an adequate reporting, performances assessment and standardization system for all the activities connected to the revenues administration;
- To organize training sessions/workshops for the improving of the aptitudes, professionalism and integrity of the officials working with revenues administration and fiscal control;
- To strengthen the functional capacity and to extend the Large Taxpayers' Office (LTO) at Bucharest level and in other one or two centers in territory;
- To write the Technical Specifications and to provide advice on procurement of related IT hardware, software.

The **Twinning arrangements** is expected to involve:

- Three Pre-accession Advisers (PAA) for a period between 18 and 24 months;

Requirements:

- Minimum 10 years of experience in budgetary debts' extinction, fiscal control and revenues administration fields;
- Detailed knowledge of the *acquis communautaire* in the above-mentioned fields;
- Proven ability to communicate with seniors decision-makers in the public sector and to get the cooperation of other institutions involved;
- Proven ability to transfer know-how;
- Excellent command of English and/or French, as well as good knowledge of other EU languages.

Desired:

- Experience of working in a Central-Eastern European administrative environment;
- Good knowledge of the Romanian situation and Romanian administrative structures.
- Short-term expertise on specific issues related to drafting legislation and methodologies related to budgetary debts' extinction and fiscal control fields;
- Short-term assistance in organizing the corresponding training activities and preparing methodological handbooks;
- Short-term assistance in designing database for the fiscal control activity and training the staff in using this database;
- Local experts supporting the projects' activities;
- Study visits to EU Members States or candidate countries to provide first hand information regarding the above-mentioned fields.

II. The **Technical assistance** will ensure the provision of the following activities:

B.1 In the **Value Added Tax** field:

- To analyse and review the VAT legal framework, in view of its approximation to the *acquis communautaire*;
- To elaborate the provisions for the application of the special taxation schemes in case of the small undertakings, farmers, art collectors' items and antiques and the provisions related to the adjusting of the VAT deduction right;
- To train the personnel in view of knowing in depth the new VAT regulations;
- To elaborate and print the VAT Guide.

B.4. Regarding the **Financial Guard** project:

- To analyse, improve and adopt related legal framework, giving particular attention to defining clearly the respective competencies of the Financial Guard and other services within the tax administration;
- To assess the role and organization of the Financial Guard in combating tax evasion, corruption and organized crime;
- To set up mechanisms for co-ordination with other services within the tax administration;
- To set up effective internal mechanisms to prevent corruption and ensure accountability;
- To prepare pilot units in every local station of Financial Guard in view of strengthening the operative reaction capacity;

- To set up some supplementary training programmes. The extension of the training system will be done through developing specific courses in order to complete the courses organised within the School of Public Finance – Ministry of Public Finance and to elaborate an Officers' Guide;
- To exchange experience with similar structures from Member States that use technical equipment in actions of unexpected and operative financial control;
- To develop legal informatics programmes and to ensure access to relevant databases;
- To write the Technical Specifications and to provide advice on procurement of related IT hardware, software.

B.5. As regards the information campaign:

- To implement within a pilot-project the theoretical knowledge acquired during the courses. This pilot should be organized on two levels, on taxpayers' assistance units at central and local level, and should include:
 - The elaboration of strategies and action plans for taxpayers' assistance campaigns (including definition of the main and secondary target-groups, the peaks of campaign, its individual aspects in different territorial areas, the messages to be transmitted, the communication supports and the information distribution methods);
 - To co-ordinate and monitor from the central level the activities undertaken at local level;
 - To co-operate with radio and TV channels in order to broadcast spots, to organize interviews etc;
 - To organize workshops, symposiums and working meetings, with the participation of mass media and representatives of different social-professional groups;
 - To publish articles and communicates in the main newspapers;
 - To promote the taxes by internal fairs and exhibitions, to organize of information caravans and of press conferences;
 - To assist the taxpayers by a direct phone line, regarding the detailed application of the global income tax;
 - To draft, print and distribute promotional materials: posters, leaflets and taxpayers' guides;
 - To organize public surveys, in different key moments of the campaign.
- To transfer the know-how to the taxpayers' assistance units at Ministry of Public Finance central and local level, in order to organize information/education activities by developing the necessary knowledge and skills of their personnel, through organizing PR/communication courses that should combine theory with case studies and role-playing;
- To organize training activities in order to develop skills in:
 - PR/communication rules, methods and techniques;
 - Working with public through direct contact (in the office) and telephonic contact;
 - Elaborating letters addressed to taxpayers (how to formulate and address, language and format) intended for an individual, following taxpayer's questions, or intended for different target groups, aiming at their information/education;
 - Drafting promotional materials (structure, language, design);
- To develop skills in order to organise taxpayers' assistance activities intended for target-groups or for all the taxpayers (informative stalls regarding taxes, informative caravans, seminars for target-groups;

- To elaborate action plans for a taxpayers' assistance campaign (information/education campaigns, tax returns campaign);
- To write the Technical Specifications and to provide advice on procurement of related IT hardware, software.

The School of Public Finance, set up under a PHARE 1998 project, can support the activities of this project by providing the necessary facilities for the personnel' training within the taxpayers' assistance units.

The **technical assistance** is expected to involve:

- Four senior long term EU experts to coordinate and support the successful implementation of the project activities;
- Short-term EU experts with experience in PR and communication matters and in the fight against fraud, in particular protection of EC financial instruments;
- Short-term assistance in the PR and communication field, the organization of information campaigns;
- Short-term expertise on specific issues related to drafting legislation and methodologies related to VAT matters.

C. Institution building regarding the elaboration and implementation of the public financial control and internal audit

There is one type of activities to be carried out in the view of strengthening the capacity of the MoPF to elaborate and implement public financial control and internal audit:

The **technical assistance contract** will provide on going advice and training to the MoPF, covering the best practises in the EU related to public financial control and internal audit, in order to facilitate collective work between the Ministry and the foreign partner(s):

C.1. Regarding the public financial control and internal audit field:

- To analyse the present secondary legal framework in order to update and to improve it;
- To asses the training system of internal auditors from public entities in classical audit area;
- To set up a strategy regarding the continuous training of the auditors in system audit and performance audit field; training regarding the assessment of the quality program (related to audit work);
- To set up a selection system of recruiting new competitive staff to work in the field of audit system and performance audit for the public institutions;
- To implement the training strategy through theoretical and practical training of the auditors (by the organisation of internal and external audit missions, with the participation of foreign experts, as well as by the organisation of internships for Romanian auditors);
- To elaborate Guides of procedures regarding the audit of system and audit of performance;
- To elaborate manuals and handbooks regarding the system and performance audit.

The **technical assistance contract** is expected to involve:

- One senior long term EU expert to coordinate and support the successful implementation of the project activities;

Requirements:

- Minimum 10 years of experience in the public financial control and internal audit field, in particular, in the Community funds auditing;
- Detailed knowledge of the *acquis communautaire* in the above-mentioned area;
- Proven ability to communicate with seniors decision-makers in the public sector and to get the cooperation of other institutions involved;
- Proven ability to transfer know-how;
- Excellent command of English and/or French, as well as good knowledge of other EU languages.
- Experience of working in a Central-Eastern European administrative environment;
- Good knowledge of the Romanian situation and Romanian administrative structures.
- Short-term expertise (auditors) on specific issues related to legislation and methodologies related to the performance audit and system audit area;
- Short-term assistance (auditors) in organizing the corresponding training activities and preparing methodological handbooks;
- Short term experts in IT audit;
- Local experts supporting the project' activities;
- Study visits to EU Members States or candidate countries to provide first hand information regarding the above-mentioned field.

