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*Technical Assistance to the
Government of Romania
on
Government Policy Making and
Linking National Policy to the Budget Process*

POLICY, PLANNING & BUDGETING IN ROMANIA

FIRST REPORT

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POLICY, PLANNING & BUDGETING IN ROMANIA FIRST REPORT

A. CONTEXT, PURPOSE AND OVERVIEW

As summarized in the Inception Report dated November 7, 2005, “The overarching objectives of this Technical Assistance activity, as set out in the Consultant’s Terms of Reference (TOR), are to assist the General Secretariat of the Government (GSG) in their efforts in:

- a. Strengthening national policy-making processes; and
- b. Linking national policy to the budget.”

That Report provided initial impressions on the current stage of development of the above goals, offered some perspectives on various aspects of policy making and the current status of the policy-budget nexus, and set out an outline for this first main report. That outline was reviewed with and approved by the project client, and the First Report presented here conforms with, and in some places extends, the coverage of that outline.

This project, with its consultant assigned to the General Secretariat of the Government (GSG), is one of five components (prospectively six) of the technical assistance program organized in cooperation with the World Bank and financed by a Dutch Grant. The other consultants are assigned to the Ministry of Finance and Economy, and to the Health, Education and Transport ministries. A primary objective is for this small team to work interactively in assisting the client organizations in improving their planning, policy and budgeting systems.

Initiatives at the centre to develop new policy planning methods on the one hand, and to reform both the annual and medium-term budgeting processes on the other, will need to be implemented by the line ministries, which in turn imply changes to the way those ministries develop, manage and report on their policy priorities and programs. Changes to roles and responsibilities, to organizational structures and to staffing practices (including staff training) may also be called for as these and other reforms proceed. Obvious interdependencies between reform initiatives underscore the need for collaboration not just among the consultants on this program, but with others as well.

In fact a large number of both general and specific technical aid projects are under way in Romania at present, spanning the full range of government activities reaching across central government ministries and agencies, and at regional and local as well as national levels. More specifically, the EU, World Bank, Sigma/OECD have all contributed to both past and current support and advisory activities directly related to the issues raised by this current project and touched on in this present Report. Active exchange and collaboration with those involved in such related work will be important as the project proceeds.

Thus, for example, the recently-initiated, EU-sponsored twinning arrangement with Latvia is expected to be under way as of December (2005), when a Latvian project

manager commences a one-year residency in Bucharest. She will coordinate a variety of TA activities, including bringing to Romania experts on specific policy reform aspects or topics for training workshops with policy analysts across the government. We have agreed to seek coordination where possible between the Latvia project's schedule of policy-related workshops (in 2006), and those to be developed and scheduled by the Dutch/World Bank team, similarly involving (some) line ministries along with the Centre of Government (GSG and Ministry of Finance).

This First Report canvasses a variety of issues that appear to be eligible for further examination and development in Romania across areas related to the project mandate. Part B sets out an “architecture” to help define the essential components of a comprehensive planning, management and budgeting system, and begins a discussion of some key elements of strategic planning including the articulation of goals and priorities.

Parts C and D focus on policy making, first in terms of the elements, processes and content of typical policy formulation activities including supportive policy research, and second in relation to the momentum and challenges observed in Romania currently.

Part E differentiates policy “implementation” from the formulation, commitment and priority-setting aspects of the policy system. Tools for managing, assessing, improving and reporting on program and service *delivery* are canvassed, and the need for central leadership in building these practices over time is noted.

Parts F and G relate to organizational matters, in particular the new and prospective machinery at the centre of government that is intended to motivate and support improved policy, planning, management and coordination practices. The recently-created 11 inter-ministerial councils represent a major initiative to bring better management and coherence to government. Ensuring their successful development is critically important, and issues are raised respecting this development, drawing on international experience. Included (in Part G) are some perspectives on functions and structures at the Centre of Government, in light of the fact that a functional review of these is to be undertaken in 2006, led by Latvian consultants who, along with their GSG and Chancellery “clients” have already invited contributions from the Dutch/World Bank team.

In summary, this Report offers a range of material and suggestions to support relevant parts of the ambitious Romanian reform agenda. All could potentially be carried forward and developed further, although sequencing and priorities will depend on progress on other fronts, notably the prospects for budget system reforms in 2006. Certainly workshops on the various topics could be held during the next working visit by the consultant, planned for February, 2006. Any workshop agenda will need to be coordinated with plans of the other Dutch/WB consultants on the one hand, and on the timetable being developed by the Latvian team (and perhaps others) on the other.

More generally, the February visit should examine these issues in the context of current pressures, priorities and timetables of the GSG, Ministry of Finance and the GoR broadly, so as to ensure that the continuing work of the project has maximum value in supporting

policy, planning and budgeting reforms in 2006. The project work plan will also proceed with a firm eye to the objectives noted in the TA's terms of reference, including the reduction of policy making fragmentation and the forming of clearer relationships between policy initiatives and acknowledged governmental priorities.

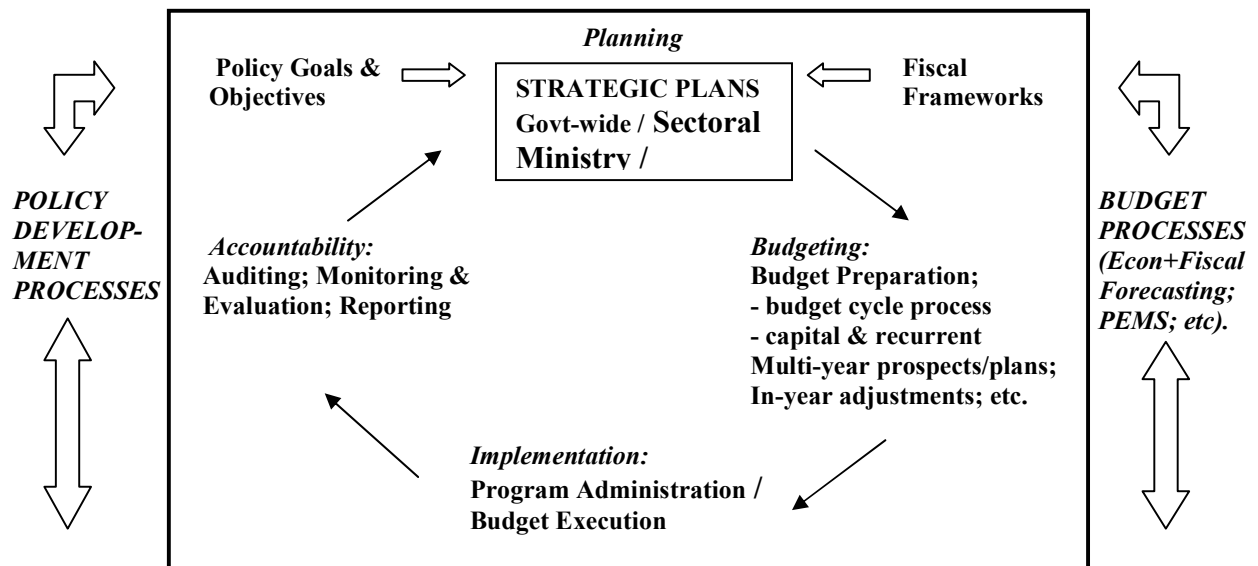
B. STRATEGIC PLANNING AND BUDGETING SYSTEM: GENERAL ISSUES

1. System “Architecture” – Overview

Goals-oriented Strategic Planning is a core component of modern governance. The preparation of Strategic Plans on a multi-year basis, integrating policy goals and priorities with available fiscal, organizational, personnel and other resources, can provide the basis for more effective design, management and administration of programs and services. Through appropriate monitoring and evaluation (and other assessment tools), program design and administration can be improved, effectiveness of policies can be assessed, and Strategic Plans can be adjusted over time, for better results related to existing, changing or new policy goals.

Figure 1 (top of next page) is a simplified version of an integrated planning and management cycle that directly links policy making and budgeting. In this context, the Strategic Plans can be seen as an important “manifestation” or “product” of overall Strategic Management, combining policy ambitions with fiscal realities to provide plans that have operational potential. These in turn will be “executed” (implemented) via detailed budget specification and approvals, program design and administrative preparation (including mobilization of appropriate human, physical and other resources), and program or service delivery. The cycle is completed through the accountability and assessment activities, which provides a range of contributions: to meet reporting requirements (both internal and external, i.e., within the government and to Parliament and the public); to the re-thinking of policies; for assessing and adjusting program designs and administrative practices; and of course for the updating and adjusting of the strategic plans themselves.

FIGURE 1
OVERVIEW OF STRATEGIC PLANNING & MANAGEMENT SYSTEM



Importantly, policy development and budgetary systems are often disconnected from each other, operating in distinct and (probably) incompatible ways with respect to process, timetables, and of course resourcing (budgeting) procedures. This “disconnect” is represented by placing both those systems outside of the Planning and Management “box” above. Bringing them “inside,” as part of developing an integrated planning, executing and control system centered around modern strategic planning becomes a desirable target, which in turn can produce “coherence” between the policy making and budgeting spheres.

“Filling in” this integrated Planning and Management cycle and system, therefore, goes far beyond the much-needed reforms to the Budgeting/Treasury/PEMS that are presently under way or being planned. While reforms to the policy making process are also under way and organizational changes are being implemented both within ministries (e.g., PPU) and across ministries (Inter-ministerial Councils), much remains to be done to activate and strengthen them as well. Finally, other elements of the overall system will also need (and are hopefully receiving) parallel attention. Thus the list includes:

- Goals-based Policy Formulation (methodologies, processes, decision-making)
- Human Resources System Reforms
- Forward-looking, multi-year Strategic Plans, integrated into the budget formulation and execution cycle
- Operational Planning at the level of line Ministries and Agencies, themselves linked to approved budget plans and to the multi-year *Strategic Plans*

- Results-Based Management Accountability and Performance processes, including:
- Monitoring, Reporting and Evaluation functions, building over time; and
- Reviews of Existing Policies and Programs, in terms of function, design, effectiveness in relation to new or changing circumstances, needs, priorities

Based on initial information, the following appears to describe the situation in Romania currently:

- changes to the policy formulation process are newly developed, and will be implemented in 2006;
- monitoring, evaluation and reporting systems are equally in need of system-wide definition and stimulation;
- reforms are being developed respecting human resource policies and practices; and
- the budgeting system itself is “in motion”, toward multi-year fiscal frameworks, program-based budgets, etc.

All of these are components of a full Planning and Management system, as described above, and all must eventually be integrated in the formulation of plans at both ministerial and governmental levels. Some relevant aspects of strategic planning, policy formulation and accountability frameworks are reviewed further in subsequent sections of this Report.

2. Reform Challenges

Processes for articulating and prioritizing policies and strategies at the level of line ministries or for the government as a whole are not evident in the Romanian system at present. Indeed, the development of strategies for, and taking leadership to create, a coherent strategic planning system that can first form then integrate policy priorities and strategic plans at the level of ministries and agencies, is (or should be) one of the important reform objectives of the GSG. Ideally, these initiatives should be stimulated and coordinated through the newly-minted across-ministry committees (Inter-Ministerial Councils), with leadership exercised by the central Strategic Planning Council itself, supported by the GSG and its PPU.

Modern, accountable governance in virtually all countries includes the concept of a “decision-making hierarchy” involving a conscious delegation of both authorities and responsibilities, to ministers and to senior officials in ministries and agencies down through the management and administrative layers. Such decentralization of authority within the central government can relieve the burden of ministers and the most senior officials from having to deal with too many issues, and at levels of detail that can be better handled at lower ranks by those with more direct experience and expertise.

Of course professional competence of public servants, and accountability related to their performance (in the exercising of delegated authorities) are essential requirements for an effective hierarchy of authorities and responsibilities. Thus human resource strategies

take on particular importance. These strategies include capacity-building generally and training in particular, which are well recognized as important priorities in all transition economies including in Romania.

Relatedly, strengthening of the information, research and training “infrastructure” – involving educational institutions, government training bodies/institutes, organizations providing statistics, etc. – can also help ensure that governance reforms are increasingly well-grounded over time, and sustained.

