EXECUTIVE SUMMARY

The medium-term objective of this review of the Center of Government (CoG) is to improve the Government's policy performance by strengthening Romania's policy process and policy institutions. However, this should be carried out in concert with efforts to improve public financial management and the quality of public spending. Although the review's recommendations may appear technical, their political implications can be profound. Better policies depend not only on process improvement and capacity building, but on demand for such policies from decision makers.

The Case for Reform

Despite efforts to implement a robust policy process in Romania, reforms are urgently needed to improve the quality of public policy and public finance. Over the past decade, laws have been passed, institutions established, and significant investments made in implementing a modern policy process supported by capable policy institutions. However, despite these changes, policy planning remains ad hoc and decision makers are faced with a system that does not produce the quality of analysis that they need to make informed policy decisions. The consequences for Romania are the persistence of severe and chronic problems with the quality of public policy and public expenditure. This report strongly asserts that Romania cannot afford to defer public policy reform.

These observations are not intended as a criticism of the current government. The problems of poor quality policy and weak implementation span many governments and are largely inherited.

The current economic and financial climate demands a strong and sustained commitment to both public policy and public finance reform. In Romania, the framework within which this will occur is the Fiscal Strategy, mandated by the new Fiscal Responsibility Law (FRL). Successful implementation will ultimately depend on the FRL being viewed by the Government of Romania (GoR) as the primary vehicle for these two inter-related processes.

The European Commission and international financial institutions require a coordinated fiscal and policy response. European authorities will increasingly be scrutinizing the finances and related policy choices of member states to ensure compliance with prescribed fiscal parameters. With the *Memorandum of Understanding* with the EU, the GoR is not just being asked to meet a particular set of fiscal targets, but to implement far-reaching structural reforms.

Policy considerations are equally if not more relevant during financially challenging times. All governments face periods when far-reaching policy and financial decisions must be taken within tight time frames in response to unanticipated events and fiscal pressures. Decision-making systems that are capable of balancing near-term (meeting fiscal targets) and medium-term (creating the conditions for sustainable growth) objectives will achieve better policy performance.

Business investment is positively influenced by a predictable policy, legal and financial environment. When making a decision as to whether and where to invest, businesses place particular emphasis on predictable rules and effective enforcement of those rules. If government decisions consistently appear to be ad hoc and enforcement uneven, businesses will tend to withhold investment or seek a more reliable location.

Evidence of Successful Implementation

Successful and sustainable implementation of policy management reforms will require strong commitment from the current government and all-party support. Unless the GoR exerts leadership and invests the necessary political capital in resolving these long-standing, systemic problems, the situation will worsen. Experience with similar reforms in other countries indicates that substantial progress can be made in a relatively short time when political attention is focused squarely on this problem. To ensure sustainability, support for these reforms should be secured from all political parties.

Ten critical success factors will signal effective implementation:

1. The Prime Minister will take personal leadership of the reform;

2. The Prime Minister's and Ministers' decision-making time will be safeguarded for strategic rather than legal or administrative issues;

3. Public policy and finance reform will be identified as a top government priority;

4. Ad-hoc decision making will be phased out;

5. A decision-making forum will be established that permits the Prime Minister and Minister of Finance to form a common front on major spending proposals;

6. Sound policy formulation will precede and guide legal drafting;

7. The quality of policy and fiscal analysis provided to decision makers will be significantly improved;

8. The General Secretariat of Government (GSG) will be empowered by the Prime Minister to enforce the rules and assure the quality of ministry proposals;

9. The central institutions responsible for the coordination of public policy and public finance will work collaboratively to provide coherent, high quality support to the GoR; and

10. All-party support for these proposals will be vigorously pursued.

Priority Reforms and Recommendations

The report applies two assessment frameworks (World Bank; OECD/SIGMA) to examine Romania's current policy management practices. In both cases, the assessments conclude that, although the legal framework and institutions are largely in place to support effective

policy management, execution in Romania remains poor. Based on this assessment, the report recommends a package of reforms organized under five strategic directions.

1. Integrate Policy and Financial Planning

Medium-term priorities need to be set to ensure that resources are appropriately allocated. At the priority-setting stage, no formal process currently exists to ensure that policy priorities guide resource allocation decisions or that structured deliberations occur concerning the policy rationale for determining budget ceilings. It had been envisaged that Romania's strategic planning system would introduce a priority-setting methodology, but the critical process step (establishing a priority-setting exercise at the outset of the budget process) and the decision-making forum (the Strategic Planning Council chaired by the Prime Minister) were never implemented. Although strategic documents with multi-year planning horizons exist (e.g., Europe 2020), there is no formal methodology that enables these strategies to be planned and budgeted on a medium-term basis. Although the FRL requires a medium-term planning horizon, this has not yet been institutionalized at the line ministry level.

Reform Options	Timeframe
1. Adopt an Integrated Policy and Financial Planning Calendar for 2011 that appropriately sequences the main steps and decision points in the Fiscal Strategy, strategic planning and budget processes. The calendar would also incorporate relevant actions and deadlines related to European affairs and the 2011 Commission Work Plan.	*2011*
2. Reinvigorate the Government's strategic planning process and align it with the Fiscal Strategy and annual budget process, including: a priority-setting process at the beginning of the planning cycle; a streamlined strategic planning process for ministries that would be timed to feed into the development of the Medium-Term Expenditure Framework (MTEF), which forms part of the Fiscal Strategy; and, an annual report for each ministry that indicates achieved versus planned results for each ministry's strategic plan.	*2011 and medium term*
3. Establish an appropriate decision-making body to oversee both the policy and financial planning processes. This body would emphasize the leadership roles of both the Prime Minister and Minister of Public Finance and would be structured to encourage their substantive engagement on key policy and financial issues.	*2011*
4. Mandate this decision-making body to oversee the main steps in the policy planning and fiscal strategy processes.	*2011*
5. Redesign and implement, for both the public policy document and the substantiation note, a multi-year fiscal impact assessment tool to cover all normative acts with significant (explicit criteria will be set) multi-year fiscal impacts.	*Medium Term*
6. Initiate discussions with Parliamentary authorities re the FRL on mechanisms that would constrain the passage of laws generated by members of Parliament that impose significant financial costs on the Government.	*Medium Term*

2. Improve Policy Formulation

Decision makers require higher-quality policy documents and institutional support to assist them in their decision making. In law, Romania has established a modern policy process and a network of policy institutions at both central and line ministry levels. However, the policy process has never gained traction and continues to erode. Ad hoc committees continue to do the work envisaged for the permanent network of 11 inter-ministerial policy committees. The quality of substantiation notes, which accompany draft normative acts and government decisions, remains poor and they are not perceived as vital decision-making documents. As a result, the preferred instrument for making policy decisions continues to be the draft normative act. Normative acts do not present the pros and cons of various options, nor do they assess socio-economic impacts, establish costs, or provide an effective, efficient implementation plan. These problems are further complicated because Romania operates different EU and national policy processes.

Reform Options	Timeframe
7. Overhaul the procedures and timelines for preparing, consulting on, reviewing and approving policy and legal documents with a view to streamlining the process, avoiding unnecessary delays, and focusing political attention on priority matters.	*Medium term*
8. Revitalize the approach to preparing, reviewing and approving public policy documents.	*Phase in beginning in 2011*
9. Revise standards and guidance to cover the preparation and review of medium- to longer-term strategic documents by 2013.	*Medium term*
10. Propose measures to improve the quality of substantiation notes (these would be the most frequently prepared and reviewed policy document).	*Phase in beginning in 2011*
11. Strengthen GSG's quality assurance role by: empowering GSG to return to ministries documents that do not meet approved quality standards; and, requiring written comments from GSG officials on all public policy documents and expanded substantiation notes.	*Phase in beginning in 2011*
12. Adopt measures to enhance the political review and approval of public policy documents and expanded substantiation notes, with government decisions explicitly approving, modifying or rejecting the recommended policy directions contained in the documents.	*Medium term*
13. GSG and the Department for European Affairs (DEA) to develop proposals on harmonizing the policy development and review methodologies, wherever feasible, for EU and national policies; in most instances, the policy process that applies to national policy issues should be applied to the preparation of proposed government positions on EU policies.	*Medium term*
14. Increase the time available for policy deliberations by significantly reducing the volume of administrative items reviewed at the government meeting (e.g., by delegation, legislative change, automatic approval without discussion). The practice of drafting articles in individual legal acts that specify the need for a government decision should be discontinued.	*Medium term*

15. Develop proposals to reintroduce a broader, but more streamlined, inter-ministerial committee system to coincide with the full implementation of public policy documents by 2013.	*Medium term*
16. Prepare related legal amendments and detailed operating procedures/guidance on preparing public policy documents and substantiation notes (early versions already exist).	*Phase in beginning in 2011*

3. Reduce Reliance on Ad Hoc Decision Making

Less reliance should be placed on ad-hoc decision making that currently persists in Romania. Advance planning, process discipline, and quality assurance by Romania's central institutions are not deemed essential at the political review stage. In most European governments, work plans that set priorities and establish deadlines are developed at least six months in advance for policy and legal proposals that will require government approval. In Romania, the only similar planning tool is a list of proposed legislation supporting the Government Program, but this has little bearing on the laws approved by the GoR (only 31% of approved laws in 2009 were from this program). The weekly preparatory meeting, chaired by GSG and held two days in advance of the government meeting, has the potential to serve as an effective coordinating mechanism, but the policy substance of proposed items is rarely discussed. Moreover, only a small proportion of government decisions (15% in February 2010) are announced at this meeting.

Use of both the supplementary agenda and emergency ordinances needs to be reduced. Although efforts to curb use of the supplementary agenda at the weekly government meeting are being taken, a high volume of ministry proposals continue to be submitted in this manner. An unusual feature of the Romanian system is the frequent use of ''emergency'' ordinances to override approved parliamentary laws or to implement new laws awaiting parliamentary approval. Progress is being achieved in reducing their volume in 2009, but it is widely perceived that emergency ordinances remain a routine rather than exceptional instrument.

Reform Options	Timeframe
17. GSG to coordinate preparation of an Annual Government Work Plan (AGWP). The new process will require ministries to identify in advance all significant policy, financial and legal documents to be submitted for Government approval over the coming year.	*Phase in beginning in 2011*
18. Institute measures to reduce the government meeting workload, increase the time available for policy deliberations, and ensure that all items presented at the meeting have been fully reviewed by central institutions in advance.	*Medium term*
19. Streamline and enhance the transparency process by conducting it in two phases: phase one would be coordinated by the ministry earlier in the policy development process; and phase two would be coordinated by GSG following the announcement of the item at the preparatory meeting and in parallel with the internal endorsement process. Each phase would require a minimum of 15 days.	*Medium term*

4. Expand Performance Information

Monitoring, evaluation and results reporting require improvement. A cornerstone of accountability is the transparent monitoring and reporting of achieved versus planned results. Such monitoring does not currently take place in Romania, except for legislation that supports the Government Program, government-assigned tasks, or when required by the EU. Although a rigorous monitoring system was envisaged in 2005, there is no current mechanism (e.g., quarterly progress report on priorities; annual reports on ministry strategic plans) that systematically presents performance information or regularly supports government decision-making.

Reform Options	Timeframe
20. Introduce a monitoring and quarterly reporting system for the AGWP; an annual report on progress achieved in implementing the AGWP would be published.	*2011*
21. Use the preparatory meeting as the primary forum for coordinating the monitoring process and recommending measures to the Prime Minister and government meeting to improve compliance and pre-empt problems.	*Medium term*
22. Produce and publicly release annual reports that indicate achieved versus planned results for each ministry's strategic plan.	*Medium term*
23. GSG to work with MoPF to develop a performance monitoring approach for the Government's strategic priorities.	*Medium term*
24. Establish a set of milestones and performance indicators and targets to track progress in implementing these reforms. These measures should be combined with those related to implementing public finance reform.	*Medium term*

5. Streamline Organizational Structures

Restructuring should be considered in four areas: the Public Policy Department (PPD) of GSG; the Public Policy Units (PPUs) in line ministries; the GSG; and the agencies reporting to the CoG. If the proposed restructuring is to achieve its objectives, the Government must first commit fully to implementing public policy reform.

The effectiveness of PPD's policy management function needs to be enhanced. PPD is the primary policy institution at the center of government and is mandated to coordinate strategic planning, policy coordination, and monitoring and evaluation across government. However, at present the majority of its workload derives from special assignments and project support, with less than half its time allocated directly to policy management. Without an operational policy process, full delivery of PPD's functions or systematic coordination between PPD and the Prime Minister's political advisors is not feasible. Looking ahead, the potential benefits of appointing a senior political official to spearhead government-wide implementation of policy management reform should be considered.

The role of PPUs needs to be strengthened. Within line ministries, PPUs were established as a counterpart to PPD. As the strategic planning and policy formulation processes remain largely unimplemented, PPUs are often undervalued by senior ministry management and do

not perform a meaningful policy role. Moreover, there is no consistency in mandates or reporting relationships of PPUs across government.

The GSG as a whole needs to be restructured. The number of direct reports (18) to the General Secretary of Government is extremely high, and the diversity of its functions is too broad. A more consolidated senior management structure should be considered.

