

**INTEGRATED SAFEGUARDS DATA SHEET
INITIATION/CONCEPT STAGE**

Report No.: **99614**

Date ISDS Prepared/Updated: September 15, 2015

I. BASIC INFORMATION

A. Basic Project Data

Country:	Romania	Project ID:	P152568
Project Name:	Strengthening financial accountability of the public sector in Romania		
Task Team Leader:	Ismail Radwan		
Estimated Date of Approval:	October 1 st 2015		
Managing Unit:	9063 GGODR	Lending Instrument:	Trust Fund
Sector(s):	Governance		
Theme(s):	Public Financial Management		
Fragile and/or Capacity Constraints []			
Financing (in USD Million)			
Total Project Cost:	752,100	Total Bank Financing:	488,100
Total Co-financing:		Financing Gap:	0
Financing Source			Amount
BORROWER/RECIPIENT Ministry of Public Finance			264,000
Total			752,100
Environmental Category	C		
Is this a Repeater project?	NO		
Is this a Transferred project?	NO		

B. Project Objectives

The overarching objective of this activity is to provide direct support for the implementation of the measures under the first FEG-DPL to strengthen the fiscal management by improving the quality of public spending and financial performance of the SOEs.

C. Project Description

The proposed activity consists of 3 components:

Component 1: Introduction of the results-informed budgeting (RIB)

Its rationale is for the government to be able to allocate resources more efficiently by formulating the budget based on performance from previous year. This gives the MoPF an efficient tool to respond to budget requests from the line ministries and at the same time for the latter to defend the spending needs by the results achieved by their programs. The activity includes the pilots of RIB in 4 line

ministries; where the process is managed and methodologically guided by the MoPF and the ministries themselves prepare the program structure with support of MoPF and international consultants procured under the grant. The capacity building workshops and awareness raising activities with all relevant counterparts; technical changes to the budget classification and chart of accounts, and related IT configuration are part of the activities under this component.

Given the present situation, where no line ministries submit their budget requests based on the results on indicators from the previous year and the ministries use the line budget structure; the team discussed with the MoPF counterparts the international examples of the approaches the countries have taken to introduce RIB. The experiences of France, Sweden, Russia and South Korea show various models of budget program structure and the size of the programs; starting positions for the reform; and motivations. Some of the lessons that could be drawn for piloting the RIB in Romania are that it takes time to legitimize the programs and their performance measures; the responsible ministry must implement measures to also ensure compliance with the program structure; real value is in the use of performance information for internal steering and sparking a conversation that may require further investigation (evaluation); the RIB changes the relations between the budget authority and line ministries in regards to the budget negotiations and management discussions; one should avoid any organizational restructuring at the start when introducing the RIB; and finally, the mistake that countries make is it to use the existing indicators (many of which are focused on the activities) and too little program outcomes and outputs.

Component 2: Improving the quality of financial reporting (FR) of SOEs (preparation for harmonization with IFRS) The rationale for this activity is to decrease the fiscal losses by tightening the financial oversight of the SOEs. The promotion of good practices in financial reporting of the SOEs (including the move towards IFRS) is part of the comprehensive reform program of the SOEs under the FEG-DPL. According to the Memorandum on state ownership and oversight approved by the government in April 2014, the oversight function is placed within the MoPF. While the full harmonization with IFRS for all SOEs is beyond the timeframe of this component, the technical advice includes a) stocktaking of the present FR standards compared to the IFRS, strategic and technical guidance on bringing this gap, piloting the new methodology in up to 5 SOEs, with support of the related capacity building both in these as well as the MoPF to perform the financial monitoring function.

Component 3: Improving the wage bill management

The rationale for this activity is to implement the 2011 Unitary Pay Law by making an evidence-based decision on the wage bill changes. This is to rectify effectively the present situation, where the government increased the minimum wage, but kept the wage bill at the same level. The advisory and analytical work includes the a) policy note exploring the options on decompressing the central government wage bill; b) devising a simulation model to estimate the impact of these proposed options; and c) making a policy proposal to improve the wage bill management based on this evidence.

D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

N/A

E. Borrowers Institutional Capacity for Safeguard Management

F. Environmental and Social Safeguards Specialists on the Team

N/A

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

III. SAFEGUARD PREPARATION PLAN

- A. Will an Appraisal stage ISDS be required? **NO**
- i. Explanation: There are no safeguard issues foreseen.
 - ii. If Yes, tentative target for preparing the appraisal stage ISDS
- B. Time frame for launching and completing the safeguard-related studies that may be needed.
- C. The specific studies, their timing and disclosure should be documented in the appraisal-stage ISDS.

IV. APPROVALS

Task Team Leader:	Name: Ismail Radwan	
<i>Approved By:</i>		
Regional Safeguards Advisor:	Name: Agnes Kiss	Date: 09/11/2015
Practice Manager:	Name: Adrian Fozzard	Date: 09/11/2015

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.