

WORLD BANK / DUTCH GRANT TF 054659



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

POLICY, PLANNING & BUDGETING IN ROMANIA

SECOND REPORT

*Dr. T. Russell Robinson
Consultant
Ottawa, Canada*

April 7, 2006

POLICY, PLANNING & BUDGETING IN ROMANIA SECOND REPORT

OUTLINE

	<u>Page</u>
A. Context for the Report	4
B. System Design	5
1. Recommended Comprehensive System Design	
2. The Wider Reform Agenda	
C. Strengthening Cabinet Governance through Inter-Ministerial Councils	10
1. Roles of Cabinet Committees: Review	
2. Romania's Inter-Ministerial Councils: Context and Issues	
3. Strengthening the Role of Inter-Ministerial Councils	
4. The Inter-Ministerial Council for Strategic Planning	
5. Delegation of Decision-Making Powers	
D. Extending Centre-of-Government Leadership	23
1. Romania's Centre of Government: A Leadership Challenge	
2. Differentiating between Strategic and Operational Issues	
3. Addressing Regulatory Functions	
4. Streamlining the <i>How</i> of Policy Implementation: Program Approvals	
5. The Canadian Example	
6. Accountability Regimes: General	
7. Strengthening Management Practices	
8. Program Implementation and Budget Execution	
E. Other Issues	40
1. Policy Making based on International Practices	
2. Public Policy Units in Line Ministries	
3. Documentation respecting Governmental Policies and Priorities	
4. Miscellaneous Issues	
▪ Functional Review of the GSG and Chancellery	
▪ Proposals for Technical Assistance re: (a) Centre of Government IT System; and (b) Policy Analysis and Monitoring and Evaluation	
F. Summary and Next Steps	45

ANNEXES

47

1. Outline of: T. R. Robinson, *First Report (December, 2005)*
2. List of Five Papers related to Policy Formulation, Implementation and Assessment
3. Excerpts from *First Report (December, 2005)* on Strategic Planning and Articulating Policies

SUPPORTING MATERIALS (Provided Separately)

- PowerPoint presentation by M. Johnson and R. Robinson, February, 2006:
“*Improving the Policy, Planning and Budgeting System*”
- PowerPoint presentation by R. Robinson, April, 2006:
“*Strengthening Policy Development and Program Implementation: The Key Role of Central Agencies and Cabinet Committees*”

POLICY, PLANNING & BUDGETING IN ROMANIA SECOND REPORT

A. CONTEXT FOR THE REPORT

The overarching objectives of this Technical Assistance activity 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.”

This project, with its consultant assigned to the General Secretariat of the Government (GSG), is one of six components 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 Public Finance, and to the Health, Education, Transport and Environment/Water Management 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.

Designed to provide technical assistance intermittently over a twelve-month period, the program of work (and required reports) was structured to consist of three phases, as follows:

1. An information-gathering and **diagnosis** phase, to set out the challenges and priorities to be addressed in further detail;
2. Analysis and consultations leading to **recommendations** for reform in designated areas as agreed between the consultant and client; and
3. An **implementation** phase, in which assistance would be provided in planning, design, training or other forms of support and advice relating to the reform areas accepted for advancement.

The Inception Report (November 7, 2005) provided initial impressions on the current stage of development of the policy- and decision-making reform 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 the first main report.

The First Report (December 15, 2006) discussed a wide range of issues relating to: the potential overall structure of a modern planning and budgeting system, policy making processes and implementation/management/accountability elements within that system, and the structure of the Romanian centre of government and its new inter-ministerial committees. Examples of Cabinet systems in other (western) countries were provided, along with materials on policy development and assessment, which could provide the bases for further discussions and potential training workshops. The Outline of that First Report is reproduced as Annex 1.

The second phase of this consultancy took place in the first quarter of 2006, i.e., from January 1 through March 31. Activities included electronic exchanges, a working visit to Bucharest from February 6 through 17, and preparation of this Report in March. Specifics of analysis and consultations undertaken and recommendations made are spelled out, and in some cases extended, in the remainder of this Report.

B. SYSTEM DESIGN

During the February 2006 mission, when both Mr. Martin Johnson and Dr. Robinson were in Bucharest together, they prepared and delivered a joint presentation on the recommended design for the overall policy, budgeting and management system in Romania. This included as a main theme a detailed description of a reformed budgeting system and time-table (cycle) that would modernize budgeting practices and that would – through an integrative strategic planning component – link the budgeting and policy making components, which would otherwise remain disconnected and problematic.

In these proposals there were important changes required, if the recommended system is to be fully and successfully implemented. Mr. Martin's Second Report spells out in some details those requirements related to the operation of the proposed budget cycle, with an emphasis on the roles and instruments required of the Ministry of Public Finance.

The Martin-Robinson 30-slide PowerPoint presentation is available separately. It begins by quoting the Substantiation Note that supported the Government of Romania's Decision regarding the foundation of permanent inter-ministerial councils, as follows:

“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 to place the public policy within the priorities agenda of the Government.” (Note of Substantiation, Part II, Annexed to Government Decision 750, July, 2005)

The introductory part of the presentation sets out the “total system” along the lines introduced in Dr. Robinson's first report, and is summarized again here. (The rest of the presentation is set out and explained in Mr. Martin's Second Report.)

1. Recommended Comprehensive System Design

It is widely accepted internationally that 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 the proposed integrated planning and management system (and “cycle”) that directly links policy making and budgeting. The introduction of Strategic Planning is a crucial “lynch-pin” within the overall system design, and to modern budget formulation and expenditure management. Thus Strategic Planning plays a crucial “joining-up” role, with the following high-level objective:

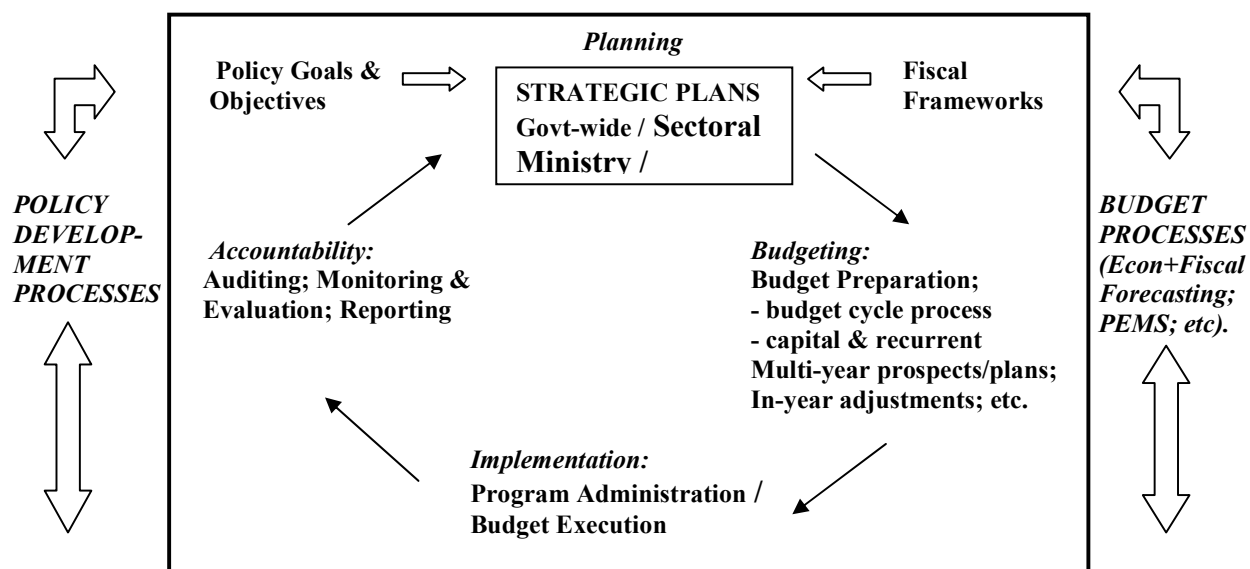
The integration of policy and expenditure decision-making to ensure that policy decisions are taken in the context of expenditure limits with full consideration of cost implications and that, in turn, expenditure decisions are taken with an understanding of the line ministers’ responsibilities for the policies and priorities of their ministries, within the context of overall government policies and priorities.

In short, the concept 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 goals of fiscal discipline, transparency, collaborative decision-making, and accountability for funding decisions.

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.

[NOTE ON TERMINOLOGY: In some former planned economies the term “strategy” is sometimes used for long-term visions or ambitions, looking ahead 10 years or more. More concrete plans for the “medium-term,” such as 3-5 years, are often called a “program,” as in “The Government’s Program.” “Plan” then often refers to the annual, operational plan, and sometimes associated with the annual budget. *In the more common western terminology used here, Strategic Planning (and Strategic Plans) normally implies a medium-term time horizon (e.g., 3 years), has both results-oriented operational content, and recognizes resource constraints including budgetary prospects such as those set out in multi-year fiscal frameworks.]*

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 – with both its policy and budgeting components – becomes a desirable target, which in turn can produce “coherence” between the policy making and budgeting spheres. (Mr. Martin’s Second Report refers to these two parts of strategic planning as (1) a “policy choice” component, and (2) a “resource choice” component.)

2. The Wider Reform Agenda

The centre-of-government organizations and agencies, supporting the Prime Minister, the Finance Minister and Cabinet, are obviously the sources of authority for mandating and overseeing initiatives and reforms that span a wide range of issues. Some comments on the challenges of leadership over these reforms, including design, interrelationships, timing (sequencing), etc. were mentioned in the antecedent First Report, and are brought forward here, since they relate to recommendations later in this Report.

“Filling in” the above integrated Planning and Management cycle and system obviously goes far beyond the much-needed reforms to the Budgeting/Treasury/PEMS that are presently being considered for Romania. One the policy side, 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, and perhaps extend their roles as well.

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)
- Forward-looking, multi-year Strategic Plans, integrated into the budget formulation and execution cycle
- Human Resources System Reforms and capacity-building/training
- 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

All of these are components of a fully operational Planning and Management (governance) system, and all must eventually be integrated in the formulation of plans at both ministry and government levels. It is worth emphasizing that the system needs to be implemented and operated at the level of the line ministries. However, the design of the system, the setting of standards, procedures, and the rules by which the various components are to be made operational – as well as the necessary support for organizational, human resource and other required changes – must come from the centre of government. This includes both the bureaucratic level and Cabinet (including the machinery for government decision-making such as Cabinet committees and/or inter-ministerial councils.) Some of these needs for centre-of-government leadership, support, oversight and control are explored further, later in this Report (Part D).

One example of management reforms, which requires centrally-determined policies and rules to be followed by line ministries and is a normal complement to results-based planning and management, has to do with delegation of authorities. 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 help 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.