Within the center of government, the number of agencies reporting directly to the Prime Minister or the GSG is excessive and needs to be reduced. In many instances, these agencies duplicate ministry functions and undercut ministerial authority. The related management responsibilities can unnecessarily consume the Prime Minister's time.[1]

Reform Options	Timeframe
25. Significantly strengthen the GoR's policy management function within GSG, supplemented by formal linkages with the Prime Minister's Advisors.	*Phase in beginning in 2011*
26. Restructure PPD to reflect its policy and planning mandate. A potential structure could include six core divisions: four policy sectors (economic; infrastructure; social; justice & security), one central planning and monitoring unit (strategic planning) and one project management unit, which would coordinate and service the various time-limited projects.	*Phase in beginning in 2011*
27. Appoint a full-time Prime Minister's Advisor for public policy reform.	*2011*
28. Develop protocols to regulate the working relationship between the Prime Minister's Advisors and GSG, in particular with PPD in the context of the strategic planning and policy formulation process, and define their respective roles and responsibilities.	*Phase in beginning in 2011*
29. Initiate an organizational review to determine how best to reduce the General Secretary of Government's span of control to a more manageable number (from 18 to 5-6 direct reports).	*2011*
30. As part of this review, determine the degree to which the current directorates and departments within GSG support its core policy and legal coordination mandate and, if they do not, whether they should be moved elsewhere.	*decide in 2011; implement in medium term*
31. Identify an appropriate organizational option for raising the profile of the policy management function and ensuring that GSG is positioned to implement the reform process across government. Options include: a. appoint a State Secretary reporting to the General Secretary of Government to lead the reform; PPD would report to the State Secretary; b. the General Secretary could assume this role; in this case, GSG would need to be significantly streamlined so that additional duties do not detract from reform leadership responsibilities; or c. locate the reform outside GSG, reporting to a Prime Minister's Advisor, with a view to transferring implementation responsibilities back to GSG following completion and approval of the reform design; selected members of PPD would work as	*2011*

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[1] In regulation, some agencies will report to an Advisor of the Prime Minister, although this position has not yet been filled.

part of the project team.	
32. Develop or revise protocols to regulate the working relationship between GSG and other agencies within the working apparatus of the government; in particular the DEA and the Department for Parliamentary Relations (DPR).	*Phase in beginning in 2011*
33. Conduct a functional review, for completion by February 28, 2011, of the agencies outside the working apparatus of the government that report to the center with a view to eliminating or transferring to line ministry supervision all non-core functions.	*2011*
34. Realign, over a 2-3 year period, the reporting relationships of the core coordination units within ministries, i.e., Public Policy, Economics/Budget, Legal, and European Affairs Units, so that all report directly or indirectly to the General Secretary, rather than to a State Secretary or the Prime Minister.	*Medium term*
35. Determine the best option for restructuring each ministry's core policy, financial, legal and European affairs coordination functions following approval by the Government of the specific package of public policy and finance reforms.	*Medium term*
36. Depending on the option chosen, consider integrating PPUs either with the Economics/Budget Unit or the European Affairs Unit. In advance of restructuring, establish a ministry working group chaired jointly by the heads of the PPU and Economics/Budget Units that is mandated to prepare the ministry's core policy and financial planning documents, and coordinate related inputs from all other parts of the ministry, including the European Affairs and Legal Units.	*2011*
37. As a strengthened policy process is phased in, consolidate the responsibility for policy coordination and quality control of ministry public policy documents and substantiation notes in PPUs, which will be mandated to review and assure the quality of all ministry policy documents and substantiation notes prior to review and approval by the Minister.	*Medium term*

Design and Implementation of the Reforms

The centrality of political buy-in and leadership is emphasized throughout this report and must be reflected in the reform design. If the Prime Minister is not perceived as leading and committed to the reforms, they will fail. Moreover, a sense of urgency in introducing the reforms must be conveyed. It is recommended that the reforms be endorsed and launched by the government no later than October 2010.

As a first step towards implementation, the government should establish an Integrated Planning Working Group, chaired by an Advisor to the Prime Minister. The immediate task of the working group will be to design the 2011 policy and financial planning process to support the preparation of the Fiscal Strategy and ministry strategic plans. The working group's proposals should be completed and approved by December 2010. At this point, an extension to the working group's mandate should be considered to oversee implementation and further develop the GoR's public policy and public finance reforms.

In going forward, the point must not be lost that **reform does not end with the approval of the related normative acts, but when the system is fully operational throughout government and is truly influencing the way in which Romania's policy and financial decisions are made.**

1. IMPROVING ROMANIA'S POLICY PERFORMANCE

1.   The medium-term objective of this review of the CoG is *to improve the Government's policy performance by strengthening Romania's policy process and policy institutions. However, this should be carried out in concert with efforts to improve public financial management and the quality of public spending.* Accordingly, the review must be considered together with the public finance functional review. The objective of the review will be accomplished by identifying short- and medium-term measures to strengthen central capacity *to deliver high quality policy management[2] to the Prime Minister and government and effectively coordinate policy with other central institutions and line ministries.*

Four critical success factors will signal effective implementation:

1. Decision makers will focus increasingly on strategic rather than legal or administrative issues;

2. Sound policy formulation will precede and guide legal drafting;

3. GSG will be empowered by the Prime Minister to enforce the rules and assure the quality of ministry proposals; and

4. The central institutions responsible for public policy and public finance management will work collaboratively to provide coherent, high quality support to the GoR.

2.   The CoG review seeks to engage Romania's decision makers in these deliberations and, ultimately, in a concerted effort to improve Romania's policy performance.

1.1 What is Policy Performance?

3.   At its heart, *policy performance represents the concrete results and impacts produced and/or directly influenced by government actions and interventions.* These impacts range from very broad (e.g., economic growth, quality of life) to very specific (e.g., business registration costs, university graduation rates). Policy performance also includes the perceptions of the general public towards government (i.e., whether citizens feel their government is performing well or not).

4.   *Policy performance is inextricably linked to financial performance*. Across Europe, the aftermath of the global economic crisis underscores the adverse consequences for governments and nations when policy decisions become disconnected from financial

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[2] Policy management can be defined as *the institutional arrangements that surround the structures, processes, and dynamics of government decision-making*. N. Manning & G. Evans, *Helping Governments Keep Their Promises* (World Bank; Washington DC, 2003).

decisions. Future policy performance will require that the financial imperative of restoring fiscal discipline be matched by smart policy choices.

5.   *Policy performance depends on successful implementation*. High quality health care, smart business regulation, and modern transportation networks cannot be guaranteed by a government decision, parliamentary law, or investment project approval; rather, they depend on sound processes and capable organizations moving methodically from problem identification to policy and budget formulation to legal drafting to on-the-ground implementation, reinforced over time by a sustained commitment to service quality that is realized through effective monitoring and feedback mechanisms.

**Box 1.1 – Policy and Government Promises**

Policy is arguably the primary output of government…All too often, well-intentioned governments find their well-publicized policy commitments to be unaffordable, unrealistic, stalled or superseded by the crisis of the day, or swamped by a multitude of unanticipated ministry priorities. Ultimately, they are forced to break their promises. The consequences of government promise-breaking extend beyond public cynicism and include economic losses and failures in government service delivery.

Helping Governments Keep Their Promises: World Bank, 2003.

1.2 How can Governments Improve Policy Performance?

6.   The strategic and functional review will strive to ensure that Romania's public administration is organized and managed to fulfill its critical role in improving government policy and financial performance. The CoG review will contribute a critical component of this reform: strengthening policy management and the quality of support provided to Romania's decision makers. The core attributes of a well-performing system are set out in a World Bank methodology (Figure 1.1), which identifies best practices at four stages of the policy process, from priority setting to implementation.[3] These stages alternate between the decision-making role of the government and the delivery role of line ministries. Breakdowns at any stage can adversely affect policy performance.

Figure 1.1 – Best Practices at Four Stages of the Policy Process

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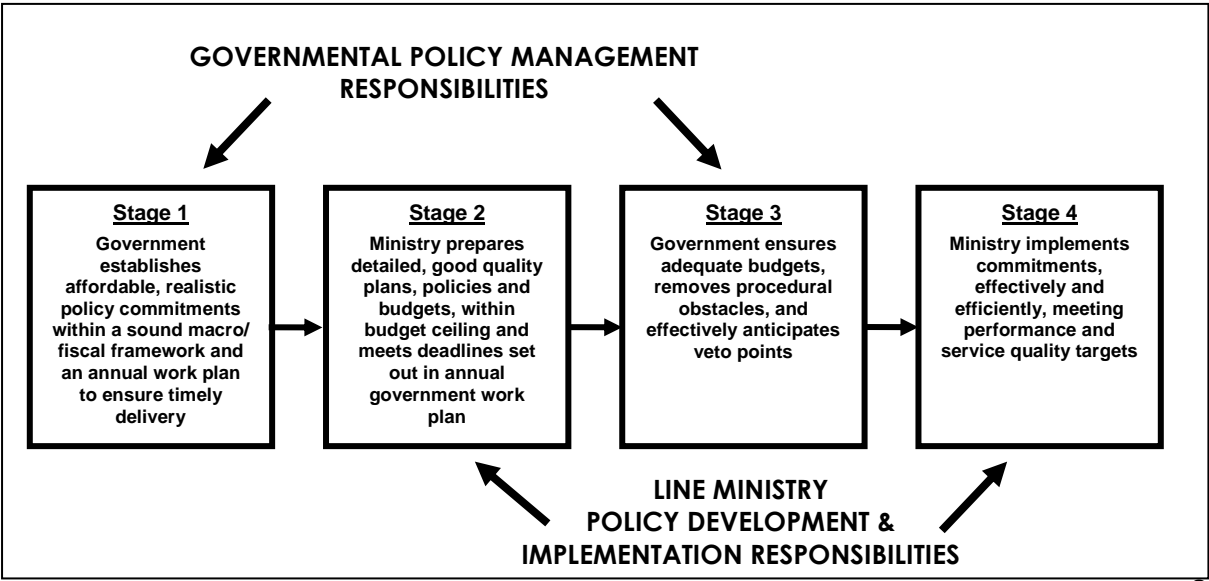
7.   At the first stage (Box 1.2), the government establishes policy priorities within a sound fiscal framework and an annual work plan to ensure timely delivery. Ideally, the policy and fiscal planning processes will be integrated and the corresponding political decisions taken together. The General Secretariat and the Ministry of Public Finance play important roles in supporting decision makers and coordinating the production of related documents. Intensive political involvement, in particular by the Prime Minister and Minister of Public Finance, is critical at this stage.

Box 1.2 – Key Benchmarks for Stage One

- ✓ political direction provided from outset of the planning process
- ✓ clear statement of policy priorities
- ✓ decision-making forum exists where the Prime Minister and Minister of Public Finance can review major policy and spending proposals
- ✓ policy priorities developed alongside macro framework and fiscal strategy
- ✓ medium- to longer-term planning horizon
- ✓ integrated policy and financial planning calendar
- ✓ budget ceilings directly influenced by priority-setting process
- ✓ annual government work plan highlights policy priorities
- ✓ effective coordinating role played by central institutions
- ✓ line ministers do not routinely bypass Minister of Public Finance by appealing to the Prime Minister

8.   The second stage (Box 1.3) involves the preparation of detailed plans, policies and budgets by line ministries. It is generally preferable to adopt a balanced top-down/bottom-up process, where ministries reflect government priorities and respect budget ceilings, but are given the flexibility to identify their own priorities and determine the best approach to implementation. Clear procedures for the development and review of policy and financial proposals need to be in place. The minister and senior management need to be closely involved in overseeing the process and reviewing key products.

Box 1.3 – Key Benchmarks for Stage Two

- ✓ medium-term ministry plans and budgets reflect government policy priorities and respect budget ceilings
- ✓ ministry plans propose reallocations of funding from low- to high-priority areas
- ✓ ministry strategic plans include realistic, achievable performance measures and targets
- ✓ in-depth political review of major policy proposals occurs prior to government meeting
- ✓ policy proposals/related laws are accompanied by a good quality, multi-year fiscal impact assessment
- ✓ ministry develops policy options/proposals before drafting major laws
- ✓ policy impacts (e.g., economic, social) of policy proposals identified
- ✓ meaningful consultation with external stakeholders and other ministries
- ✓ minister and senior management directly oversee the process and review key products

9.   At the third stage (Box 1.4), the government must ensure that line ministries are provided with the means to implement approved plans, policies and budgets. This requires that budgets are actually provided, decision-making delays avoided, and reporting burdens

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minimized. Thus, the government needs to anticipate veto points, for example by Parliament, and negotiate the necessary accommodations so as to avoid delays. In addition, the central institutions must be capable of constructively challenging ministry proposals and assuring their quality. Accountability between the government and ministries must be considered a two-way street.

Box 1.4 – Key Benchmarks for Stage Three

- ✓ annual government work plan establishes realistic deadlines and volume of proposed legislation
- ✓ Ministry of Public Finance provides approved ministry budget funds in a timely manner
- ✓ monitoring requirements do not place an excessive reporting burden on line ministries
- ✓ excessive administrative requirements do not overload the system or produce significant delays
- ✓ monitoring reports are presented to and discussed at the political level
- ✓ the government will take remedial measures if targets are not being met
- ✓ General Secretariat and Ministry of Public Finance are able to challenge ministry proposals and play an effective quality assurance role
- ✓ the government has effective mechanisms for consulting with Parliament

10. The fourth stage (Box 1.5) covers ministry implementation of approved plans, policies and budgets. Here, attention focuses on the way in which ministries oversee implementation. In many governments, ministries focus on the drafting of high volumes of policies and laws at the expense of implementation. The resulting implementation gap is evidenced by the high number of partially implemented or unimplemented laws and poor service quality. A cornerstone of effective implementation is transparency; i.e., the publishing of achieved versus planned results.