D. Developing and strengthening the support functions (human resources and communication and IT infrastructure)

There are two types of activities to be carried out in the view of strengthening the support functions of the MoPF:

I. Twinning arrangements

II. Technical assistance

I. The **twinning arrangements** (one Twinning Covenant) will provide on going advice and will support the institutional building, the accomplishment of the MoPF strategic objectives in view of the pre-accession process and the successful fulfilment of the Ministry' mission within a modern economic market:

D.1. Regarding the School of Public Finance:

- To analyse the training activities and to establish a Diagnostic Study;
- To develop coherent and operational working procedures for all structures of the School of Public Finance;
- To extend the constituted e-learning Pilot Projects to national level;
- To support and coordinate the other training activities within the other Phare projects (treasury, accounting system, budgetary process, TVA, revenue administration, financial control, audit, tax evasion, IT);
- To train the personnel on e-learning matters, management, institutional identity, negotiation and communication;
- To procure various books and materials related to the finance field;

- To develop teaching and learning materials, as well as training quality assurance system;
- To set up new local training centers to further participate in local networks;
- To perform workshops and training courses for the staff employed within the School structures both at central and local level;
- To organize seminars for training the trainers on different issues, through courses organized in territory or abroad; the training of trainers that permitting them to ensure the training of new civil servants within the School of Public Finance;
- To train the experts within the Ministry of Public Finance in the specialized areas of School of public Finance (training design, trained trainers and elaboration of courses support);
- To set up training nucleus on various issues, in view of implementing the acquis communautaire related to the finance field;
- To conceive and plan the programs/curricula of professional training;
- To design and develop teaching materials in order to facilitate individual learning;
- To provide expertise for developing and implementing the modern learning methods;
- To write and implement a working procedures for training needs analysis, training programming, training design and concrete training performance;
- To train staff of MoFP in order to be capable in using e-learning method;
- To write the Technical Specifications and to provide advice on procurement of related IT hardware, software.

The **Twinning arrangements** is expected to involve:

- One Pre-accession Adviser (PAA) for a period of 24 months;

Requirements:

- Minimum 10 years of experience in the public administration, human resources and training programs development within a Tax Administration;
- Proven ability to communicate with seniors decision-makers in the public sector and to get the cooperation of other institutions involved;
- Proven ability to transfer know-how;
- Excellent command of English and/or French, as well as good knowledge of other EU languages.

Desired:

- Experience of working in a Central-Eastern European administrative environment;
- Good knowledge of the Romanian situation and Romanian administrative structures;
- Short-term expertise in human resources, training activities, e-learning, organizational matters;
- Local experts supporting the projects' activities;
- Study visits to EU Members States or candidate countries to provide first hand information regarding the above-mentioned fields.

II. The **Technical assistance** will ensure the provision of the following activities:

D.2. In the Information Technology field:

- To design, develop, test and implement IT applications to support the main flows of documents within the Ministry of Public Finance;
- To generate recommendations regarding the Security Policy and the Disaster Recovery Policy for IT system;
- To make a complete proposal for the Security Policy and the Disaster Recovery Policy;
- To put in practice IT pilots projects at central and local level.
- To analyse the needs of documents management and informational flows;
- To design, develop, test and implement the IT applications in order to support the main documents flows at central and local level of the Ministry of Public Finance;
- To estimate the needs for training and to perform the training for trainers;
- To write the Technical Specifications and to provide advice on procurement of related IT hardware, software;
- To achieve preparatory studies related to investment needs and equipment procurement in some or all of the following areas: public accounting for supporting the implementation of the General Chart of Accounts; simulation of the Romanian contribution to the EU budget; treasury and management of public debt; macroeconomic policy; management of EU funds; VAT for upgrading the IT systems in this field; fiscal control; Financial Guard; public information; revenues administration; School of Public Finance and MoPF IT systems, as needed.

The **technical assistance** is expected to involve:

- One senior long term EU experts to coordinate and support the successful implementation of the project activities and to take part in tenders Evaluation Committees;
- Short-term expertise on specific issues related to design and implementation of communication networks, IT communication applications.

3.5 Lessons learned:

All of the 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 NPAA, through strengthening the institutional and administrative capacity to manage the *acquis communautaire*.

Within the Interim Evaluation Report No. R/RO/FIN/010033, the OMAS Consortium made the following recommendations regarding the projects which has been implemented within Ministry of Public Finance:

- The Ministry of Public Finance should urgently develop a medium-term strategy
- Favourable consideration should be given by the EC Delegation to any further requests for assistance for the RO – 9804.01.02.01 – “School of Public Finance”;
- The EC Delegation should favourably consider an extension and further possible support for the treasury management sub-component RO-9907.03.02 – “Improvement of the Treasury management system” in order to benefit from the efforts to date, with the ultimate aim of delivering a full

accrual accounting system across the public sector over the next five years or more;

- Future PHARE assistance should be considered to address the black/grey economy, which is currently policed by the Financial Guard. It is well known that this sector is sizeable and highly active in most economies in transition, which results in major losses of revenue for the State budget;
- The Report of the European Commission on 2001 mentions that "Romania needs to establish functionally independent internal audit units in the budget spending centres, with a focus on systems-based and performance audit methodology."

Also, it is recommended that a "coherent programme of recruitment and staff development for financial control and internal audit functions in all spending centres should be developed."

4. Institutional Framework

The project will be implemented within the Ministry of Public Finance both central and local level in the following directorates:

1. General Directorate of State Treasury
2. Directorate of Public Accounting
3. General Directorate for Managing the Public Revenues and Monopolies
4. General Directorate of National Pre-Accession Fund
5. Unit of Macroeconomic Studies and Policy;
6. General Directorate of Fiscal Policies and Legislation
7. General Directorate of Fiscal Control and Guidance
8. General Directorate of Control and Internal Audit
9. Financial Guard
10. General Directorate of Information Technology
11. General Directorate of Tax Procedures
12. Directorate of Public Relations
13. General Directorate of Policies and Human Resources – Service of School of Public Finance
14. Central Financing and Contracting Unit.
15. Department of revenues administration (will be set-up before the start of the project)

5. Detailed Budget

MEUROS

PHARE Support								
	Component		Investment support	Institution Building	Total PHARE (=I+IB)	National Co-financing	IFI	TOTAL
A. Budgetary policy and public debt								
A1	Public accounting system	Twinning	-	1,000	1,000	-	-	1,000
A2	Simulation EU Budget	Twinning	-	0,700	0,700	-	-	0,700
A3	Treasury system	Technical Assistance	-	1,000	1,000	-	-	1,000
A4	Economic policy	Technical Assistance	-	1,450	1,450	-	-	1,450
A5	National Fund	Technical Assistance	0,200	0,800	1,000	0,067	-	1,067
A6	CFCU	Technical Assistance	0,400*	0,500	0,900	0,132	-	1,032
Total A			0,600	5,450	6,050	0,199	-	6,249
B. Fiscal policies and revenues administration								
B1	VAT System	Technical Assistance	-	0,600	0,600	-	-	0,600
B2	Budgetary debts'	Twinning	-	0,450	0,450	-	-	0,450
B3	Fiscal control	Twinning	-	1,200	1,200	-	-	1,200
B4	Financial Guard	Technical Assistance	-	0,400	0,400	-	-	0,400
B5	Information campaign	Technical Assistance	-	1,400	1,400	-	-	1,400
B6	Revenues administration	Twinning	-	1,000	1,000	-	-	1,000
Total B			-	5,050	5,050	-	-	5,050
C. Public financial control and internal audit								
C1	Audit	Technical Assistance	-	1,400	1,400	-	-	1,400
Total C			-	1,400	1,400	-	-	1,400
D. Support functions								
D1	School of Public Finance	Twinning	-	1,400	1,400	-	-	1,400
D2	IT system	Technical Assistance	-	1,400	1,400	-	-	1,400
Total D				2,800	2,800	-	-	2,800
GENERAL TOTAL (A+B+C+D)			0,600	14,700	15,300	0,200	-	15,50

* Representing the additional operational costs

6. Implementation Arrangements

6.1 Implementing Authority and Implementing Agency

The Implementing Authority will be the Ministry of Public Finance through the directorates, which are beneficiaries of the subprojects within this project.