For a regime of delegated authorities to be functional and significant suggests other, complementary requirements that also need to be in place. At the legislative and Cabinet levels, only strategic or “higher-level” directions, policies and mandates would need to be set out. The filling in of the operational details would be left for subordinate bodies, the ministries themselves, and (through delegated authorities) ministry executives and program managers. The other side of the coin, of course, is the assumption that ministry managers and administrators are subject (and trained) to respect rules and procedures designed to avoid or counteract unethical or corrupt behaviour as they exercise their authorities. Central design, leadership and oversight, supported by a robust accountability regime (of which more is discussed later) are obviously needed, if increased delegation is to be effective.

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 also 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.

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.

C. STRENGTHENING CABINET GOVERNANCE THROUGH INTER-MINISTERIAL COUNCILS

The First Report presented material on international structures and practices of Cabinet Committees in support of Cabinet decision-making. This was supported by a background PowerPoint presentation on “*Centre of Government Structures and Functions in Canada and beyond.*” In this section of the current (Second) Report, the earlier information is summarized, and suggestions are made as to how the Inter-Ministerial Councils might be strengthened.

1. Roles of Cabinet Committees: Review

In introducing the material on Cabinet systems elsewhere (notably in Canada), the First Report emphasized that what “works” somewhere else may not be totally relevant in another environment. Thus: “The structures and process of Cabinet systems also evolve within the general framework of the [specific country’s] political system, its legal apparatus and its sense of balance between written and unwritten quasi-constitutional conventions, which affect those structures and practices;” and “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.” (First Report, Part G.2)

With the above caveats in mind, there are nevertheless a range of roles and functions than are common across most cabinet committee (or equivalent) structures, at least in most western countries. According to the World Bank, exercising strong cabinet governance in essence comes down to two major activities: (1) Setting the major policy priorities of the government as a whole; and (2) Making choices within this range of priorities. This implies that government leaders – Ministers especially – make decisions on “major issues,” and should not be overwhelmed by having to decide on minor items and operational details, on a day to day basis. This challenge has obviously been recognized, at least in part, 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.
- b) SETTING THE “RULES OF THE GAME” – The formal rules of the game should be codified and that the Cabinet should “work” 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. This will likely result in considerable rationalisation and potentially reduce the burden on the Prime Minister and ministers.)
- c) USE OF COMMITTEES – The work of cabinet governance in OECD countries has reached a degree of complexity and intensity such that cabinets as whole simply do not have the time to address all issues before them in a plenary fashion. Thus while there is no single “standard approach,” there has been a growing pattern of delegation to committees – between 6 and 12 structured committees seems to be growing global norm.
 - d) FOCUSING 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.

These factors each have implications for the appropriate role and structures of public service support staff, both at the centre of government and in line ministries, needed to support cabinet decision-making on one hand, and to design and orchestrate modern planning and management practices on the other. Some of these issues are elaborated further below, in this Report. (A fuller discussion of cabinet governance in other countries can be found in the First Report, Part G.2.)

2. Romania’s Inter-Ministerial Councils: Context and Issues

In light of the government decree that created the Romania’s new 11 Inter-Ministerial 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. As noted in the First Report, 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.

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, especially if they are to perform many of the roles expected of Cabinet Committees in other countries.

The four main characteristics of strong Cabinet governance, summarized above, provide a context on which to discuss some key challenges (outlined below) of Cabinet decision-making systems that the Government of Romania may wish to address. The objective is to strengthen and build on the reforms that began with the 2005 establishment of eleven Inter-Ministerial Councils (IMCs), including the key Strategic Planning Council (SPC).

There is no need in this Second Report to revisit the genesis of these councils and their legal establishment. It is, however, important to stress that at present (April 2006) the crucial Strategic Planning Council has not yet established a pattern of operation. Likewise, the government has yet to fully define the inter-relationships between the eleven new Inter-Ministerial Councils and the cabinet as a whole, or their relationships to the general policy making regime, let alone to the evolving budget system.

Thus, it may be an opportune time to develop some broad lines of recommendations that can be adapted to the unique circumstances of Romania's evolving system of Cabinet governance so as to strengthen the ability of the Cabinet to better integrate the four characteristics of strong Cabinet governance cited above.

The diagnostic work undertaken since the inception phase of this assignment has uncovered significant opportunities to build on the reforms of 2004- 2005 to further strengthen the nature of the Cabinet systems and thus to focus ministerial attention on “what’s important” for ministers in an nation that is on the threshold of entry into the European Union. This suggests at least four areas where the Government of Romania, through its General Secretariat (GSG) and other central (centre-of-government) agencies, may wish to re-examine the structures and mandates of cabinet committees (IMCs). These four are:

- Strengthening the Roles of the (sectoral) Inter-Ministerial Councils
- Clarifying the role of the Strategic Planning Council
- Differentiating between Strategic and Operational Issues
- Clarifying the role of Cabinet in the legislative and regulatory processes

The first two of these are discussed below, while the third and fourth are reviewed in the following Part (D).

3. Strengthening the Role of Inter-Ministerial Councils

The establishment of eleven permanent Inter-Ministerial Councils, which mirror the structures that exist at the European level (European Council of Ministers), has created a major transformation of the machinery of the Government of Romania.

To recall, the eleven are:

COUNCIL	MEMBERSHIP
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
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
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 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
IV. Inter-ministerial Council for Economic, fiscal and trade affairs, internal market, concurrence and business environment	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
V. Inter-ministerial Council for administration, public service, decentralisation and local communities	Ministry of Administration and Interior General Secretariat of Government Ministry of Public Finance Ministry of Justice Prime-minister state counsellor
VI. Inter-ministerial Council for Social Affairs, Health and Consumer Protection	Minister of Labour, Social Solidarity and Family Ministry of Public Finance Minister of Education and Research Ministry of Health Prime-minister state counsellor General Secretariat of Government
VII. Inter-ministerial Council for Education, Culture, Research, Minorities, youth and Sport	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
VIII. Inter-ministerial Council for Agriculture, Rural Development and Environment Protection	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
IX. Inter-ministerial Council for regional development, infrastructure, territory planning and tourism	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 coordination for public works and territory management Ministry of Public Finance Prime-minister state counsellor General Secretariat of Government
X. Inter-ministerial Council for Crisis Situations	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
XI. Inter-ministerial Council for Strategic Planning	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

Although the model for the composition of these eleven Councils is that of the Council of European Ministers, the precise roles and the “rules of the game” for their operation and the inter-relationships among the Councils remains uncertain.

At the time of their establishment, the Councils’ constituting instruments spoke more about how they would work in terms of decision-making and internal procedures, and less about what their roles were to be. Thus, we can see the following kinds of provisions setting out what in is essence are their “internal governance:”

- consensual decision making and an 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

While these provisions (and others) set down some “basic rules of the operational game”, there remains a considerable degree of ambiguity about whether the Councils may act within the general Westminster model of Cabinet governance – namely as intermediary ministerial gate keepers – or whether they will move towards a more French model of cabinet governance where committees are used in many cases simply to resolve disputes related to Cabinet agenda items.

Several factors need to be taken into consideration before beginning to address potential options for the evolution of the Inter-Ministerial Councils:

- First, although the establishment of the IMCs marks a major evolution of the Romanian Cabinet system, one of the primary impediments to effective Cabinet governance (as defined by the OECD and World Bank; see First Report) that faces Romanian government is the large number of items that come to Cabinet (in excess of 2500 per year according to a 2003 OECD study) .
- Second, the strengthening the GSG – as well as the policy roles of the Chancellery – remain in their early (transition) stages as does the strengthening of the policy development and coordination capacities in line ministries themselves.
- Third, the Government of Romania exists in a coalition environment wherein a number of political parties have come together to establish a government – a factor considerably different from Westminster models which usually operate with majority governments (where one party has a majority of the seats in the legislature), or with classic “minority” environments (where a government does not have a majority in the legislature and relies on other parties to maintain its mandate, but does not share cabinet power with these Parliamentary allies).

These three factors influence the range of options that may be realistically open to the Government of Romania at this time. For example, there may be little practical use in suggesting complex bureaucratic infrastructures that would parallel a current Canadian or Australian model to support a highly structured cabinet decision-making system at this time, due to the fact that the GSG’s capacity to respond to such demands remains at a formative stage, and the Councils themselves are only beginning to operate.

In this case, therefore, one approach might be to consider a progressive evolution whereby as capacity in the GSG and in line ministries grows. And, as the comfort level of Cabinet itself grows with new organizational patterns, so also might grow the regularity and specificity of the committee apparatus and its supporting bureaucracy.

This latter, “learning by doing” sort of an approach also recognizes some general precepts stemming from international experience. While some nations have tried to “regulate” cabinet systems by enacting complex laws and declarations all at once, their success (or lack of it) in many cases is determined by the relative strength of the policy and decision-making capacity in their central agencies and also in line ministries. In short, no amount of declarations, normative instruments or law making can substitute for solid, sufficient and sustainable internal policy making capacity across the public service as a whole.

Clarifying Their Roles

If one of the primary attributes of strong Cabinet governance is to provide Cabinet as a whole with a gate-keeping function, it would seem natural for committees of cabinet (Inter-ministerial Councils) to provide at least a primary screening mechanism, so as to begin a process of prioritization of initiatives against levels of available resources while also ensuring their linkage to national priorities.

The factors noted above, and especially that related to the large number of issues addressed by the Cabinet in Romania tends to support the need for Inter-ministerial Councils to act as primary screening tools for Cabinet as whole so as to focus Cabinet’s collective attention on “what’s important” (another of the four central characteristics of strong cabinet governance). However, in addressing how to strengthen the role of Inter-ministerial Councils care must be taken to ensure that any proposed course of action is viable in light of the evolving Romanian political context.

The “operating rules” set out for Inter-ministerial Councils tend to imply that decision-making at the Council level should be collegial and consensus-based, as opposed to one of having Councils voting on agenda items. The procedures to address lack of consensus – the opportunity to re-submit twice, and the ultimate opportunity to refer an issue to cabinet as whole – underscore the need for Councils to work collaboratively. This in large part may also be due to the coalition-based nature of the government as well, since party discipline cannot ensure compliance with majority-vote decisions.

However, each Council also has been given a president/chair, and in many instances a co-president, thus implying some sort of internal leadership function. A sectoral “gatekeeper” role can be inferred from these two characteristics, notwithstanding the possibility of there also being a dispute resolution role. However, this sectoral gate keeper role is implicit rather than clearly enunciated.

In any case, it seems clear at this stage that the sectoral IMCs should play an active role, beginning as early as possible, in reviewing and debating the policy “landscape” of their constituent line ministry members. This implies a much wider role than only dealing with policy issues having clearly cross-ministry implications (as is suggested in the original mandate for the IMCs). This issue was already raised in the First Report, as follows:

“...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.” (FIRST REPORT, Part H.2)

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 central cabinet office is typically assigned to support the decision-making process of each committee, and these officials are employed by the cabinet office itself. 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.

