

# INSITUTIONAL CAPACITY BUILDING

## FINANCE

### *Summary Project Fiche*

**Project n°:** LI 9803.04.05

**Title:** Twinning advice for the introduction of an integrated budgetary process, with indirect taxation and national audit/control bodies and for the strengthening of financial control in the Ministry of Finance

**Location:** Vilnius, Lithuania

**Objectives:**

Strengthen the operation of key Government functions of financial control and the budgetary processes, to be achieved via the automation of the management information system and analysis capability of the Budget Department of the Ministry of Finance and the Budget Departments of Operating Ministries and Municipalities as part of the reform in the National Budget Process.

**Description:**

The twinning should result in an integrated, automated budget information system developed for use within the Budget Department, which fully interfaces with the automated system developed by the Treasury Department. All Budget Department personnel should be trained in the use of the new computer system and new budget analysis techniques. This training should cascade down for budget personnel in operating ministries and departments. The twinning should result in a fully consolidated state budget, including a set of national goals, budget programmes and performance measures to prepared by the Government and submitted to the Seimas by the year 2000.

There is an immediate need to develop spread-sheets to help the Budget Department analyse 1998 budget requests just received from operating ministries and due to be submitted to the Seimas in October 1998. There is also an immediate need to develop the first stages of a more sophisticated, integrated computer system, that can be used by operating ministries to submit their 1999 budget requests and to expand and modify the system to support the entire budget cycle. Ideally this will be achieved by providing a long-term expert for a total of 12 person months. If needed, a short-term IT-expert could assist the long-term expert.

**Institutional framework:**

This twinning will primarily involve the Budgetary Department of the Ministry of Finance; however, it will be necessary to liaise with the Ministry's Treasury Department to ensure vertical and horizontal compatibility with their information system. Further, line ministries will need to be integrated into the new system to ensure cross-section transparency in the budgetary process. The Ministry of Finance will provide office space and basic office furniture.

**Budget:**

	Investment	Institution Building	Total Phare (=I+IB)	Recipient*	IFI*	TOTAL*
Twinning for finance		300,000	300,000			300,000
<b>TOTAL</b>		300,000	300,000			300,000

\* In cases of co-financing only

**Implementation arrangements:**

The twinning actions will be managed by the European Commission, with the exception of any procurement and funding of the in-country expenses of the Pre-Accession Advisers managed by the CFCU.

**Implementation schedule:**

The pre-Accession Adviser should commence duties not later than December 1998. The Project should be completed by the Oct 2001 to ensure that at least two cycles of the budgetary process have been run.

**Equal opportunity:**

The Project will be implemented in accordance with the legislation of Lithuania, which provides equal rights to men and women in all fields of activities.

**Environment:** N/A

**Rates of return:** N/A

**Investment criteria:** N/A

**Conditionality and sequencing:**

Success of the implementation of the project will depend on the integration of the long-term advisor into the related Ministry's activities and the commitment of the Ministry's staff to facilitate the integration of the adviser. The Ministry of Finance will be committed to provide the necessary office space and basic office furniture for the advisor. The Budgetary Department of the Ministry of Finance will liaise with the Ministry's Treasury Department to ensure vertical and horizontal compatibility with their information system as well as with line ministries to ensure cross-section transparency in the budgetary process.

The Ministry staff should be available to contribute to the implementation of project activities, to ensure implementation of project results and to receive training.

The Ministry of Finance is committed to acquiring World Bank software designed to systematically prepare annual budgets. This software will need to be installed and revised to integrate seamlessly with the existing Treasury system.