Contact:

Ministry of Public Finance

Under-secretary of State: Daniela Gheorghe Marinescu

Tel. ++401 3366257

Fax. ++401 3368627

Address: 17 Apolodor Street, Sector 5, Bucharest

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. Jeana Buzduga

Tel. ++401 3103772

Fax. ++401 3153536

Address: 36-38 Mendeleev Street, Sector 1, Bucharest

The General Directorate of Legal Approximation and European Integration will be responsible for monitoring the technical implementation.

Contact:

General Directorate of Legal Approximation and European Integration

Director: Mrs. Lenuta Stefanescu

Tel. 00 401 4115167

Fax: 00 401 4115167

Address: 17 Apolodor Street, Sector 5, Bucharest

6.2 Twinning

A1. Improvement the organisation and performance of the public accounting system

Twinning 1,000,000 €

A2. Design and implementation of a complete model for simulation of the Romanian contribution to the European Union budget

Twinning 700,000 €

B2. Setting up the procedural and methodological framework in view of the arrears' diminution, as well as using other modalities for the budgetary debts' extinction

Twinning 450,000 €

B3. Strengthening the Fiscal Control Function within the Ministry of Public Finance

Twinning 1,200,000 €

B6. Strengthening and developing the state revenues administrative capacity

Twinning 1,000,000 €

D1. School of Public Finance	
Twinning	1,400,000 €

In case no offers will be received for the twinning projects, the projects will be achieved through Classic Technical Assistance ("Practical Guide to Phare, ISPA & SAPARD contract procedures").

6.3 Non-standard aspects

The DIS Manual provisions will strictly be followed for the technical assistance components.

6.4 Contracts

Nine contracts of classical technical assistance and two investment contracts were proposed for implemented through "Practical Guide to PHARE, ISPA & SAPARD contract procedures"

A3. Improving of the Treasury management system:
Technical assistance component 1,000,000 €

A4. Strengthening the capacity of the Romanian Ministry of Public Finance to perform more effectively its role in the design, implementation and monitoring of the economic policy:
Technical assistance component 1,450,000 €

A5. Strengthening the National Fund capacity to correctly and efficiently manage community funds
Technical assistance component 800,000 €
Investment component 200,000 €

A6. Technical Assistance for CFCU
Technical assistance component 500,000 €
Additional Operational Costs:
Vehicle running costs 15,000
Consumables: stationary/office running costs 30,000
Utilities 20,000
Telephone/E-mail 35,000
Express mail 25,000
Tender advertising 25,000
Travel 25,000
Training/seminars/workshops and missions to Brussels 50,000
Service equipment 15,000
TOTAL 1 240,000

Furniture for the new premises 100,000
Computers & printers and security system 60,000
TOTAL 2 160,000

GRAND TOTAL 400,000

B1. Legal Approximation in the VAT field
Technical assistance component 600,000 €

B4. The optimisation of the Financial Guard strategy for restricting/controlling the tax evasion

Technical assistance component 400,000 €

B5. Building up the capacity of the Ministry of Public Finance to develop information / education campaigns and to use modern means for taxpayers' assistance

Technical assistance component 1,400,000 €

C1. The development of the performance audit and system audit in Romania

Technical assistance component 1,400,000 €

D2. Improvement of the Information System and the Infrastructure of Hardware, Software and Communications, support of the Ministry of Public Finance Functions

Technical assistance component 1,400,000 €

7. Implementation Schedule

7.1 Start of tendering/call for proposals

February 2003

7.2 Start of project activity

October 2003

7.3 Project Completion

October 2005

8. Equal Opportunity

Equal opportunity for men and women will be guaranteed.

9. Environment

Not applicable

10. Rates of return

Not applicable

11. Investment criteria

Not applicable

12. Conditionality and sequencing

The subprojects implemented through twinning, requires the full commitment and participation of the senior management of the beneficiary institution.

In addition to providing the twinning partner with adequate staff and other resources to effectively operate, the senior management must be fully involved in the development and implementation of the policies and institutional change required to deliver the project results.

All subprojects requires the full commitment and participation of the senior management of the Ministry of Public Finance, which will provide the necessary resources to effectively operate, and will be fully involved in the activities.

The implementation of the project related to the National Fund is conditioned upon the involvement and commitment of the stakeholders towards fulfillment of the project objectives.

LOGFRAME PLANNING MATRIX FOR Project	Program name and number RO-2002/000-586.03.04	
Support for the Strategic Plan of the Ministry of Public Finance (<i>Strengthening the institutional capacity of the Ministry of Public Finance</i>)	Contracting period expires December 2004	Disbursement period expires December 2005
	Total Budget: (indicative): 15,500 €	Phare budget (indicative): 15,300,000 €

Overall objective	Objectively verifiable indicators	Sources of Verification	
Improving of the legal and administrative capacity of the Ministry of Public Finance regarding the elaboration and implementation of the budgetary and fiscal policies of the Government in connection with the other economics-social policies and with the accession requirements to the European Union.	Improved degree for macro decisions making Efficiency of applied the budgetary and fiscal policies and management Level of legal approximation	Official Journal Commission Regular Report Financial and statistical data Other reports	
Project purposes	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>A. Institution building regarding the elaboration and implementation of the budgetary policy and public debt administration</p> <p>A1 Improving the organization and performance of the public accounting system in accordance with the European and international standards in force for obtaining the relevant information regarding the patrimony management and efficiently using the public resources by transition from “cash”</p>	<p>A1 Increased efficiency of the public accounting activity Increased efficiency of public funds use</p>	<p>A1 Official Journal Chart of Accounts Quarterly and evaluation reports Accounting law</p>	<p>A1 A good collaboration with the spending agencies Taking into account the results of the previous Twinning project “Improvement of the Treasury management</p>