In Romania, the current terms of reference call for some of the organizing and secretarial functions of a Council to be the responsibility of the Minister chairing the Council, and thus drawing from the resources of that particular minister and his/her ministry. This needs rethinking. As individuals, ministers may move across portfolios, or in and out of Cabinet. The working apparatus of the Councils should be independent of such changes: it should be staffed at the centre, and not dependent on the resources, commitment or operating style of individual ministers.

Independent secretariat support from the centre, including providing the Secretary for each Council who in turn works with the Council Chair (Minister) in planning and executing Council business, would also ensure a measure of neutrality in the planning and conduct of Council business, reducing the risk that Council could become biased toward the “lead” ministry, and discredit the process.

Suggested Course of Action

Thus the first major strengthening of the role and functions of the sectoral Inter-ministerial Councils may be to adjust (or re-interpret) their terms of reference to explicitly give them the task of “first review” of all policy issues that fall within their respective functional purviews.

This would imply, for example that with respect to all issues related to agriculture, rural development and environmental protection (emanating from any ministry) the first entrance point to the Cabinet system would be the Inter-ministerial Council for Agriculture, Rural Development and Environmental Protection. In this way, this sectoral IMC would be able to weigh and balance submissions coming to it in light of national priorities and available resources levels, and develop cross-ministry appreciation of the challenges and priorities of their various ministries.

Nothing in this suggested strengthening of the roles of IMCs would detract from the consensual approach to cabinet decision-making described earlier. Indeed, given the evolving Romanian approach to Cabinet governance, there might be considerable benefits in giving to Inter-ministerial Councils a more active gate keeper function while at the same time preserving *consensus-based* (collective, collegial) decision-making, with the Government taking decisions based on IMC recommendations.

The implication of this suggested strengthening is that ministers would not be able to simply submit their proposals directly to Cabinet as whole without going through a Inter-ministerial Council . This also implies that the President of each IMC would have to play a role as coordinator of his/her council and have some ability (with active bureaucratic support) to prioritize and schedule submissions, given that such Councils might only meet once a month.

Assuming that Inter-ministerial Councils represent the first point of entry for policy submission, and that there may be scheduling challenges, there are benefits in seeking from individual ministries advance notice of their prospective policy, legislative and programmatic agendas.

Thus consideration might be given to empowering the President of each Inter-ministerial Council to request from constituent ministries a prospective schedule of major initiatives requiring Cabinet consideration planned for the coming six months.

In this way, ministries could begin to cooperate among themselves to a greater degree and the fledgling policy and coordination units (PPUs) could commence a process of inter-ministerial coordination of efforts, through advance consultations and (perhaps) briefings at the bureaucratic level. For example, it is common that a major ministerial initiative – one that involves either new or modified programming (and expenditures) – may impact on the work of other ministries as well. Thus, some degree of advance planning of major ministerial initiatives may enable Inter-ministerial Councils to have a broader planning and making-making horizon, and reduce the time it spends on explanations or potential inter-ministerial conflicts.

Later in this Report a special section (PART D) will address how the Cabinet as whole can begin to grapple with one of the major problems facing Romania (and most other nations as well) – namely how to differentiate between what is really important for cabinet and what is largely procedural.

4. The Inter-Ministerial Council for Strategic Planning (SPC)

One of the most innovative and forward-looking elements of the recent adoption of Inter-Ministerial Councils as a whole was the establishment of the Strategic Planning Council. Clearly this particular Council has a qualitatively different role from that of the other largely sectoral Councils. However, its role has not yet been well-defined in operational

terms, nor has it assessed its priorities in relation to policy-budgeting developments and established a working schedule and pattern.

Many cabinet systems, especially in Westminster-based governments, have adopted some form of internal coordinative mechanism at the cabinet level in order to rationalize and prioritize all ministerial decision-making. The Canadian experience over the last thirty years, as described in the First Report, shows a pattern of one committee of cabinet (sometimes called “Priorities and Planning” and usually chaired by the Prime Minister) having overarching planning and prioritization roles.

Cabinet systems that have incorporated such a coordinating committee are usually also those that have taken efforts to ensure that the national fiscal framework and budget system are also fully integrated into cabinet decision-making as well. Furthermore, the use of a cabinet coordinating committee is also usually accompanied by a practice, through a variety means, to articulate national priorities on a multi-year basis.

In Romania’s case, the *Government Program 2005-2008* constitutes such an articulation of medium term priorities on a sectoral and/or ministerial basis. This sort of medium-term planning horizon should then facilitate Cabinet decision-making, and influence the setting of priorities for at the level of line ministries and agencies. A coordinating committee of Cabinet, therefore, enables the government as a whole to balance short and medium term objectives with national priorities and resources.

Earlier it was recommended that each sectoral Inter-ministerial Council develop a semi-annual forecast of the major initiatives that they intended to pursue. Thus, at least twice a year there could be an opportunity to review these forecasts and to set a balance among them. Such a schedule should be set so as to fit into the need for strategic inputs at the beginning of each year’s budget cycle as well.

The Inter-ministerial Council on Strategic Planning is the obvious and nature candidate to perform these roles.

Thus it is recommended that the mandate of the Inter-ministerial Council on Strategic Planning be clarified in the following general fashion:

- That the Inter-ministerial Council on Strategic Planning be given the responsibility to review any forecasts prepared by sectoral Inter-ministerial Councils and to recommend to Cabinet as a whole (and by extension to specific Inter-ministerial Councils) relative orders of priority.

This new function does not reduce the importance of Cabinet as a whole. Rather, given the high level ministerial composition of the Inter-ministerial Council on Strategic Planning, a prioritization exercise such as this would enable Cabinet as a whole to come to a broad consensus on issues – again in an effort to ensure that Cabinet concentrates on “what’s important”.

The mechanics of such a function need not be complex. What would be required would be for each Inter-ministerial Council to prepare, once at the start of the fiscal year and once at the half way point the required forecast of major initiatives, indicating their general costs and likely benefits. It would be equally important for these forecasts to also indicate how each suggested item would contribute to the attainment of an element in the Government's overall three year program.

A second, complementary and more anticipatory role also can be considered for the Inter-ministerial Council on Strategic Planning, whereby it brings together the range of "external," political and other pressures and ideas calling for government action and attention, and propose – perhaps on an annual basis – a set of high level goals for the government as a whole. (*De facto*, this could take the form of a review of and possible adjustment to the multi-year Government Program, to ensure that it adapts to changing circumstances and needs.) Such an exercise would then be presented to full Cabinet for approval, at which point it provides the backdrop for assessing the proposals coming up from line ministries through the sectoral IMCs.

This activity would also having the Strategic Planning Council recommending to Cabinet, on an annual basis, an thematic plan of the government for the upcoming year, along with the maintenance of an "evergreen" multi-year plan.

Both this top-down, deductive process, and the "bottom-up" inductive one (involving line ministry proposals through IMCs) would take into account resource constraints as set out in the Ministry of Finance's medium-term fiscal framework and relevant budget planning documents.

Suggested Course of Action

Thus it is proposed that consideration be give to:

- First, clarifying the mandate of the Inter-ministerial Council for Strategic Planning to include an annual review of the Government's multi-year Program, and the preparation of a proposed set of priorities for the upcoming year, with this annual strategic plan (identifying major initiatives) to be ratified by Cabinet as a whole;
- Second, the suggested semi-annual plans of each of the sectoral Inter-ministerial Councils would be reviewed by the Council on Strategic Planning to ensure consistency with the overall Government priorities, before they are similarly presented to Cabinet for ratification;
- Third, toward the third quarter of the year the Inter-ministerial Council on Strategic Planning might wish to prepare a report for Cabinet as a whole on the progress of the major initiatives accepted at the beginning of the planning period. (Similarly, the sectoral Councils might be asked to do the same thing for their sectors, based on contributions required from line ministries.)

In this way, as a new planning year approaches, Cabinet as whole would be able to ascertain areas of strength or shortfall, and begin to conceptualize, with the assistance of the Ministry of Public Finance, the range of policy and budgetary choices available to it in the coming year. *If the above process is appropriately dovetailed to the strategic requirements of a reformed budget cycle, a sort of integrated Cabinet level strategic planning cycle begins to emerge.*

It is inevitable that early results from such an exercise might be rather general and imprecise. The availability and capacity of policy and planning resources in the Government of Romania is in early stages at this time. As organizational capacity in planning and forecasting increases across the Government, and among central agencies in particular, more precision can be expected.

5. Delegation of Decision-Making Powers

The consensual decision-making patterns which the Government of Romania has adopted will affect how the above processes would function. Clearly in a consensual system such as Romania's, the ability of the Inter-ministerial Council on Strategic Planning to change what a sectoral Council would propose should be constrained by the principle of collective and collegial decision-making.

Thus, should the Inter-ministerial Council on Strategic Planning feel that particular proposed plans from a sectoral Council would require changes, it should be able to refer the plan back for further consideration by the IMC in question. In the unlikely instance of an inability to shape a consensus at this point, clearly the individual Inter-ministerial Council should be able to refer its sectoral plan directly to Cabinet – in essence a variant on current decision making processes.

It may be useful to note that some cabinet systems have at various times empowered committees analogous to the Inter-ministerial Council on Strategic Planning to approve individual submissions for major initiatives that come from sectoral committees without recourse to Cabinet as a whole. Canada, Australia, New Zealand and the United Kingdom all have done so at various times.

The cabinet systems that have done so have usually have reflected a highly “executive” style of Prime Ministerial leadership, wherein Cabinet as a whole mainly focuses on the high level interface between government and politics; and does not “transact business.” Also, such governments usually tend to be majoritarian in nature and not coalitions as is the case in Romania. Equally, there also has been an ebb and flow of this phenomenon in a number of countries that also reflects the managerial style of the Prime Minister in question. Thus, for example, in Canada, the cabinet system between 1993 and 2004 did not contain such a high level “senior” cabinet committee.

At this time in Romania, there would appear to be very little benefit in empowering one Council with such powerful gate-keeping *and* decision-making functions on behalf of Cabinet as whole. The relative newness of the Romanian approach to Inter-ministerial

Councils, combined with the coalition nature of Romania's government and the broader need for consensus, would tend to preclude giving even a high level body like the Inter-ministerial Council on Strategic Planning that level of authority.

The above discussion has been about main policy and program priorities, at the level of line ministries, sectoral Inter-ministerial Councils and the central Strategic Planning Council. Another key challenge facing Romania's Cabinet as well as the IMCs is how to ensure that it is focusing its collective attention on "what's truly important". For Romania to be able to achieve the degree of strategic planning and policy/budget integration that is desirable, Cabinet will probably have to find ways of developing alternate decision-making procedures to streamline the still considerable mass of administrative, procedural, regulatory and "in-year" budget execution decisions that could otherwise inhibit its new reforms. This issue and some possibilities are explored in Part D below.