Thus reforming the policy development, planning and budgeting practices, and building the appropriate interdependencies between them requires progress across a wide range of reforms, involving organizational structures, human resources, information and other support systems, etc. In Romania, a simultaneous process of decentralization of responsibilities and authorities to sub-national governments (local self-government) adds to the complex mix of challenges.

Recognizing that to a large extent “everything depends on everything else” does not mean reforms should not proceed aggressively. However it probably does mean that the interrelationships between reforms need active recognition, in order that complementary steps be planned, and the pace of reform in one area be conditioned by the progress in others. For example, successfully implementing new policy and planning procedures will depend on human resource policies (and on budgets) that permit the hiring and training of appropriate staff, with appropriate structures, mandates, etc. A modern results-oriented management system will depend on successful reforms to budgeting procedures and delegation of authorities with respect to budget execution. And so on.

International experience reminds one that modernization and system reforms take time, patience and perseverance. Developed countries have spent many decades building their systems of policy-making, priority-setting, program evaluation, budget planning and performance-based management accountability, and they seek improvements on a continuous basis. In Romania as elsewhere, these aspects of “modern governance” will also need to build up over time, even though the government has espoused an ambitious, accelerated reform agenda. Learning-by-doing, and acknowledging step-by-step progress, should be accepted strategies. This is all the more true when one considers that the “target” system is itself variable, adjusting to time and circumstances. In this sense what is important is the journey rather than the ultimate destination, with appropriate “progress markers” to identify, acknowledge and celebrate achievements as they are accomplished.

3. Strategic Planning in Line Ministries and Other Agencies

In virtually all countries in recent years governments have been attempting to become more strategic in their management of public resources. Development of multi-year fiscal frameworks is part of this trend, as is the development of and reporting on strategic plans on the part of ministries and agencies.

In principal, portfolio or line ministries are responsible for determining how existing programs should change in order to achieve government priorities while meeting expenditure (budget) targets, for ensuring effective and efficient administration of their functions and programs (or services), and for being accountable (through their minister) to the centre of government, parliament and the public. Strategic Plans, and reporting against them, form an important part of ministry and government-wide tools in meeting these responsibilities.

Modern Strategic Plans are intended to extend beyond the traditional review and approval of expenditure authority, to an integrated, forward-looking view of ministerial-wide portfolio management that encompasses the human, financial, technological and capital implications of operating current and future programs. Further, an important objective of introducing strategic plans is to foster fiscal responsibility by linking those plans to the multi-year budgeting process, just as detailed operational plans (e.g., for the coming fiscal year) should be directly linked to the specific allocations in the annual budgets.

Multi-year strategic plans at the ministry level will obviously reflect the unique functions and “business lines” of individual portfolio ministries, tailored to their specific circumstances thereby reflecting the different situation that portfolio ministries face. In principle such plans would include an assessment of resource requirements over time for proposed policies or program changes, while also taking into account evaluations of existing programs and the consideration of trade-offs between competing programs for available resources within the ministries themselves.

In short, the principle is to encourage the selection of the most appropriate policy choices with due regard to available resources. The development of strategic planning is intended to ensure greater control over policies and expenditure at the portfolio ministry level, while providing a link to the overall priorities of the government on the one hand, and to the government’s fiscal resources (consolidated budget) on the other. Thus it provides a mechanism for integrating the process of policy-making and fiscal and expenditure planning. Strategic planning thereby supports the notion of fiscal discipline, transparency, collaborative decision-making, and accountability for funding decisions.

The principles and/or motivations that underlay the introduction of multi-year strategic plans can be summarised as follows:

:

- The integration of policy and expenditure decision-making to ensure that policy decisions are taken in the context of expenditure limits with full consideration of cost implications and that, in turn, expenditure decisions are taken with an understanding of the line ministers’ responsibilities for the policies and priorities of their ministries;
- The decentralisation of some decision-making authority to portfolio ministries – e.g., with respect to allocations across and within programs or functions under the ministry’s mandate – in recognition of the increased range and complexity of government responsibilities, and the interrelationship of policies and programs;

- The medium-term focus helps to set out the overall resource constraints within which policy and program choices have to be made;
- The establishment of expenditure limits by portfolio ministry consistent with the fiscal framework and the government priorities assigns the responsibility to portfolio ministries for managing within available resources; and
- The review of existing policies and programs and their resource levels within an adequate planning timeframe provides the environment to bring about desirable changes in the use of resources to reflect changing government priorities.

Strategic plans should represent the formulation of the key policies in each portfolio ministry. In particular the strategic business plans should include as a minimum:

- The portfolio ministry's mandate;
- A set of policy goals in terms of outcomes and objectives;
- A manifestation of the broad approaches to be deployed to achieve the stated policy goals;
- A description of the concrete policy measures that will be used to achieve these goals; and
- Articulated cost estimates.

In the context of changing circumstances and priorities, Strategic Plans should set out how a portfolio ministry is adjusting its "business lines" to its available resources so as to better achieve ministry and governmental policies, over both short- and medium-term times frames. Within available resources the plan should be designed to set out the portfolio ministries':

- Major challenges, directions and objectives for the planning period within the context of changing government priorities and the ministry's current and prospective position;
- Strategies, actions, associated costs, and flexibility required to deal with major changes;
- Associated goals, targets and performance measures to assess program results and management strategies during the planning period;
- Performance information focused on service lines affected by significant change.

Centre-of-Government leadership, involving at least the GSG and the Inter-Ministerial Council for Strategic Planning, and in cooperation with the Prime Minister's Chancellory and the Finance Ministry, should consider developing guidelines and general formats for ministry-level strategic plans. Ideally, these would be linked to the upcoming budget cycle leading to the 2007 Budget, so that ministerial functions, programs and services are presented in ways that relate as clearly as possible to both ministerial and government-wide priorities on the one hand, and the prospective budget framework (limits) on the other.

4. Articulating and Reporting on Policy Goals, Objectives and Progress

Various elements of the Strategic Planning framework outlined above can contribute directly to the understanding and formulation of policy priorities and goals. Apart from the obvious role played by fiscal frameworks and budget constraints, these also include program evaluation and policy formulation activities, and the decision-making processes by which policies are developed and priorities are determined, both within ministries and agencies, and “centrally” for the government as a whole.

Articulating policy goals and objectives is in fact a considerable challenge. As suggested earlier, reporting on overall policy orientations at the ministry level may need to serve internal (to government) audiences such as program managers, policy analysts, the Finance ministry (budget cycle requirements) and Cabinet as a whole. Policy reporting may also be addressed to “external” audiences such as Parliament, other governments and “stakeholders,” international audiences, and of course the Romanian public.

Meeting all these needs may require different types and levels of reporting, in different formats and with different time horizons. One size does not typically “fit all” needs. Thus while the basic information bases to support policy planning and reporting may provide a common foundation, variations will be needed depending on the audience.

Further, ministry-level reports on program-level goals and performance will normally be more detailed than reports on policies for the ministry as a whole, or even more broadly, for a minister’s wider portfolio responsibilities which typically include additional agencies or entities with varying degrees of policy and/or administrative independence. Similarly, government-wide policy declarations will typically be stated at a higher level of generality, and include overarching policy goals, beyond simply the “summing up” of those provided by constituent ministries and agencies. Thus may need a “hierarchy” of goal statements – government-wide; ministry level; and for individual programs – each having budget levels associated with them, and each providing the basis for different reporting, management and control purposes.

As is outlined in one of the supporting documents (Paper No. 2, *Overview of Modern Policy Making*, Section 2), policy goals and priorities can be derived from high-level principles respecting government roles, and reflect overarching political commitments, which in turn are then transformed into sectoral, ministry- and program-level action plans. This deductive (top-down) process can be contrasted with the opposite, inductive (or bottom-up) approach, where service providers, program administrators and policy analysts propose initiatives based on their on-the-ground understanding of needs, which then are combined into ministry and ultimately governmental priorities through a screening and approval process.

In reality both of those “directional” influences will operate simultaneously, with requirements and instructions flowing from the top, and with pressures and proposals coming up through the ranks. The government’s decision-making machinery must integrate those streams, while reconciling them with budgetary resources and other

pressures. This role is often played by ministerial and other cross-ministry committees, with active involvement of policy analysts at the centre of government and in the ministry of finance, working with ministry officials. (More is said about the roles of these committees later in this Report.)

The evolving budgeting system provides one major source of pressure for ministries to articulate their use of funds in terms of functions, programs and service (i.e., program budgeting), and to link programs to policy goals and objectives. The broader “accountability” requirements mentioned above, which call for performance-related reporting linked to the hierarchy of both government-wide and ministry-level policies, reinforce and extend this challenge.

In building these planning and reporting practices, the need for leadership on the part of the Finance ministry with respect to the budgeting system is obvious. Equally important is the role of the Centre of Government in leading the development of new practices across the wider spectrum, to identify and promote the range of reporting needs as part of the broader goal of “filling in” the full, modern Strategic Planning and Budgeting System. The GSG, in its role in supporting the Strategic Planning Council, may need to exercise such leadership by:

- setting out policy reporting objectives and formats
- developing an implementation strategy and plan for a reporting “system” that is synchronized with budgeting, parliamentary, auditing and other cycles or timetables;
- supporting the training of relevant staff in ministries and agencies; and
- organizing the “top-down” articulation of overarching government-wide objectives, both to inform and assist ministries as they develop their own policies and plans, and (if possible) to stimulate discussion of these in the (new) sector- and policy-based Inter-Ministerial Councils.

C. STRENGTHENING POLICY PROCESSES

If improved administration can be characterized as “doing things right” (and doing them well), then the policy making process might be described as determining the appropriate things to do, so that governments are “doing the right things.” Modern policy making, including its information/data requirements, the supportive socio-economic (and other) research bases, the design and comparison of policy options (policy analysis), and the different decision-making processes by which policy gets created or changed, presents a range of challenges and needs (including skills) that go well beyond the range of requirements of accountability and good management. And as in other areas, good policy analysis and advice does not come easily; the needed skills and experience need to be built patiently and consciously over a considerable period of time.

1. Scope, Methodologies and Substance of Policy Making

Public Sector Roles

The scope for policy formulation and implementation in any country depends on the roles and responsibilities assigned to or adopted by that country's government (public) sector. These roles may be set out in constitutions and/or evolve over time, responding to a variety of changing social, economic, political or international circumstances and pressures. Thus efforts to deepen understanding of the nature and functions of the public sector in modern, mixed economies, and of the options for transforming those roles over time, become important for public officials generally, and as a foundation for improved policy formulation and advice more directly.

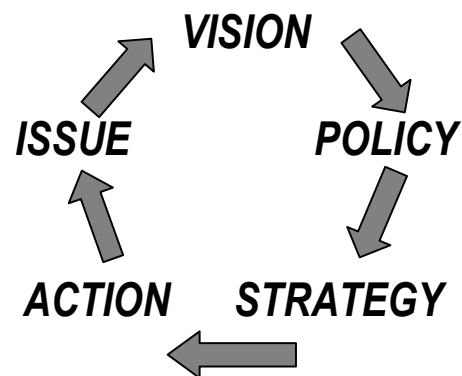
Supporting material (viz., Paper No. 1) provides a fuller coverage of this context-setting subject; it also summarizes challenges to relevant public sector reform that are commonly found in both developing countries and economies in transition. Review and discussion of this material may be helpful where orientation training is envisaged for newly-minted policy formulation staff in ministries and agencies.

Policy Cycle: Overview

The full policy development process or “cycle,” including all the contributing elements, inputs and perspectives, has been provided separately (Cf. Paper No. 2, “Overview of Modern Policy Making: Frameworks, Processes, Perspectives, and Inputs.”) Some of the “framework” elements are presented here, while the fuller paper is available for further review and discussion, possibly in a workshop format.

Assessing the needs and priorities for, and most effective configuration (or design) of governmental policies and programs implies a range of analytical and decision-making dimensions and procedures, which in turn require a range of inputs. Ideally, the policy making process will include a comprehensive analysis of the nature of the challenges, policy objectives, prospects for progress toward achieving goals, and construction of policy options (choices) including program designs and possible time frames. All this information, when presented to Ministers in a useful format, can help support good policy decisions that in turn can help achieve governmental and societal goals.

There are numerous ways to characterize the policy process, and these can be more or less detailed and specific, depending on need. One very summary version is shown below.