<p>based accounting to "accrual" based accounting (foreseen by ESA 95)</p> <p>A2 Strengthening of the budgetary process, by designing and implementing a complete model simulation of the Romanian contribution to the European Union budget</p> <p>A3 Improving the organization and performance of the Treasury system as well as Public Debt management by strengthening capacity for managing the financial resources of the State in accordance with the European standards in force</p> <p>A4 Strengthening the capacity of the Romanian Ministry of Public Finance to perform more effectively its role in the design, implementation and monitoring of the economic policy</p> <p>A5 Institution-Building regarding the further elaboration and development of the treasury administration, control, and audit functions of the National Fund as regards to the Pre-Accession Funds; development of the</p>	<p>A2 The level of flexibility and functionality of the budgetary process Calculation of the Romanian contribution to EU budget</p> <p>A3 Improved degree of the public funds use Strengthened State key functions (revenue collections, expenditure management etc.)</p> <p>A4 Macroeconometric forecasts Number of trained staff of the MoPF</p> <p>A5 Improved capacity of management of EU funds Increased allocations of funds</p>	<p>A2 The State budget law EC Financial Regulation Quarterly and Final reports</p> <p>A3 Official Journal Commission Regular Report Financial data Evaluation report</p> <p>A4 Macro econometric models Evaluation report</p> <p>A5 Financial data Evaluation report</p>	<p>system"</p> <p>A2 Inter-institutions collaborations Providing modern computing tools</p> <p>A3 Capacity to efficiently put in practice of the new regulations Taking into account the results of the previous Twinning project "Improvement of the Treasury management system"</p> <p>A4 Trained staff may leave the organization Capacity of the model to provide accurate forecasting</p>
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<p>structures for Sound Financial Management, Control and Audit of the Post-Accession Structural and Cohesion Funds.</p> <p>A6 Institution-Building regarding the further elaboration and development of staff policy, administration, control and internal audit functions within CFCU</p> <p>B. Institution building regarding the elaboration and implementation of the fiscal policies and revenues administration</p> <p>B1 Improving and developing the legal framework as well as the administrative capacity related to VAT in view to completing the approximation of the Romanian VAT legislation with the <i>acquis communautaire</i></p> <p>B2 Setting up the procedural and methodological framework in view of the arrears' diminution, as well as using other modalities for the budgetary debts' extinction</p> <p>B3 Strengthening the control function and the fiscal procedures within the Ministry of Public</p>	<p>B1 Level of approximation Increased level of VAT collection</p> <p>B2 Release of the Financial blockage Increased revenue collection Clear methodological and procedural framework</p> <p>B3 Increase degree of the revenue collection</p>	<p>B1 Official Journal Statistical data</p> <p>B2 Official Journal Statistical data and indexes publication Reports</p> <p>B3 Periodical reports on revenues</p>	<p>A6 Capacity to efficiently put in practice of the new regulations by newly employed staff</p> <p>B1 Support of the Parliament in adopting the changes of legislation Correct application of the legislation</p> <p>B2 Adaptation to the new legislation and to the new techniques, methods and procedures Support from Parliament and Trade Unions to enforce the legislative changes</p> <p>B3 Periodical reports on revenues administration</p>
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<p>Finance, by achieving an unique framework for the fiscal control and by improving the personnel skills in the field</p> <p>B4 Strengthening the efficiency of the Financial Guard activity regarding the unexpected and operative control in order to find out, to combat, to restrict and to control the tax evasion facts, by developing the operative capacity both at central and local level</p> <p>B5 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</p> <p>B6 Improving and developing the organization of the management activity for the state revenues within the Romanian Tax Administration</p> <p>C. Institution building regarding the elaboration and implementation of the public financial control and internal audit</p> <p>C1 Drawing up and approximating the legal</p>	<p>Uniform approach of the revenues administration</p> <p>B4 Increased the efficiency of the Financial Guard activity Strengthened control of tax evasion phenomenon</p> <p>B5 Increased tax collection level Increased capacity of the MoPF to provide correct information related to taxes to the taxpayers</p> <p>B6 Increase degree of the revenue collection Uniform approach of the revenues administration</p> <p>C1 Adopted and aligned</p>	<p>administration activity</p> <p>B4 Reports on the activity of the Financial Guard Statistical data Publications</p> <p>B5 Statistical data Periodical polls Excerpts and articles in the press</p> <p>B6 Periodical reports on revenues administration activity</p> <p>C1 Internal annual reports</p>	<p>activity</p> <p>B4 Full support from the Government in implementing the Anti-corruption Action Plan Strengthen the role of the Financial Guard</p> <p>B5 Public free access to the information The official attitude of the Romanian authorities should be non-aggressive, impartial, documented, non-discriminatory</p> <p>B6 The compliance of the large taxpayers The management of the revenue administration unit</p> <p>C1 Legal framework adopted</p>
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<p>framework regarding the system audit and the performance audit according with the European Union standards and international standards as well as improving of the staff competencies and practice in this field</p> <p>D. Developing and strengthening the support functions (human resources, communication and IT infrastructure)</p> <p>D1 Increasing the professional capacity for the experts from public finances and customs, through a conceptual training infrastructure of the Ministry of Public Finance and standardized training activity procedures</p> <p>D2 Improving the information system and the infrastructure of the Information Technology for the Ministry of Public Finance functions, through improving the Disaster Recovery Policy, the IT Security Policy and the IT applications</p>	<p>legislation in this field Improved practices and competencies of the auditors</p> <p>D1 Adequate schedule of training Number of new locations for training purposes, especially at the local level Number of civil servants trained Operationally of the e-learning pilot project</p> <p>D2 The flexibility of the infrastructure of the IT sector implemented The level of the IT skills of the IT staff</p>	<p>of the MoFP</p> <p>D1 The working procedures of the School of Public Finance Quarterly and Final Reports</p> <p>D2 Evaluation reports on the policies implemented Evaluation reports of the pilot projects</p>	<p>in stotted/envisage time Following and implementing the strategic direction from the Policy Paper on internal audit and financial control</p> <p>D1 The results of the previous twinning project The importance given by the representatives of the MoFP regarding to the role of school of Public Finance Adequate provision from state budget in view of maintaining the sustainability</p> <p>D2 Drawing up of the MoFP working procedures regarding the Securities and Disaster recovery policies</p>
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Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>A. Institution building regarding the elaboration and implementation of the budgetary policy and public debt administration</p> <p>A1 Implemented new regulations A new Chart of Accounts for public institutions An appropriate reporting system of the accounting information Trained accountants Methodological Handbooks for proper applications for the new regulations Operational information regarding the cash flow on budgets Technical specifications</p> <p>A2 A complete model for simulation of the Romanian contribution to the EU budget A database structure needed for completing the own resources Identified data sources Working procedures and informational flows between the involved institutions Network between the Ministry of Public</p>	<p>A1 Uniform approach of the accounting recording at central and local public institutions level Number of accounting methodological handbooks and number of users Approved Charter Accounts Adequate recording of the new activities in the public accounting system Number of trained accountants</p> <p>A2 A correct calculation of the Romanian contribution to EU budget An operational database Number of data sources</p>	<p>A1 The new regulations The new Chart of Accounts Financial statement Quarterly and annually reports Methodology handbook</p> <p>A2 EU regulations Statistical data The State budget Written procedures</p>	<p>A1 Agreement by all the parties involved on the new Chart of Accounts Collaborations of the parties involved in the elaboration of the new regulations Appropriate implementations of the new regulations and reporting systems</p> <p>A2 A correct application of the methodology Appropriate level of know-how transfer from the EU experts Good collaboration with all the institutions involved Sufficient number of</p>