<b>Annex 1</b>			Programme number: LI9803.04.05	Date of drafting: August 1998
<b>LOGFRAME PLANNING MATRIX FOR TWINNING IN FINANCE</b>			Contracting period expires: 10/2000	Disbursement period expires: 10/2001
<i>Project Number: LI9803.04.05</i>			Total budget: 0.3 MECU	Phare contribution: 0.3 MECU
<b>Wider Objective</b>	<b>Indicators of Achievement*</b>	<b>How, When and By Whom Indicators Will Be Measured</b>	<b>Assumptions and Risks</b>	
<ul style="list-style-type: none"> <li>Strengthen key Government services in financial control and budgetary processes.</li> <li>Reform National Budget Process</li> </ul>	<ul style="list-style-type: none"> <li>New budgetary system in place in ministries</li> </ul>	<ul style="list-style-type: none"> <li>European Committee review of twinning</li> <li>Ministry of Finance review of system</li> </ul>	<ul style="list-style-type: none"> <li>Visible government commitment</li> <li>Financial support to process</li> </ul>	
<b>Immediate Objectives</b>	<b>Indicators of Achievement*</b>	<b>How, When and By Whom Indicators Will Be Measured</b>	<b>Assumptions and Risks</b>	
<ul style="list-style-type: none"> <li>Automate management information system &amp; analysis capability of Budget Department of Ministry of Finance and Ministries and Municipalities</li> </ul>	<ul style="list-style-type: none"> <li>System in place in Ministry of Finance</li> <li>Systems in place in line ministries and municipalities</li> </ul>	<ul style="list-style-type: none"> <li>European Committee</li> <li>Ministry of Finance</li> <li>Line Ministries</li> </ul>	<ul style="list-style-type: none"> <li>Budget available to develop system</li> </ul>	
<b>Outputs</b>	<b>Indicators of Achievement*</b>	<b>How, When and By Whom Indicators Will Be Measured</b>	<b>Assumptions and Risks</b>	
<ul style="list-style-type: none"> <li>Fully consolidated budget presented to the Seimas.</li> <li>Integrated automated budget information system developed,</li> <li>Budget Department personnel trained in use of system</li> </ul>	<ul style="list-style-type: none"> <li>In place by Year 2000</li> <li>National goals, programmes and performance measures approved</li> <li>Training begun for personnel in ministries and departments.</li> </ul>	<ul style="list-style-type: none"> <li>Seimas</li> <li>Ministry of Finance</li> </ul>	<ul style="list-style-type: none"> <li>Ministry of Finance able to develop system</li> <li>Line ministries able to implement system</li> </ul>	
<b>Inputs</b>	<b>Indicators of Achievement*</b>	<b>How, When and By Whom Indicators Will Be Measured</b>	<b>Assumptions and Risks</b>	
<ul style="list-style-type: none"> <li>Long-term expert for a total of 12 man months</li> <li>Short term IT specialist</li> </ul>	<ul style="list-style-type: none"> <li>Pre Accession adviser in place</li> <li>IT specialist in place</li> </ul>	<ul style="list-style-type: none"> <li>European Committee</li> <li>Ministry of Finance</li> </ul>	<ul style="list-style-type: none"> <li>Suitable experts available</li> </ul>	

## Annex 2

### Detailed Cost Breakdown - LI 9803.04.05

<b>Sub-Project</b>	<b>Institution Building (IB)</b>	<b>Investment (IN)</b>	<b>Total Phare (= IB + IN)</b>	<b>Recipient Co-financing</b>	<b>IFIs</b>	<b>TOTAL</b>
Budgetary development and training	300,000		300,000			300,000
<b>TOTAL</b>	<b>300,000 ECU</b>		<b>300,000 ECU</b>			<b>300,000 ECU</b>

## Annex 3

### Implementation Schedule - LI 9803.04.05

[illegible]

## Annex 4

LI 9803.04.05

### **Indicative Cumulative Quarterly Contracting Schedule (MECU)**

Project	4Q 98	1Q 99	2Q 99	3Q 99	4Q 99	1Q 00	2Q 00	3Q 00	4Q 00	1Q 01	2Q 01	3Q 01	Total
Twinning advice – Ministry of Finance		0,3	0,3	0,3	0,3	0,3	0,3	0,3	-----	-----	-----	-----	<b>0.3</b>

### Indicative Cumulative Quarterly Disbursement Schedule (MECU)

[illegible]

## STANDARD SUMMARY PROJECT FICHE FOR INSTITUTIONAL BUILDING

**Country:** Lithuania

**Sector:** Finance

### **Phare programming 1998**

**LI/98/IB/OT/04 and LI/98/IB/OT/05 : TA/Twinning for budgetary process, indirect taxation and national audit/control bodies Ministry of Finance) and for strengthening of Financial Control (Ministry of Finance)**

**Budget:** 300,000 ECU

### **Accession Partnership-**

#### ***Short-term***

- Reinforcement of institutional and administrative capacity: in particular major efforts on taxation and finance as well as begin to set up structures needed for regional and structural policy.

#### ***Medium-term***

- Reinforcement of institutional and administrative capacity: development of anti fraud unit and state audit office and of budget and financial control mechanisms; reform of tax administrations to ensure readiness to apply the acquis.
- Regional policy and Cohesion: introduce the legal administrative and budgetary framework for a national policy to address regional disparities through and integrated approach, in order to participate in EU structural programmes after membership.