D. EXTENDING CENTRE-OF-GOVERNMENT LEADERSHIP

1. Romania's Centre of Government: A Leadership Challenge

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 still at a formative stage and may benefit from reflection and further refinement.

Procedures and requirements for Cabinet decisions have been changed, driven by the need to reduce and prioritize the too-numerous proposals that have been addressed directly to the Prime Minister and to Cabinet in recent years. Also, the more than 130 inter-ministerial committees or task forces are being significantly reduced, and placed under the custody of the 11 new Inter-Ministerial Councils. Further, efforts are being made to place policies, programs and budgets within an orderly hierarchy, which should help to support the development of a strategic planning framework along the lines set out in Part B above (and in Mr. Martin's Second Report on improving the Budget process).

The prospective policy, planning and budgeting system seeks to support and promote results-based management, which in turn can – if designed and executed carefully – contribute further to the streamlining of decision-making and reduce the burdens on Cabinet and the Prime Minister. This goal invites further consideration of the hierarchy of governmental issues and decisions, from the most important and strategic to the lower-level, detailed and operational issues. Again, the general concept is to reserve the former issues for Cabinet and ministers, with delegation of the latter to subordinate bodies and to managers in line ministries. The Government and its ministers set out the overall goals and strategies (the WHAT and WHY, and the “ENDS” of their policies), while others elaborate the HOW, or the “MEANS”, including implementation and operational plans, management requirements and program administration.

By way of international example, Canada and to some extent Australia have refined this focus on “what's important” by setting up a special committees of cabinet or specialized secretariats to focus attention on the “how” of government program design and delivery. This permits the Canadian cabinet system as a whole, through the work of its committees, to take some 1000 administrative and procedural decisions each year *in addition to* its (higher-level) policy and programmatic decision-making load. Virtually all of these decisions are ratifications of proposals that having been analyzed and accepted as consistent with approved policies, by a special secretariat within the cabinet office.

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 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.

A full presentation on this division of labour within the centre-of-government machinery, along with its key links to results-based management issues, has been prepared and is submitted with this Report as supporting material (Ref.: “*Strengthening Policy Development and Program Implementation: The Key Role of Central Agencies and Cabinet Committees*”). The sections below explore further the second pair of key issues listed earlier, i.e.:

- Differentiating between Strategic and Operational Issues
- Clarifying the role of Cabinet in the legislative and regulatory processes

2. Differentiating Between Strategic and Operational Issues.

One of the largest challenges continuing to face the cabinet system of Romania may be magnitude of the demands placed on it. In a 2003 study undertaken of the OECD, it was estimated that the cabinet in Romania had to process over 2500 submissions annually and that this cascade of submissions sometimes resulted in overlap and duplication.

This phenomenon was attributed to two factors:

- First, the very nature of the Romanian legal system which, as a civil code based system, requires considerable degrees of ministerial involvement in decision - making related to regulatory and declaratory matters; and
- Second, the cabinet system itself at that time was ill-suited in its structures and also in the staff support assigned to it, to adequately consider and process such an volume of material.

The scope of governmental decisions that are taken by Cabinet in large part is a reflection of a nation’s legal system and its governance traditions. Thus, there is very little benefit in criticizing such fundamental rules of the game.

However, Westminster systems large and small, which generally are characterized as more permissive and flexible, also grapple with the same problems of volume that affect Romania. For example, one Westminster system in a Caribbean nation that is rapidly reaching developed nation status is confronted with over 50 submissions to its cabinet each week, the vast majority being implementation-related decisions that require Cabinet approval, due to the specifications of legislation.

Canada, the United Kingdom, Australia and New Zealand all face similar challenges. What is different among these nations are the solutions that have evolved to ensure that the most valuable resource of a government – its Cabinet and its time - is allocated to the most important issues.

Differentiating What's Important

Thus, a critical factor for any government's success lies in its Cabinet and the Cabinet's ability to focus on strategic resource allocation in line with national priorities. However, legal systems, both based on common law (as in Westminster nations) or civil codes (as in Romania) require that governments as a whole also must take a variety of subordinate decisions that in many cases have the force of law.

This latter point requires some additional clarification. Each legal system has an internal hierarchy of decision-making and government approval. Thus, "legislation" as an organic mass requires the consent of Cabinet and that of a legislature for it to have effect.

However, most if not all legal systems also empower the government to put in place enabling provisions (regulations in some nations, declarations/decrees or normative instruments in others) that have the force of law and which are "judicable" (subject to review by the courts). In these instances in most cases cabinet approval of these instruments is all that is required for them to acquire the force of law.

These actions in many nations are called the "regulatory function of cabinet". The decision-making responsibility remains with Cabinet and it seldom can be fully delegated to officials.

The second burden that affects many Cabinet systems worldwide is the growing tendency to see increased programmatic, management and administrative complexity. Government decision-making in the larger sense operates at a variety of levels ranging from the strategic down to the operational. Some Cabinet systems have evolved ways of differentiating between higher-level decisions about policies and programs – the *what* and *why*; and the more operational issues – the *how* a program will be implemented, at what scale and with what specific budget support.

Necessarily, the *how* of program implementation involves masses of details about delivery mechanisms, staff levels to be involved, internal procedures to be implemented, etc. Few of these "implementation matters" require legislation, or even recourse to the "regulatory function" described above, because implementation modalities seldom require the force of law. (In fact, forcing such issues into a legal format is likely to create rigidities that inhibit public administration capacities to innovate and adjust, or generally to adapt to changing circumstances calling for programmatic and administrative flexibility.)

The following hypothetical example may clarify this contrast.

Assume that the government wishes to implement a new program to support poultry farmers and to compensate them for the effects of avian flu. It may well be that a new piece of legislation is required, to sanction and mandate a new support program, significantly different from what is already in place. It may also be found that during

implementation some elements may require modification by means of a normative instrument (the regulatory function). Beyond this, however, Cabinet may also need to consider program implementation details that are much more operational in nature because these details largely impact on how resources will be allocated. Additionally, as implementation proceeds, Cabinet also may wish to know whether the program is achieving its goals – possibly whether poultry farmers over the life of the program are able to rebuild their flocks and regain their markets.

A Cabinet therefore would face a hierarchy of decisions over the life of the program:

- To agree to the basic program itself, its goals and its overall resource levels
- To agree to any draft legislation that might be required and to then bring it to Parliament
- To agree to any regulations (or declarations/normative instruments/decrees that will give practical legal effect to the program and which have the force of law (and possibly to do so on more than once throughout the life of the program as experience is gained and/or as circumstances change)
- To agree to the implementation details not required by law or implicit in the “regulatory function” (including details of how the program will report its results)

The first two of the above four sets of decisions clearly address the *why* and the *what* of cabinet making-making, and thus clearly require direct ministerial consideration. The remaining two speak to the *how* issues, which are obviously very important for the operation and effectiveness of the program itself.

3. Addressing Regulatory Functions

Many cabinet systems have developed alternate ways of addressing these last two sets of decisions (above) so as to economize on the limited time that cabinet and its committees (Inter-ministerial Councils in Romania) may have and also to ensure consistency of what in essence are subordinate sets of decisions. This includes ways of addressing regulatory and related functions so as to comply with legal requirements that cabinet approve these legally binding instruments, without excessively burdening the cabinet as a whole and of course without requiring their “elevation” to laws requiring legislation.

The key to these approaches is to recognize that ministers will already have approved the *what* and *why* of a program and any accompanying legislation that may be required. Thus, what remains in terms of these legally binding instruments (which in Westminster systems are called “subordinate legislation”) is to develop a mechanism by which ministers ratify in essence legal process decisions.

One step is to ensure that subject matter specialists (for such legal process decisions) occupy positions in the relevant ministry. Thus, it is these subject specialists that have the prime responsibility to develop the legal instruments required. (In countries such as Canada, the Justice Ministry retains responsibility for all drafting of laws/legislation,

while at the same time *locating* Justice lawyers in most departments, for them to work directly with ministerial “clients” on their legislative and regulatory projects.)

A second step is to acknowledge that there needs to be a central clearing house of the review of all the legal instruments of this nature so as to ensure their consistency with national legislation as a whole, to ensure that legal instruments of one ministry to give effect to a law do not conflict with those of another ministry; and also to ensure that legal instruments being developed today are not in conflict with those approved at an earlier date.

This central clearing house function is an important element of many central agencies in some governments such as Canada’s or other Westminster based systems. It is comprised of policy analysts and legal staff working together with the staff of the specific ministry.

What differentiates these systems from ones where an individual ministry can submit its legal instruments directly to Cabinet is a gate keeper function whereby the senior official responsible for the clearing house (usually at a rank equivalent to a deputy permanent secretary) possesses the delegated authority from Cabinet to hold back proposals for legal instruments of this nature until his/her staff are satisfied that they are compliance with the main piece of legislation, not in conflict with prior instruments and not in conflict with the legal instruments of other ministries. Necessarily, this sort of function and the delegated power from a cabinet to “hold back” requires competent policy and legal staff at the centre of government.

Because a cabinet office/secretariat seldom has operational program responsibilities of its own and because it frequently has overall government coordinative responsibilities, it becomes a natural “impartial broker” in situations such as this. This is especially important in instances where the proposed legal instruments of one ministry may impact on the work of another.

Given these considerations, and in light of the nature of the instruments in question, it seems sensible to place this function in the General Secretariat of the Government (GSG), who would work closely with the Ministry of Justice.

Placing this function within a cabinet office (the GSG) also ensures a government-wide view of the impact of the legal instruments. It also can facilitate how ministerial time will be used to give formal effect to the instrument in question. It can also ensure that sufficient time has been spent by officials to review the legal instruments, thus avoiding the problems that can arise when too many of all types instruments are “rushed” into Cabinet for ratification.

The last step in such a process of delegation of authority is for a cabinet to approve the instruments themselves. There are a variety of mechanisms which can be used. All however, are based on the understanding that before the legal instrument is presented to ministers for ratification a competent prior review by officials has taken place. In essence, the

underlying principle is a degree of trust between ministers and their senior officials that what is presented to them is “correct.”

The actual mechanism by which ministers ratify such instruments can vary with the basic nature of the cabinet system in question. Sometimes a special committee of cabinet has been set up for the sole purpose of such ratifications. Such a committee of ministers in Canada, called a Special Committee of Council (between 1994 and 2005), operated weekly and ratified the legal instruments recommended to it by the Regulatory Affairs Secretariat of the cabinet office. The senior official supporting this cabinet committee each week highlighted the items that might be contentious, or which could involve resource allocations. These items were then addressed specifically at the Committee meeting. The rest (the vast majority) were simply ratified unless an individual minister on the committee had reason to seek more detail or to object (rarely).

Of course, the items to be considered were circulated at least a week in advance, giving the staff of the ministers on the committee sufficient time to consider them and to brief their ministers.

Sometimes this function has been delegated by cabinet as a whole to a committee that is also responsible for the management of the public service. This is the current situation in Canada, with the Treasury Board assuming this additional role.