<p>Finance and the other institutions involved Technical specifications</p> <p>A3 Legal framework for the Treasury and Public Debt field Tested, implemented and extended new regulations at national level Recommendations regarding the decreasing of expenditures of Public Debt Electronic payments and collecting system Achieved integration with banking and settlement system Appropriate reporting system A methodology handbook Trained experts Technical specifications</p> <p>A4 Study assessing the needs for developing and improving the economic policy capacity building for the Ministry of Public Finance; Improved analytical skills of the ministry's staff in micro-economic field Developed standard national macro-econometric model;</p>	<p>Optimal information flows An operational network</p> <p>A3 Level of legal approximation Increased efficiency of the national Treasury system Improved payments and collection system Complete and concrete information in due time regarding the state financial resources Reliable prognosis of the balance of the Treasury General Current Account Decreased expenditure with Public Debt Number of printed handbooks and number of users Number of trained experts</p> <p>A4 Numbers of civil servants which benefit from the training Accuracy forecasting made to revenue collection, GDP growth,</p>	<p>A3 Diagnostic study New regulations Quarterly and Final reports Handbook Courses material</p> <p>A4 Final tests & results Monitoring results Periodically reports</p>	<p>trained staff</p> <p>A3 Involvement and responsibility assuming at the central and local Treasury level, as well as at the other public institutions level Appropriate collaboration with external institutions</p> <p>A4 Trained staff may leave the organization Capacity of model to provide accurate forecasting the necessary information</p>
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<p>Several sub-models build, to be used for analysis and forecast in various budgetary categories; A certain number of cost-benefit analyses concerning major investment decisions and the process of absorbing EU structural funds on selected areas; A selected number of economic assessments concerning major economic decisions and problems; Developed and printed Users' manual(s) regarding the macroeconomic models; Developed regularly cash flow data and forecast, identifying the impact of all government operations, updated frequently and projected over the year ahead, in order to detect the need for expenditures corrections and to ensure their implementation. An explicit link should be made between the cash flow forecast and borrowing decisions; Collected data of economic series, correlated and tested in order to develop a standard macro-econometrical model and several sub-models for different budgetary categories Technical specifications</p> <p>A5 For the National Fund the following results are targeted: All EU co-financed programs with accounting and reporting to IAS; All EU co-financed programs with internal audit to international auditing standards, including quality assurance of all associated audit trails;</p>	<p>inflation etc Number of cost-benefit analyses made concerning major investments. Number of analyses regarding the pension reform, energy and agricultural sectors. Number of analyses made to monitoring the impact of the tax legislation in economic policy framework</p> <p>A5 The degree of compliance with IAS The degree of compliance with international audit standards ISO 9000 certificate in place</p>	<p>A5 Audit reports, EC reports, other</p>	<p>for elaborating the study the recommendation made is not clear and realistic and is not implemented into the practice the necessary information for elaborating the study unavailable the recommendation made are not put into the practice accuracy of the study</p>
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<p>IT systems and procedures of the National Fund for pre-accession funds, and all related filing and archiving to ISO 9000; Restructured organization of National Fund to optimize Sound Financial Management and Control of all pre-accession and post-accession funding; National Fund staff increased and developed/trained to International Internal Audit certification standards, with comprehensive competence in risk analysis; and practical experience of all relevant Regulations related to Financial Management and Control of Structural and Cohesion Funds; Comprehensive training of National Fund management in sound financial management and control of Structural Funds by internal coaching and properly focused assignments in selected Member States; National Fund management competent to participate pro-actively in IFI co-financing deliberations as part of the Structural Funds elaboration, and to participate fully as members of the Treasury/Budgetary team in CSF financing; National Fund management competent to participate pro-actively in all financial preparations and negotiations for Community Support Framework at various levels, up to and including negotiation at Commission level; Procured IT equipment and related software and interface between National Fund, European Commission, Ministry of European</p>	<p>Improved financial management Competent personnel Management and personnel accustomed to Structural Funds management Integrated software for management of funds in place Integrated electronic payment and control systems in place Successful negotiations for Romania Level of proper software and networks implementation Procedures manuals drafted The issued reports</p>		
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<p>Integration and the other actors in financial management and control of the Funds, including other directorates in Ministry of Public Finance involved in EU funding implementation and control; Comprehensive set of methodology handbooks on Financial Management and Control of EU-funded programs; Comprehensive reporting systems to government and the Commission on financial management and control of pre-accession and post-accession Funds.</p> <p>A6 Comprehensive written procedure manual for PHARE Implementation; Accounting and Payment manual; Code of Conduct; IT framework, including a strategy, policies and procedures; Perform training on risk assessment and internal control; Human Resources strategy.</p> <p>B. Institution building regarding the elaboration and implementation of the fiscal policies and revenues administration</p>		<p>A6 Reports</p>	<p>A6 An accounting manual created, specific to CFCU, including:</p> <ul style="list-style-type: none"> - legal basis - structure of accounting unit - description of the accounting software in respect of IT security - chart of accounts - audit trail description - reports generated
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<p>B1 Harmonized VAT legislation with the Sixth Directive Printed and distributed VAT Guides Improved VAT administrative capacity</p> <p>B2 Diagnostic studies Clear techniques and procedures as well as trained staff on establishing the insolvency status, as well as on writing off the debts in case of enterprises and banks' bankruptcy Clear techniques, procedures and conditions as well as trained staff regarding the valuation and sale of real estate and/or movable goods owned by the debtor, or of the commercial papers Identification of new modalities of valuation and sale within the budgetary debts' extinction Identification of new modalities regarding the budgetary debts' recovery Clear techniques, methods and procedures as well as trained staff regarding the joint and unlimited liability of the associates, managers or other persons Proposals for improvements in the organizational structures, taking account of best practices in the EU and internationally.</p>	<p>B1 A good level of legislative approximation Number and quality of VAT Guide Correct and uniform application of the VAT legislation Increased level of VAT collection</p> <p>B2 Levels of arrears' diminution Efficiency of all new applied procedures, methods and techniques Improvement of the enforcement activity and of budgetary debts extinction Improvement of budgetary debts' recovery Increased level of revenue collection</p>	<p>B1 The new regulation text The VAT Guide Statistical data Quarterly and Final reports</p> <p>B2 Quarterly and Final Reports State budget Statistical data Official Journal List/reports regarding the enterprises under bankruptcy procedures, of those under enforcement procedures, as well as the enterprises under budgetary debts' recovery</p>	<p>B1 The capacity to elaborate a quality Guide The capacity to elaborate a harmonized legislation Agreement on the new legislation by all the involved parties Sufficient number of staff to manage VAT collection</p> <p>B2 Administrative capacity to implement the new methodologies, techniques and procedures Reactions from the part of the affected parties Appropriate technical expertise from the twinning partner</p>
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<p>B3 Unique legal framework and aligned legislation in the fiscal control field to the EU Member States' practice; Unique and coherent methodologies and procedures of fiscal control for each category of taxpayers and taxpayers' selection system; Clear system of assessment of the risks associated to this activity; Draft law related to the legal taxpayers defense, the investigation function and the informational system; Trained personnel and trainers in the field of fiscal control, as well as printed and distributed manuals and procedures guides (Financial Controllers' Guide); trained staff on using the IT equipment and software procured; Data base for fiscal control activity; Technical specifications</p> <p>B4 Approximated and improved legislation An assessment of the role and organisation of the Financial Guard in combating tax evasion, corruption and organised crime; Strengthened operative reaction capacity against tax evasion cases; Mechanisms for co-ordination with other services within the tax administration; Effective internal mechanisms to prevent corruption and ensure accountability; New set-up pilot units Coherent, co-ordinated approach in order to</p>	<p>B3 Increased level of the revenue collection Correct information related to the taxes and the taxpayers Efficiency of all applied procedures and methodologies Number of trained experts</p> <p>B4 Degree of extension of pilot units to the local level Decreased number of fiscal evasion cases Operational informational flows Number of the data bases accesses Optimize the operative control on the spot Number of printed</p>	<p>B3 Quarterly and Final Reports Statistical and financial data Guide for procedures' application Material support for training</p> <p>B4 Report on the activity of the Financial Guard Quarterly and Final Reports Officer Guide Statistical data</p>	<p>B3 Good collaboration within counterparts Clear procedures for application of the revenues collection The attitude of the State against the large taxpayers</p> <p>B4 Institutional framework for combating the corruption Co-operation between the institutions involved in combating corruption activity Implementing the measures stipulated by the Anti-corruption Action Plan</p>