Box 1.5 – Key Benchmarks for Stage Four

- ✓ line ministries operate extensive internal monitoring and evaluation systems to support operational planning
- ✓ annual reports indicating achieved vs. expected results for ministry plans are published
- ✓ performance measures are expressed as results (outputs/outcomes), not activities
- ✓ the production of outputs can be tied to expenditures
- ✓ managerial performance assessments consider the quality of implementation

1.3 Why Public Policy Reform Matters in Romania

11. Like many European countries, Romania currently faces severe fiscal constraints. Although a modest improvement is anticipated in 2011, accumulated deficits and wage pressures will restrict latitude to pursue new policy initiatives through 2012. Given this scenario, the government's decision-making focus will understandably remain on fiscal measures. The question therefore arises: is this the right time to be discussing how to improve policy management? Shouldn't such deliberations await the conclusion of the financial crisis? In fact, this report strongly contends that policy considerations are equally if not more relevant during difficult times and that Romania cannot afford to defer public policy reform.

12. *The current economic and financial climate demands a strong and sustained commitment to public policy and public finance reform.* Countries across Europe are being

forced to rein in public spending and chart a new path towards fiscal sustainability. In Romania, the framework within which this will occur is the Fiscal Strategy, mandated by the new *Fiscal Responsibility Law* (FRL). The government's first Fiscal Strategy under this law has just been approved. Successful implementation will depend on the FRL being viewed by Government as the primary vehicle for both public expenditure and public policy planning. If these two inter-related processes are not brought together, the law's objectives will not be met.

13. *The European Commission and International Financial Institutions require a coordinated fiscal and policy response.* European authorities will increasingly be scrutinizing the finances and related policy choices of member states to ensure compliance with prescribed fiscal parameters. The "European semester," through which the European Council will jointly review and provide advice on each member state's budgetary and structural policies, will be introduced in 2011. Particular attention will be directed to new member states seeking to join the eurozone. In fact, the *Memorandum of Understanding* between the European Community and Romania sets out five policy objectives that must accompany the financial and monetary objectives (Box 1.6). The GoR is not just being asked to meet a particular set of fiscal targets, but to implement far-reaching structural reforms.

Box 1.6 – Structural Reform Commitments

1. improve the efficiency and effectiveness of the public administration
2. improve the business environment
3. sound use and improved absorption of EU funds
4. tackle undeclared work
5. enhance the quality of public spending

EU-GoR Memorandum of Understanding; June 2009

14. *Policy considerations are equally if not more relevant during financially challenging times.* All governments face periods when far-reaching policy and financial decisions must be taken within tight time frames in response to unanticipated events. Decision-making systems that routinely set priorities, link policy and financial planning, and identify the policy and financial impacts of proposed policy changes will be better equipped to identify and analyze feasible options at short notice. Moreover, such systems will be more capable of balancing near-term (meeting a fiscal target) and medium-term (creating the conditions for sustainable growth) objectives. To meet Romania's commitments to structural reform (Box 1.6), the GoR will need to focus not only on fiscal discipline, but on the quality of public policy and public expenditures.

15. *Governments rarely accept that their entire political focus must be confined to cost containment.* Like any government, the GoR has a program to improve delivery of its programs and services. Fiscal constraint does not require that these objectives be abandoned; rather that they be supported by policy trade-offs that shift funding from lower to higher priorities or innovative policies that enhance performance within existing budgets.

16. *Business investment is positively influenced by a predictable policy, legal and financial environment.* When making a decision as to whether and where to invest,

businesses place particular emphasis on predictable rules and effective enforcement of those rules. If government decisions consistently appear ad hoc and enforcement uneven, businesses will tend to withhold investment or seek a more predictable location.[4] Romania's poor ranking in the 2010-11 *Global Competitiveness Report* underscores the importance of addressing this significant obstacle.[5]

17.   The challenge to be addressed in the remainder of this report is to develop a practical plan to improve policy performance by strengthening Romania's policy process and policy institutions, in concert with efforts to improve public financial management. The full support and engagement of Romania's political level will be required to achieve this goal. *Better policies depend not only on process improvement and capacity building, but on demand for such policies from decision makers.* Experience with similar reforms in other countries indicates that substantial progress can be made in a relatively short time when political attention is focused squarely on this problem (Box 1.7).

Box 1.7– Examples of Public Policy Reforms

In 2000, Lithuania's Prime Minister decided to overhaul the way in which policy and financial decisions were made. Over a two-year period, the entire system was redesigned to ensure that political direction was obtained at all key points, that results were carefully measured, and that policy and financial decisions were linked. A 2003 study of the results achieved indicated significant improvements in (i) ministry compliance with government deadlines, (ii) adherence to budget ceilings, (iii) the proportion of government meetings devoted to priority issues, and (iv) the percentage of the government's legislative program that was delivered. In 2006, the World Bank ranked Lithuania's strategic planning and policy coordination systems as the best among recent EU accession countries and higher than the EU average.

In late 2005, Albania's government approved a proposal to integrate six separate planning systems (national strategy, government program, EU integration, state budget, public investment, external assistance). By 2007, a new National Strategy for Development and Integration had been approved, a priority-setting methodology introduced, a decision-making body chaired by the PM established to oversee the process, and public investment integrated with the budget process, with budget ceilings respected by line ministries.

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[4] Numerous World Bank publications have underscored this link, for example Brunetti, A, Kisunko, G., and Weder, B.*; Credibility of Rules and Economic Growth: Evidence from a Worldwide Survey of the Private Sector* (1998; World Bank Economic Review. 12 (3). pp. 353-85).

[5] Romania was ranked 137th of 139 countries under the indicator "transparency of government policy-making" which gauges the ease with which businesses can obtain information about changes in government policies and regulations affecting their business activities. The report is produced by the World Economic Forum.

2. POLICY MANAGEMENT IN ROMANIA

18.   Efforts to improve Romania's public policy process have been underway for nearly a decade. Laws have been passed, institutions established, and significant investments made in implementing a modern policy process supported by capable policy institutions. Nonetheless, policy planning remains ad hoc and decision makers are faced with a system that does not produce the quality of analysis they need to make informed policy decisions. A significant gap between what is written in law and what occurs in practice persists.

19.   These observations are not intended as a criticism of Romania's current government or of GSG. The slow pace of Romania's public policy and public finance reforms is a longstanding problem spanning many governments and has largely been inherited. Moreover, the financial crisis affecting all European countries has placed enormous demands on the GoR. Although remedial measures such as the FRL have recently been adopted, a longer-term solution to improve the quality of public policy and public expenditure is urgently required.

2.1 Assessing Policy Management in Romania

20.   As an initial step, this chapter reviews Romania's current policy management practices and institutions against criteria established in two assessment frameworks: the first is the World Bank methodology mentioned in the previous chapter; the second is an OECD/SIGMA framework that examines the degree to which the core policy coordination functions at the CoG are provided in Romania.[6]

21.   The assessment (summarized in Table 2.1) draws two fundamental conclusions:

- *although the legal framework and institutions are largely in place to support effective policy management, execution is poor; and*

- *the policy process operates in isolation from the budget process.*

Table 2.1: Delivery of Policy Management Functions & Process[7]

CORE POLICY MANAGEMENT FUNCTIONS (OECD/SIGMA)		
Coordinating Function	Romanian Institution	Rating
1. strategic planning & annual work planning	Public Policy Department (GSG) Department of Parliamentary Relations	1

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[6] SIGMA Paper 35: Coordination at the Centre of Government: The Functions and Organization of the Government Office (OECD; Paris, 2004).

[7] The 1-5 rankings were assigned based on the observations and conclusions of the consultants, drawing on extensive interviews, data collection survey results, and document review.

2. policy document review: quality assurance; inter-ministry mediation	Public Policy Department (GSG)	1
3. monitoring government performance	Public Policy Department (GSG) Department of Parliamentary Relations	1
4. horizontal policies/priorities	Public Policy Department (GSG)	2
5. preparation of government sessions	Meeting Preparation Department (GSG)	✓
6. legal conformity of draft laws	Legal Department (GSG)	✓
7. communication with media and public	Press Spokesperson of the Government	✓
8. coordinating with other branches of the state	Department of Parliamentary Relations	✓

KEY STAGES OF POLICY PROCESS (WORLD BANK)		
Best Practice	**Romanian Practice**	**Rating**
1. Government establishes affordable, realistic policy commitments within sound macro/ fiscal framework	No formal priority-setting process linked to the macro/fiscal framework occurs. Strategic planning is disconnected from the budget process. Multi-year policy documents are approved but not formally linked to resource allocations. The new Fiscal Strategy process has increased the potential for improved fiscal discipline.	2
2. Ministry prepares detailed, good quality policies and budgets, within budget ceiling and meets deadlines set out in government work plan	Ministry budget ceilings are not directly influenced by policy priorities. Ministries do not respect ceilings when developing budget requests. A formal policy document preparation process exists in law, but is not followed. Deadlines are only selectively monitored.	1
3. Government ensures adequate budgets, removes procedural obstacles, and effectively anticipates veto points	Until recently, laws have been commonly approved without adequate funding, but this is improving. The annual legislative plan is not comprehensive or effectively prioritized. Monitoring by central institutions does not ensure key decisions are made in a timely manner except for EU-related programs.	2
4. Ministry implements commitments, effectively and efficiently, meeting performance and service quality targets	No formal performance measurement system exists. The cost of program outputs is not established. Results are reported in budget requests but not linked to targets. Accountability for results is weak.	1

1-5 scale rates implementation level: 5=very high; 4=high; 3=medium; 2=partial; 1=minimal/not at all

✓   indicates that the function was not assessed in detail, but is regulated/delivered at an adequate level, noting that the Legal Department is currently understaffed.

2.2 Critical Issues Affecting Policy Management

22.   Before recommending how policy management reform might be implemented, five critical issues affecting the quality of policy management in Romania should be reviewed:

- linkages between policy and financial planning;

- quality of policy deliberations;

- prevalence of ad hoc decision making;

- availability of performance information;

- organization of the policy function and CoG.

2.2.1 Linkages Between Policy and Financial Planning

23.   The primacy of policy as a driver of resource allocation decisions has been widely acknowledged.[8] In fact, the FRL obligates a joint consideration of policy and financing. Numerous recommendations in the April 2010 IMF report underscore how policy and financial planning need to be harmonized.[9] However, policy and financial planning continue to operate mostly in isolation.

24.   At the priority-setting stage, no formal process exists to ensure that policy priorities guide resource allocation decisions or that structured deliberations occur concerning the policy rationale for determining budget ceilings. High-level strategies, such as the National Reform Program (NRP), are approved and monitored, but do not directly influence the establishment of priorities or budgets. Essentially, the responsibility for identifying priorities and allocating the necessary resources from within approved budgets is left to the discretion of line ministries.

25.   It had been envisaged that Romania's strategic planning system would introduce a priority-setting methodology, but the critical process step (establishing a priority-setting exercise at the outset of the budget process) and the decision-making forum (the Strategic Planning Council chaired by the Prime Minister) were never implemented. Essentially, the back-end of the process (ministry strategic plans) was never complemented by the front end (priority-setting mechanism, political decision-making body). Without this front end, strategic planning lacks political relevance and, consequently, the basis for sustainability. This year's difficulties in developing the Fiscal Strategy suggest that this problem persists and needs to be addressed in time for the 2011 planning process (for 2012-14). Moreover, the strategic planning time frames do not align with the time lines for preparation of the Fiscal Strategy set out in the FRL. An integrated planning calendar based around the FRL deadlines would eliminate these inconsistencies.

26.   The lack of a medium-term planning horizon further challenges the integration of policy and financial planning. Although strategic documents with multi-year planning horizons exist (e.g., Europe 2020), there is no formal methodology that enables these

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[8] See *Public Expenditure Management Handbook* (World Bank; Washington DC, 1998). "Resource allocation and use based on strategic priorities" is cited as the second level of the three-level model presented as the basis for best practice in budget formulation.

[9] International Monetary Fund; *Further Strengthening General Government Fiscal Discipline* (Washington DC, April 2010).

strategies to be planned and budgeted on a medium-term basis. The strategic planning system, which was designed for this purpose, has not gained traction and the outer years (years 2 and 3) of ministry budget requests developed through the Medium-Term Expenditure Framework (MTEF) and budget process have been determined incrementally. Implementation of the FRL requires a medium-term perspective and strict observance of policy-fiscal linkages. If the law is to be implemented successfully, incremental, year-by-year approaches to budgeting must give way to a more strategic, multi-year approach.

27.   At the policy development and implementation stages, further problems arise. An initial assessment of Romania's public investment process by the World Bank illustrated how investment projects are routinely approved and started without taking into account the cumulative, multi-year fiscal impact of prior approvals.[10] Each year, an ever-increasing volume of projects far outstrips the annual public investment budget. To keep within budget, numerous existing projects must be slowed or postponed.

28.   A similar phenomenon occurs with normative legal acts. As long as the proposing ministry is deemed to have sufficient funding to cover its estimate of the fiscal impact, it can submit a draft act for government and, if required, parliamentary approval. In practice, the multi-year implementation costs are not rigorously determined, and so increasing numbers of approved normative acts cannot find sufficient funding within the ministry's annual budget to support implementation. The resulting "unfunded mandates" create chronic fiscal pressures and adversely affect the quality of implementation. The Ministry of Public Finance asserted that this situation is improving with the passage of the FRL and the 2011-13 Fiscal Strategy.