Each main segment of this “policy cycle” embraces the following elements:

- **ISSUE** - THE CONCERNS, PROBLEMS OR PRESSURES THAT INVITE ATTENTION AND POSSIBLE GOVERNMENT RESPONSES/ACTIONS
- **VISION** - PHILOSOPHICAL ORIENTATIONS
- DESCRIPTION OF THE DESIRED FUTURE
- GOALS: DIRECTIONS, TARGETS, TIMEFRAMES
- **POLICY** - WHAT ROLE(S) FOR GOVERNMENT?
- THE NATIONAL GOVERNMENT SPECIFICALLY?
- DECISIONS AND DECLARATIONS OF INTENT
- **STRATEGY** - CHOICE OF LEVEL & SPEED OF EFFORTS
- CHOICES OF INSTRUMENTS
(Legislation/Regulations/Decrees.,
Facilitation, Partnerships, Funding, Programs, etc.)
- **ACTION** - SPECIFIC WAYS AND MEANS
- PROGRAMS, INITIATIVES, ACTIVITIES
- PROCESSES, STRUCTURES (MACHINERY),
PROGRAM DESIGN, FINANCES, ETC.

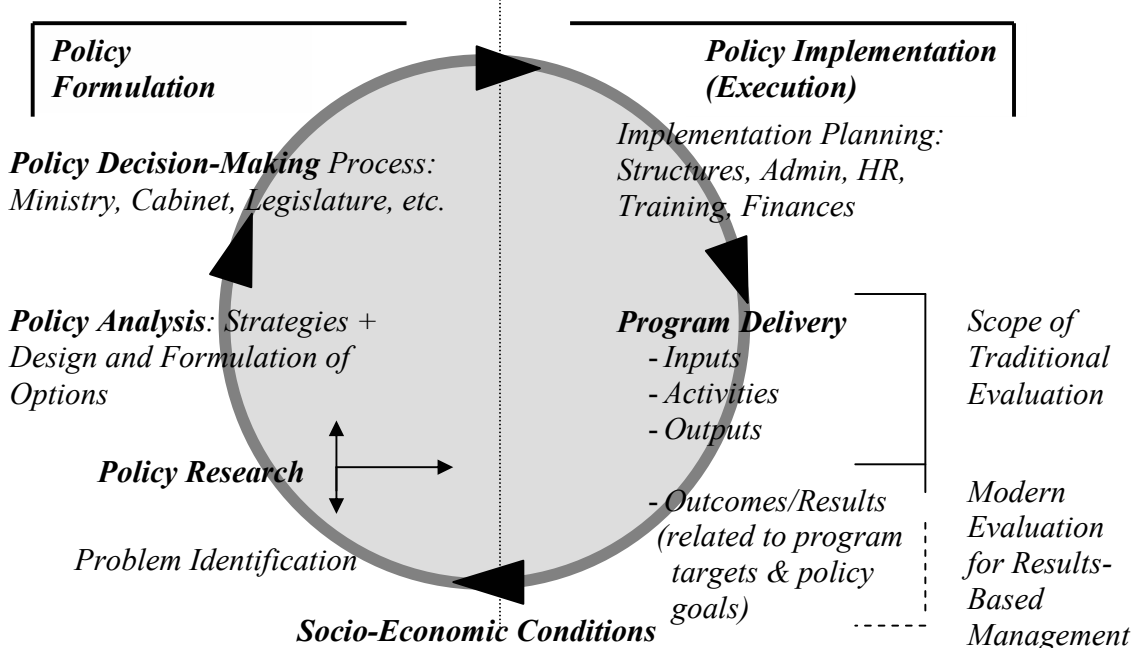
Developing and analyzing information on all these elements can help “fill in” the policy making process, at least with respect to the substance and the choices for any specific policy challenge or topic. Presenting such choices, and assisting political decision-makers in understanding them and making their choices – whether at ministerial level, at Cabinet, or in some cases in Parliament itself – then become the target “outputs” of the policy advisor.

As policy making capacity in line ministries improves, it will also be appropriate to shift emphasis away from a top-down or “deductive” approach, toward policy development that takes place mainly in the operating ministries and agencies. Leadership, guidance and coordination will always be needed from the center for many reasons, of course.

However, decentralized responsibility for “bottom-up”, inductive policy development across the ministries should be supported and strengthened, and this responsibility should be built into line ministry structures and mandates (e.g. PPU, and internal policy development processes), as has already been clearly recognized in Romania.

Another perspective of the policy cycle, which distinguishes more clearly between policy formulation and implementation of policy decisions and commitments (via active programs and services, for example) is provided as follows:

FIGURE 2
POLICY FORMULATION AND IMPLEMENTATION



Again, the above and additional aspects of policy formulation are presented in the supporting Paper No. 2, available for further exploration and discussion as part of the 2006 program of training for policy makers, if this is considered useful.

The Sources and Roles of “Policy Research”

There can be – and are – many potential definitions for policy research, some quite narrow or restrictive and some flexible and wide-ranging. Most definitions start with the premise that effective policy-making is dependent on evidence-based information. A wide definition of policy research includes the process (as well as the substance) of gathering, analyzing and presenting information so as to provide analytical “grounding” for the policy process.

Figure 2 above provides a view of policy research roles in the policy formulation and program implementation phases of government activity, notably through problem identification and by feeding into the policy formulation process itself. It also notes where the scope of traditional evaluation activity has been.

As part of the policy formulation process, policy research contributes to problem identification, using traditional research and evaluation tools such as interviews, focus groups, literature reviews, and a wide range of socio-economic methodologies to highlight and assess longer-term social outcomes (e.g. on people's health status and well-being) and shorter-term challenges (e.g., the need to restructure a specific program to meet changing conditions).

In Canada as in other countries, both the scope and sources of policy research has been widening, as attempts are made to incorporate more sources, voices and perspectives and to provide a more varied analytical "tool-kit." One aspect of this has been increasing recognition of interdependencies, both in actual socio-economic conditions and among the policies and programs of governments. Governments have sought ways to encourage interdisciplinary research and research on issues where policy and program interdependencies involve multiple ministries or agencies (thus "horizontal" or "cross-cutting" issues).

Supporting Paper No. 3, *Policy Research and Analysis*, explores these issues further, and also provides illustrations of various types of policy-relevant studies, their typical coverage or content, and who might typically perform that kind of work. The paper concludes with a reference to Canada's *Policy Research Initiative*, which the Canadian federal government launched some 10 years ago to stimulate and improve research underpinnings for policy development work in that country. The paper could form one component of a policy training workshop for Romanian policy analysts, if deemed useful.

2. Developing New Policies versus Reviewing Existing Policies

The above discussion in Section 2 above clearly applies to the development of a *new* policy leading to *new* programming, in which case the program evaluation "input" would not play a part, since the new program will be put in place for the first time. In this case "program audit, monitoring and evaluation" would only come along later, as the new program is implemented and functioning.

However, the process described earlier can *also* apply when a thorough review (implying possible reforms) of an *existing* policy is undertaken. In this case, all relevant information about, and any evaluations of, existing program(s) associated with the policy will need to be introduced into the policy review/reform process, as an important policy "input."

A separate presentation on "Monitoring and Evaluation" (in Part E below, and supported by Paper No. 4) sets out the concepts, definitions, objectives and stages of analysis that apply to *existing programs*. *It is important to note that those functions are needed for*

accountability and management purposes, and on an ongoing basis, whether or not the underlying policy is also subject to review.

D. POLICY MAKING IN ROMANIA – OBSERVATIONS

1. Structures/Processes/Capacities at Centre, Ministries and Agencies

In centrally-planned Communist regimes, it seems that priority setting and policy initiatives were largely “top-down” processes, with the party apparatus playing the key roles. Administrative structures and their public servants executed policy instructions and administered the consequent programs and services, subject to various reporting, inspection and control practices. This is a significantly over-simplified summary, of course, but it serves as a backdrop to assessing the challenges of introducing modern policy making processes in democracies. As outlined earlier, these processes include significant roles to be played by government ministries and agencies themselves in contributing actively to goal-setting and policy formulation, interacting with the directions set by political leaders as they discern and interpret public needs and wishes.

In Romania as in other transition economies, public action through government is being restructured to meet the needs of modern “market economies.” These changes include the ways in which public goals are recognized and priorities are set, how resources are mobilized and managed, and how democratic accountability (to the public) is performed.

At the centre of government, the “machinery” of modern policy and budget leadership involves, *inter alia*, cabinet procedures and support mechanisms (e.g. secretariats), finance ministry functions and budget procedures, and the ways in which ministers are accountable to cabinet as a whole and to the Prime Minister, the President and the legislature. It also includes how ministers are responsible for the management and performance of their portfolio ministries and agencies. The active changes now taking place and/or under review at the centre of the Romanian government, and reforms to the budget system, are commented on later in this Report and elsewhere. Suffice it to say that considerable investment in new structures and processes, with concomitant strengthening of organizational and staff capacities, will be an important priority and challenge for both the short and medium term.

At the level of ministries and agencies, major investments are needed to create and develop the kinds of capacities (structures, staff, expertise and experience) required to support modern policy making in its various dimensions. The current situation in Romania is noted below.

2. Current Policy Process Reforms

The November Inception Report acknowledged that “... with the assistance of DfID and World Bank consultancies over the past 2 years, the Policy Planning Unit (PPU) in the

General Secretariat of the Government (GSG) has developed a template and guidelines to be used by line ministries who wish to bring forward policy proposals leading to normative acts (notably requiring legislation). Both a detailed format (template) and a “methodological” guide for use by policy developers in ministries have been completed.”

These guidelines, along with the mandate to create a PPU (or equivalent “policy shop”) in each line ministry, were sanctioned by a 2005 Government Decision, which called for both the machinery and the process aspects to be effective January 1, 2006.

It is beyond the scope of this Report to comment on the specifics of the template and guidelines, although some aspects may be usefully reviewed in light of issues raised here. For example, the requirement (albeit in an annex format) for initial implementation plans and monitoring and evaluation intentions, may be overly ambitious and postpone or inhibit needed policy discussions. On the other hand, there may be too little reference to possible sources of funds, such as internal reallocations within an existing program or its sponsoring ministry, or as a charge to existing budget “reserves” or future budget increases, etc. This of course begs questions about the links between policy discussions and the annual budget process: how will urgent or important policy initiatives that develop over the course of a year be handled in terms of budget provisions, and be made consistent with the existing fiscal framework? These and other issues relating to the guidelines can be examined further, and be informed by experience as new proposals are brought forward.

One of the practical short-term objectives of these current initiatives is to discipline the number and improve the quality of the myriad proposals for new (or changed) laws that were clogging the Cabinet system. More broadly, it is intended and hoped that over time the quality of the policy content as well as the process will improve dramatically, and contribute to the higher level goals of stimulating strategic thinking in the system, encourage the promulgation of Ministry-level and government-wide Strategic Plans, and of course link such plans explicitly to the budget system, which is simultaneously up for reform itself.

GSG leadership will continue to be critical to this multi-faceted agenda, and a well-functioning partnership with the MOPF is clearly essential. All these aspects are consistent with the domain of the Dutch/World Bank project mandates, and active advice is being sought in the present case by the GSG, who recognize that while system changes will take many years, they nevertheless wish to maintain an aggressive pace toward concrete results by 2007.

The structuring and staffing of the line ministry policy units is an obviously important step, and is to be accompanied (in 2006) by relevant training, some of which is to be organized through the Latvian twinning project. As mentioned earlier, coordination between their work schedule and contributions from this project will need to be discussed, and potential workshops organized. Part C above offered material to “round out” the perspectives and inputs associated with a robust, evidence-based policy formulation system, while Part B sketched out the broader strategic planning and

management system, of which policy formulation and analysis work is only one component. How many of these issues are to be pursued further under this project, and at what depth, should be discussed during the upcoming, second working visit in February, 2006. That discussion could also include how many of the above strategic planning functions should be contemplated for line ministry PPUs, or perhaps require broader organizational changes.