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<p>achieve the objective of unitary treating of the same case anywhere in the country Developed legal informatic programs Ensured access to relevant data bases Trained officers Printed and distributed Officer Guide Technical specifications</p> <p>B5 Built and developed capacity of the MoFP to perform by itself information campaigns Improved image of the tax administration Positive results regarding the tax collection level Increased voluntary compliance Optimized activity of the taxpayers' assistance units Concrete Action Plans for taxpayers assistance campaigns Developed skills in the field of Public Relation/Communication field Designed and printed promotional materials Implemented pilot project Performed Public Relation activities Signed agreements with radio and TV channels Concrete Action Plan regarding the information of mass-media and different representatives of target groups Technical specifications</p> <p>B6 Unified and consolidated organizational structure, allowing an efficient planning of the state revenues administration;</p>	<p>Officer Guides</p> <p>B5 Number of well fulfilled tax returns Number of answers to the taxpayers' information requests Approved Action Plans for taxpayers' assistance campaign Number of trained staff in PR Number and quality of promotional materials Signed agreements with radio and TV channels Approved Action Plan regarding the information of mass-media and the representatives of different target groups</p> <p>B6 Increased level of the revenue collection Correct information</p>	<p>B5 Quarterly and Final Reports Reports on the outputs of the pilot project Articles, radio and TV broadcasting Different agreements, contracts and conventions Periodical reports of the tax administration</p> <p>B6 Quarterly and Final Reports Statistical and financial</p>	<p>B5 Administrative capacity to perform information campaign by itself The information coverage area Non technical presentation at the basic understandings levels of the information published Conception of clear, simple and concise promotional materials</p> <p>B6 Good collaboration within counterparts Clear procedures for</p>
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<p>Increased efficiency of the revenues administrative process; Diagnostic Studies; Feasibility studies in order to analyze the IT needs for all the tax administration fields; Enforced promotion regarding the use of systems of electronic filling for major administrative processes, as well as enforced promotion of the bank systems and associate electronic payment services use in order to levy overall revenues; Improved national management information needed for revenues administration; Integrated tax and social and health contributions to the Tax Administration; Recommendations regarding the proper organizational pattern for the new integrated structure of revenues administration; An adequate reporting, performances assessment and standardization system, implemented for all the activities of revenues administration; Strengthened functional capacity and extended Large Taxpayers' Office (LTO); Trained staff; Technical specifications</p> <p>C. Institution building regarding the elaboration and implementation of the public financial control and internal audit</p> <p>C1 Implemented performance and system audit Increased competencies in the theory and practice of the system audit and performance</p>	<p>related to the taxes and the taxpayers Efficiency of all applied procedures and methodologies Number of trained experts Optimised IT structure</p> <p>C1 Approved legislative framework by the Government and</p>	<p>data Guide for procedures' application Material support for training</p> <p>C1 Internal audit's annual reports Periodical audit reports</p>	<p>application of the revenues collection The attitude of the State against the large taxpayers</p> <p>C1 Co-ordination between the system audit and performance system</p>
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<p>audit area Adapted and adopted secondary legislation with EU and international standards regarding the system and performance audit Concrete strategy on continuous training of the auditors in system and performance field Developed selection system of recruiting new competitive staff to work in the field of audit system and performance audit for the public institutions Elaborated and printed handbooks and Guides of Procedures regarding the system and performance audit.</p> <p>D. Developing and strengthening the support functions (human resources, communication and IT infrastructure)</p> <p>D1 Extended distance learning pilot project, axed on various fields Diagnostic Study Trained staff at the School central and regional level in management, institutional identity, negotiation and communication, public accounting, treasury, VAT, fiscal control, PR and communication strategies, performance audit and system audit, IT matters, in view of the continuous Development of the School of Public Finance infrastructure; Developed teaching and learning materials; Developed training quality assurance system</p>	<p>Parliament Degree of implementation at national and local level of the legal framework approve Improved activity of the auditee entities Number of auditors trained Number of external staff included into the system Number of printed manuals</p> <p>D1 Volume and quality of the new equipment for training purposes Number of information materials issued within the training sessions Degree of co-ordination with training programs, especially performed by the other PHARE projects implemented within MoFP Number of seminars</p>	<p>Quarterly and final reports EC Reports</p> <p>D1 Working procedures Courses support Quarterly and Final Reports On the spot</p>	<p>Quick adaptation of the staff to the new laws and procedures Ensuring the functional independence of the audit activity Changes of the MOPF organizational structure</p> <p>D1 The enlargement the IT network in the field of School of Public Finance Co-operation with other directorates with MoFP and with the other stakeholders</p>
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<p>Established training programs /curricula Modern training methods (e-learning methods) Procured books and materials related to the finance field Coordinated training activities of projects from PHARE 2002 Trained trainers on different issues, through courses organized in central and local level or abroad; Written and implemented working procedures for training needs analysis, training programming, training design and concrete training performance; Trainers capable to use e-learning method; Trained of experts within the MoFP in the specialised areas of SoPF Technical specifications</p> <p>D2 Disaster Recovery Policy Security Policy IT application to support the internal communication in MoFP Trainers properly trained Implemented and operational pilots and applications Technical specifications Preparatory studies related to investment needs and equipment procurement in some or all of the following areas: public accounting for supporting the implementation of the General Chart of Accounts; simulation of the Romanian contribution to the EU budget; treasury and management of public</p>	<p>D2 The efficiency of the recovery Policy and the Security Policy) Frequency the internal communication flows Number of trainers properly trained Number of implemented pilots and applications.</p>	<p>D2 Quarterly and Final Reports on IT application</p>	<p>D2 Collaboration with the other directorates for the achieving of the applications for internal communication Efficiency of the policies implemented</p>
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debt; macroeconomic policy; management of EU funds; VAT for upgrading the IT systems in this field; fiscal control; Financial Guard; public information; revenues administration; School of Public Finance and MoPF IT systems, as needed			
Activities	Means		Assumptions
<p>A. Institution building regarding the elaboration and implementation of the budgetary policy and public debt administration</p> <p>A1 Preparing a diagnostic study of the existing regulation in the public accounting field Drawing up the General Charter accounts of public institutions and financial statements Implementing of the new regulations Training of the accountants from public institutions for applying of the new accounting regulations Preparing the methodological handbooks To write Technical specifications</p> <p>A2 Designing a model for detailed simulation of Romanian contribution to the own resources of EU budget Designing a synthetic model for presenting the own resources accruing from agricultural taxes and levies, custom duties, rat applied on uniform VAT base, rate on GNP Organizing the data collection activity Analyzing the results provided from alternative data sources</p>	<p>A1 Twinning Covenant PAA, Short Term Experts, Romanian Experts</p> <p>A2 Twinning Covenant PAA, Short Term Experts, Romanian Experts</p>		<p>A1 Effective co-operation between directorates involved Experience from other Member States Full support from the main spending agencies</p> <p>A2 Evolution of the Precession preparation process Good collaboration with all the institutions involved in the simulation exercises and with the other directorates from Ministry of Public Finance A good level of the</p>