29.   Laws initiated and approved by Parliament can contain significant fiscal implications for the Government. Although the Government provides an opinion, there are no legal restrictions that effectively constrain the ability of Parliament to impose such costs (e.g., requiring an offsetting reduction). Again, the FRL will require such a response in future.

30.   Beyond process issues, an appropriate decision-making forum will be required. The Coordinating Group chaired by the Minister of Public Finance introduced a potential source of policy priorities and decisions, but its decision-making mandate (working on a consensus basis), broad membership (12 Ministers, 4 agency heads, General Secretary of Government), and form (open to media, external invitees) were not conducive to making trade-offs or tough policy choices.

31.   Consequently, the IMF has recommended a more empowered, focused body led by the Minister of Public Finance. Another option would be to revitalize the Strategic Planning Committee, chaired by the Prime Minister; the Minister of Public Finance could be appointed as Vice Chair. The rationale would be that such a body would enable the Prime Minister and Minister of Public Finance to form a united front against line ministry expenditure demands and prevent direct approaches to the Prime Minister prior to the government meeting. A third

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[10] March 2010 Aide-Mémoire: Romania Medium-Term Budget Planning: World Bank Technical Assistance Mission.

option would be to deal with key issues at government retreats, which would allow more time for in-depth discussion and consensus building. *Whatever option is chosen, the primary criterion should be its likelihood to produce a sound, sustainable fiscal strategy based on clearly articulated government priorities.*

2.2.2 Quality of Policy Formulation

32.   Regulations approved in 2005 established a modern policy process. Public policy documents were to precede and inform legal drafts, while substantiation notes (identifying policy and fiscal impacts of proposed normative acts) were to accompany proposed laws submitted to the government meeting.[11] At the center, PPD was mandated to oversee this process and perform a gate-keeping function to assure the quality of ministry public policy proposals. Within line ministries, PPUs were established and trained to coordinate internal policy formulation. At the political level, inter-ministerial councils were established to provide a forum for in-depth policy review.

33.   However, the new policy formulation system never gained traction and continues to erode. The number of public policy documents produced has declined from 36 in 2006 to 4 in 2009 (Figure 2.1). None of the 2009 documents led to a government decision. The quality of substantiation notes is widely acknowledged as poor and they are not perceived as vital decision-making documents. PPD rarely provides written comments (in February 2010, comments were provided on 5 of 88 items) and no mechanism exists through which PPD routinely briefs the Prime Minister and/or his advisors on policy issues related to government meeting agenda items.

Figure 2.1: Number of Public Policy Documents
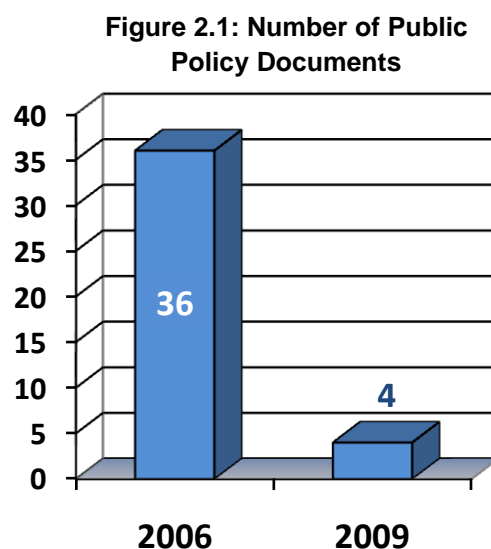
34.   The preferred instrument for making policy decisions remains the normative act. Such an approach reduces the information available to decision makers. Normative acts do not present the pros and cons of various options, assess socio-economic impacts, establish costs, or provide an effective, efficient implementation plan. At the weekly government meeting, lengthy legal text does not lend itself to quick review and meaningful policy deliberations by Ministers. Admittedly, most laws are circulated for comment to other ministries prior to review at the government meeting. However, it can be difficult to identify policy issues from legal text.

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[11] Government Decision 775/2005 set out the regulations for formulating and monitoring public policy and Government Decision 1361/2006 established the regulations for preparing substantiation notes.

35. The permanent network of 11 inter-ministerial committees with policy mandates was never operationalized.[12] Other potential forums for policy decisions, such as special government meetings or government retreats, have not been regularly utilized. The regular coalition meeting also plays a role in determining policy, but this forum focuses more on political negotiations than public policy and is not directly supported by the public administration. Ad hoc committees are still the norm if an issue must be examined outside the government meeting.

36. The Department of European Affairs (DEA) coordinates the development of policy positions on documents submitted for opinion by the European Commission (EC). The EC believes that weaknesses in the Romanian public policy process adversely affect the quality of GoR responses. An assessment of 25 recent EU documents found that a more informed response from the GoR could have been provided in 21 cases (84%) (Figure 2.2). Major areas for improvement included: strengthening inter-ministerial cooperation (6 cases), developing impact assessments/studies in advance of the response (4 cases), engaging external institutions in the analysis (3 cases), and enhancing internal administrative capacity (3 cases). All of these factors would be addressed through the implementation of a more robust policy process and related institutional and staff capacity building.

Figure 2.3: Percentage of Administrative Items at Government Meetings

36%
64%

■ Non-Administrative Items
■ Administrative Items

Figure 2.2: Quality of Review of EU Documents

4
21

■ Okay   ■ Could be Improved

37. More fundamentally, Romania is effectively operating two policy processes, one for EC-related policy issues coordinated by the DEA, and one for national policy issues managed through GSG. These processes operate largely in isolation and potential synergies are generally overlooked.

38. The quality of policy deliberations can also be affected by the extremely high volume of Government Decisions (1,721 in 2008; 1,635 in 2009). An analysis of these decisions for the first 9 months of 2009 reveals that over 64% addressed administrative issues (Figure 2.3) and that 41% of these originated from the Ministry for Administration and the Interior. Although many of these items presumably are ratified with minimal or no discussion at the

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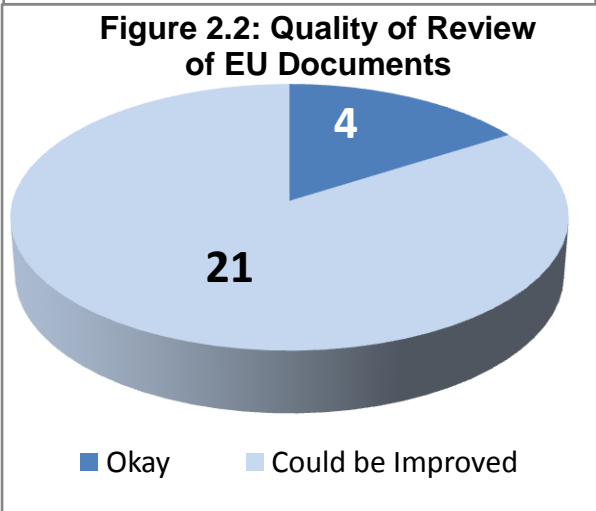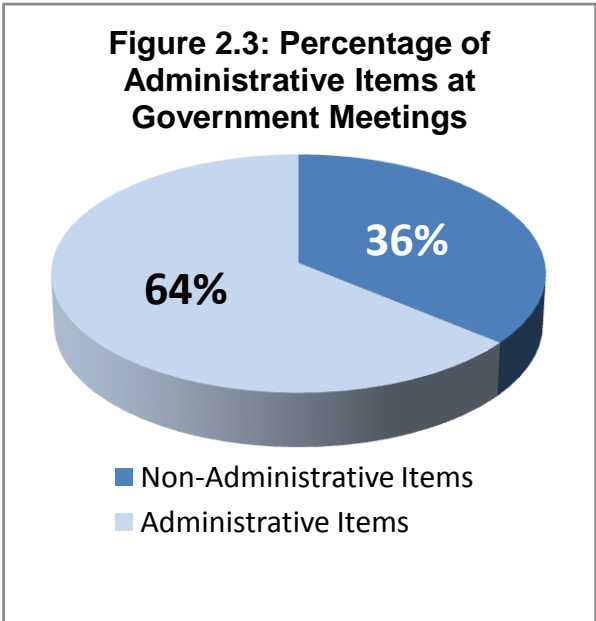
[12] The system of and procedures for inter-ministerial committees were established in Law 750/2005.

government meeting, this would still displace some of the time that could be devoted to discussing more important issues.

39.   Finally, the length of time required for policy development can be onerous. Under current procedures, the preparation of a public policy document followed by a supporting law could require many months before completing the various transparency, endorsement and consultation requirements. The inevitability of a protracted process encourages ministries to pursue ad hoc approaches.

Figure 2.4: Percentage of 2009 laws from Legislative Program

31%

69%

■ From Legislative Program

■ Not From Legislative Program

2.2.3   *Prevalence of Ad Hoc Decision Making*

40.   During economic crises, the decision-making environment shifts from one of reasonable predictability to one of perpetual change where the unforeseen becomes the norm. When relative stability returns, it is often difficult for decision makers to return to a more systematic, structured process. Evidence suggests that ad hoc decision making persists in Romania. A number of practices (e.g., absence of a monitored Annual Government Work Plan (AGWP); lack of lead time to review ministry proposals; extensive use of the supplementary agenda at government meetings; high volume of emergency ordinances) imply a system where advance planning, process discipline, and quality assurance by central institutions are not deemed essential at the political review stage. The imposition of policy discipline goes hand-in-hand with ensuring fiscal discipline.

41.   In most European governments, work plans are developed that set out, at least six months in advance, the proposals that will be submitted by line ministries for government review and approval. In fact, the European Commission produces an annual Commission Work Plan which translates the President's political guidelines into concrete public policy and legal measures. These work programs are generally designed to ensure that the government's policy priorities are advanced. Deadlines are set and monitored throughout the year by the General Secretariat.

42.   In Romania, although a list of proposed legislation based on the Government Program is compiled by the Department for Parliamentary Relations (DPR), the document is not used effectively as a planning tool for all of the key decisions that the Government must make in the course of a year. An analysis of the 2009 legislative program revealed that there is little connection between this planning document and what actually occurs. Although the number of proposed laws (240) approximated the actual number of draft laws approved by the Government (231), only 72 of these (31%) were listed on the legislative program (Figure
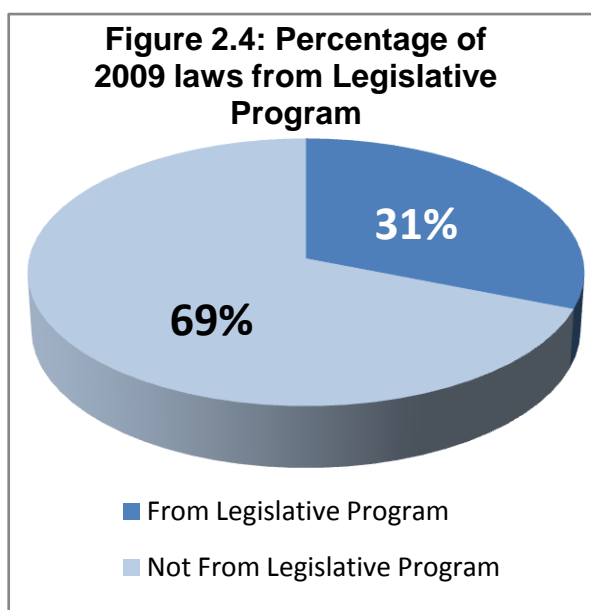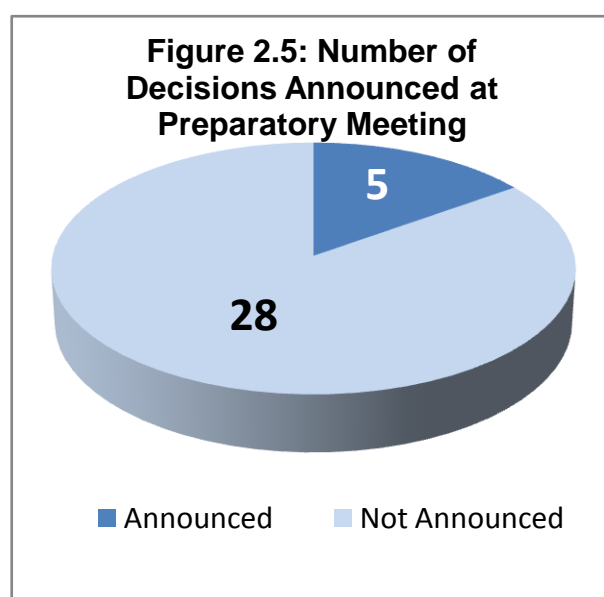
2.4). However, it should be acknowledged that the DPR plan provides a basis on which to build a more comprehensive AGWP.

43.   The preparatory meeting, which occurs 2 days in advance of the government meeting, provides a venue where ministries can announce and review upcoming initiatives. Although the preparatory meeting certainly has value in terms of inter-ministry coordination, its role in reviewing substantive policy issues or providing advance notice of government items appears minimal. Of 33 government decisions taken during February 2010, only 5 (15%) had been previously announced at the preparatory meeting (Figure 2.5).

44.   Although efforts to curb use of the supplementary agenda at the weekly government meeting are being taken, a high volume of ministry proposals continues to be submitted in this manner. In February 2010, the supplementary agenda contributed 28 of 300 (9.3%) agenda items versus 23 of 255 (9.0%) agenda items in February 2009.