3. Progress (Monitoring) Indicators

In 2005, an initial set of four monitoring indicators were defined and approved, these focusing on aspects of the future policy formulation process. Three of these indicators are relatively straightforward. Their rationale (aims) and specific measures are:

- a) Government discipline: rules governing policy submissions to Government are enforced. Measure: percentage of government agenda items backed by an approved “policy proposal”
- b) Analytical support (evidence-based): policy proposal supported by adequate analysis as required by the approved policy guidelines. Measure: Percentage of policy proposals receiving a positive “conformity note” (from PPU/GSG)
- c) Legal framework stability: relatively few emergency decrees issued. Measure: emergency ordinances as a percentage of Laws. (This involves tracking of emergency ordinances, ‘normal’ ordinances, Laws, and Government Decisions.)

It is worth noting that these three areas relate to the introduction of the newly-defined process for bringing forward to Government meetings – perhaps by way of the relevant, new Inter-Ministerial Councils (to be determined) – policy proposals than would normally lead to a normative act. The intention is for the PPU/GSG to begin tracking measures (a) and (b) in 2006, with a first assessment at the beginning of 2007. The Legal Framework measure would be produced by PPU in cooperation with others (Legal Department, etc.), and could in principle be applied to previous as well as future years.

These measures seem sensible given their focus and rationale. Respecting the first two, however, the detailed, and possibly difficult-to-meet requirements of the policy template and guidelines may have an initial effect of simply inhibiting the flow of policy proposals. It will be interesting to see whether policy pressures force either a significant “loosening” of the strict requirements of the template, or a failure to prevent a continuing resort to emergency ordinances. These are risks, especially since the staffing of line ministry PPUs, where the policy proposals are expected to be produced, will take time to build. Thus consideration may need to be given to measuring progress across the wider list of steps to be taken in building policy capacity across the government, such as success in structuring, recruiting and training PPU staff in the early part of 2006.

The fourth approved indicator has a more complex ambition, i.e., to assess the extent to which “Government priorities are reflected in important policy decisions,” with a

connection to the allocation of budget resources. The measure suggested is: “Average year-on-year percentage change in budgeted resources for programs identified as priorities in the Government Program divided by average year-on-year percentage change in budgeted resources for other programs.”

Introducing a measure like this will likely need to be at least postponed, and perhaps redesigned, for several reasons. The most compelling are that it assumes: first, the existence of both a clear articulation of government priorities than can be interpreted at the level of programs; and second, that budgets themselves are set out on a program basis, which are linked to a policy hierarchy. Both of these inputs are not available at present. Putting the strategic planning system in place – a current reform ambition – will hopefully lead to the first element, while establishing a true program-based budget system is needed for the second. Even in this case, there is a challenge in dealing with budget changes on the margin, such as for new initiatives or significant changes to existing programs, versus the larger ongoing, existing base of programs and services, which always take up the large majority of budget resources. To exaggerate, “revealed preference” argues that everything governments do reflect their *de facto* priorities. New government priorities such as in a three-year strategic plan for change, may be silent on basic continuing programs (schools, hospitals) precisely because they are accepted as important and must be sustained. This is simply to point out that measuring the alignment (or coherence) between government priorities and budgets is complex, and will not easily yield to one or two summary indicators that can be easily measured.

In summary, both policy development and budgeting processes are in motion toward more modern practices – or must be aggressively pushed in that direction in a parallel but coordinated fashion – so that these in turn can support a target system of strategic planning that integrates policymaking and budgeting. Until these efforts are much further along, it is premature to attempt to measure the degree or state of “congruence between government priorities, strategies and budget expenditures.” Substance needs to determine form when it comes to evaluative indicators, and this is no less true than when considering the high-level concepts envisaged here. Put bluntly: there is virtually no discernable convergence at the moment, and its eventual path will be determined by successful, undoubtedly gradual reforms stretching over years.

Further definition of overarching system indicators will remain on the TA list of issues to address over the life of the project.

4. New versus Ongoing (Continuing) Policies and Programs

In Section 2 of Part C above a distinction was drawn between analysis of new policy proposals versus ongoing programs, and Part E below focuses on tools to assess and manage existing programs and services. The procedures for policy proposals that are outlined above are clearly designed for new initiatives, and that is a sensible way to begin the gradual process of submitting policies and programs to evidence-based analysis linked to government priorities.

In principle, the process might be used for proposals to change existing policies (and thus programs) as well, although in that case the analysis would need to include some assessment of the inadequacies of the existing activities. This in turn implies that some form of monitoring and evaluation of those programs has been undertaken.

Such evaluations of programs, as part of a broader policy review or simply to reveal and support the need for change, can always be done on an *ad hoc* basis, driven by outside pressures, new ideas, etc. However, most governments have seen the need to put in place a monitoring and evaluation system that covers all ongoing programs, as part of their planning, reporting and budgeting practices.

In many countries (such as Canada and the U.S.A., for example) program evaluations have been part of a mandatory multi-year cycle, whereby programs must periodically “qualify” for continuing budgets by demonstrating their continuing contribution to government goals and objectives in serving socio-economic needs. Reports to the legislature and to the public are also supported by these activities. The process will be typically set out by some central authority and overseen by that authority, which in turn is directly linked to the budget management and execution process. More commentary on this “machinery” aspect is found later in this Report (Part G, Section 2).

E. POLICY IMPLEMENTATION AND PROGRAM MANAGEMENT: ASSESSMENT AND ACCOUNTABILITY TOOLS

1. The Reform Context

The conversion from an "input control, inspection and audit" regime to one characterized by delegation of authority, accountability and results-based reporting and evaluation is extremely challenging. The development of program-based budgeting, which in turn is supported by output- and results-based reporting, requires the development of complex new information on program outputs, on the linkages between inputs and outputs, and on program impacts with respect to direct “clients,” as well as on wider effects on the relevant sector and even society at large. Thus the building of expanded information systems, and their use for administrative as well as policy purposes, and to meet modern budgeting and accountability needs, is a formidable undertaking.

Program financial and other program-based data, service indicators (output data) and performance assessment information need to be developed (or improved), to meet a “hierarchy” of monthly, quarterly and annual reporting and evaluation cycles. How quickly all this can reasonably be achieved without overloading existing internal capacities at the expense of other priorities and needs may already be an issue. This “capacity” challenge bears direct consideration, not least because the evolution of planning and management practices – and the budgeting system itself, for that matter – can only improve in tandem with improvements to the information and reporting systems that are needed to support them.

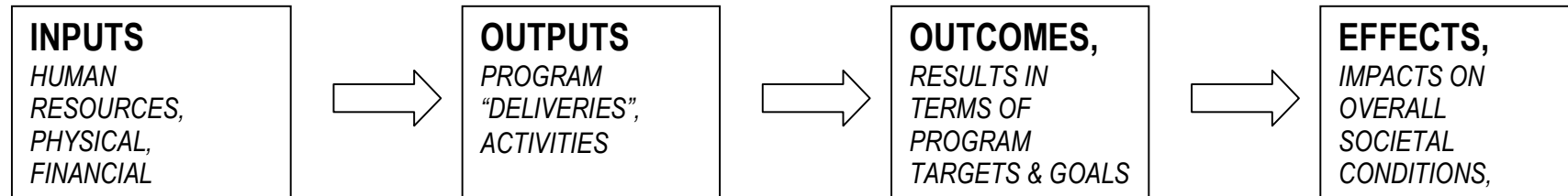
Beyond the need to meet short- to medium-term budgeting and reporting requirements, however, is also the need to embrace and develop modern program evaluation and policy research and analysis skills and practices. These in turn can help lead to the desired new, modern policy formulation regime *as well as* supporting more efficient, effective results-based management and administration (policy implementation, program management and budget execution and control).

It is for consideration, however, whether capacity-building to date – or indeed future plans – sufficiently recognize the additional and differentiated needs of a modern policy making system, including its results-based monitoring, evaluation and policy research components, and whether organizational changes to structures and functions will provide adequately for them. These questions should be explored and discussed further.

2. The Inputs-to-Results Program “Spectrum”

.A simple “logic model” can help to illustrate the several “phases” through which a typical program achieves its desired effects, and provide a simple way to identify the various types of monitoring and assessment tools required for effective modern governance. The Figure 3, on the next page, sets out a simple sequence, and outlines the range of typical assessment tools.

Figure 3 INPUT-TO-RESULTS LOGIC MODEL



Source of Authorities and/or Requirements/Responsibilities

- * Budget Laws, Ministry Mandates
- * Financial & Management systems & procedures
- * HR procedures, procurement rules, etc...

- * Budget Laws, Ministry Mandates
- * Program plans/targets (basis for authorities, budgets)
- * managers “contracts”

- * Program Goals linked to Strategic Business Plans
- * Policy Objectives & Priorities

- * Government’s mandate, commitments

Accounting and Reporting “Levels”

- * Resources (people, budget, facilities...)
- * All program “costs”

- * Services provided, Activities performed...
- * courses, construction, court cases, inoculations...

- * Effects on target groups
- * e.g., higher education levels, improved health, reduced crime, congestion....

- * improvement in social and economic indicators (security, health, incomes, ...)

Information Needs (e.g. for monitoring, reporting)

- Administrative (program) information systems-----
- Data on client or target groups-----
- Data on relevant country conditions/status-----

Assessment and Analytical Tools

- Compliance and Program AUDITS (internal, external)-----
- Input/Output Analyses-----
- Administrative, Efficiency & Program Design Studies-----
- MONITORING-----
- PROGRAM EVALUATIONS (Including Effectiveness)-----
- Comprehensive POLICY REVIEWS-----

3. Monitoring, Evaluation and other Assessment tools

A separate presentation on “Monitoring and Evaluation” (Paper No. 5) sets out in detail the concepts, definitions, objectives and stages of analysis that apply to *existing programs* in a fully developed, modern results-based management and reporting system. (This material, and a Power Point presentation based on it, could form the basis of a workshop if desired.) *It is important to note that these functions are needed for accountability and management purposes, and on an ongoing basis, whether or not the underlying policy is also subject to review.*

Thus, for example, the supporting material (Paper No. 4) presents the concepts and relationships underlying audit, evaluation and reporting cycles, linked to program redesign and administrative (efficiency/effectiveness) improvements, as well as to policy development *and* program-based budgeting.

It needs emphasizing that these systems can only be developed over time, with significant investment in supporting program information (including performance indicators), socio-economic research and analytical skills, and appropriate organizational structures with relevant staff, responsibilities and reporting relationships. For example, the required skills and the importance and extent of the activities usually lead to organizational units and staff *different from* program managers and administrators on the one hand, or from policy formulation staff (policy researchers, analysis, designers) on the other, although their activities require close working relationships with both.

It is also worth noting that while many western countries have elaborated a complex pattern of audit, evaluation and reporting requirements for their ministries and agencies (referred to as a “Modern Comptrollership” system in Canada, for example), all elements are rarely performed fully or with even quality. Practicing, experimenting and “learning by doing” usually describe the situation in reality. In this sense the theoretically complete system as often articulated represents a target model to be approached (and adjusted) over time rather than a practical short-term goal. This implies the need for multi-year implementation plans rather than immediate, short-term products and results.

4. Government-wide Leadership and Oversight

Setting out the basic design of desirable monitoring, evaluation and reporting procedures and requirements should be the responsibility of the “Centre of Government.” In fact, central leadership in these areas goes beyond system design, and should also include organizational, staffing and training initiatives. It should not be simply left for the functional or line ministries and agencies to develop on their own, in response to a new governmental edict or decision. New initiatives representing new practices require proactive, sometimes aggressive, “championship” from central authorities, with sustained interest and support to accompany targets, deadlines and performance requirements.

More comments on the emerging roles for the Centre of Government will be provided in Part G, later in this Report.

F. MACHINERY OF GOVERNMENT: INTER-MINISTERIAL COUNCILS

1. Structure and Initial Functioning of New Inter-Ministerial Councils (IMCs)

Romania has recently established by government decree a network of 11 Inter-Ministerial Councils (IMCs) including a central Strategic Planning Council (SPC) to be chaired by the Prime Minister. The full Government Decision is reproduced as Annex 1 to this Report. The decree also established the councils' membership and set down basic organizational and procedural guidelines.