<p>Setting up a data base structure needed for computing the own resources Training the specialists regarding the utilization of the database structure, continuously updated. To write Technical specifications</p> <p>A3 Preparing Diagnostic study of the existing regulation in the Treasury and Public debt field Setting up an appropriate legal framework Testing and implementation of the new regulations and extending it at national level Implementing an electronic payment system Achieving the integration with banking and settlement system Defining and implementing the function and the concepts of the Treasury and public Debt Training the staff To write Technical specifications</p> <p>A4 To perform a study for assessing the needs for developing and improving the economic policy capacity building for the MoPF; To organize specific training and to provide teaching/didactic materials related to the macroeconomic field; To develop a standard national macro econometric model; To build several sub-models to be used for analysis and forecast in various budgetary categories; To make a certain number of cost-benefit</p>	<p>A3 Technical assistance contract Team Leader, Short Term Experts, Romanian Experts</p>	<p>legislative approximation Easy access to information sources An adequate experience of the twinning partner(s)</p> <p>A3 Effective co-operation with other institutions Appropriate selection of the partner and full support from the Romanian part</p>
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<p>analyses concerning major investment decisions and the process of absorbing EU structural funds on selected areas (to be specified in the Terms of Reference); To make a certain number of economic assessments concerning: major economic decisions, and major problems; To develop and print Users' manual(s) regarding the macroeconomic models build; To develop and maintain regularly cash flow data and forecast, identifying the impact of all government operations, updated frequently and projected over the year ahead, in order to detect the need for expenditures corrections and to ensure their implementation; To collect data of economic series, correlated and tested in order to develop a standard macro-econometrical model and several sub-models for different budgetary categories; To write Technical specifications</p> <p>A5 To implement, test and accredit all related accounting systems to IAS, with continuous professional accounting training of National Fund staff, and where relevant, staff of related functions; To implement, test and accredit on internal audit functions to International Auditing Standards, together with professional training of National Fund management and staff in internal auditing and risk analysis to IIA certification standards;</p>	<p>A5 Technical assistance contract, training sessions Technical specifications, Purchase of equipment Team Leader, Short Term Experts, Romanian Experts, training sessions</p>		
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<p>To make a diagnostic review and feasibility study of necessary IT systems for the National Fund, procedures, hardware, software, and associated filing and archiving to ISO 9000. To design, develop, test and commission the IT system of National Fund in the Ministry of Public Finance;</p> <p>To make a detailed organizational diagnosis and development of HR strategy covering the 5-10 year period of pre- and post-accession Financial Management and Control by the National Fund of all EU co-financed programs;</p> <p>To provide detailed training in interpretation, implementation, and enforcement at Managing Authority and Paying Agency levels of all Financial Management and Control Regulations;</p> <p>To provide training for senior National Fund management in Structural Funds Financial Management and Control functions of selected Member States, with strong emphasis on 438/01 and 448/01;</p> <p>To write the Technical Specifications and to provide advice on procurement of related IT hardware, software, and system maintenance requirements for National Fund operations within the Ministry of Public Finance.</p> <p>A6</p> <p>To prepare and develop written Procedure Manuals on payments, accounting, archiving system, information technology and implementation acceptable for EDIS</p>			<p>A6</p> <p>Development of an IT strategy with IT policies with exercise of classifying information;</p>
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<p>purposes. To organize training seminars for old and new CFCU staff outside Bucharest on payments and contracting procedures, audit, IT and project implementation; To strengthen the implementation capacity as well as the accuracy of procedures applied according to DIS and PRAG in towards EDIS</p> <p>B1 Analysis and review of the VAT legal framework, in view of its approximation to the acquis communautaire Elaborating the provisions for the application of the special taxation schemes in case of the small undertakings, farmers, art collectors' items and antiques and the provisions related to the adjusting of the VAT deduction right Training the personnel on the new VAT regulations Elaborating, printing and distributing the VAT Guide</p> <p>B2 To analyze the current legal provisions related to insolvency status, as well as to writing off the debts in case of enterprises and banks bankruptcy and to establish the</p>	<p>B1 Twinning Covenant PAA, Short Term Experts, Romanian Experts</p> <p>B2 Twinning Covenant/ PAA, Short Term Experts, Romanian Experts</p>		<p>Security training provision; Internal audit department skilled to perform IT audits; Existence of a description of system software parameters or the audit trail of all changes of system software parameters; Existence of specific procedures regarding safeguarding telecommunications.</p> <p>B1 The capacity to quickly adopt and implement the new legislation An appropriate expertise of the twinning partner</p> <p>B2 Adoption and enforcement of the appropriate legislation Proper co-ordination with</p>
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<p>Diagnostic Study;</p> <p>To formulate the methods, techniques and procedures, which must be used in case of insolvency status and writing off the debts for bankrupt enterprises and banks, in view of their alignment to the European Union Member States' practice;</p> <p>To train the staff on the new techniques and procedures;</p> <p>To analyze the current legal provisions and to establish the corresponding Diagnostic Study;</p> <p>To formulate the techniques, procedures and conditions regarding the valuation and sale of the real estate and/or movables owned by the debtor, or of the commercial papers, if considered that these goods could be sold faster or in more advantageous pecuniary conditions, taking into account the creditors legal rights, as well as the rights and obligations of the sued debtor;</p> <p>To train the staff on the new elaborated techniques and procedures;</p> <p>Identifying new modalities of valuation and sale within the budgetary debts' extinction, as well as regarding the budgetary debts' recovery;</p> <p>To analyze the current legal provisions and to establish the related Diagnostic Study;</p> <p>To formulate the techniques, procedures and conditions related to the joint and unlimited liability of the associates, managers and other persons, legally involved in the companies' management, related to the due budgetary debts, when the debtor - legal</p>			<p>the Ministry of Justice and other institutions regarding the law of bankruptcy</p> <p>Qualified and punctual expertise on the issues concerned</p>
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<p>person - hasn't other income source or sequestrated goods or the existing goods couldn't be sold; To train the staff on the new elaborated techniques and procedures. To make proposals for improvements in the organizational structures, taking account of best practices in the EU and internationally.</p> <p>B3 To analyze the legal framework related to the fiscal control field, in view of its improvement, unification and alignment to the EU Member States' practice, as well as for a clear separation, stipulated by law, of the fiscal control activity against the Financial Guard activity; To elaborating the procedures, methods and general techniques of fiscal control for each category of taxpayers, either natural or legal persons; To elaborate a taxpayers' selection system regarding the fiscal control; To set up a system for assessing the risks associated to this activity; To analyze and amend the legislation in order to defend through law both the taxpayers, as well as the fiscal controllers, against any abuses that could occur in this activity and to include in the draft law that regulates this activity, the investigation function and the informational system, in order to prevent and fight the fiscal evasion; To design and facilitate the access to a database for the fiscal control activity;</p>	<p>B3 Twinning Covenant PAA/Team Leader, Short Term Experts, Romanian Experts</p>		
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<p>To train the fiscal controllers in order to know in depth the new fiscal control methods and techniques; To elaborate manuals and procedures guides (Fiscal Controllers' Guide); To write Technical specifications</p> <p>B4 Analyzing, improving and adopting the legal framework Assessing the role and organization of the Financial Guard in combating tax evasion, corruption and organized crime; Setting up mechanisms for co-ordination with other services within the tax administration; Setting up effective internal mechanisms to prevent corruption and ensure accountability; Setting up of local pilot units in view of strengthening the operative reaction capacity Developing the legal information programs Proving access to the data bases of the MoFP from the spot checks Training of officers and elaborating the Officer Guide</p> <p>B5 Transferring the know how to the taxpayer assistance's units in order to organize education/information activities Developing the staff skills regarding the public relation/communication, rules, methods and techniques Drafting promotional materials</p>	<p>B4 Technical assistance contract Team Leader, Short Term Experts, Romanian Experts</p> <p>B5 Twinning Covenant PAA/Team Leader, Short Term Experts, Romanian Experts</p>		<p>B4 Clear separation on the fiscal control activity against the Financial Guard activity Contracting a partner with similar activities Sufficient number of adequate staff Recognizing the special competencies granted to the Financial Guard against the other fiscal – financial control bodies Evolution of black/ gray economy</p> <p>B5 Mobilization in due time of the human and support for technical assistance Adaptation of the teaching methods and tools to the level of quality of the staff within the taxpayers units</p>
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<p>Elaborating Action Plans for a taxpayers campaign on target groups Setting up and implementing a pilot project for elaborating strategies for taxpayers' assistance campaigns Performing PR activities Establishing a plan for the organization of workshops, symposiums and working meetings with the participation of mass-media and representatives of different target groups To write Technical specifications</p> <p>B6 To consolidate the unified organisation of revenues administration; To analyze the current situation and to elaborate a Diagnostic Study; To perform a Feasibility Study to analyze the IT needs (IT systems) for all the fields of the tax administration; To aggressively promote the use of systems of electronic filling for major administrative processes and to enforce the promotion of the bank systems and associate electronic payment services use in order to levy overall revenues; To undertake a review of national management information system for the revenues administration. To unify and integrate the tax and social and health contributions administration to the tax administration; To analyze the current organizational patterns applied within the systems for</p>	<p>B6 Technical assistance contract Team Leader, Short Term Experts, Romanian Experts</p>		<p>Adequate provision from the state budget Support from mass-media Use of technical logistical instruments of the best quality</p> <p>B6 Mobilization in due time of the human and support for technical assistance Contracting a partner with similar activities Suitable establishment of the priorities Flexibility of the legal framework</p>
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<p>administration of the state revenues and the elaboration of some recommends regarding the new organizational patterns applied to the integrated system of state revenues administration;</p> <p>To set up and implement an adequate reporting, performances assessment and standardization system for all the activities connected to the revenues administration;</p> <p>To organize training sessions/workshops for the improving of the aptitudes, professionalism and integrity of the officials working with revenues administration and fiscal control;</p> <p>To strengthen the functional capacity and to extend the Large Taxpayers' Office (LTO) at Bucharest level and in other one or two centers in territory.</p> <p>To write Technical specifications</p> <p>C. Institution building regarding the elaboration and implementation of the public financial control and internal audit</p> <p>C1</p> <p>To analyse the present secondary legal framework in order to update and to improve it;</p> <p>To asses the training system of internal auditors from public entities in classical audit area;</p> <p>To set up a strategy regarding the continuous training of the auditors in system audit and performance audit field; training regarding the assessment of the quality program (related to audit work);</p>	<p>C1</p> <p>Twinning Covenant</p> <p>PAA, Short Term</p> <p>Experts, Romanian</p> <p>Experts</p>		<p>C1</p> <p>Evolution of the legislative framework</p> <p>Assuring all the conditions to train the auditors in a systematic way and in a sufficient number</p> <p>Support of School of Public Finance in training the auditors</p> <p>Results of previous PHARE project</p>
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<p>To set up a selection system of recruiting new competitive staff to work in the field of audit system and performance audit for the public institutions;</p> <p>To implement the training strategy through theoretical and practical training of the auditors (by the organisation of internal and external audit missions, with the participation of foreign experts, as well as by the organisation of internships for Romanian auditors);</p> <p>To elaborate Guides of procedures regarding the audit of system and audit of performance;</p> <p>To elaborate manuals and handbooks regarding the system and performance audit.</p> <p>D. Developing and strengthening the support functions (human resources, communication and IT infrastructure)</p> <p>D1</p> <p>Analyzing the training activities</p> <p>Elaborating a diagnostic study</p> <p>Organizing workshops and training courses for the School of Public Finance's staff</p> <p>Co-ordinating the training activities for all the projects implemented on PHARE 2002 and for other activities within the MoFP</p> <p>To set up new local training centers to further participate in local networks</p> <p>Conceiving and planning the programs, curricula of professional training</p>	<p>D1</p> <p>Twinning Covenant</p> <p>PAA, Short Term</p> <p>Experts, Romanian</p> <p>Experts</p>		<p>D1</p> <p>The involvement in the School of Public Finance's activity of the Romanian experts from different directorates within MoFP</p> <p>European experts from Member States with the most relevant experience in the field</p> <p>Proper collaboration between counterparts</p>
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<p>Procuring various books and materials related to the finance field Developing teaching and learning materials, as well as training quality assurance system Writing and implementing working procedures for training needs analysis, training programming, training design and concrete training performance; Training on e-learning method; To train the experts within the Ministry of Public Finance in the specialised areas of School of public Finance; To write Technical specifications</p> <p>D2 Designing, testing and implementing IT application to support the main flow of documents with MoFP Generating the recommendations regarding the Security Policy and the Disaster Recovery Policy for IT system Achieving of a complete proposal for the Security Policy and for the Recovery Disaster policy in order to put in practice pilots projects at the local and central level Estimating the needs of training and performing the training for trainers Writing Technical specifications Achieving preparatory studies related to the current situation of the MoPF's IT structure in the field of public accounting for supporting the implementation of the General Chart of Accounts; simulation of the Romanian contribution to the EU budget; treasury and management of public debt; macroeconomic</p>	<p>D2 The contract project Team Leader, Short Term Experts, Romanian Experts</p>		<p>D2</p>
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policy; management of EU funds; VAT for upgrading the IT systems in this field; fiscal control; Financial Guard; public information; revenues administration; School of Public Finance and MoPF IT systems.			
			Preconditions
			Adoption of the new regulations for alignment to <i>acquis communautaire</i>