45.   An unusual feature of the Romanian system is the frequent use of "emergency" ordinances to override approved parliamentary laws or to implement new laws without waiting for Parliamentary approval. The Constitution stipulates that *the Government can only adopt emergency ordinances in exceptional cases, the regulation of which cannot be postponed*. However, it is widely perceived that emergency ordinances have become a routine rather than exceptional instrument. In fact, in 2009, the number of emergency ordinances approved by the Senate (229) was more than double the number of approved "projects of law" (94).[13] This raises issues of governance (the Executive is fulfilling a function that is usually reserved for the Legislature) and workload (the Senate's total legislative volume, combining projects of law and ordinances, is over 400, which is an extremely high workload for any parliament and suggests that ways to reduce the volume of laws requiring parliamentary approval should be explored).

Figure 2.5: Number of Decisions Announced at Preparatory Meeting

5

28

■ Announced   ■ Not Announced

46.   Efforts are being made to limit the use of emergency ordinances, but the volumes remain high: 228 emergency ordinances were approved in 2008, 111 in 2009 (Figure 2.6), and 30 in the first quarter of 2010. Common rationales provided for emergency ordinances included meeting EU deadlines or addressing fiscal constraints. The problem is further exacerbated by the level of detail included in legislation; for example, if a legislative

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[13] The Senate's 2009 total for approved emergency ordinances is much closer to the government's total for 2008 rather than 2009 because of the lag between government and parliamentary approvals. Also note that the term "projects of law" is used in Romania to describe laws requiring parliamentary approval.

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amendment is required to establish a unit within an administrative body, the affected ministry will often prefer to do this through an emergency ordinance.

47. Further problems arise when Parliament rejects an emergency ordinance, because the Government will generally have already begun implementation. This has occurred 11.5% of the time over the last two years.

48. The need for emergency ordinances could be significantly reduced if a well-managed planning and monitoring system, careful preparation of the Fiscal Strategy, and realistic fiscal impact assessment of draft laws were implemented effectively.

Figure 2.6: Number of Emergency Ordinances

Year	Number
2008	228
2009	111
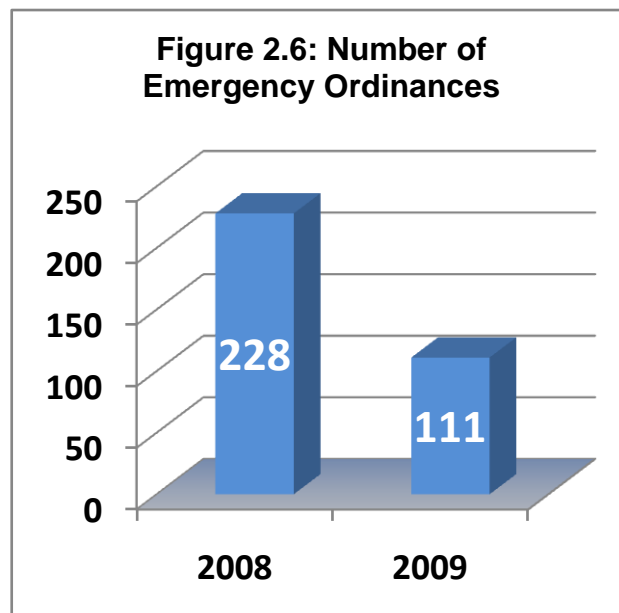
2.2.4 *Availability of Performance Information*

49. A cornerstone of accountability is the transparent monitoring and reporting of achieved versus planned results. At its most basic, monitoring and reporting relates to compliance with instructions and deadlines and is intended to instil a sense of discipline into the policy process; i.e., when the government sets a deadline, it should be met. It is important that the center does not over-control or micro-manage ministry operations, but many governments conduct basic compliance monitoring for meeting deadlines associated with the annual government work plan or tasks assigned by the government.

50. Although compliance monitoring does occur in Romania, it is practiced selectively and does not provide an early warning system for decision makers. The DPR prepares monthly reports on the implementation of legislation supporting the Government Program and the Prime Minister's Office monitors implementation of key Government Program commitments, but these reports cover only a small proportion of the legislation and other normative acts reviewed by the Government during the year. Tasks assigned by the Government are monitored, but deadlines are frequently missed; for example, only 9 of 18 tasks (50%) assigned by the Government to line ministries during February 2010 met their deadline.

51. Although a rigorous monitoring system was envisaged in the 2005 government decision on public policy and in the strategic planning methodology, systematic performance monitoring does not occur. The proposed strategic planning and monitoring and evaluation manuals remain unimplemented. Ministries prepare elaborate results reports as part of their budget requests, but without reference to any particular policies, plans or targets. Monitoring and evaluation occurs where it is mandated by the EC; for example, a lengthy annual progress report was prepared to gauge progress towards achieving the National Reform Program. However, the EU and national planning systems are not effectively integrated.

52.   How quickly these gaps can be addressed will depend on a number of related process improvements.

    i.   The anticipated results of policies, and ways to measure those results, must be considered during the policy development phase.

    ii.   A credible monitoring system must be implemented where performance indicators are carefully selected and regularly reported.

    iii.   Both these steps need to be reinforced through public finance reform where planned and actual expenditures are linked to tangible outputs.

    iv.   An overall accountability framework needs to be developed where evidence-based performance influences the evaluation of organizations and, where appropriate, individuals.[14]

53.   The related process improvements in these systems will require many years before reaching full implementation, and so sequencing and practicality will be vital in determining the optimum approach for Romania over the near and medium term.

2.2.5 Organization of the Public Policy Function and Center of Government

54.   The following organizational structures were reviewed: public policy function at the CoG; public policy function in line ministries; organization of GSG; and agencies reporting to the CoG.

Public Policy Function at the CoG

55.   The primary policy institution at the CoG is the Public Policy Directorate (PPD). Formed in 2003, PPD is mandated to coordinate strategic planning, policy formulation, and monitoring and evaluation across government. PPD is reasonably well staffed (36 positions) when compared with similar organizations elsewhere in the region. However, it is not structured like conventional policy directorates, which are normally organized by policy area (e.g., economic policy, social policy) with sector analysts (e.g., for agriculture, health). Currently, PPD's only two formal units are a Program Implementation Unit and a Policy Implementation Unit with most staff reporting straight to the Director.[15] At present, the majority of PPD's workload derives from special assignments and project support, with less than half of its time allocated directly to policy management.[16] Additional demands for

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[14] The use of organizational performance indicators and results to assess individual performance can be quite complex and contentious, especially if performance pay is involved.

[15] A Compartment for European-financed projects exists currently as a sub-unit, but the continuation of this structure is under consideration. This unit was moved to PPD when the Chancellery was dissolved.

[16] This problem is further complicated by the salary arrangements where top-ups are paid to PPD staff for their project work. This will create a significant disincentive for the establishment of full-time policy analyst positions.

project support are likely in the future, given the time frames of the EU-supported project pipeline. If PPD is to deliver its full mandate, this will not only require that the department be restructured, but that the government commit to implementing public policy reform. PPD will also have to assess which of its staff have the capacity to deliver effectively the foreseen roles and responsibilities for strategic planning, policy coordination and quality assurance, and monitoring and evaluation.

56.   The Directorate for Government Strategies (24 positions) also has a policy mandate and previously contracted outside firms/consultants to conduct research and surveys. However, this activity has been curtailed at present because of fiscal constraints.[17]

57.   Other GSG organizations (Legal Directorate, Directorate for Government Meeting Preparation, Litigations and Human Resources Directorate, Public Relations Directorate) also play important roles in supporting the decision-making system, but do not have explicit policy mandates. In practice, however, these organizations do deal with public policy issues. GSG also convenes and supervises the regular preparatory meeting attended by line ministries to ensure inter-ministerial coordination prior to the government meeting.

58.   Outside GSG, but within the apparatus of the government, the DPR (65 positions) coordinates a wide range of interactions between the GoR and parliament, assesses whether the emergency ordinances are fully justified, and prepares the legislative plan for implementing the Government Program. The DEA (112 positions) coordinates the process for reviewing and developing positions on European policy documents and legislation and is leading the Europe 2020 strategic planning process.

59.   The 2009 restructuring of the CoG dissolved the Chancellery (Prime Minister's Office). The Prime Minister's Working Apparatus now comprises 34 positions, including a head of cabinet and a number of individual policy advisors who focus on policy areas such as the economy and pubic administration.[18] The distinction between political and administrative policy roles and responsibilities has never been fully addressed.[19] In the absence of a robust policy process, the working relationship between PPD and the Prime Minister's advisors remains underdeveloped. For instance, there is no systematic coordination between the PPD and the political advisors with regard to reviewing strategies, substantiation notes, or other policy documents. If the policy and financial planning process is strengthened, these interactions will need to intensify, and the respective roles and responsibilities will need to be clearly defined.

Public Policy Function in Line Ministries

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[17] The Directorate is functionally reporting to an Advisor of the Prime Minister although it is formally within GSG.

[18] The Prime Minister's Working Apparatus is led by the Head of Cabinet and constitutes a Prime Minister's Office. The office became a much smaller organization with the dissolution of the Chancellery.

[19] A 2006 Phare twinning project report on the Division of Functions for Policy-Making observed then that these roles had not been clarified. This situation continues to exist although the Chancellery has been dissolved.

60. At the implementing level, PPUs were established in line ministries as a counterpart to PPD to coordinate strategic planning, policy development, and monitoring and evaluation. As these processes remain largely unimplemented, the PPUs have never realized a meaningful policy role. As a result, many of these units are now understaffed and/or undervalued by senior ministry management. Many focus on project work not directly related to their mandate.

61. Given the implications within ministries of public policy reform for the public finance, legal, and European affairs coordination functions, it is important to review these functions together. Although the level of coordination between these functions varies between ministries, and there are positive examples, it operates well below the levels foreseen in the various regulations on strategic planning, policy development, legal drafting, MTEF preparation, program budgeting, and European affairs coordination. Observations include:

- because decision-making remains focused on legal text rather than policy directions, the legal departments oversee the preparation of the substantiation notes;

- because the national and EU policy and planning processes operate largely in isolation, there is minimal coordination between PPUs and European Affairs Units; and

- although PPUs do work effectively with the Economics/Budget Unit in certain ministries, the continuing erosion of strategic planning and policy development processes discourages such interactions.

62. Intensifying the coordination problem is the diverse reporting relationships across ministries. Some units report to political positions, such as the Minister or a State Secretary, while others report directly or indirectly to the General Secretary, the highest ranking civil servant. In five ministries, the PPU and Economics/Budget Unit have split reporting; i.e., one reports to a political post while the other reports to a civil service post. In only two ministries do all four units (the PPU, Economics/Budget Unit, European Affairs Unit and Legal Unit) report directly or indirectly to the ministry's General Secretary. Table 2.2 below summarizes these reporting relationships.

63. The varied, mixed reporting relationships can cause problems. Effective coordination across these four units is more difficult when reporting relationships differ, but this can be particularly problematic when reporting is split between political and civil servant posts. In most countries, 'management' functions, which typically include policy coordination, financial management, legal drafting and human resources management, are considered civil service functions and most often report to the General Secretary; and it is through the General Secretary that the political level provides the strategic input.

Table 2.2: Reporting Relationship of Core Coordination Units Within Ministries

Ministry	Public Policy Unit	Economics/Budget Unit	European Affairs Unit	Legal Unit
Administration and Interior	State Secretary	General Secretary	Director	General Secretary
Agriculture and Rural Development	General Secretary	General Secretary	Minister	General Secretary

Communication and Informational Society	Minister	Minister	Director	Minister
Culture	Minister	Minister & Gen. Sec.	Minister	Minister
Economy, Commerce and Business Environment	General Director	Minister & Gen. Sec.	Minister & State Sec.	Minister & State Sec.
Education, Research, Youth and Sport	General Secretary	State Secretary	Minister	Minister
Environment and Forests	General Secretary	Dep. General Secretary*	General Secretary*	General Secretary*
Foreign Affairs	State Secretary	Dep. General Secretary	State Secretary	General Secretary
Health	General Secretary	General Secretary	General Secretary	General Secretary
Justice	Dep. State Secretary	Dep. State Secretary	State Secretary	State Secretary
Labor, Family and Social Protection	General Secretary	General Secretary	State Secretary	State Secretary
Public Finance	Minister	Minister	State Secretary	Minister
Regional Development and Tourism	Minister	Minister, State Sec. & Gen. Sec.	Minister, State Sec. & Gen. Sec.	General Secretary
Transport	State Secretary	Minister & State Sec.	Minister, State Sec. & Gen. Sec.	Minister

NOTE: "Public Policy Unit," "Economics/Budget Unit," "European Affairs Unit" and "Legal Unit" are generic terms, and may have different titles in different ministries.
*Formally reports to the Minister, but responsibility is delegated.

64.   Table 2.3 summarizes staffing numbers for each of these four units across all ministries. On average, ministries have 95 posts spread across these four units, although actual numbers vary considerably depending on the size and function of the ministry. Although this assessment cannot provide specific direction on what the appropriate number of staff should be, there may be scope to rationalize the structures as well as the numbers of staff by looking at these functions as a complementary set of activities.