This new network of Inter-Ministerial Councils has divided governmental responsibility on a functional basis – agriculture, defense, environment, etc. The previous large and unwieldy number of ad hoc inter-ministerial committees (some 120+) were all “assigned” to the new Councils, whose first duty was to sort through the lists, abolishing many, refreshing the mandates of others, and in general converting surviving and any future new such entities as sub-committees or working groups of the (11) Councils, subject to the Councils' instructions and oversight. According to the original three-month deadline set for this task, it is to be confirmed whether or not the Councils have accomplished this task and are ready to move ahead with a new agenda and new priorities.

The original Terms of Reference for this technical assistance project invited suggestions respecting the creation of the Council system itself. However, in light of the fact that the Councils have already been created and their work started, advice under this T.A. will move to issues of agenda setting, support mechanisms (including best practices elsewhere), and otherwise assisting the GSG in launching and supporting this new configuration. Also, there is an obvious direct link with the Latvian mandate to conduct a functional review of the CoG, as noted later in this Report (Section G1).

2. Procedures and Staff Support for IMCs

It is understood that at the first meeting of each of the Inter-Ministerial Councils, the Council in question has been invited to approve a “Regulation” respecting its functioning and structure, extending the general rules set out in the original Government Decision.

In the draft Regulation for the key Strategic Planning Council, for example, there is a general statement of purpose followed by a set of organizing and administrative rules to apply to Council proceedings. The following statement makes it clear that the Council is subordinate to Cabinet as a whole: “The Inter-ministerial Council is a consultative body without juridical identity, its recommendations being approved by the Romanian Government” (ART. 2).

The Councils are to operate on a consensus basis, as they deal with issues brought before them and as they review policies, solve problems (with help from sub-committees or task forces that they create and control), and formulate proposals or recommendations to the full Government (Cabinet). The logistical work in setting agendas, organizing meetings,

etc. is handled a Technical Secretariat which, in the case of the Strategic Planning Council is envisaged to consist of a representative from each Council member (ministry), coordinated by the GSG. The secretariat support for each of the other Councils appears to be similarly organized. Considerable thought has obviously gone into these structural and procedural issues, and whether they will work effectively or need adjusting will probably appear over time as meetings take place and experience accumulates.

The nature, size, competence and roles for the supporting secretariats appear to be an area for active attention. Thus, for example, it may not be clear at this stage who will have final responsibility for the coordination of the work of the sectoral councils, and directly serve the Chairperson in the conduct of Council work and its meetings.

Similarly the sources of and responsibility for professional support and advice needed with respect to the *substance and priorities* of the issues to be brought before the Councils seems ambiguous. International experience (discussed in Part G below) suggests that these roles are of critical importance and may need to be provided independently of the member ministries including that of even the Chairperson. Such issues may or may not be addressed as part of the “functional review, but in any case might usefully be discussed at these early stages, before firm patterns set in.

3. Roles of Strategic Planning Council

In the Note of Substantiation supporting the organizing Government Decision referred to above, the following overarching objective was set out:

“The strategic priorities and the creation of an integrated system intended to facilitate their implementation is the main reason behind the initiation of a system of strategic planning based on public policy programs. The system allows the budgetary planning according to the substance of the public policy as well as the place the public policy within the priorities agenda of the Government.” (Annex 1, Note of Substantiation, II.)

The main areas requiring attention in order to advance this objective are seen as follows:

- 1. “The vital need for **improving the processes thru’ which the strategic policies are formulated and implemented by coherent programs in close connection with national budget revenues.** Existing public policies are weakly connected with the budget revenues allocation.*
- 2. The necessity to develop a **multi annual approach (on a medium term) of the budgetary process, based on strategic priorities set up at the Government level.***
- 3. The necessity to **improve the budget proposals transmitted by the ministries and their correlation with own priorities, objectives and strategic policies, as well as to develop a multi annual budget programming.**”*

These 3 dimensions cast a wide net, and embrace much of the strategic policy planning, management and budgeting “system” that was outlined earlier in this Report (Part B). That the Strategic Planning Council has been given the “main responsibility” for leading these reforms underscores the SPC’s critical, central importance. It is one of only two of the Councils chaired by the Prime Minister (the other being the Council for European Integration). These attributes clearly differentiates it from the other, sector-oriented Councils. The “main tasks” envisaged for the SPC are:

- *“Set up and coordinate the priorities in strategic documents for meeting the Government objectives*
- *Compliance of the national public policies with the Government’s commitments made to international organisations such as World Bank, European Union, IMF, etc)*
- *Multi annual programming of the fundamental strategic priorities and their corroboration with the multi annual budget programming*
- *Compliance of the public policies with public funds allotted on short and medium term” (Annex 1)*

At the time of this writing, the first meeting of the SPC had not yet been confirmed. Clearly it is crucial that it have a successful start, which should include not only its operating rules, but an initial discussion of its priority challenges and initiatives, with an initial timetable. Assuming its leadership role in stimulating these changes is obviously a serious challenge requiring active support from the GSG, the Chancellory and the Ministry of Public Finance.

In the documentation reviewed to date, there does not seem to be a role for the other Inter-Ministerial Councils in the process outlined above. This may be an oversight, which could miss an opportunity for those Councils to be integral part of the new system, consistent with their acknowledged role in receiving, reviewing and judging new policy proposals. This seems worthy of further consideration, particularly when one examines the roles of cabinet committees in other countries, as set out in Part G.

G. RELATED ISSUES: MACHINERY OF CENTRE OF GOVERNMENT

1. Functional Review of the Centre of Government (CoG)

Centre of Government leadership over the various components of a comprehensive policy planning, management and budget making system typically involves the offices of the prime minister, the Cabinet office or secretariat and the finance ministry, as well as the structure of (and support mechanisms for) cabinet committees themselves.

Currently in Romania, it is unclear the extent to which the finance ministry is structured and resourced to exercise the roles typically found in western countries, even acknowledging that systems can differ significantly in response to varying constitutional and political factors, and to a country’s history and conventions. In any case, reforms to

the budgeting system, along with possible consequential adjustments to the organization, roles and resources (including staff) of the Ministry of Public Finance are among the objectives of the present WB/Dutch Grant program. This work in turn is to be coordinated closely with linked support being offered to the GSG as well as to key line ministries. This nexus of technical assistance is consistent with and structured to be supportive of the strategic planning and budgeting goals and current structural initiatives noted above in Parts D and F this Report.

The main central apparatus supporting the Romanian Prime Minister at present are the Chancellery and the General Secretariat of the Government, both of which have been undergoing significant changes recently, with more anticipated. For example, the current Chancellery organization chart contemplates a significant group of policy advisors to provide oversight for the policy developments under way across line ministries, to track the implementation of policy decisions, and to offer “on-line” advice to the Prime Minister on a continuous basis. The Chancellery is also the reporting channel for a panoply of agencies that have recently been assigned to it, and which represent a significant responsibility and burden.

For its part, the GSG performs a variety of functions as well. In terms of this current project, attention is being paid to the design of and support for the new policy-making procedures and for the new Inter-Ministerial Councils. As noted earlier, leadership over the new strategic planning and budgeting goals are associated with the Strategic Planning Council, while the roles to be played (if any) by the other, sectoral Councils remain undefined.

Whether there are other areas that might also be viewed as “central” functions to be examined in this context – e.g., government-wide management or administrative oversight functions, perhaps in the Ministry of Administration and Interior – is for further consideration. In any case, all line ministries will also be affected significantly and directly by these developments, in terms of their own planning, budgeting, management and reporting responsibilities.

Recognition that there must be congruence between the strategic reform goals and the roles, responsibilities, structures and resources at the centre of government, has led to agreement and commitment for a “Functional Review” leading to proposals for further structural adjustments as necessary. Technical assistance for this Review is the responsibility of Latvian experts, under the Romania-Latvia Twinning Project supported by the EU, and is to be carried out in 2006.

Given the nature of the project covered in this present Report, it has been requested and agreed that contributions to the Functional Review be offered, and that the work of the two projects be closely coordinated. A review of central structures in other countries is offered below, which will hopefully provide useful perspectives and ideas for the evolving public administration reforms in Romania generally and to the Functional Review in particular.

2. Centre of Government Structures and Practices in Other Countries

Introduction: Relevance of Comparisons

In strengthening the capacity of the Government of Romania to streamline and improve the effectiveness of its Cabinet decision-making systems, while ensuring closer integration between Cabinet decision-making and budget development, there may be some useful lessons to be learned from the experiences of a number of OECD countries.

At the outset it needs to be emphasized that these lessons in themselves probably cannot be simply transferred to Romania without adaptation. This is in large part due to the fact that the structures, formal practices and informal “rules of the game” of Cabinet governance in any nation reflect the unique evolution of that nation’s polity and the level of public confidence in the national government itself.

For example, Canadian, Australian or British systems and practices all differ even though they all stem from the centuries’ old Westminster tradition. However, the structures and practices of all three largely reflect historic and present government patterns where the government of the day is seldom if ever a coalition of parties (fundamentally different from contemporary Romanian experience). Thus, these three common but subtly different approaches are related to crucial issues such as: the concept of Cabinet solidarity; the way Cabinet decides internally (to vote or not to vote); the scope of the powers of the Prime Minister within Cabinet; etc.

The structures and process of Cabinet systems also evolve within the general framework of the political system, its legal apparatus and its sense of balance between written and unwritten quasi-constitutional conventions, which affect those structures and practices. The presentation provided in the Supporting Document on “*Centre of Government Structures and Functions*” outlines thirty years of evolution of the Canadian cabinet system and in particular the Canadian approach to committees of Cabinet including the nature of the bureaucratic support provided to them. What is important to emphasize here is not so much the ebb and flow of Cabinet committee structures, as the principle that changing cabinet structures in Canada (and also in Australia and the United Kingdom) does not require any formal legal or legislative instrument. Rather, they reflect the contemporary will of the Prime Minister and can be changed at any time. This is due to the principles of common law that underpin the entire governance of these nations.

By contrast and as has been recently enacted, Romania follows a more codified approach to the establishment of the machinery of government – more akin to the French civil code model, where at a minimum a legally binding (and fairly detailed) administrative decree is required to make such changes to internal machinery of government.

These introductory remarks emphasize that what “works” somewhere else may not be totally relevant in another environment. The goal for the reform and strengthening of Romania’s system of Cabinet governance must be to build both structures and practices

that reflect Romanian political and bureaucratic realities (and prospects), and not simply doing things the way others have done elsewhere.

The Centrality and Strength of Cabinet Governance.

One key principle that the World Bank identified in 1999 in its “Strategic Decision-Making in Cabinet Government” was that there was a direct relationship between the degree to which a government could fail because of a lack of confidence from the elected legislature, and the nature (strength, formality and depth) of the Cabinet systems that have been put in place. The Bank concluded that the legislature’s ability to amend, modify or reject the national budget, which is in effect the most important policy statement of any government, directly influences the way Cabinets must function, both formally and informally.

Figure 4 below graphically presents these factors. The Bank concluded that the following determined the “strength” of the cabinet systems:

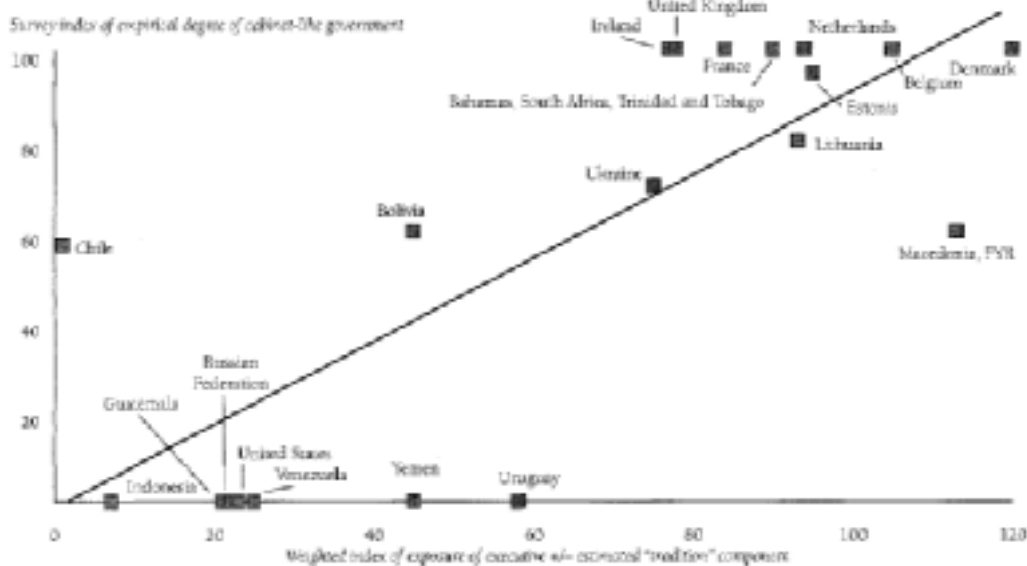
- Whether a legislature can amend the national budget freely
- Whether it can delay the passage of the budget until its own fiscal proposals have been accepted by the government
- Whether a legislature can defeat a budget outright
- Whether it can initiate spending independent of the budget
- Whether a legislature can dismiss the government with no threat that it itself can be dismissed and new elections be held
- Whether a legislature can dismiss individual ministers
- Whether a tradition of coalition government exists within the nation’s polity.