A second alternative is to delegate the power to ratify such legal instruments to the sectoral committee/council which first recommended the *what* and *why* of the initiative itself. This approach, assuming that the central clearing house were to exist within the GSG in Romania, may be more relevant to the current evolution of the cabinet system itself and to the roles and responsibility of Inter-ministerial Councils.

In this way, the ministers who initially considered the *what* and *why* would then be asked to ratify the enabling legal instruments. A degree of subject familiarity may be present that would increase the confidence level of the ministers of the Council toward the type of delegated authority that would be given to the central clearing house in the GSG. It also gives the sectoral Inter-ministerial Councils a real and on-going role in governance, while reducing the burden (and the risks) of having Romania’s cabinet as a whole face the governance risk having to take countless largely “process” decisions in the absence of sufficient analysis to ensure consistency and applicability.

Thus consideration might be given to:

- Clarifying the roles of Inter-ministerial Councils to include the power on behalf of Cabinet as a whole to examine and ratify subordinate instruments that have the force of law for those areas under the mandates of the member ministries of the Inter-ministerial Council in questions; and,
- Establishing within the GSG a special unit of policy and legal advisors charged with the responsibility to review all such subordinate legal instruments.

Of course, such a new process would not immediately affect the way laws and subordinate legal instruments are shaped in Romania. Thus, it does not reduce overall burden, but merely reorganizes the way cabinet copes with it - focusing Cabinet's attention on what is really important for it given the time pressures on them ; namely the *what* and *why* of initiatives.

Global experience shows that the way to reduce the number of subordinate legal instruments as a whole normally involves a complex and time consuming cross-governmental process of reviewing of all national legislation and all existing subordinate legal instruments, in an attempt to clarify their intent and reduce their numbers. The basis question asked is "Can the desired effect be achieved without a legal instrument?" Such a deregulation process may or may not be under way or contemplated in Romania (to be confirmed).

4. Streamlining the *How* of Policy Implementation: Program Approvals

Several types of ministerial decisions have been canvassed and discussed above. One final category merits discussion, which is also typically require ministerial authority and approval, viz.:

- To agree to the implementation details of programs not required by law or implicit in the "regulatory function" (including details of how a program will report its results)

This set of ministerial decisions may be somewhat more problematic than even those related to the regulatory function because they address elements "downstream" of ministerial decision-making, which relate to the design, implementation and management of programs themselves.

There are two basic ways that a cabinet can address the implementation details of government programs. First, however, it needs to be made clear that the governance patterns of individual nations vary widely. Thus, in some nations cabinets historically have been called upon to approve implementation details because they involve the practicalities of resource expenditure which may require legislative approval. In others, cabinets (and by extension the legislature) only approve the *what* and *why* (and macro resource allocation for a program) leaving the implementation details to individual ministries.

Notwithstanding these two models, modern and successful cabinet governance tends to involve ministers collectively in more than the broad elements of *what* and *why*, for reasons of the consistency of the application of government policy and the consistency of the way a government delivers services to its citizens. Moreover, the consistency of and control over internal resource allocation (budgets) is frequently a major cabinet concern, as are the systematic application of government-wide standards in areas such as, but not limited to, administrative and financial management, human resource management, and other administrative and accountability requirements, etc.

It is recommended that the Romanian government consider separating the policy formulation and priority-setting (the *why* and *what*) issues and decisions from those involving implementation and administration (the *how*), thus producing a primary decision making process and a second and subordinate one.

The benefits of this division are several:

- First, it enables Cabinet, either as a whole or within a committee / council format, to place more of their collective attention on the linkages between policy/program proposals and overall government priorities. Thus, the question of "where (and sometimes when) does this program fit with our priorities?" is given primary cabinet attention. This sort of an approach also enables ministers to better prioritize the use of resources and to assess a program initiative within the context of its impact on the overall fiscal framework, thereby taking collective responsibility for the policy-budget nexus.
- Second, it reduces the amount of ministerial time required for direct consideration of program implementation details, and thereby accommodates faster and/or more effective processing of the inevitably large number of such decisions.
- Third, it enables central agencies to ensure cross-governmental standards of program delivery and compliance with government-wide, largely administrative policies and practices.

The implications of this division is that when Cabinet first considers a proposal from a ministry to establish (or renew) a particular program they do so focusing on the *what* and *why*, and within the parameters of a fairly concise document that links the suggested program initiative with the national (including fiscal) priorities. In Romania's case, this may require a revision of the way submissions are developed for ministers, so as to eliminate in the first instance program implementation details.

It therefore become necessary to develop a second type of submission, should it be required in the governance pattern in question, that addresses the implementing *how* issues.

One of the most important of these implementing issues is coming to be the way that a program may report back to ministers on whether it has achieved its goals and not merely on how it expends the resources allocated to it. For Romania, as it moves towards accession to the EU and the broad application of EU standards to Romanian programming, this later question – largely involving monitoring, evaluation and reporting (i.e., accountability) activities, may be growing in importance.

5. The Canadian Example

The Canadian model of the last forty years had made this primary differentiation between an initial submission to Cabinet dealing with policy and legislative proposals and approvals, and a second submission related to the program implementation. In the

Canadian system, a minister submits to a committee of cabinet a concise and relatively brief submission that details the reasons for the proposed program (including its links to overall government policies and priorities), its benefits, its overall resource demands, communications and political considerations and any legal implications. Canadian ministers then consider this proposal weighing it among competing ones for resources.

Once a positive decision has been taken and ratified by Cabinet as a whole, the sponsoring ministry is then asked to develop a second more technical submission that addresses a variety of implementation issues including the ways that the program will report on its performance.

This second submission is directed towards a special committee of Cabinet that has been charged with the management of the public service as a whole. In Canadian parlance this committee of Cabinet is called the Treasury Board. In fact, however, it could just as easily be called the Public Service Management Committee because in addition to the review of program details this committee also approves government wide administrative and human resource policies (other than staffing matters which are the purview of a politically neutral and independent body), and other management and administrative matters.

This committee is served by a special central agency of senior officials and policy staff called the Treasury Board Secretariat. It functions in a parallel fashion to that described earlier with respect to the bureaucratic gate-keeper role as applied to the regulatory function.

Once a ministry has secured approval in principle from Cabinet only then does it develop, within a standardized format, a submission to this Management Board the details of the terms and conditions of the program that do not require legislation or regulatory matters. Specific issues as to how the program will operate are the core of this submission, as are vital requirements relative to the monitoring and evaluation of it, and its specific budgetary requirements.

The staff and senior officials of this central agency work with ministerial counterparts to ensure compliance with government wide policies and procedures, and to ensure that the implementing details mirror the commitments made in the initial submission to ministers. In a manner similar to that with respect to the regulatory function, these officials also have the power to set aside any implementation submissions that do not comply with government-wide standards and internal policies.

Once agreement about these details has been secured between the sponsoring ministry and this central agency, the implementing submissions are presented to the special committee of Cabinet (the Treasury Board). At this committee, which meets weekly, ministers tend to focus their attention the largest submissions that involve major resource allocations, and tend to simply ratify the vast majority of the submissions presented to them. The level trust in the delegated authority given to the senior officials and staff of the central agency has evolved to point where the ministerial role in essence is one of

ratification of the recommendation formed by the senior officials in this “management board” central agency.

Again, what is important to stress is that this process of addressing the ministerial role in program implementation decision-making has not reduced the overall number of decisions that ministers must take. However, it has rationalized and streamlined the process, concentrating ministerial decision-making on “what’s important”, and delegating real power to responsible senior officials with ministers retaining a ratification and oversight role.

While the current structure of the eleven Inter-ministerial Councils of the Cabinet of Romania does not possess a direct parallel to a cabinet committee for public sector management, Romania’s Inter-ministerial Council for Administration, Public Service, Decentralization and Local Communities constitute a starting point should the government wish to proceed with a “two-tier system” of the kind described above. The membership of that Inter-ministerial Council appears to be sufficiently broad and sufficiently high level to address such internal management issues. It is recognized that its primary duties at this time seem to be directed towards local governments and decentralization issues, so that some other location for these functions may need to be found (or created).

What may be more problematic for Romania at this time would be how to establish the central agency – the management board and gate keeper functions described above – given the current capacity of the GSG and the Ministry of Public Finance. It needs to be recognized that this sort of an approach requires a special staff who would report to the Inter-ministerial Council and not to any given line ministry. This approach also becomes dysfunctional if line ministries are permitted to circumvent the central agency in instances where the central agency has concerns about implementing details.

Thus, for this function to be a relevant way of streamlining the cabinet decision-making process, Romanian senior decision makers would have to recognize the need to set up a body with sufficient staff so that it can perform the analytical functions required and also have sufficient authority to be an effective gate keeper.

In Canada until the mid 1960’s an element of the Ministry of Finance performed these roles. However, with a major restructuring of the public service in 1967, these functions were separated from Finance and a separate central agency was set up (the Treasury Board Secretariat). Over the past forty years, this agency grew in authority and has become a comprehensive management board with duties ranging from overall information and communications technologies policy for the government as a whole to being the formal employer for labour relations purposes, to being entrusted with all human resource management policy (except staffing); and, of course, the function to approve the implementing details of programs as well as their required accountability requirements.

Should Romania wish to adopt this approach to streamlining cabinet decision-making consideration would have to be given to the location for such a central agency. Whether an eventual expansion of the GSG, or the creation of a special agency or department associated with both the GSG and the Finance Ministry, could provide these secretariat roles, is for further consideration.

To summarize, the Government of Romania might wish to

- Explore the possibility of dividing the way Cabinet considers submissions for program initiatives into two sequential streams; the first to seek overall approval of the initiatives and broad resource levels; and the second to seek subsequent approval of the required administrative and procedural details (including reporting requirements); and
- Explore the possibility of establishing within the GSG, the Ministry of Finance (or the Ministry of Administration?) a special unit of policy and managerial specialists charged with the responsibility to review all such submissions for the approval of implementing details of programs.

6. Accountability Regimes: General

Canada's Treasury Board Secretariat plays the central role in setting government-wide approaches to strengthening accountability and transparency within the federal public service. There are two major elements involved in this broad functional responsibility:

- First, Treasury Board Secretariat (and approved by Treasury Board ministers as described earlier) sets government wide-policies stipulating the way federal ministries plan and report (largely within the context of how they develop various types of plans and reports which are submitted to Canada's Parliament); and
- Second, Treasury Board Secretariat also stipulates, through internal policies that do not need to have the force of law in Canada, how ministries conduct monitoring and evaluation functions in support of an overall government commitment to increase the emphasis on planning and managing for results.

Before briefly describing these two functions, it needs to be emphasized that within the Canadian federal system, the way the government plans and reports and also its policies with respect to monitoring and evaluation are not considered to be "subordinate legislation" as has been described earlier in this Report. They do not need to have the formal force of law because they are in essence mandatory internal guidelines for administration within public service.