### **NPAA: - Institutional and Administrative Capacity:**

#### ***Short-term***

Major efforts on public administration reform  
Establishment of training strategy for civil servants  
Development of financial structures

#### ***Medium-term***

Establishment of anti-fraud and state audits office  
Develop budget and financial control mechanism  
Introduction of a general framework for an integrated regional development strategy, providing for the elimination of regional disparities

### **Objectives of the assignment**

The overall objective is to strengthen key Government services, specifically financial control and budgetary processes. The immediate objective of the assignment is to automate the management information system and analysis capability of the Budget Department of the Ministry of Finance and the Budget Departments of Operating Ministries and Municipalities as part of the reforms in the National Budget Process

### **Scope of Work**

The scope of work for the expert (s) will comprise the following activities:

1. Assess the needs for budget-related financial and performance data, including content, reliability, speed, distribution and use of the data in programme decision making, monitoring and evaluation.

2. Develop the requirements for an automated system that will provide the information needed to respond to the assessment in 1, above.
3. Evaluate and recommend the selection of off-the-shelf computer packages that meet the requirements determined in 2, above.
4. Assist in the purchase and adaptation of selected computer packages for the Lithuanian budget system.
5. Assist in the installation and adaptation of computer software packages in the Ministry of Finance and the central and municipal authorities throughout the country of Lithuania.
6. Be a bridge and a catalyst between substantive personnel, computer personnel and budget and accounting personnel in advanced use of computer technology.
7. Work with other computer personnel in the Ministry of Finance (such as the central information management office in the Department of the Treasury) to bring these other resources to the benefit of the new budget process.
8. Assist in the preparation of an “introduction to automation” section in the new Budget Manual and prepare automation user manuals, as appropriate.
9. Design reports and assists in teaching and carrying out budget analyses that will be useful to senior programme budget managers.



## **Expected Outputs**

The outputs are expected to be:

1. A fully consolidated budget presented by the Government of Lithuania to the Seimas. The initial target is the Year 2000 Budget.
2. National goals, budget programmes and performance measures approved by the Government included in the Budget Documents submitted to the Seimas.
3. An integrated automated budget information system developed for use within the Budget Department, which fully interfaces with the automated system developed by the Treasury Department.
4. All Budget Department personnel trained in the use of the new computer system and new budget analysis techniques. Training begun for budget personnel in operating ministries and departments.

## **Required Inputs**

A long-term expert for a total of 12 man months is required for this assistance and a detailed work plan has to be prepared by the expert together with the staff of the Budget Department at the beginning of the assignment. If needed, a short-term IT-expert could assist the long-term expert. The Ministry of Finance will provide office space and basic office furniture.

## **Job Description**

The expert(s) will work in the Budget Department at the Ministry of Finance, Vilnius, and report to the Head of Department. The expert(s) should have general experience in automated budget and financial management systems. More specific, the expert(s) should have experience in:

- Prior work in Government financial matters, particularly with issues of government programme and performance budgeting.
- Development of complex spreadsheets.
- “Off-the-shelf” software products for financial management and budgeting, particularly for desktop computer hardware.
- Ability to define budget-related data requirements.
- Ability to communicate in layman’s terms with substantive programme and financial managers and system users.
- Ability to co-ordinate with other computer specialists throughout the Government of Lithuania and within the Ministry of Finance.

## **Time Schedule**

In order to cover the immediate needs for the assistance to the Budget Department, the expert should be available at least for a short period during October/November 1998 and should then commence duties not later than December 1998.

There is an immediate need to develop spread sheets to help the Budget Department analyse the 1998 budget requests just received from operating ministries and due to be submitted to the Seimas in October 1998. There is also an immediate need to develop the first stages of a more sophisticated, integrated computer system, that can be used by operating ministries to submit their 1999 budget request and to expand and modify the system to support the entire budget cycle.

## ANNEX

### **Background**

The Government of Lithuania is carrying out a major reform of its overall national budgeting process. This is the major reform in the budget process since Lithuania came out from under the control of the Soviet Union in 1991. Since 1991 important reforms and modernisation actions have been introduced into portions of the Ministry of Finance's responsibilities - most notably the automation of the treasury function and initial work on automation of the debt management function.

Technical assistance is now required to automate the budget in a way, which support budget policy and management reforms, which will result from changes in the Budget Law. Assistance is requested to help develop and automate the collection, maintenance, and analysis of basic financial and performance budget data.

Such a management information system will:

- relate to other financial automation systems in the Ministry of Finance and other financial agencies; and
- Provide speedy and accurate information for program and budget formulation decisions, and program and performance budget evaluations.

The recipient institution will be the Ministry of Finance and the direct beneficiary will be the Budget Department at the Ministry. Also budget departments throughout the Government will benefit from the assistance. The Budget Department of the Ministry of Finance will provide leadership and direction for this project.

The project will be closely co-ordinated with improvement activities in the Treasury Department and the computer information assistance being provided by the Government of Denmark to update and computerise Lithuania's Treasury Classification system. The project will also be closely co-ordinated with the assistance provided by USAID to the Ministry of Finance in the areas of Fiscal Management and Budget Process.