These factors all add up to an invitation to assess the “risk of governmental failure.” Where the risk of governmental failure is highest, patterns of strong cabinets exist. Thus, for example, in the United States, the level of cabinet-like governance is low since the risk of a government falling due to the legislative opposition is virtually nil. By contrast, the parliamentary systems of Belgium and Holland seem to show very high levels of Cabinet-like governance due to the fact that the level of “risk of government failure” by actions of the legislature is seen to be the highest.

This Figure also shows an interesting and potentially instructive paradox in the case of the Russian Federation, a theoretically semi-presidential system like France (and Romania), wherein the centralization of powers in the hands of the Russian president is such that the *de facto* governance behaviours appear to resemble those of a pure presidential system like the United States.

Figure 4

Figure 5. Cabinets Exist Where the Risk Is Greatest



Source: Strategic Decision-Making in Cabinet Government, World Bank, October 1999

What is probably the most important issue for Romania to assess based on the above is the likely extent to which the government (presently a coalition) faces the above noted risks. The Romanian Constitution provides for systems somewhat like those of France in terms of the nomination by the President of a Prime Minister and the subsequent presentation of the Ministry by the Prime Minister before the national legislature, to seek its confidence. Equally, the Romanian Constitution provides for mechanisms to address loss of confidence in a Ministry and the subsequent resubmission of a “new” Ministry to the national legislature to seek a new confidence before a new election must be called.

This “risk” calculation also illustrates the importance of the national budget process as a defining parameter of Cabinet governance. Thus, the integrity of the national budget and the extent to which the annual budget disciplines the government’s entire program (e.g., the absence of extraneous items introduced episodically) may also in large part influence the level of “risk of failure” that a government may face. For Romania, this reinforces the need for cabinet policy and resource allocation systems to be integrated with the national budget cycle, and that strategic resource allocation decision-making by cabinet should be consistent with a firm national fiscal framework that will apply throughout the life of the national budget in question.

What Constitutes Strong Cabinet Governance?

According to the World Bank, exercising strong cabinet governance in essence comes down to two major activities:

- Setting the major policy priorities of the government as a whole; and

- Making choices within this range of priorities.

Implicit in this duality is also a corollary that strong cabinet governance consists of the key leaders making decisions on “major issues,” and not be overwhelmed by having to decide on a day to day basis minor items and operational minutiae. This challenge has obviously been recognized by the Government of Romania in its initiatives to streamline inter-ministry committees and to design a more organized and disciplined process for policy decisions.

Some other characteristics of strong cabinet governance also emerge from these considerations. The following four may be the most relevant for Romania at this time:

a) GATE KEEPING

To take largely strategic decisions, a cabinet of whatever size needs to have its own bureaucratic apparatus to help its leadership process and internally prioritise the issues that will come to cabinet. This level of support goes beyond merely scheduling or ensuring that the items to be submitted to cabinet follows a set format and are presented within specific time frames.

While those process issues are important to ensure the smooth flow of decision-making, what is also important, perhaps even more so, is the ability of a cabinet office (or state chancellery as it is called in many countries) to prioritize specific items for cabinet to consider, on the basis of a broad ministerially-agreed-upon strategic framework that is inextricably linked to the national budget. Further, there needs to be capacity in many instances to turn back proposals from individual ministers (or committees of ministers) that fall outside of this broad strategic and fiscal framework. This power implies an “informal rule of the game” whereby the cabinet secretariat has the confidence of the leader of the government (Prime Minister, Premier, Chancellor, etc.) and also by extension the Minister of Finance, to exercise this power.

Further, such a cabinet office or secretariat must obviously have the internal capacity to adequately support these functions. This does not mean that cabinet offices need to resemble enormous, bureaucratic state planning councils of former times. What it does imply is that, first of all, an evidence-based policy analysis and formulation capacity needs to exist within individual (line) ministries so as to ensure the conceptual and fiscal consistency of their proposals within the approved overall strategic framework. Second, similar capacity *also* needs to exist within the cabinet office itself so that the gate keeper function can be exercised in a consistent and professional fashion.

Turning to Romania for a moment, the recent establishment of a policy and planning coordination unit within the cabinet secretariat (GSG) begins the process of establishing a viable “gate keeper” function. For this function to become recognised and accepted, however, resources and political capital will have to be expended so as to ensure that the new unit actually has the powers to undertake a true gate keeper role, which (again) goes beyond simply managing the process, to assessing and advising on policy substance,

especially the questions of consistency with government-wide priorities and with fiscal realities.

b) SETTING THE “RULES OF THE GAME”

A second major characteristic of strong cabinet government is that the formal rules of the game have been codified and that the Cabinet “works” within clearly established procedures.

Romania is currently making major strides in regularizing how submissions to cabinet are structured and the time frames for submission and internal consultation, largely patterning its formal systems on British models. This will likely result in considerable rationalisation and potentially reduce the burden on ministers.

While it may seem self-evident, strong cabinet governance also implies that the cabinet office staff has the ability to set aside proposals that have not complied with either formatting or time frames set out in these formal rules of the game. The codification of these rules usually takes the form of a comprehensive cabinet procedures manual, which is widely circulated to line ministries so that everyone responsible for developing submission to Cabinet follows the same format and time frames.

This regularization has an additional benefit if the structure of submissions is tied to national strategic frameworks or the budget. In this way, Cabinet decision-making is eased with respect to the second major task of all Cabinets – making fiscally-constrained choices within a range of pre-established priorities.

Regularization of structure and time frames however, cannot fully address one of the major challenges to strong cabinet governance world-wide – namely ministerial decision-making overload. This crucial issue will be discussed below.

c) COMMITTEES OF CABINET

Some cabinets in smaller nations like Ireland are in themselves quite small (fewer than 12 members) and have no tradition of establishing committees of Cabinet to divide the work of Cabinet as whole. By contrast, some nations like the United Kingdom have large networks of on-going committees. Romania itself has had experience with a vast number of special and ad hoc committees, but little experience to date with a regularized pattern for its new Inter-Ministerial Councils.

While there is no one “standard approach,” there has been a growing pattern such that the work of cabinet governance in OECD countries has reached a degree of complexity and intensity that cabinets as whole simply do not have the time to address all issues before them in a plenary fashion. Between 6 and 12 structured committees seems to be growing global norm.

Indeed, the OECD and the World Bank both have noted that the importance of cabinet committees has increased rapidly over the last twenty years and that they have become the norm for most systems of strong Cabinet governance. These two bodies have also noted that, for the most part, committees are assuming more and more major decision-making roles, allowing Cabinets as a whole to attend to their primary responsibilities, i.e.: focusing on higher-level and critical issues; setting the major policy priorities for the government as a whole; and taking strategic decisions; while also acting as a “court of appeal” for important issues that could not be resolved at committee or ministerial levels.

The way committees of cabinet are established varies nation to nation and as has been discussed earlier reflect national quasi-constitutional standards or conventions. Indeed this “how” is not as important as the “what” and “why” of cabinet committees.

Some OECD countries, most noticeably Canada, Australia and the United Kingdom, have had experiences with the concept of a high-level coordinating committee of cabinet – in essence a special, “central” committee of the most senior ministers, that sits “between” functional cabinet committees on one hand, and cabinet as whole on the other. (The Canadian history is found in the accompanying presentation referred to earlier.) While many of these experiences have been transitory, what is common among them is that government leaders have perceived that the cabinet as whole is too large or too amorphous to be able to act as a true priority setting instrument, even with the assistance of a set of supportive cabinet committees.

Another common principle with respect to committees of cabinet is that they are served by the cabinet secretariat in a common fashion, and not by individual ministries. For example, staff within a cabinet office is typically assigned to support the decision-making process of each committee, and these officials are employed by the cabinet office itself – not by individual ministries or simply assigned by its Chairperson from a parent ministry to support the committee. Thus, the accountability of staff is upwards to the leadership of the cabinet office and to the leader of the government, rather than to any one ministry or minister.

d) FOCUSING ON WHAT’S IMPORTANT

A fourth major characteristic of strong Cabinet governance is that Cabinets generally focus on “what’s important”. Cabinets around the world face growing demands on their time, and have sought many ways to reduce the burden of government decision-making, as is widely acknowledged and discussed.

In fact this motivation has sometimes joined with other pressures, both public and fiscal, to seek reductions in the roles and activities of governments themselves. Thus for example most OECD countries have undergone extensive processes of deregulation. While the external benefit of such deregulation has been to streamline the operation of government and to reduce regulatory burden on business and civil society, a less well-recognized benefit has been to reduce the decision-making burden within government itself.

However, before suggesting that deregulation can become a panacea for reducing burden on Cabinets and ministers, the nature of a country's legal and legislative system must be taken into account. Common law systems like Canada and the United Kingdom led themselves to deregulation, while in civil law system like France (and Romania) deregulation is far more problematic due to constitutional provisions.

What may be of equal importance to the renewal and refreshment of cabinet governance respecting policies and strategies, is to streamline how cabinet addresses the panoply of largely administrative, procedural, and program-level budget execution and adjustment decisions that by law and constitutional convention must be taken by ministers. Strong cabinet governance recognizes that these decisions are important - they must be accurate and consistent with legislation or determined policy – but they are not *so important* as to require extensive ministerial time and attention.

The key in many countries to the successful management of this mass of required yet procedural decision-making is again to return to the concept of the cabinet office as a “gate keeper,” with the express power to turn back requests for such administrative or procedural decisions that do not comply with legislation, the fiscal framework, agreed upon policy, or which have not been adequately circulated among interested ministries. Cabinet's role then becomes one to largely ratify what has been recommended to them. This process, moreover, *again* implies a strong and highly qualified cabinet secretariat, with extensive policy, planning and budgeting skills.

The actual processes of securing formal approvals for a myriad of “lower-level” decisions vary widely. Sometimes individual cabinet committees have the power in essence to ratify what the cabinet office recommends to them with respect to their mandate areas. Sometimes a special committee of cabinet is set up to review all these regulatory and administrative decisions for an entire government. Sometimes the entire cabinet is used as the vehicle for the ratification process.

Canada and to some extent Australia have further refined this focus on “what's important” by setting up special committees of cabinet to focus their attention on the “how” of government program design and delivery. The Westminster model tends to imply that Cabinet as whole decides on the macro level of program choices and that when it approves new programs it approves funding and objectives, but not necessarily all the “details,” the elaboration of which may be delegated.

Thus, for example in Canada, even with extensive deregulation, the Canadian cabinet takes about 1000 administrative and procedural decisions each year in addition to its policy and programmatic decision-making load. Virtually all of these decisions are ratifications of proposals that having been analyzed and accepted as consistent by a special secretariat within the cabinet office (the gate keeper role). Moreover, a separate committee of the Canadian cabinet takes between 500 and 800 additional decisions each year about program spending and program design and accountability details, again with a special cabinet secretariat performing gate keeper-like functions.

Thus in a “deregulated” Canada ministers routinely ratify nearly 2000 “process decisions” and do so in a highly efficient fashion, by channeling them through two special ministerial structures designed precisely to handle these administrative and procedural, as well as budget execution and adjustment, questions.