Planning and Reporting by Federal Ministries

Over the past decade the Canadian federal public service has witnessed a complete transformation of how ministries plan and report. The emphasis for this transformation stems from a government-wide policy decision taken in 2000 to re-shape how ministries

plan and subsequently report to Parliament (and by implication how they do so internally as well).

In Canada at this time, ministries are required to prepare an annual plan called the Report on Plans and Priorities. It is results-based in the fact that it focuses on what a ministry wishes to change or improve by its program activities over the span of the plan and not so much on what it simply will deliver in terms of programming. The focus is clearly on results.

This annual plan, while narrowly cast within a one year perspective, also tends to look outward, albeit in less detail, to the subsequent year or two. However, these plans, which are submitted to Parliament shortly after the Government as a whole presents its annual budget and the detailed expenditure plans for each ministry, are not equivalent to the concept of a Romanian multi-year Government Programme (Strategic Plan in our parlance).

A sample of the Annual Report on Plans and Priorities of the Canadian Ministry of the Environment can be found at the following web site:

<http://www.ec.gc.ca/rpp/2005/en/toc.html>

A separate unit within the Treasury Board Secretariat is responsible for developing the guidelines that ministries use to develop these reports on plans and priorities. This unit also is responsible for developing the guidelines that are used by each ministry to report annual on their performance.

Each year in October each federal ministry submits to Parliament an annual report on the previous year's activities. This report mirrors the goals that have been set out in the relevant annual report on Plans and Priorities. For example in the autumn of 2005 a ministry reports on its activities in the fiscal year that spans from April 2004 until April 2005. This annual report again is not limited to expenditure data, although more spending details are provided to illustrate the links between expenditure and the results achieved.

In Canada detailed line by line expenditure reports are compiled by the Treasury Board from data derived from a financial management system that is common across all federal ministries. This Report, The Public Accounts of Canada, is voluminous – covering all ministries and is purely a compilation of financial data.

A sample of an annual report – the Departmental Report on Performance – for the federal Ministry of the Environment can be found at the following web site:

<http://www.ec.gc.ca/dpr/2004/en/toc.cfm>

The most significant elements of this system are that while Treasury Board Secretariat, as the “management board “ for the federal public service stipulates how these plans and reports are to be cast, the Treasury Board does not possess the authority to revise or in any way change what a ministry submits. Naturally there is some minor variance in

presentation formats to accommodate unique ministerial circumstances. But at their core, standardize elements are common to all.

Romanian readers may also wish to note that in the Canadian federal public service at this time the notion of formalized multi-year ministerial plans (Programmes in the Romanian context) have withered away as formal requirements of the planning system. While some ministries continue to develop three or five year plans, there is no mandatory requirement to do so. Likewise, even longer duration ministerial plans of greater than five years (Strategies in the Romanian context) have vanished.

Further information on international practice with respect to planning and reporting can be developed, if it is considered useful.

Monitoring and Evaluation in Federal Ministries

Over the past decade the importance of monitoring and evaluation as central management functions has grown. With the drive to shape Canadian federal government planning within the context of “results,” increasing emphasis is being placed on strengthening the monitoring and evaluation functions, along with that of internal audit.

The Treasury Board Secretariat has a central unit that develops guidelines for both monitoring and evaluation and also provides a “center of excellence” in the techniques of both functions that is available to all ministries. However, each ministry also has its own monitoring and evaluation unit that is distinct from a separate unit involved with internal audit.

The differentiation between internal audit and monitoring an evaluation is quite profound.

Internal audit, the practice of which are also stipulated by a separate unit within Treasury Board Secretariat has as one of its foci ensuring that ministries expend financial resources in accordance with government wide financial management polices (which themselves are also overseen by the Treasury Board). It is retrospective in nature and largely a process of control. Each ministry is required to possess its own internal audit unit. The reports of these units are directed toward a ministerial internal audit committee that now consists of senior departmental decision-makers and also (a recent addition) one or two external members from the audit profession. Internal audit reports are subsequently submitted to the Treasury Board Secretariat, which ensures that a ministry has conducted the internal audits that it has planned to do as set down in an annual internal audit plan, which is a mandatory ministerial requirement.

By contrast, Monitoring and Evaluation (M&E) speaks to whether a program of a ministry has achieved its desired objectives – its results. Over the past six years, there has been an increasing emphasis on ensuring that new or renewed programs possess a monitoring and evaluation plan. Earlier in this Report, the way that Treasury Board Secretariat operates with respect to the cabinet approval of program implementation details was described. It is becoming virtually mandatory for programs to have to prepare

and monitoring and evaluation plan as part of the implementing details for approval by ministers.

The separate unit within the Treasury Board Secretariat, the Center of Excellence for Program Evaluation, is responsible for both the setting of government-wide guidelines for these functions and also for the review of the M&E plans that accompany Cabinet submissions that relate to program implementing details. In an effort to promote greater transparency, all program evaluations undertaken by ministries are made public and posted on the ministerial web site.

7. Strengthening Management Practices

Financial and Risk Management

One of the most important functions of the Canadian Treasury Board Secretariat as a management board for the public service is to set out internal management policies with respect to financial management, risk management and related issues. These two activities comprise the core of a set of management functions presently called “Modern Comptrollership.” Another separate unit within the Treasury Board Secretariat has responsibility for setting firm guidelines for these functions.

Canadian federal ministries have virtually full delegation from cabinet as to financial expenditures. Over the past thirty years the Treasury Board Secretariat has put in place successive rounds of delegation of financial decision-making to ministries, with accompanying systems of financial management reporting largely via standardized electronic information systems that are common across the entire federal public service. Financial management policies set down internal levels of delegated financial decision-making in each ministry. Some ministries have been given greater levels of internal decision-making (affording great decision-making authority – and responsibility in terms of performance and reporting – to subordinate managers) than others, largely on the basis of the strength of their internal financial management units and the nature of their business.

Over the last decade a new concept has joined this notion of internal delegation of financial management. What has become more important is whether elements of a ministry have been able to proactively articulate the risks that their program face – what could impede the smooth delivery of a program – and the means to mitigate these risks to successful program delivery. This is the core what has become called “Integrated Risk Management”.

Ensuring Common Administrative Policies

In a government as large as the Canadian federal public service it is essential that ministries operate within standardized guidelines in many other areas of activity as well. Again the Treasury Board Secretariat, as the management board for the public service,

is responsible for setting a variety for administrative policies that ministries are obliged to implement. These include:

- The acquisition of real estate
- Tendering and contracting for the purchase of goods (large and small)
- Tendering and contracting for the purchase of contractual services
- Standardized communication polices which establish a basic commonality in the way federal public information documents, media messages and web sites are shaped
- Polices that specify the way the federal public service provides services and information in Canada's two official languages, English and French
- The use of information and communications technologies
- And many other elements of administrative policy

The above issues all fall under the responsibility to the Treasury Board Secretariat, which sets firm guidelines that ministries must put into practice. Specific units develop these guidelines for specific areas.

Again, the key to the Canadian model is that Treasury Board Secretariat establishes guidelines or policies that ministries apply via delegated authority. Compliance with these standardized administrative policies and guidelines is the responsibility of each ministry's internal audit unit that not only reviews how ministries expend financial resources, but also how they have complied with these standardized administrative policies. In a fashion similar to that described above with respect to financial management, a ministerial internal audit committee is the recipient of the internal reviews of how the ministry has applied these administrative management policies, with recommendations for correction or improvement. Treasury Board Secretariat retains a limited oversight role and will intervene only in extreme cases of breeches of such policies.

8. Program Implementation and Budget Execution

The implications of this function in terms of submission to cabinet have been described earlier in this Report. What is important to underscore is that within the Treasury Board Secretariat there are a number of sub-units that specialize in various governmental program areas (e.g., social programming, economic and resource development programming, etc.)

Each one of these sub-units is comprised of skilled policy and senior program officers, led by a highly experienced executive level manager. Their responsibility is to be the "gate keepers" as has been described earlier for the separate cabinet committee (The Treasury Board) that is charged with approving program implementation details.

This important function is accompanied by another that directly links program design and implementation with overall budget control.

Once part of the Ministry of Finance, since 1967 the Treasury Board Secretariat has been responsible for working with ministries to assemble the annual “Estimates” for each ministry that are submitted to Parliament soon after the annual budget is delivered.

In Canada the annual budget speaks in terms of broad levels resource allocation and revenue generation, while separate detailed annual budgets of each ministry (called Estimates) are presented to Parliament on an individual basis, albeit all at the same time. These Estimates are presented to Parliament not by individual ministers or the Minister of Finance, but by the minister responsible for, and who chairs, the Treasury Board committee of Cabinet. It is the Treasury Board Secretariat (liaising with the Ministry of Finance) that assembles and ensures the consistency of these expenditure plans.

Within the Treasury Board Secretariat a separate unit works with each ministry to amass an annual detailed expenditure plan for that ministry. This unit ensures that budget commitments and ceilings are translated into each ministerial expenditure plan. It also ensures that ministries expend resources only on program activities that have been approved by cabinet and that fall within the resource allocation levels set by cabinet. While the prime responsibility for physically developing the annual expenditure plan (Estimates) for each ministry lies within the ministry itself (through its Financial Management unit), the Treasury Board Secretariat’s unit retains considerable oversight power to ensure that ministerial expenditure plans is consistent with cabinet’s decisions. Further, it is ultimately responsible for the consistency and accuracy of each and every annual ministry expenditure plan (Estimate).

Sometimes during the course of a year, the need arises for a new program to be launched rapidly in advance of the next budget, or for a program to require additional resources due to unforeseen demands. The two Treasury Board Secretariat units that address program implementation approval and the coordination of the annual expenditure plan work together with the affected ministry, to identify whether the new resources can be found from within the ministry’s overall allocation by reprofiling or slowing expenditures in some areas to provide the new resources, or whether completely new resources are needed. The Treasury Board Secretariat units therefore also possess another “gate-keeper” function, with the ability to deny the new resources, if the costing is inadequate or unpersuasive. In times of restraint, common in the 1990s, ministries were frequently advised “find the resources for a new program from within” and were denied new resources.

If completely new resources are needed, these units prepare what are called “Supplemental Estimates” which are traditionally submitted to Parliament in September - October (half way through the fiscal year) , but which formally can be tabled in Parliament at any time. Of course, because these requests require Parliamentary approval due to the fact that they in essence “change” the overall budget, the Ministry of Finance and then full Cabinet must approve them. The normal route for this approval is via the special committee of Cabinet that reviews program implementing details, i.e., the Treasury Board committee itself, before and up to the complete Cabinet for ultimate approval, with the support of the Minister of Finance.

Summing Up

The cornerstone to the Canadian system for the management of the administrative and managerial functions described above lies in the concept of delegation of authority. It is evident that the role that the Treasury Board now plays is one of setting guidelines and policies which individual ministries apply and on which their performance and compliance can be assessed by means of functions such as internal audit, and monitoring and evaluation.