Table 2.3: Staffing Levels of Core Coordination Units Within Ministries

Ministry	PPU		Economics/ Budget Unit		European Affairs Unit		Legal Unit		Total	
	Filled	Budget	Filled	Budget	Filled	Budget	Filled	Budget	Filled	Budget
Administration & Interior	13	13	63	81	73	78	91	97	240	269
Agriculture & Rural Development	2	3	117*	126*	*	*	*	*	119	129
Communication & Informational Society	2	2	6	15	2	8	4	12	14	37
Culture	1	1	15	16	4	4	6	7	26	28
Economy, Commerce & Business Environment	3	3	28***	31***	87	94	24	27	142	155
Education, Research, Youth & Sport	7	10	19	19	16	16	28	28	70	73
Environment & Forests	2	3	12	29	14	17	15	29	43	78
Foreign Affairs	6	6	46	47	14	16	4	8	70	77
Health	2	8	30	31	5	5	11	16	48	60
Justice	7	8	24	24	18	19	23	23	72	74
Labor, Family & Social Protection	13	13	34	39	12	16	13	16	72	84
Public Finance	4	8	30	33	22	25	37	45	93	111
Regional Development & Tourism	2	5	42	43	9	9	26	27	79	84
Transport	**	**	42	42	27	27	31	31	100	100
Average across Ministries	5	6	30	35	23	26	24	28	82	95

NOTE: "Public Policy Unit," "Economics/Budget Unit," "European Affairs Unit" and "Legal Unit" are generic terms, and may have different titles in different ministries.
*Staff numbers not broken down by Economics/Budget Unit, European Affairs Unit, and Legal Unit.
**Not a formal policy unit, function is performed by a working group.
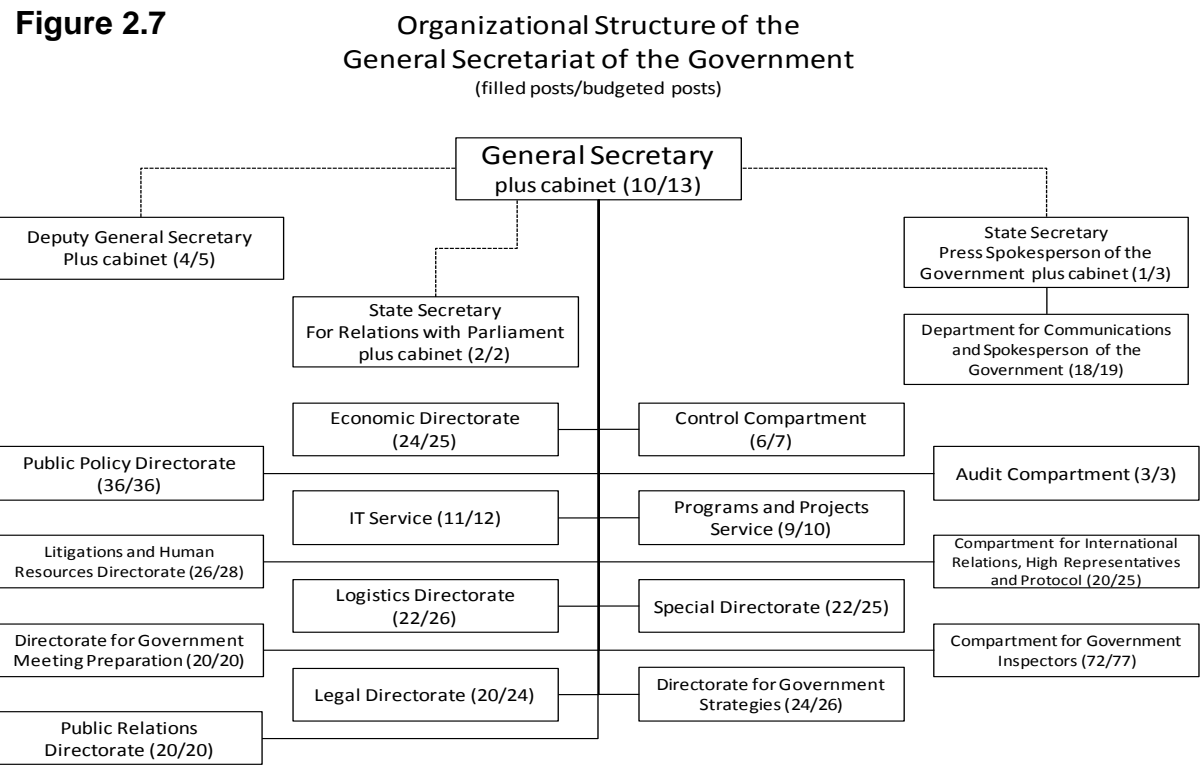*****Function is covered by two different units.**

* * *

65.   In sum, the institutions that would support a policy process, for the most part, do exist in Romania. This is highly positive as attention can therefore turn to increasing their relevance and capacity rather than building them from the ground up. At present, however, the failure to implement and sustain any of the core public policy processes minimizes any positive impact that such organizations might provide on the quality of public policy. Romania's policy institutions exist and attempt to promote policy practices, but do so in a vacuum.

66.   If changes to Romania's policy and planning systems are approved, training on the related procedures will be required. This training would include tailored programs for line ministries, on developing policy, and also central institutions, on assessing ministry proposals. These processes will also need to be reflected in training provided to the Ministry of Public Finance (MoPF) and line ministry officials working on the budget process. Above all, senior management must be trained on the purpose of these processes and their own roles and responsibilities in overseeing the process.

67.   Given that the current organizational design for delivering policy is not working, the issue arises: is a radical restructuring required or is it more appropriate to reinvigorate the existing structure by implementing a robust policy process that is valued and utilized by the political level? Although this report will be recommending the latter, it is important to consider the full range of options.

Organization of GSG

GSG comprises a wide variety of departments and functions (Figure 2.7).

Figure 2.7   Organizational Structure of the
General Secretariat of the Government
(filled posts/budgeted posts)

68.   This review of the CoG focuses on the processes and institutions that coordinate policy across government.   As such, it does not include a detailed analysis of every organization at the center. However, it will consider how GSG's organization may affect its future policy decision-making role and how the overall structure of the CoG can place unnecessary demands on the Prime Minister or senior political officials.

69.   Within GSG, a more consolidated senior management structure might be considered. First, the number of direct reports (18) to the General Secretary of Government is extremely high; 5-6 would be more manageable. Second, ways to strengthen the profile of the policy function within GSG should also be considered. Although the Director PPD has excellent access to the General Secretary of Government, implementation of a policy process across government would be more willingly received by line ministries if led by a senior political appointee. Third, consideration should be given to moving out of GSG those departments that do not have policy-related mandates (e.g., the Department for Government Inspectors; Programs and Projects Service).

Agencies Reporting to CoG

70.   Within the CoG more broadly, 25 agencies report directly to the Prime Minister or his Advisors or to the GSG. Although this does not directly affect the delivery of the central policy functions, an excessive number can consume the Prime Minister's time (or that of the official to whom he delegates the responsibility) and duplicate or undercut ministerial authority. From time to time, there may be a political or legal rationale for locating an agency at the center (for example, an EC requirement or to demonstrate that it constitutes a high government priority), but this should be the exception rather than the rule. The current list of agencies reporting to the CoG is set out in Table 2.4.

Table 2.4: Agencies Reporting to CoG

Agency	# Staff Positions	
	Filled	Budgeted
Working Apparatus of the Prime Minister	34	100
Working Apparatus of the Deputy Prime Minister	19	23
Fight against Fraud Department	54	55
Prime Minister's Control Corpus	64	64
Department for Interethnic Relations	29	30
Department for European Affairs	118	154
Department for Parliamentary Relations	54	65
Department for Romanians Abroad	27	36
State Secretariat for Cults	30	32
National Office for Contestations	86	87
National Authority for Public Procurement	93	98
Office of National Register for Classified Information	101	131
Authority for Recovery of State Assets	272	272
Institute for Studying Minority Problems	29	37
Institute for Investigating Communist Crimes/ Remembering Exile	38	42
National Agency for Mineral Resources	100	104

National Agency for Roma	28	30
National Anti-Doping Agency	54	69
National Authority for Sanitary, Veterinary and Food Security	n.a.	2998
National Commission for Control of Nuclear Activities	104	104
National Commission for Hospital Accreditation	31	60
National Institute of Statistics	1,549	1,854
National Office for the Prevention & Control of Money Laundering	n.a.	n.a.
National Regulating Authority for Energy	243	275
Romanian Office for Adoption	32	35

n.a.=data not available

71.   In fact, the CoG was reorganized in 2009 with the dissolution of the Chancellery (i.e., Prime Minister's Office) and a reduction in the number of agencies reporting to the Government or GSG. Nevertheless, even after the last restructuring, an unnecessarily high number of agencies continue to report to the CoG.

72.   Although an in-depth review of each agency is beyond the mandate of the CoG review, it is important to provide a preliminary assessment of whether these agencies should continue to be attached to the CoG. For those agencies that have no compelling reason to remain at the center, a more detailed assessment will be needed to determine the appropriate disposition. In reviewing the 25 agencies, 5 criteria were considered in assessing whether each agency should continue to be located at the CoG:

1. The activity of the agency fits within the typical **core functions of the center of government**.[20] These include:

   - administrative and policy support for the Prime Minister and Deputy Prime Minister (may also include ceremonial, protocol functions);
   - strategic planning & annual work planning;
   - policy document review: quality assurance; inter-ministry mediation;
   - monitoring government performance;
   - management of horizontal policies/priorities;
   - preparation of government meetings;
   - legal conformity of draft laws;
   - communication with media and public (including contentious issues management);
   - coordinating with other branches of the state (include the Presidency, Parliament, the parties making up the governing coalition, the institutions of civil society);
   - ancillary services (e.g.; personnel, financial, organizational, archives);
   - coordination of activities related to European Affairs (in some countries, this is located in a ministry); and
   - coordination of activities related to management of the civil service (in some countries, this is located in a ministry).

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[20] Different terms are used in different countries for the organizations at the center of government. The most common terms for the office(s) responsible for policy management include: Prime Minister's Office, Chancellery, General Secretariat, Government Office, Policy Coordination Office, Council of Ministers' Office; and Cabinet Office.

2. The agency's mandate is of such **high political sensitivity** that it needs the time-limited, direct engagement and leadership of the Prime Minister. If an agency exists for this reason, it is important to review the mandate of the agency periodically to assess whether the issue it addresses is still urgent and, if not, whether the agency should be relocated to an appropriate ministry or disbanded altogether.

3. The agency's mandate is **a high priority, cross-cutting reform** for the government and requires the direct engagement and time-limited leadership of the Prime Minister to ensure effective implementation. A common example of such an agency would be one dedicated to public administration reform. Similar to criterion 2, the location of the agency at the center should be time limited. Following implementation of the reform, the agency's responsibilities would be delegated to the appropriate ministry.

4. The activity of an agency is of **general importance to all ministries** and requires the authority of the Prime Minister to ensure compliance by ministries. Examples from other countries include dealing with refugees, national minorities, religious communities, disabled people, women's issues, etc.

5. The agency's mandate requires **independence** from the line ministry that would normally have responsibility for the related policy area. A number of regulatory functions fall within this category, in some cases, reinforced by an EU directive.

73.   Even for agencies that nominally meet criteria 2, 3, and 4, it is important to assess whether the agency or its core functions could now be assumed by an existing line ministry. Regardless of how compelling the reason may be for locating an activity in the center, the Prime Minister can only engage directly and effectively in a limited number of priorities. Therefore, in deciding that an activity should be located at the center, careful consideration of alternative solutions should be taken into account.

74.   Finally, for those agencies that need to stay at the CoG, consideration should be given to assigning reporting responsibility to the Deputy Prime Minister or possibly to a Minister of State.

75.   Table 2.5 summarizes the results from applying these five criteria to the 25 agencies that are currently located at the CoG. Four organizations clearly deliver core CoG functions (criterion 1). Two agencies continue to represent high profile, politically sensitive issues (criterion 2). No agencies deliver major reforms (criterion 3) and only one represents a cross-cutting issue requiring the Prime Minister's authority (criterion 4). Six agencies require independence from line ministries (criterion 5).

76.   The remaining 12 agencies do not meet the criteria sufficiently to justify keeping them at the CoG and should be considered candidates for a more in-depth review. Alternative options will include reassigning the function to the appropriate line ministry, restructuring the agency or disbanding the agency.

77.   For the agencies remaining at the center, the review should consider changes in reporting relationship within government (for example, away from GSG to the Deputy Prime Minister or a Minister of State), changes in budget level (while being sensitive to the MoPF's desire to limit the number of primary budget users), potential amalgamation, or shifting the reporting relationship from the GoR to Parliament.

78.   It is acknowledged that this cursory review, based on a single workshop, may have overlooked certain legal or political factors. It is accordingly offered as a point of departure for a more rigorous review to streamline the CoG rather than a definitive recommendation. Nonetheless, the CoG review team felt it important to provide an indicative starting point for this critical issue.