For example in this model, if the government decides to set up a new five year program to support dairy farmers to modernize their farms, cabinet would agree to the program as whole, its funding and its objectives. But the submission to cabinet would not be overloaded with the “details” of how many staff, and the exact terms and condition of the program design and delivery. Thus, once cabinet approves of the new program, the ministry then goes to the special “details committee”, called the Treasury Board in Canada, to seek approval of the specific terms and conditions for the dairy farm support program.

Necessarily, such a specialized committee of cabinet also requires specialized support that for obvious reasons must be – again – independent from individual ministries. This specialization can lie either within the cabinet office as whole, or within a quasi-cabinet office body (another central agency, as in Canada).

3. *Current Romanian Reforms: Structures and Roles*

Romania’s new network of 11 Inter-Ministerial Councils has been noted earlier in this Report. In light of the government decree that created the Councils, their principal function would seem to be that of a primary window to cabinet as whole for subject matters related to the functional mandates of each Council, and by inference to the mandates of their member ministries. This implies an “upward” consensus-building pattern, similar in many respects to parliamentary systems in Canada, the United Kingdom, Belgium and Australia. By contrast, in France, while its semi-presidential system may look somewhat similar to Romania’s, committees of cabinet largely exist to resolve disputes that arise at the cabinet table as whole – in essence committees serving as arbitrators of contentious issues after they have been raised at cabinet as a whole, and not before.

In the Romanian context, all the considerations related to strong cabinet governance discussed above probably imply that the current cabinet secretariat policy and planning support unit would likely have to be expanded in size and scope to be able to serve as the true “gate keepers” for the network of Inter-Ministerial Councils.

One of the Inter-Ministerial Councils, the Strategic Planning Council, has a different construct and role compared to the series of functional and/or operational councils noted above. However, at this time the priorities and agenda for this body’s activities has yet to be defined and launched. Therefore, key Romania decision-makers will have an opportunity to weigh and balance a number of factors as they contemplate various choices for this body.

For example, the coalition nature of the government and cabinet will have to be considered. The evolving nature of the cabinet secretariat itself, and of the prospective roles for the sectoral ministerial councils will have to be taken into account. The level of governmental consensus and the need for some form of “high level” coordinating function – possibly an extension of the mandate of the Strategic Planning Council – may be considered. As is common with many coalition governments, the role of political bureaus (e.g. Ministers’ political advisers) in cabinet decision making may also need to be recognized.

4. Romania’s Centre of Government: Looking Ahead

While Romania has made considerable progress over the past two years with respect to the revitalization and rationalization of the functions and processes of the centre of government, many of these initiatives are at a formative stage and may benefit from reflection and further refinement. It is hoped that the information and perspectives offered above can assist in this process, and contribute directly to the 2006 Centre of Government Functional Review. This final section suggests some issues that may merit further examination over the coming months.

As noted above, key among issues facing the centre of government will be to more fully elaborate the relationships, powers and duties among the network of Inter-Ministerial Councils, the new Strategic Planning Council and Cabinet as a whole. Notwithstanding the provisions of the degree that established the new Inter-Ministerial Councils, decisions about actual scope of their mandates and their operational agendas and goals also need to be addressed.

Another key challenge facing Romania’s cabinet, and the new Inter-Ministerial Councils, is how to ensure that is focusing its collective attention on “what’s truly important”. For Romania to be able to achieve the degree of budget integration that is desirable, cabinet will probably have to find ways of developing alternate decision-making systems, to address the still considerable mass of administrative, procedural, regulatory and “in-year” budget execution decisions that could otherwise inhibit its new reforms.

Thus, in an effort to ensure better budgetary consistency, one of the concepts such as special cabinet committee(s) to review the “how” issues, including the terms and conditions of programs and services, may be useful in order to permit cabinet decision-making to focus on key, strategic issues, and not on procedural or subordinate matters.

However, for any of these types of adjustments to have a reasonable chance of success over the medium term, the authority and functions of the cabinet secretariat will need to be further clarified, as is clearly recognized by the Functional Review. Strong cabinet governance requires a strong cabinet secretariat that possesses many of the “gate keeper” functions that have been discussed earlier. Cabinet secretariat support for the new Inter-Ministerial Councils remains as yet largely un-defined, or at least in early stages of development. These issues will require attention over the coming months if the new

cabinet committee system is to enjoy a “made in Romania” support apparatus for strong cabinet governance.

H. PROJECT ACTION PLAN AND NEXT STEPS

1. Overall Project Orientations

In summary, this Report offers a range of material and suggestions to support relevant parts of the ambitious Romanian reform agenda generally, and the responsibilities of the General Secretariat of the Government specifically. The intention is to use the framework and the observations in the Report to: (1) seek a common understanding of the goals, issues and current state of changes in the Romanian reform agenda; (2) to bring additional information and perspectives to the ongoing discussion; (3) to introduce materials that can be used for staff seminars and training workshops; and (4) to provide a basis for discussion and decisions on priorities for moving the work forward.

While all issues raised in the Report could potentially be carried forward and developed further, some selection will be necessary. Sequencing and priorities will also depend on progress on other fronts, notably the prospects for budget system reforms in 2006. Thus the next stage of work should examine the issues in the context of current pressures, priorities and timetables of the GSG, Ministry of Finance and the GoR broadly, so as to ensure that the continuing work of the project has maximum value in supporting policy, planning and budgeting reforms in 2006.

2. Initial Steps toward Improved Policy-Budget Congruence

This project’s Inception Report dated November 7 noted that the WB/Dutch Grant consultants had become persuaded that next budgeting cycle (leading to the 2007 Budget) should be launched as early as possible in 2006, and on a revised basis than in the past. If so, this has implications for the priorities and timetable of the Strategic Planning Council, the line ministries, and perhaps even the sectoral Inter-Ministerial Councils.

In particular, the initial meeting(s) of the SPG might review the upcoming cycle, and commence an exercise to review and discuss the overarching government priorities looking to 2007 and beyond. The SPG might “sponsor” a request to ministries to start as early as possible to review their own more specific priorities, and the relationships (consistency) of those with the overall government orientations.

Ideally an improved understanding of strategic priorities at the government-wide level *and* for each ministry could be reached very early in 2006, and provide the “policy orientations” with which to launch the initial budget preparations, *interacting with* the multi-year fiscal framework and initial budget ceiling guidelines that would be issued from the Ministry of Finance. In the best of worlds, those two elements – policy priorities and fiscal realities – would be rehearsed at the SPG, with the Finance Minister, Minister Voicu and the Prime Minister overseeing and leading the discussion. The initial

budget “call letter” to the line ministries would follow. The line ministries will have been warned of the new schedule and its stages, and hopefully already started to prepare views on their strategic priorities within the national policy framework.

As noted earlier, it is for consideration whether the sectoral IMCs might provide the forum for sharing and reviewing information from its ministry “members,” as part of the process in early 2006, or do so as part of the first budget stage, as ministries refine their thinking and prepare for the more detailed budget submissions to follow. In any case, it is highly desirable that the IMCs become part of the evolving new policy-budget planning system, with an active role in articulating and influencing strategic priorities at the sector level. It would be problematic if the process started with, and subsequently relied only on direct links between the SPG and the line ministries, when it comes to strategic policy debate and disposition.

3. Next Steps: Second Mission Work Plan

The next working visit to Bucharest is currently proposed for two weeks in early February, during which the major issues and suggestions in this Report would be reviewed in light of GSG reactions, concerns and priorities. Staff workshops on the various topics are anticipated, subject to confirmation in advance from the GSG, and taking into consideration their anticipated work agenda during that period. Any workshop agenda will also need to be coordinated with plans of the other Dutch/WB consultants on the one hand, and on the timetable being developed by the Latvian team (and perhaps others) on the other.

It is expected that at least this consultant and Mr. Martin Johnson, who is attached to the Ministry of Finance, will be in Bucharest during the same period, and thus will continue to work closely together. Joint workshops are envisaged, involving at least Finance and GSG officials, but possibly representatives of the other participating ministries as well. (The other WB/Dutch consultants may choose to wait until later in order to best assist their respective ministries in relation to the policy/budget work, although they will have their own views on their work requirements and their availability along with that of their ministerial clients.)

Other dimensions of this project including the subsequent reporting requirements as set out in the project Terms of Reference will also be actively reviewed during the second visit, so as to maintain the overall project schedule.

**ANNEX 1 DECISION AND RATIONALE ESTABLISHING ROMANIAN
INTER-MINISTERIAL COUNCILS**



Government of Romania

Decision

regarding the foundation of permanent inter-ministerial councils

Based on article no.108 from the Romanian Constitution, republished, and on article 12 align. (2) and (3) from the Law no. 90/2001 regarding the organization and functioning of the Romanian Government and ministries, with changes and subsequently amendments,

The Government of Romania adopts the present decision:

Art.1 – The following permanent inter-ministerial councils shall be constituted as consultative bodies, without legal personality, with the constitution mentioned in the Annex no. 1 of the present decision:

- a) Inter-ministerial council for home affairs and justice
- b) Inter-ministerial council for foreign relations and European affairs
- c) Inter-ministerial council for European integration
- d) Inter-ministerial council for economic problems, fiscal and commercial politics, internal market, competitiveness and business environment
- e) Inter-ministerial council for administration and civil service, decentralization and local communities
- f) Inter-ministerial council for social affairs, health and consumer protection
- g) Inter-ministerial council for education, culture, research, minorities, youth and sport
- h) Inter-ministerial council for agriculture, rural development and environment
- i) Inter-ministerial council for regional development, infrastructure, territory arrangement and tourism
- j) Inter-ministerial council for crisis situations
- k) Strategic Planning Council

Art.2 - (1) The **permanent Inter-ministerial Councils** foreseen at art. 1 let. a) – j) have the following main attributions:

- a) Identifying solutions for specific problems of their major subordinated fields;
- b) Assuring the coherence of the substantiation and implementation of governmental policies in the respective field;

- c) Assuring the inter-ministerial communication in the respective field as well as the harmonization of different points of view;
- d) Settling down inter-ministerial working groups in order to address punctual cross-sectorial problems
- e) Making proposals for the constitution of inter-ministerial commissions, in accordance with legal provisions, in order to coordinate certain issues;
- f) Coordinating the monitoring process regarding the implementation of promoted policies;
- g) Elaborating regular reports;
- h) Monitoring the activity of subordinated inter-ministerial commissions and working groups;

(2) The **Strategic Planning Council** has the following main attributions:

- a) Defining and coordinating, in collaboration with line ministries, the priorities derived from strategic documents in order to comply with the Government objectives;
- b) Correlating governmental policies with the commitments assumed towards the international organizations;
- c) Elaborating the multi-annual programming of strategic priorities in relation with budget planning on medium term;
- d) Relating the policies that are to be implemented with budgetary funds on short and medium term .

Art.3 - (1) Inter-ministerial councils have as members the state ministers that coordinate the respective field, line ministers, public finance minister, delegate minister for coordination of the General Secretary of the Government, a prime-minister state adviser on the specific field, in accordance with Annex no.1.

(2) The management of inter-ministerial councils is assured, either by the prime-minister, state ministers, or line ministers, in accordance with Annex 1.

Art.4 - (1) Inter-ministerial councils have ordinary monthly meetings, or when is necessary in extraordinary meetings at any member request.

(2) Each council member has the right to introduce a problem on the agenda of the ordinary or extraordinary meeting.

(3) Inter-ministerial councils decisions are to be taken in unanimity. If a decision does not get the unanimity, alternatives are to be proposed, and the final decision will be postponed for the next meeting. A decision cannot be postponed more than twice, contrary the final decision will be taken in the first meeting of Government based on mentioned alternatives.

Art.5 - (1) The inter-ministerial councils submit to the Government regular activity reports every 6 months.

(2) At the Government request, inter-ministerial councils will submit implementation reports of cross-sectorial governmental policies.

Art.6 - (1) Each inter-ministerial council is running its activity based on a specific regulation of organisation and functioning approved in the first meeting.

(2) Technical Secretariat of each inter-ministerial council is made up of representatives of the involved line ministries and of a representative of the General Secretariat of the Government.

Art.7- (1) Subordinated to inter-ministerial councils, can function inter-ministerial commissions, settled up in accordance with the legal provisions in force, as well as working groups addressing a punctual problem, clearly defined and with specific terms.