Forty years ago ministries had to seek specific approval from the Treasury Board Secretariat for a great many specific activities. Progressively, as ministerial capacity increased, Treasury Board Secretariat evolved from being a high level decision-maker to a role now of a standard-setting body. Increased transparency of decision-making and the impact of new information technologies has enabled it to devolve day to day authority to ministries.

For Romania, the main lesson that can be derived from this description of various (still not all) Treasury Board Secretariat functions in Canada is that the evolution of how a government in essence administers itself is a lengthy and intensive process. It requires governments to invest increasingly in policy and program management capacity in each ministry and agency on the one hand, while affording increased delegation of authority to ministries – along with effective systems for responsibility and accountability through guidelines, monitoring and audit systems, etc. – on the other.

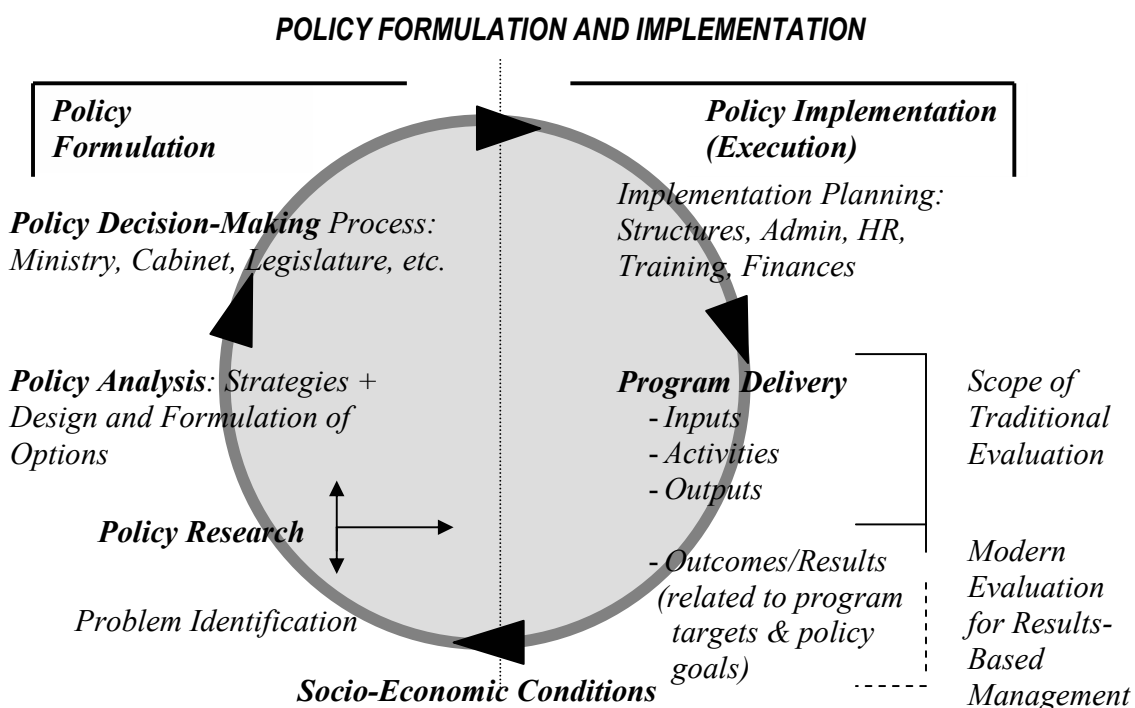
Whatever the pace of such capacity improvements, and whatever particular organizational forms might be suitable for Romania, the basic argument flowing from these illustrations is that, one way or another, this range of issues must eventually be dealt with if a full set of modern governance practices are to be put in place and operated successfully. Perhaps some of these areas are already under review and “in motion” in Romania as part of the broader reform agenda. In any case, there is a need for the centre-of-government to design, oversee and in general exercise leadership in all these areas, to ensure that relevant government-wide policies are developed and practices are implemented and sustained. Again, such developments take time, sustained effort, and resources, so they cannot all be put in place quickly. However, it is advisable to have a blueprint and plan to move in these directions, in order to “fill in” the comprehensive policy, budgeting and management system that has been recommended in this and other, complementary reports.

E. OTHER ISSUES

1. Policy Making based on International Practices

One main emphasis of the terms of reference for this T.A. project is to make suggestions with respect to modernizing policy making in Romania, and to offer support for relevant capacity-building, at the centre of government and (potentially) in line ministries.

With respect to the approaches to policy making in other countries, the First Report set forth a set of elements that were recommended for consideration, and provided materials that could be utilized for workshops to support capacity-building for new policy staff. The presentation and materials were oriented to a conceptual framework setting out a “policy making cycle”, as follows:



Part C of the First Report (Ref. [Annex 1](#)) summarized the main elements of Policy Formulation, while Part E discussed Implementation issues, including in particular the program monitoring and evaluation components. Materials made available for orientation and training workshops are listed as [Annex 2](#) (“The Five Papers”). A preliminary discussion with those organizing policy training workshops under the Latvian Twinning Project led to the possibility of including these presentations in their planned training schedule. This possibility needs further exploration. Alternatively, separate workshops could be held on any or all the topics during a visit to Bucharest by this project consultant (Robinson).

2. Public Policy Units in Line Ministers

In Part D of the First Report an assessment was made respecting initiatives already under way to both change the requirements for the submission of policy proposals to the Government (Cabinet), and to put in place organizational units (Public Policy Units) in each line ministry to support their policy development and to meet the new requirements for policy initiatives. It is understood that as of the end of March, 2006, most ministries have created and staffed such PPU's, or in some cases have created committees or task forces to handle the new requirements, as an additional assignment for people in other ministry departments. Given the challenges and nature of this work, separate units with dedicated policy staff should be encouraged and put in place over time, in all ministries and significant agencies.

The First Report also raised the possibility that the new policy units would be called upon to handle more issues than simply the development and promulgation of new policies, notwithstanding the challenges implied by that mandate alone. This likelihood seems to be turning into reality, as some of the new policy (PPU) staff is apparently engaged in helping ministries meet some of the newly-issued requests from the Ministry of Public Finance respecting documentation of policy themes and priorities that are to be used as part of the budget formulation process. Hopefully this will be encouraged, and provide an opportunity to begin the process of coordinating policy work with budget preparations at the line ministry level, through collaboration between the PPU's and the Budget Departments.

Earlier in this Report it is argued that the range of issues requiring centre of government leadership *and which will need to be implemented by line ministries* goes well beyond formulation of policies and budgets. They will include review of existing policies, monitoring and evaluation systems, and other planning and reporting (accountability) needs, which are not yet designed and developed.

Some of these are a logical extension of the policy design and review components of the overall system design as espoused in Part B above. Some will be driven by the demands of reforms to the budget cycle, as is already being witnessed. And, some additional elements will be needed as management, administrative and accountability policies and practices are developed, formalized (for cross-government consistency), and implemented in line ministries.

As the Romania “centre of government” – which in this context includes the Chancellery, the GSG *and* the Ministry of Public Finance – adjusts its procedures and expands the policy making, budgeting and management reform agenda, the burdens on line ministries will grow (or at least change) as they adapt and respond to the new requirements.

In some areas, existing functions may need to be redesigned and people changed or retrained. The budget area may be an example of this. In other areas, new staff in new organizational units may be needed. Thus, for example, monitoring and evaluation functions and new planning and reporting activities may be needed. It would not be

surprising if the new PPU's will be called upon to take on some of these new roles, both because they are logically connected to the policy development and implementation functions, and also because as a practical matter it is difficult for ministries to “carve out” appropriate resources from existing operational departments.

3. Documentation respecting Governmental Policies and Priorities

Recent and new demands for line ministries to articulate their policy orientations and priorities, with a view to linking these to the budgeting process, are mentioned above. There is a relationship between these developments and one area of this project's reporting mandate, which relates to the formulation of documents setting out programmatic priorities that can “drive” the budget process and also contribute to the multi-year expenditure policy framework.

This aspect of results-based strategic planning calls for efforts at both the “top” of government (e.g., the setting out of the Government's overall directions, policy priorities and strategies – the Government's medium-term “Program”) and at the level of line ministries, where overarching government priorities are linked to specific ministry mandates, and elaborated into ministry policies and goals, which in turn become operational when approved and resourced through annual budgets.

As a contribution to this development, the First Report set out various suggestions respecting the nature and content of strategic planning at the level of line ministries and agencies (Part B.3) and more particularly, offered comments on “*Articulating and Reporting on Policy Goals, Objectives and Progress*” (Part B.4). These sub-sections are brought forward as Annex 3 to this Report. Other perspectives and proposals will undoubtedly be available from the Latvian experts. Additionally, Mr. Martin Johnson's proposals for strategic planning, especially viewed from the budget reform perspectives, also suggest policy-oriented formats and definitions.

To elaborate on a general recommendation made earlier in this Report, good coordination across the centre of government should be established, by which the policy and budgeting initiatives are coordinated, toward a consistent (ideally, single) set of requirements that are issued and explained to line ministries. This applies to the design of new strategic planning practices generally, which in turn certainly includes this specific need to have a government-wide, sectoral, and ministry-level hierarchy of policy statements (documents) that are flexible enough to accommodate differences across ministries and agencies on the one hand, but that can link to both the common high-level goals of the government and to the consistency requirements of the budgeting system, on the other.

Further progress on these issues, with support for both the GSG and the Finance Ministry by Mr. Robinson and Mr. Johnson, is anticipated during the third phase of the project, beginning in April, 2006.

4. Miscellaneous Issues

Over the course of the January-March, 2006 period, several exchanges and discussions were also undertaken on other specific issues raised by the Government of Romania and on which advice was sought. The sections below summarize three of these items.

Functional Review of the GSG and Chancellery

The future roles and responsibilities of the Chancellery and of the GSG as they relate to the policy making process were recognized as something needing review and resolution. Several reports, including those of the EU/Sigma and the World Bank, emphasized the need to resolve potential conflicting mandates, so as to avoid duplication and minimize overlap, while at the same time ensuring appropriate collaboration between these two parts of the “centre of government.” There was an urgent need to resolve this question, it being on the list of requirements relating to EU accession on the one hand, but also because new policy development tools and staff were to be introduced in early 2006.

In January both the GSG and the Chancellery proposed a division of labour between the two organizations, it having been decided that, at least for the time being, the two separate organizations should remain in place. (In other words, the plausible option of one integrated agency to oversee policy development and support inter-ministerial committees – a model consistent with cabinet secretariats in other countries – had been ruled out.) In any case, these two lists were not compatible. At the same time, Latvian experts were completing their assessment and recommendations, as called for in their own terms of reference under the Romania-Latvia Twinning arrangement. They integrated the competing proposals into their diagnosis and proposals, and negotiations took place among the parties in February.