Table 2.5: Assessment of CoG Agencies for Potential Divestment

Criteria	Agency
1. Core function of the CoG	Working Apparatus of the Prime Minister Working Apparatus of the Deputy Prime Minister Department for European Affairs Department for Parliamentary Relations
2. High profile and politically sensitive issue requiring direct engagement by the PM	Department for Interethnic Relations National Agency for Roma
3. High priority reform requiring direct engagement by the PM	
4. Cross-cutting issue requiring PM's authority for compliance	Office of the National Register for Classified Information
5. Requires independence from line Ministry	National Council for Contestations National Commission for Hospital Accreditation National Institute for Statistics National Regulating Authority for Energy Field National Authority for Sanitary, Veterinary and Food Security National Office for the Prevention & Control of Money Laundering
Agencies for which no criteria apply	**Fight against Fraud Department** Prime Minister's Control Corpus Department for Romanians Abroad State Secretariat for Cults National Authority for Regulating and Monitoring Public Procurement Authority for Recovery of State Assets Institute for Studying Minority Issues Institute for Investigation of Communist Crimes and Memory of Romanian Exile National Agency for Mineral Resources National Anti-Doping Agency National Commission for Control of Nuclear Activities Romanian Office for Adoption

3. RECOMMENDATIONS

79.   The report's recommendations are organized under five strategic directions for public policy reform. To avoid overload, implementation must be sequenced over two to three years (see Table 3.1).   In 2011, priority will be placed on implementing those process improvements that support the Government's efforts to implement the FRL and better plan its policy and financial priorities.   In parallel, processes will be designed and tested to accompany the introduction of deeper policy and planning reforms during 2012-13.

Table 3.1: Sequencing Core Public Policy Reforms

Strategic Direction	2011	2012-13
integrate policy & financial planning	- adopt an integrated policy and financial planning calendar - integrate a streamlined strategic planning process with the Fiscal Strategy and annual budget process - establish a political decision-making body to oversee the new process	- refine and improve the system - improve the quality of multi-year fiscal impact assessments of normative acts
improve policy formulation	design improved policy formulation process	- implement a streamlined approach for developing and reviewing public policy proposals and substantiation notes - GSG to perform a challenge function to assure the quality of ministry proposals - harmonize national and EU policy systems - develop and implement proposals to reduce the volume of administrative items - reintroduce a streamlined inter-ministerial committee system
reduce reliance on ad hoc decision making	- prepare a 2011 AGWP, - revise Rules of Procedure and empower GSG to enforce the new rules - enhance the role of the preparatory meeting	- expand the AGWP - significantly reduce reliance on supplementary agenda and the volume of emergency ordinances
expand performance information	initiate quarterly monitoring of the 2011 AGWP	- prepare and publish ministry annual reports on achieved vs. planned results - introduce basic performance measures (linked to the budget process)
streamline organizational structures	- approve restructuring proposals for: - PPD	- implement restructuring proposals - deliver training on the new

	o GSG o Moving the majority of agencies out of the center of government	system • approve and implement restructuring of PPUs

3.1 Integrate Policy and Financial Planning

1. Adopt an Integrated Policy and Financial Planning Calendar[21] for 2011 that appropriately sequences the main steps and decision points in the Fiscal Strategy, strategic planning and budget processes. A proposed calendar is set out in Annex B. The calendar would also incorporate relevant actions and deadlines related to European affairs and the 2011 Commission Work Plan.

2. Reinvigorate the Government's strategic planning process and align it with the Fiscal Strategy and annual budget process:

    a. implement a priority-setting process at the beginning of the planning cycle, as an initial step in the development of the Fiscal Strategy;[22]

    b. consolidate the budget planning and strategic planning instructions and formats, issued respectively by the MoPF and GSG, into a unified methodology;

    c. design a streamlined strategic planning process for ministries, where 3-year plans would be updated annually, taking into account the Government's strategic priorities and Fiscal Strategy; the plans would be timed to feed into the development of the MTEF, which forms part of the Fiscal Strategy;

    d. ensure that the strategic plans reflect both GoR and European commitments; and

    e. produce and publicly release an annual report for each ministry that indicates achieved versus planned results for each ministry's strategic plan.[23]

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[21] The Calendar would be supported by clearly defined roles and responsibilities of decision-making institutions, coordinating institutions and implementing institutions.

[22] The priorities would draw on strategic documents such as Europe 2020, the Government Program, international commitments, and the previous year's Fiscal Strategy. For the 2011 process (for 2012–14), a simplified approach would be adopted. One of the priorities would be to increase the absorption rate of structural funds.

[23] Initially, reporting would focus on delivery of key commitments (was promised legislation approved?) and achievement of implementation plans for policy and financial commitments (is implementation on track? were the anticipated savings achieved?). Over time, the performance dimension (output and outcome measures) would expand alongside the development of output-based budgeting.

3. Establish an appropriate decision-making body to oversee both the policy and financial planning processes. This body would emphasize the leadership roles of both the Prime Minister and Minister of Public Finance and would be structured to encourage their substantive engagement on key policy and financial issues. Options to be considered include:

   a. Strategic Planning Committee chaired by the Prime Minister *(recommended)*;

   b. revamped Coordinating Committee;

   c. Budget Committee; and/or

   d. special government meeting *(recommended in combination with 3a)*.

4. Mandate this decision-making body (from recommendation 3) to oversee the following functions:

   a. identification of policy and fiscal priorities;

   b. preparation of ministry strategic plans and sector expenditure strategies, based on indicative ceilings;

   c. preparation of a macro/fiscal framework and establishment of refined budget ceilings;

   d. identification of policy trade-offs as required to meet the ceilings;

   e. approval of the Fiscal Strategy and related documents (e.g., MTEF);

   f. measures to maximize absorption of EU structural funding; and

   g. approval of the AGWP *(see recommendation 17 below)*.

5. Redesign and implement, for both the public policy document and the substantiation note, an improved multi-year fiscal impact assessment tool to cover all normative acts with significant (explicit criteria will be set) multi-year fiscal impacts.

6. Initiate discussions with Parliamentary authorities on mechanisms that would constrain the passage of laws generated by members of Parliament that impose significant financial costs on the Government.[24]

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[24] There are a variety of mechanisms used in other countries. These include a requirement to identify offsetting reductions; prohibition on private members' laws with significant financial impacts; and the preparation of a fiscal impact assessment prior to submitting the law – note the joint approach of the European Parliament, Commission and Council in developing impact assessments as part of their *Inter-Institutional Common Approach to Impact Assessment (*2005).

3.2 Improve Policy Formulation

7. Overhaul the procedures and timelines for preparing, consulting on, reviewing and approving policy and legal documents with a view to streamlining the process, avoiding unnecessary delays, and focusing political attention on priority matters (see Annex A).

8. Revitalize the approach to preparing, reviewing and approving public policy documents; phase in the approach during 2011 (by testing the new format on a few priority issues) for full implementation by 2013:

    a. introduce a stronger top-down approach, where the need for individual public policy documents is identified through the AGWP process (it is anticipated that only a limited number of documents focusing on the most important issues would be prepared each year);

    b. revise the rules for determining which policy issues require a public policy document;

    c. require mandatory consultation with internal and external stakeholders in advance of submitting the document for endorsement at the preparatory meeting; discuss with the Economic and Social Council how they might participate in this advance consultation process;

    d. redesign the format to include an Executive Summary (maximum 3 pages) and an Analytic Document (no maximum, but should generally not exceed 30 pages);

    e. incorporate key regulatory and fiscal impact assessment requirements within the public policy document format;

    f. include a section which summarizes the key messages for public communication of the proposal;

    g. include a section in each public policy document which clearly states the policy directions being submitted for approval; and

    h. revise standards and guidance to cover the preparation and review of medium to longer-term strategic documents by 2013.

9. Revise standards and guidance to cover the preparation and review of medium- to longer-term strategic documents by 2013.

10. Propose measures to improve the quality of substantiation notes (these would be the most frequently prepared and reviewed policy document); phase in the approach during 2011 (by testing the new format on a few priority issues) for full implementation by 2013:

    a.   instruct ministries that the development of policy options and recommended directions for the substantiation note should be agreed before legal drafting of the supporting normative acts commences;

    b.   develop a streamlined format for the basic substantiation note for issues with marginal policy or fiscal impacts;

    c.   establish clear criteria for determining when a basic or an expanded substantiation note (i.e., with a policy and/or fiscal impact assessment) would accompany a draft normative act;

    d.   include a section in each expanded substantiation note which clearly states the policy directions being submitted for approval; and

    e.   exempt purely technical or administrative items from the requirement.

11. Strengthen GSG's quality assurance role by:

    a.   requiring written comments from GSG officials on all public policy documents and expanded substantiation notes; and

    b.   empowering GSG to return to ministries documents that do not meet approved quality standards.

12. Adopt measures to enhance the political review and approval of public policy documents and expanded substantiation notes:

    a.   government decisions would explicitly approve, amend or reject the recommended policy directions contained in these documents; and

    b.   normative acts would not be approved unless they reflected all policy directions contained in the government decision.

13. GSG and DEA to develop proposals on harmonizing the policy development and review methodologies, wherever feasible, for EU and national policies; in most instances, the policy process that applies to national policy issues *(as proposed in recommendation 8)* should be applied to the preparation of proposed government positions on EU policies.

14. Increase the time available for policy deliberations by significantly reducing the volume of administrative items reviewed at the government meeting (e.g., by delegation, legislative change, automatic approval without discussion). GSG will work with line ministries, and the Ministry of Administration and Interior in particular, to identify such measures. The practice of drafting articles in individual legal acts that specify the need for a government decision should be discontinued.

15. Develop proposals to reintroduce a streamlined inter-ministerial committee system (only 3-4 policy committees would be established) to coincide with the full implementation of public policy documents by 2013.

16. Prepare legal amendments and detailed operating procedures/guidance on preparing public policy documents and substantiation notes (early versions already exist) to implement the above proposals.

3.3 Reduce Reliance on Ad Hoc Decision Making

17. GSG to coordinate preparation of an AGWP.[25]   The new process will require ministries to identify in advance all significant policy, financial and legal documents to be submitted for Government approval over the coming year:

    a. the AGWP will include two components: proposed deadlines for submitting priority policy and legal proposals for government approval (building on the legislative program currently prepared by the DPR); and key milestones for implementing major policy and financial commitments;

    b. the AGWP will be developed by a working group headed by GSG and including MoPF, DPR, DEA, Ministry of Justice (MoJ) and an Advisor to the Prime Minister;

    c. the AGWP will be expanded in scope over the medium term; and

    d. the AGWP will follow the dates set out in the indicative calendar (see Table 3.2); these dates may need to be modified for 2011.

Table 3.2: Indicative Dates for AGWP Calendar

Action	Date
appoint working group headed by GSG with MoPF, DEA, DPR, MoJ	October 1
GSG issues instructions on AGWP preparation to line ministries	October 15
ministries submit proposals to GSG	November 10
working group compiles draft AGWP	November 30
Government approves AGWP	December 15

18. Institute measures to reduce the government meeting workload, increase the time available for policy deliberations, and ensure that all items presented at the government meeting have been fully reviewed by central institutions in advance (see Annex A):

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[25] This would replace the current process, whereby the DPR prepares and monitors a plan related to laws supporting the Government Program. In assuming responsibility for the more comprehensive process, GSG would need to ensure that laws related to the Government Program would continue to be identified and monitored. Protocols for sharing this information with the DPR would also be developed.

a. utilize the AGWP as the source for determining when policy and legal proposals will be received at the preparatory and government meetings;

b. require ministries to identify well in advance any items requiring government approval that are subject to statutory deadlines;

c. over time, place much more stringent controls on the use of emergency ordinances, with a medium-term goal to eliminate the practice altogether except for true national emergencies;

d. over time, eliminate the use of the supplementary agenda except in true cases of emergency;

e. move forward the preparatory meeting by 2 working days to permit additional time for quality assurance and dispute resolution; allow 12 working days for endorsement of items with substantive policy, legal and/or fiscal impacts;

f. enforce provisions requiring that a full endorsement process, including a final review at the preparatory meeting, occurs prior to the scheduling of any item on the government meeting agenda;

g. empower GSG to defer to a subsequent preparatory meeting any items that do not meet the advance submission time frames for the endorsement process;

h. develop rules governing exceptions to these time frames to meet urgent deadlines, but empower GSG to determine whether such items truly merit an expedited process;

i. discuss with the Legislative Council, Economic and Social Council, and other Councils as necessary, measures to align their reviews with the proposed government endorsement and approval process; and

j. establish a separate section on the government meeting agenda for priority items and place this at or near the top of the agenda.

19. Streamline and enhance the transparency process by conducting it in two phases:

a. phase one would be coordinated by the ministry; the draft normative act would be placed on the ministry's website at least 15 days before the announcement of the related item at the preparatory meeting; and

b. phase two would be coordinated by GSG and be initiated following the announcement of the item at the preparatory meeting; the most recent version of the draft normative act, along with the related substantiation note, would be placed on the GSG website for 15 days and proceed in parallel with the internal endorsement process.

3.4 Expand Performance Information

20. Introduce a monitoring and reporting system for the AGWP:

    a. ministries to report on compliance with AGWP deadlines for submitting priority policies and laws in 2011 (building on the process of monitoring the legislative program currently managed by the DPR), and other key decision-making documents in future years, on a quarterly basis;

    b. GSG to prepare quarterly reports on ministry compliance with the AGWP for review by decision makers; and

    c. GSG to produce and publicly release an annual report that indicates achieved versus planned results for the AGWP.[26]

21. Use the preparatory meeting as the primary forum for coordinating the monitoring process and recommending measures to the Prime Minister and government meeting to improve compliance and pre-empt problems.

22. Produce and publicly release annual reports that indicate achieved versus planned results for each ministry's strategic plan (*see recommendation 2e above*).

23. GSG to work with MoPF to develop a performance monitoring approach for the Government's strategic priorities. This would be implemented in 2012 based on 2011 performance and may form part of an expanded AGWP.