DETAILED TIME IMPLEMENTATION CHART FOR PROJECT NUMBER RO-2002/000-586.03.04

Support for the Strategic Plan of the Ministry of Public Finance (Strengthening the institutional capacity of the Ministry of Public Finance)

	2002												2003												2004												2005												
Calendar months	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S					
(A1) Improvement of the organisation and performance of the public accounting system in accordance with European standards in force																																																	
- Twinning component									D	D	D	D	C	C	C	C	C	C	C	C	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I	I
(A2) Design and implementation of a complete model for simulation of the Romanian contribution to the EU budget																																																	
- Twinning component									D	D	D	D	C	C	C	C	C	C	C	C	I	I	I	I	I	I	I	I	I	I	I	I																	
(A3) Improvement of the Treasury management system																																																	
- Technical assistance									D	D	D	D	D	D	C	C	C	C	C	C	I	I	I	I	I	I	I	I	I	I	I																		

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(A4) Strengthening the capacity of the MoPF to perform more effectively its role in the design, implementation and monitoring of the economic policy Technical assistance																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	

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(B2) Setting up the procedural and methodological framework in view of arrears diminishing as well as using other modalities for the budgetary debts' extinction																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				</

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(B6) Improving the organization and management of the revenues administration																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														</

SUPPORT FOR THE STRATEGIC PLAN OF THE MINISTRY OF PUBLIC FINANCE

(Strengthening the institutional capacity of the Ministry of Public Finance)

CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE (MEURO 15,300)

DATE:

	31/03/02	30/06/02	30/09/02	31/12/02	31/03/03	30/06/03	30/09/03	31/12/03	31/03/04	30/06/04	30/09/04	31/12/04
CONTRACTED												
(A1) Accounting system							1,000,000	-	-	-	-	-
(A2) Simulation							700,000	-	-	-	-	-
(A3) Treasury system							1,000,000	-	-	-	-	-
(A4) Economic policy							1,450,000	-	-	-	-	-
(A5) National Fund							800,000	-	-	-	-	1,000,000
(A6) CFCU							500,000	-	-	-	-	900,000
(B1) VAT System							600,000	-	-	-	-	-
(B2) Budgetary' debts							450,000	-	-	-	-	-
(B3) Fiscal control							1,200,000	-	-	-	-	-
(B4) Financial Guard							400,000	-	-	-	-	-
(B5) Information Campaign							1,400,000	-	-	-	-	-
(B6) Revenues administration							1,000,000	-	-	-	-	-
(C1) Audit							1,400,000	-	-	-	-	-
(D1) School of Public Finance							1,400,000	-	-	-	-	-
(D2) IT system							1,400,000	-	-	-	-	-
Total							14,700,000					15,300,00

	31/12/03	31/03/04	30/06/04	30/09/04	31/12/04	31/03/05	30/06/05	30/09/05	31/12/05
DISBURSEMENT									
(A1) Accounting system									
Twinning component	250,000	360,000	470,000	580,000	690,000	800,000	910,000	1,000,000	
(A2) Simulation									
Twinning component	175,000	262,500	350,000	437,500	525,000	612,500	700,000		
(A3) Treasury system									
Technical assistance	300,000	450,000	600,000	750,000	900,000	1,000,000			
(A4) Economic policy									
Technical assistance	435,000	652,500	870,000	1,087,500	1,305,000	1,450,000			
(A5) National Fund									
Technical assistance	240,000	360,000	480,000	600,000	720,000	800,000			
Investment					120,000	-	200,000		
(A6) CFCU									
Technical assistance	150,000	225,000	300,000	375,000	450,000	500,000			
Investment					120,000	-	360,000	400,000	
(B1) VAT System									
Technical assistance	180,000	270,000	360,000	450,000	540,000	600,000			
(B2) Budgetary' debts									
Twinning component	112,500	187,500	262,500	337,500	412,500	450,000			

DISBURSEMENT	31/12/03	31/03/04	3/06/04	30/09/04	31/12/04	31/03/05	30/06/05	30/09/05	31/12/05
(B3) Fiscal control									
Twinning component	300,000	430,000	560,000	690,000	820,000	950,000	1,080,000	1,200,000	
(B4) Financial Guard									
Technical assistance	120,000	180,000	240,000	300,000	360,000	400,000			
(B5) Information Campaign									
Technical assistance		420,000	630,000	840,000	1,050,00	1,260,00	1,400,000		
(B6) Revenues administration									
Twinning component	250,000	360,000	470,000	580,000	690,000	800,000	910,000	1,000,000	
(C1) Audit									
Technical assistance	350,000	500,000	650,000	800,000	950,000	1,100,00	1,250,000	1,400,000	
(D1) School of Public Finance									
Twinning component	350,000	500,000	650,000	800,000	950,000	1,100,00	1,250,000	1,400,000	
(D2) IT system									
Technical assistance		420,000	630,000	840,000	1,050,00	1,260,00	1,400,000		

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