This consultant (Robinson) had been invited to make a contribution to this discussion, and was pleased to participate in the exchanges and negotiations that took place in early February. By mid-February a draft was agreed to, and put forward to senior decision-makers. (This consolidated draft, prepared by the Latvian team, is available separately.) It remained for final decisions to lead to legal drafting, since the formal mandates of both organizations would need to be amended.

The draft document acknowledged explicitly the need for, and commitment to, close and interactive collaboration between the policy advisors in the Chancellery and those in the GSG responsible for the design of policy proposals, the operations of the inter-ministerial councils, and the stimulation and support of policy units in the line ministries. It remains to be seen the extent to which each agency builds its own staff and seeks to fulfill its own mandates. Experience elsewhere suggests that strong and consistent efforts to cooperate will be required if conflicts are to be avoided, and to ensure that a single, coherent and “seamless” set of signals goes to line ministries. Open and frequent communication based on common information and shared understanding of issues will be needed, if the two organizations are to represent the centre of government “with one voice.”

Proposals for Technical Assistance re: (a) Centre of Government IT System; and (b) Policy Analysis and Monitoring and Evaluation

The GSG drafted proposals for Technical Assistance projects to be funded under the PPIBL program of the World Bank, to develop an appropriate system for tracking documents and to performing other policy-related support functions at the centre of government. The first proposal, “*Technical assistance for GSG for developing of an IT system for managing and tracking of documents within GSG*” was sent to this consultant for comments. Based on discussions with a colleague who is expert in ICT systems and their applications internationally, comments and suggestions were sent to GSG, after which the draft was apparently amended.

Similarly, a proposal for “*Consulting services for strengthening capacity in GSG and line ministries*” was also prepared, and again comments were invited. In this case the objectives were explained as follows:

“This Technical Assistance (TA) is required by the General Secretariat of the Government and will be sustained by the progress already achieved in establishing new institutional arrangements and procedures governing policy management, which includes policy formulation and coordination of its implementation, as well as monitoring and evaluation of how well those processes are functioning. Therefore, the General Secretariat of the Government expresses its need of further technical assistance to increase the Government capacity in policy analysis, monitoring and evaluation.” (GSG, January 2006)

Since that time, Chancellery staff has also submitted a proposal for both IT and policy capacity building for their organization. While the two sets of proposals are not identical, there is considerable overlap. Thus for example both IT proposals speak of the need for IT support for the policy development management process, including documentation systems. And, they both request capacity-building training for their respective staffs in aspects of modern policy making.

Given the important appeal made in the previous section (above) respecting the need for active inter-agency cooperation, it is disappointing to see these two competing proposals coming forward with virtually no cross-referencing or apparent consultation between these two “partners” at the centre of government.

Certainly there should be a common set of IT platforms and applications for policy-related documentation and tracking, spanning both the Chancellery and the GSG. And staff in both agencies could undoubtedly benefit from a common core of technical advice and training on various aspects of policy making skills, tools, and procedures.

Some of the proposals are agency-specific as well, so that separate assistance may be warranted in those cases. Whether the PPIBL program can accommodate all these requests is unclear. However, it does seem clear that a single set of jointly prepared proposals could be better structured and more efficient. If discussions along such lines have not already taken place, they are recommended.

F. SUMMARY AND NEXT STEPS

This Report has updated some of the material from the First Report and recalled issues that are ongoing, principally related to a recommended design for the overall policy, planning and budgeting system in Romania, and to various aspects of modern policy making on which new policy staff will need training, both at the centre of government and in line ministries and agencies. Materials accompanying both Reports are provided in order to support these capacity-building efforts.

In addition, this Second Report has concentrated on providing strategic choices with respect to strengthening and streamlining Cabinet decision-making, and for extending the range of centre-of-government leadership.

Thus, Part C of the Report reviewed a range of issues and made a number of suggestions relating to the strengthening of the new structure of Inter-ministerial Councils, while Part D has explored the additional areas that will require centre-of-government leadership over time. In the latter case, suggestions are made based on the experience of other countries but most pointedly from Canada. (A presentation has been prepared illustrating some of the Canadian experience in more detail.)

These illustrations and suggestions focus on the Cabinet decision-making process of the Government of Romania, with an eye to streamlining the process so as to reduce the time required of the Prime Minister and the Cabinet on the numerous subordinate and implementation issues, so that they can concentrate on overarching, major policy and priority matters. Delegation of decisions for subordinate issues, of course, requires a well-functioning set of Inter-Ministerial Councils, supported by competent, professional public servants at the centre of government. Policy capacity in line ministries and agencies must also be strengthened and their ministries' mandates extended, if a useful degree of delegated authority is to be successfully implemented.

It is anticipated that the matters raised in this Report matters be reviewed and the new suggestions considered during the third and final phase of this Project, beginning in April. It is recognized of course that many prospective or potential changes can (and should) be introduced only over time, in concert with other complementary reforms such as (for example) those affecting public service organizations and mandates, and the conditions surrounding the hiring and training of new staff (or re-training of existing staff).

Meanwhile, of critical importance during the next several months will be the efforts to push ahead with budgetary reforms, with cooperation between the GSG and the Ministry of Public Finance, and (hopefully) with inauguration of complementary activities by the Inter-Ministerial Councils. Settling the design of the revised budget cycle, and supporting the introduction of the new strategic planning component is one aspect. Another is the experimentation that has already started with the early stages of work leading (in the autumn) to the Budget for 2007. (These matters are covered more

explicitly in Mr. Martin Johnson's Second Report, submitted to the Ministry of Public Finance.)

The World Bank / Dutch Project consultants will be attempting to support these efforts, both at the centre (GSG, Chancellery and Finance), and at the level of line ministries as they wrestle with, *inter alia*, new budgeting demands on the one hand, and “bringing on stream” the new policy staff in their Public Policy Units on the other. Of course, these developments can and should be viewed in the context of the more comprehensive reform agenda that is needed to modernize Romania's governance structures and performance.

ANNEX 1

**POLICY, PLANNING & BUDGETING IN ROMANIA
FIRST REPORT**

OUTLINE

	<i>Page</i>
A. Context, Purpose and Overview	4
B. Strategic Planning and Budgeting System: General Issues	6
1. System “Architecture” – Overview	
2. Reform Challenges	
3. Strategic Planning in Line Ministries and Other Agencies	
4. Articulating and Reporting on Policy Goals, Objectives and Progress	
C. Strengthening Policy Processes	13
1. Scope, Methodologies and Substance of Policy Making	
▪ Public Sector Roles	
▪ Policy Cycle: Overview	
▪ The Sources and Roles of “Policy Research”	
2. Developing New Policies versus Reviewing Existing Policies	
D. Policy Making in Romania – Observations	18
1. Structures/Processes/Capacities at Centre, Ministries and Agencies	
2. Current Policy Process Reforms	
3. Progress (Monitoring) Indicators	
4. New versus Ongoing (Continuing) Policies and Programs	
E. Policy Implementation and Program Management: Assessment and Accountability Tools	22
1. The Reform Context	
2. The Inputs-to-Results “Spectrum” [Logic Model]	
3. Monitoring, Evaluation and Other Assessment Tools	
4. Government-wide Leadership and Oversight	
F. Machinery of Government: Inter-Ministerial Councils	26
1. Structure and Initial Functioning of New Inter-Ministerial Councils (IMCs)	
2. Procedures and Staff Support for IMCs	
3. Roles of Strategic Planning Council	
G. Related Issues: Machinery of Center of Government (CoG)	28
1. Functional Review of the Centre of Government	
2. Centre of Government Structures and Practices in Other Countries	
▪ Introduction: Relevance of Comparisons	
▪ The Centrality and Strength of Cabinet Governance	

▪	What Constitutes Strong Cabinet Governance?	
➤	Gate-Keeping	
➤	Setting the “Rules of the Game”	
➤	Committees of Cabinet	
➤	Focusing on What’s Important	
3.	Current Romanian Reforms: Structures and Roles	
4.	Romania’s Centre of Government: Looking Ahead	
H.	Project Action Plan and Next Steps	39
1.	Overall Project Orientations	
2.	Initial Steps toward Improved Policy-Budget Congruence	
3.	Next Steps: Second Mission Work Plan	

ANNEX 1 Decision and Rationale Establishing Inter-Ministerial Councils

▪	<i>Government Decision</i>	41
▪	<i>Note of Substantiation</i>	44
▪	<i>Table of Councils and their Membership</i>	47

SUPPORTING MATERIALS (Provided Separately)

▪	<i>Paper No. 1 Role of the Public Sector in a Modern “Mixed” Economy</i>	
▪	<i>Paper No. 2 Modern Policy Making: Frameworks, Processes, Perspectives, Inputs</i>	
▪	<i>Paper No. 3 Policy Research and Analysis</i>	
▪	<i>Paper No. 4 Monitoring and Program Evaluation</i>	
▪	<i>Presentation: Centre of Government Structures and Functions in Canada and Beyond</i>	

ANNEX 2

LIST OF FIVE PAPERS RELATED TO POLICY DEVELOPMENT, IMPLEMENTATION AND ASSESSMENT

- 1. OVERVIEW PAPER on the Role of the Public Sector
in a Modern “Mixed” Economy**
 - *Sets out the nature of modern government mandates, and thus the potential range of public policy responsibilities and program activity.*
 - *Also sets out the principles and challenges for major public sector reform*

- 2. MODERN POLICY MAKING:
Frameworks, Processes, Perspectives, Inputs**
 - *Maps out the policy formulation, decision-making and implementation stages inherent in most policy development, review or reform exercises.*
 - *Identifies the range of desirable inputs for well-grounded policy decisions.*

- 3. POLICY RESEARCH AND ANALYSIS**
 - *Illustrates the nature and range of desirable research to support effective policy development*

- 4. BEYOND ACCOUNTABILITY TOWARD MODERN GOVERNANCE**
 - *Efficient and effective public administration, as well as good policy development, requires a range of assessment-and-improvement tools for ongoing programs.*
 - *This paper introduces this range, connecting familiar functions (Audit, Evaluation) to a simple input-to-results spectrum.*

- 5. MONITORING AND PROGRAM EVALUATION**
 - *Defines these functions and explores their roles in helping managers meet their organizational commitments and improving goal achievement while also meeting modern accountability requirements.*
 - *Included are the differences between these functions and others, including Auditing (for example).*
 - *Requirements for implementing M&E are reviewed, including information/data requirements (“Performance Indicators”)*

ANNEX 3

EXCERPTS FROM *FIRST REPORT (DECEMBER, 2005)* ON STRATEGIC PLANNING AND ARTICULATING POLICIES

A. Strategic Planning in Line Ministries and Other Agencies (Part A.3)

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 Chancellery 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.

B. Articulating and Reporting on Policy Goals, Objectives and Progress (Part A.4)

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.