(2) Inter-ministerial councils have the obligation to monitor the activity of subordinated commissions and inter-ministerial working groups and to submit proposals for the creation of new structures or cancellation of those which did not comply with their objectives.

(3) The structure, the level of representation, the mandate and due terms for complying with the commissions and working groups objectives are established by the inter-ministerial council to which they are subordinated.

(4) In commissions and working groups can participate also representatives of other public institutions which are not part of the coordinating council.

Art.8 – At the meetings of inter-ministerial councils, subordinated commissions or working groups, can participate, as guests, representatives of authorities and public administrative institutions, of academic institutions and universities, of civil society, NGO's, who could contribute in solving some aspects from the meeting agenda.

Art.9 - (1) At the enforcement date of this present decision, the permanent inter-ministerial councils foreseen at article no.1 take under subordination the inter-ministerial bodies settled up until this date, in accordance with Annex 2 of this present decision.

(2) Within three months from the enforcement date of the present decision, each inter-ministerial council will propose for the subordinated inter-ministerial bodies (in accordance with Annex 2), their cancellation or keeping.

Art.10 – Annexes 1 and 2 are part of the present decision.

PRIME-MINISTER

CĂLIN POPESCU-TĂRICEANU

Countersign:

Delegate minister for coordination of the

Minister of Justice

General Secretariat of the Government

Mihai Alexandru Voicu

Monica Luisa Macovei

Bucharest,
Nr.

NOTE OF SUBSTANTIATION

I. Public administration reform represents one of the essential dimensions of the European integration process, one of the EU political criteria that Romania should meet. Part of this reform is the improvement of the governance quality and public policy management.

During the Government meeting held on June 15th 2005 a **Memorandum on Reform Plan for the inter-ministerial communication and coordination** was approved. The Memorandum underlines the fact that during 2001-2004 a number of around 120 inter-ministerial committees were set up and function at the government level.

Examining the present inter-ministerial framework, it was acknowledged that there is a tendency to **set up a committee for every problem that arises**. This approach leads to an overcharge of the institutional system and to an overlapping of the competences which make the monitoring and evaluation activities difficult. There is no clear criteria and mechanism for setting up/cancelling committees, their number varying in time especially in the sense of their multiplication. The way those committees work remains random, lacking a unified system of accountability, evaluation and cooperation at the technical level.

Examining the activities of those inter-ministerial committees, it was acknowledged that most worked extremely inefficient (rare/random meetings, lack of decision making capability, wasted resources, etc.) and there was a lack of efficient policy coordination. Many of those committees became obsolete (either the problem disappeared or the goal was reached; i.e. National Committee for Romania NATO integration). There were pointed deficiencies in approaching the fundamental strategic priorities in a unitary way and in the coherence with which the implementation system of those priorities functions at the ministerial level.

The number and poor efficiency of those inter-ministerial committees were a constant area of criticism from international organisations such as SIGMA during 2003 and 2004. Repeatedly the need for setting up a more efficient mechanism of coordinating the public policy implementation was underlined.

Within the consultation process regarding the reform plan for inter-ministerial communication and coordination, the central public authorities supported the need for a new project of law (governmental decision). Some of the ministries (Ministry of Foreign Affairs, Ministry of Administration and Interior, Ministry of Economy and Trade, Prime –Minister Chancellery) made proposals for a new more functional system.

This reform project got support from international organisations, preliminary SIGMA report on Government capacity for public policy coordination (the next EC country report will be based on the SIGMA report as far as the meeting of the political criterion is concerned at the government level) underlines the positive impact that a more efficient

way of organising the communication and coordination at a ministerial level. The World Bank also offered the General Secretariat of the Government a grant for the implementation of the new system and developing the strategic planning capacity of the Government.

For an efficient inter-ministerial activity, better coordination of cross-sector public policies, there was proposed a new approach based on the principle: **a committee for a major domain and related issues**. Therefore, **11 permanent inter-ministerial committees are proposed to be set up**, relating to **11 major inter-ministerial areas of interest**, as follows:

1. Inter-ministerial Council for Home Affairs and Justice
2. Inter-ministerial Council for Foreign and European Affairs
3. Inter-ministerial Council for European Integration
4. Inter-ministerial Council for Economic, fiscal and trade affairs, internal market, concurrence and business environment
5. Inter-ministerial Council for administration, public service, decentralisation and local communities
6. Inter-ministerial Council for Social Affairs, Health and Consumer Protection
7. Inter-ministerial Council for Education, Culture, Research, Minorities, youth and Sport
8. Inter-ministerial Council for Agriculture, Rural Development and Environment Protection
9. Inter-ministerial Council for regional development, infrastructure, territory planning and tourism
10. Inter-ministerial Council for Crisis Situations
11. Inter-ministerial Council for Strategic Planning

The structure of those inter-ministerial committees had as a model the European model of the inter-ministerial committees existing at the European Union level (European Council of Ministers).

The **members of the councils** are the **line ministers, minister of public finances, Minister for the Coordination of General Secretariat of the Government, a State Councillor on behalf of the Prime- Minister. The chair is with the Prime-Minister, state minister or line minister** according to the situation.

The councils can organize committees under their subordination, set up according to the existing legal framework, as well as working groups for solving current problems clearly defined and with clear cut datelines. The members of those committees and working groups are secretaries of state and high public servants from the ministries, heads of different central public institutions, representatives of the academia and representatives of civil society. **Permanent councils and subordinated inter-ministerial committees will implement a flexible mechanism of setting up /cancelling the working groups based on the decision of the council or committee.**

Essential elements of the way the councils will function are:

- consensual decision making and ordinary monthly meeting,
- each member can summon the council for an extraordinary meeting and can address a problem on the agenda,
- a subject on the agenda can be postponed only twice,
- the disagreements (due to lack of unanimity) will be solved in a plenary session of the Government

In the initial phase, **the present inter-ministerial organisms will be reorganised under the subordination of the councils. In 3 months time, each council will make proposals for setting up/cancelling/ keeping commissions and working groups under their subordination.**

II. The strategic priorities and the creation of an integrated system intended to facilitate their implementation is the main reason behind the initiation of a system of strategic planning based on public policy programs. The system allows the budgetary planning according to the substance of the public policy as well as the place the public policy within the priorities agenda of the Government.

The lack of concordance between the development of a certain policy and the required budget is a present issue underlined in several studies on the public funds management (i.e. a **WB diagnosis** study or a **joint IMF –WB study** on the issue). Those studies underline the followed aspects that required a solution:

2. The vital need for **improving the processes thru' which the strategic policies are formulated and implemented by coherent programs in close connection with national budget revenues.** Existing public policies are weakly connected with the budget revenues allocation.
3. The necessity to develop a **multi annual approach (on a medium term) of the budgetary process, based on strategic priorities set up at the Government level.**
4. The necessity to **improve the budget proposals transmitted by the ministries** and their correlation with own priorities, objectives and strategic policies, as well as to develop a multi annual budget programming.

The Strategic Planning Council (SPC) will have as a main responsibility the realisation of the above mentioned tasks. At the meetings of the council the ministers are invited according to the set agenda of the meeting. SPC will set up its own staff among relevant Prime- Minister Councillors, Prime- Minister Chancellery and General Secretariat of the Government/ Public Policy Unit .

Main tasks:

- **Set up and coordinate the priorities in strategic documents for meeting the Government objectives**

- Compliance of the national public policies with the Government's commitments made to international organisations such as World Bank, European Union, IMF, etc)
- Multi annual programming of the fundamental strategic priorities and their corroboration with the multi annual budget programming
- Compliance of the public policies with public funds allotted on short and medium term

PERMANENT INTERMINISTERIAL COUNCILS
Componence and presidency

PERMANENT COUNCIL	COMPONENCE	PRESIDENCY
I. Inter-ministerial Council for home affairs and Justice	Ministry of Justice Ministry of Administration and Interior Ministry of Foreign Affairs Ministry of Public Finance Prime-minister state counsellor General Secretariat of Government	Co-presidency : <u>Ministry of Justice - Ministry of Administration and Interior</u>
II. Inter-ministerial Council for foreign and European affairs	Ministry of Foreign Affairs Ministry of European Integration Ministry of Public Finance Ministry of National Defence Ministry of Economy and Commerce Prime-minister state counsellor General Secretariat of Government	Co-presidency : <u>Ministry of Foreign Affairs - Ministry of European Integration</u>
III. Inter-ministerial Council for European Integration - CEIE	Prime-minister State Minister in charge with coordination of the activities in the field of culture, education and European integration Ministry of European Integration Ministry of Foreign Affairs	<u>Prime -minister</u>

	<p>Ministry of Public Finance Minister delegate in charge with the control of the implementation of the internationally financed programs and the supervision of the enforcement of Acquis Communautaire Prime-minister state counsellor General Secretariat of Government</p>	
<p>IV. Inter-ministerial Council for Economic, fiscal and trade affairs, internal market, concurrence and business environment</p>	<p>State Minister in charge with the coordination of activities in the economic field State Minister in charge with coordination of the activities in the field of business environment and small and medium-sized enterprises Ministry of Economy and Commerce Ministry of European Integration Minister of Agriculture, Forests and Rural Development Minister Delegate for Commerce Ministry of Public Finance Minister of Communications and Information Technology Prime-minister state counsellor General Secretariat of Government</p>	<p>Co-presidency : <u>State Minister in charge with the coordination of activities in the economic field - State Minister in charge with coordination of the activities in the field of business environment and small and medium-sized enterprises</u></p>
<p>V. Inter-ministerial Council for administration, public service, decentralisation and local communities</p>	<p>Ministry of Administration and Interior General Secretariat of Government Ministry of Public Finance Ministry of Justice Prime-minister state counsellor</p>	<p><u>Ministry of Administration and Interior</u></p>

<p>VI. Inter-ministerial Council for Social Affairs, Health and Consumer Protection</p>	<p>Minister of of Labor, Social Solidarity and Family Ministry of Public Finance Minister of Education and Research Ministry of Health Prime-minister state counsellor General Secretariat of Government</p>	<p>Co-presidency : <u>Ministry of Labor, Social Solidarity and Family - Ministry of Health</u></p>
<p>VII. Inter-ministerial Council for Education, Culture, Research, Minorities, youth and Sport</p>	<p>State Minister in charge with coordination of the activities in the field of culture, education and European integration Minister of Education and Research Minister of Culture and Religious Affairs Minister of Communications and Information Technology Prime-minister state counsellor General Secretariat of Government Ministry of Public Finance</p>	<p><u>State Minister in charge with coordination of the activities in the field of culture, education and European integration</u></p>
<p>VIII. Inter-ministerial Council for Agriculture, Rural Development and Environment Protection</p>	<p>Minister of Agriculture, Forests and Rural Development Minister of Environment and Waters Management Prime-minister state counsellor General Secretariat of Government Ministry of Public Finance</p>	<p>Co-presidency : <u>Ministry of Agriculture, Forests and Rural Development - Ministry of Environment and Waters Managemen</u></p>
<p>IX. Inter-ministerial Council for regional development, infrastructure, territory planning</p>	<p>Minister of Transportation, Constructions and Tourism Ministry of European Integration Ministry of Administration and Interior Ministry of Economy and Commerce Minister of Communications and Information Technology Minister Delegate for the</p>	<p>Co-presidency : <u>Ministry of Transport, Constructions and Tourism – Ministry of European Integration</u></p>

<p>and tourism</p>	<p>coordination for public works and territory management Ministry of Public Finance Prime-minister state counsellor Secretariat of Government General</p>	
<p>X. Inter-ministerial Council for Crisis Situations</p>	<p>Ministry of Administration and Interior Ministry of National Defence Minister of Transportation, Constructions and Tourism Minister of Environment and Waters Management Prime-minister state counsellor General Secretariat of Government Ministry of Public Finance</p>	<p><u>Ministry of Administration and Interior</u></p>
<p>XI. Inter-ministerial Council for Strategic Planning</p>	<p>Prime-minister State ministers General Secretariat of Government Ministry of Public Finance Minister Delegate for the Liaison with the Parliament Ministry of European Integration Minister delegate in charge with the control of the implementation of the internationally financed programs and the supervision of the enforcement of Acquis Communautaire</p>	<p><u>Prime-minister</u></p>