24. Establish a set of milestones and performance indicators and targets to track progress in implementing these reforms. Targets should be developed by the Integrated Planning Working Group (*see recommendation 38*). These measures should be combined with those related to implementing public finance reform. Sample indicators could include:

    a. the number of ministries producing strategic plans that meet the approved standards regarding submission dates and contents for the 2012-14 planning process;

    b. the degree of alignment between strategic plans and budget documentation (more detailed indicators to be developed);

    c. the proportion of projects of law and public policy documents in the AGWP that support government priorities;

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[26] Initially, the reporting should be confined to priority laws and priority measures related to implementing the fiscal strategy. As the quality and reliability of data improve and the budget reporting system is elaborated, reporting can be expanded.

d. the proportion of priority projects of law and public policy documents from the AGWP that met their deadlines for submission to Government;

e. the proportion of projects of law approved during the year that were identified in the AGWP;

f. the percentage of public policy documents commented on by PPD; the percentage returned to ministries by PPD for not meeting content or quality standards;

g. the percentage of substantiation notes commented on by PPD; the percentage returned to ministries by PPD for not meeting content or quality standards;

h. the number and value of approved projects of law where the fiscal impact was not properly established prior to the Government decision;

i. alignment between approved public policy document and related, subsequent legislation (more detailed indicators to be developed);

j. a reduction of x% by December 2011 and y% by December 2013 in the number of emergency ordinances approved by the Government;

k. a reduction of x% by December 2011 and y% by December 2013 in the number of items placed on the supplementary agenda of the government meeting;

l. the percentage of major policy and legal decisions taken by the Government that were announced at the preparatory meeting;

m. a reduction of x% by December 2011 and y% by December 2013 in the volume of administrative items requiring government approval;

n. the proportion of tasks assigned by the Prime Minister or Government that met their deadlines;

o. the number of meetings of the Strategic Planning Committee;

p. a reduction in the number of organizations reporting to the Government or GSG; and

q. a reduction in the number of direct reports to the General Secretary of the Government.

3.5 Streamline Organizational Structures

Central Policy Function (PPD)

25. Retain the policy management function at the CoG. This will be accomplished by significantly strengthening the policy management function within GSG,

supplemented by formal linkages with the Prime Minister's Advisors (recommended).[27]

26. Restructure PPD to reflect its policy and planning mandate. A potential structure could include six core divisions: four policy sectors (economic; infrastructure; social; justice & security), one central planning and monitoring unit (strategic planning) and one project management unit, which would coordinate and service the various time-limited projects (see Figure 3.1).[28]

27. Appoint a full-time Prime Minister's Advisor to oversee the public policy reform process.

28. Develop protocols to regulate the working relationship between the Prime Minister's Advisors and GSG, in particular with PPD in the context of the strategic planning and policy formulation process, and define their respective roles and responsibilities.

Figure 3.1 – Potential Structure for PPD

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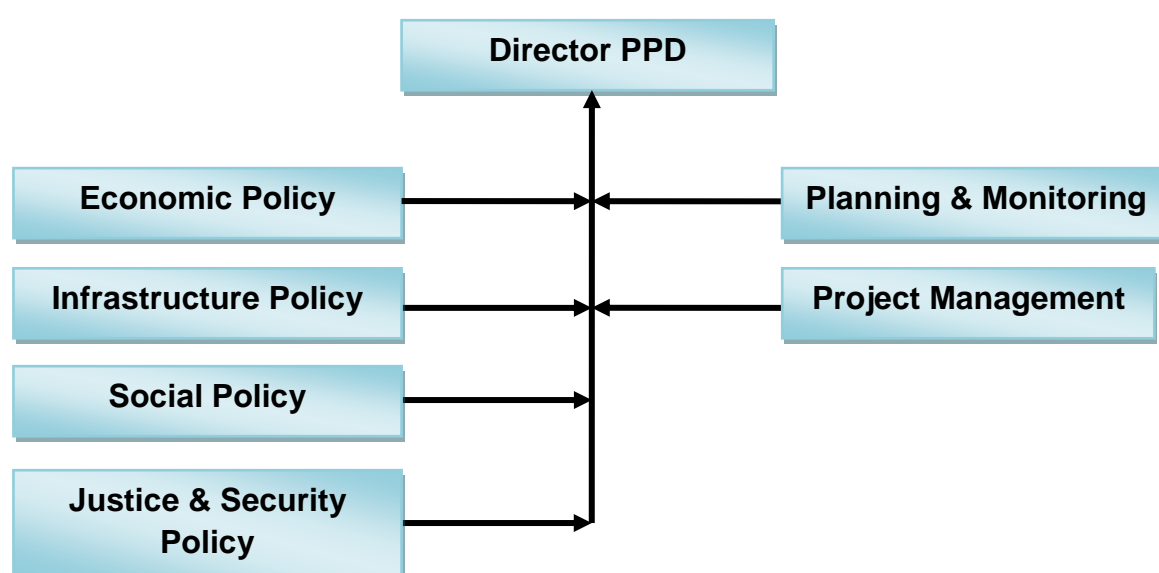
[27] An option used in some countries, to manage all policy through political appointees in the Prime Minister's Office/Chancellery, was felt inappropriate for Romania as this option has been attempted previously and rejected. Moreover, this option would run counter to proposals under the project's human resources component to de-politicize the civil service. If the GoR does not proceed with public policy reform, this will represent a de facto decision to shift the policy management function to the Ministry of Public Finance as part of its responsibilities to the Fiscal Strategy. This option would be appropriate if the Government decided to confine the policy process to supporting the Fiscal Strategy/MTEF process, rather than as a more expansive process that took into account the policy implications, through the preparation of public policy documents and substantiation notes, of normative legal acts.

[28] Such a restructuring would depend on a resolution to the issue of salary top-ups being provided to PPD staff for project work. If not addressed, this would present a significant barrier to recruiting and retaining full-time policy analysts.

General Secretariat of Government

29. Initiate an organizational review to determine how best to reduce the General Secretary of Government's span of control to a more manageable number (from 18 to 5-6 direct reports). The review should be completed by February 28, 2011.

30. As part of the review, determine the degree to which the current directorates and departments within GSG support its core policy and legal coordination mandate and, if they do not, whether they should be moved elsewhere.

31. Identify an appropriate organizational option for raising the profile of the policy management function and ensuring that GSG is positioned to lead the reform process across government. Options include:

    a. appoint a State Secretary reporting to the General Secretary of the Government to lead the reform; PPD would report to the State Secretary;

    b. the General Secretary of the Government could assume this role; in this case, GSG would need to be significantly streamlined so that additional duties do not detract from the reform leadership responsibilities; or

    c. locate the reform outside GSG, reporting to a Prime Minister's Advisor, with a view to transferring implementation responsibilities back to GSG following completion and approval of the reform design; selected members of PPD would work as part of the project team.

32. Develop or revise protocols to regulate and strengthen the working relationship between GSG and other agencies within the working apparatus of the government; in particular the DEA and DPR.

Agencies Reporting to the CoG

33. Conduct a functional review, for completion by February 28, 2011, of the agencies that report to the center with a view to eliminating or transferring to line ministry supervision all non-core functions. The preliminary list of agencies that could be moved out of the GSG is set out in Table 2.5 and the related selection criteria should be used as the starting point.

Ministry Policy and Coordination Functions

34. Realign, over a 2-3 year period, the reporting relationships of the core coordination units within ministries, i.e., Public Policy, Economics/Budget, Legal, and European Affairs Units, so that all report directly or indirectly to the General Secretary, rather

than to a State Secretary or the Minister (two possible models are presented in Figure 3.2).[29]

35. Determine the best option for restructuring each ministry's core policy, financial, legal and European affairs coordination functions following approval by the Government of the specific package of public policy and finance reforms. (The following proposals are therefore indicative pending this decision).

36. For implementation of an integrated policy and financial planning process *(see recommendations 1-6)* and a harmonized government-EU policy process *(see recommendation 13),* taking into account the particular situation and context in individual ministries, consider the following two options:

    a. **Option A.** Merge the PPU and Economics/Budget Unit into one organization, with a Strategic Planning and Fiscal Strategy Department mandated to prepare the core policy and financial planning documents (i.e., strategic plan, inputs to the AGWP, MTEF/budget submissions), coordinate related inputs from all other parts of the ministry, including the European Affairs and Legal Units, and liaise with MoPF and GSG as required; or

    b. **Option B.** Merge the PPU and European Affairs Unit (but not the distinct units dealing with structural funds) into one organization, with a consolidated Policy and EU Affairs Department mandated to ensure the coordination of the national and EU policy and planning processes.

    c. In advance of restructuring or if option B is chosen, establish a ministry working group chaired jointly by the heads of the PPU (or consolidated Policy and EU Affairs Department) and the Economics/Budget Unit. The working group would be mandated to prepare the ministry's core policy and financial planning documents, and coordinate related inputs from all other parts of the ministry, including the European Affairs and Legal Units.

37. As a strengthened policy process is phased in (*see recommendations 7-16*), consolidate the responsibility for policy coordination and quality control of ministry public policy documents and substantiation notes in PPUs, which will be mandated to review and assure the quality of all ministry policy documents and substantiation notes prior to review and approval by the Minister.

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[29] These four coordinating functions are those with direct policy roles. There are additional ministry coordinating functions, such as human resources and IT, which will need to be considered as part of the organizational design. This recommendation assumes that the General Secretary position will be strengthened as per recommendations in the human resources management review.

Figure 3.2: Two Organizational Options for Ministry Coordinating Functions
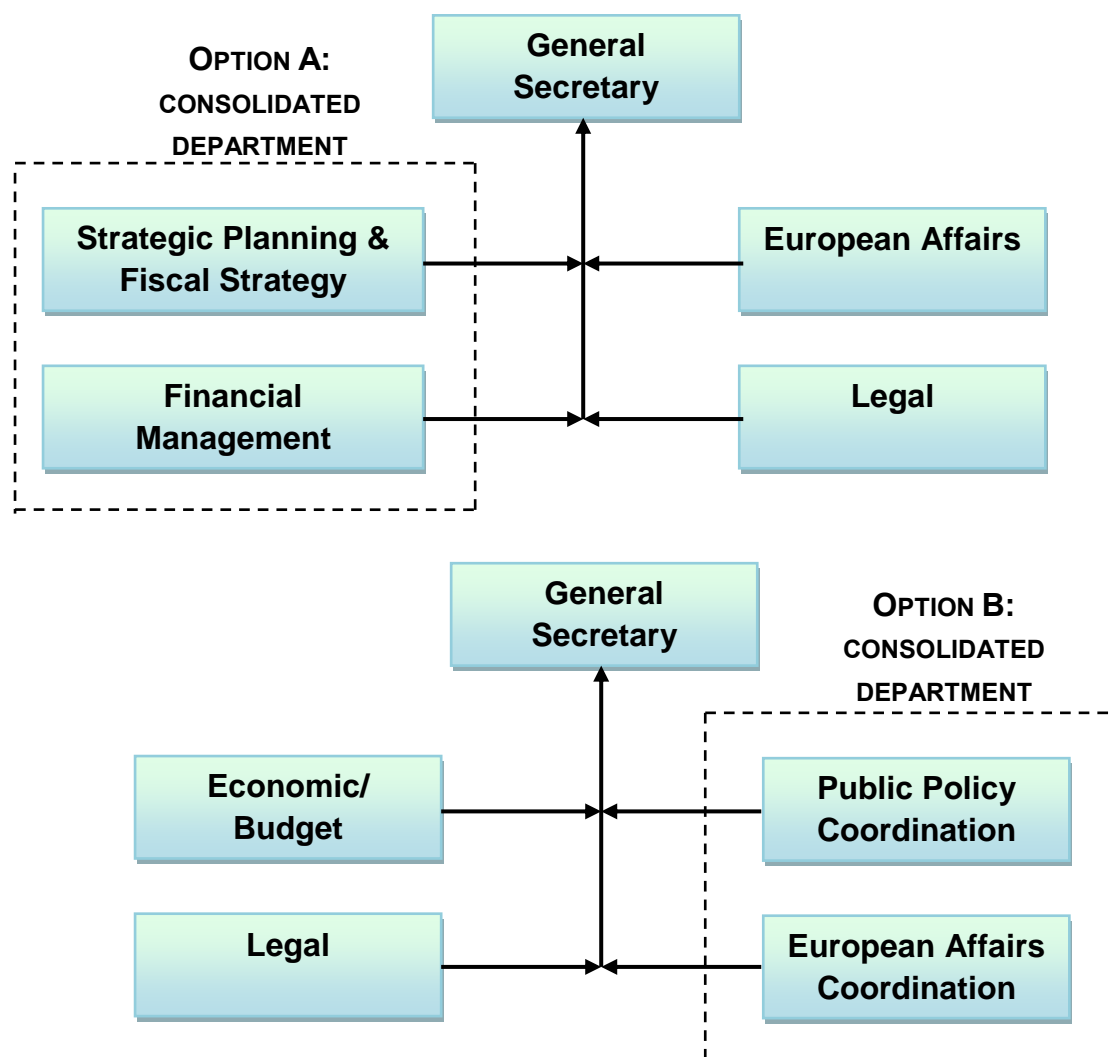
80.	Given the range in mandate and size of the ministries, it is noted that a single model will not be appropriate and that some flexibility will need to be observed. Under all models, recommendation 42 will apply, which stipulates that core policy and financial planning documents be approved by a senior management group chaired by the Minister.

3.6 Design and Implementation of the Reforms

81.	In order to implement these recommendations, more detailed design work is necessary, as well as amendments to the *Rules of Procedure* and other legal documents. A particular challenge will be implementing the reforms that support better integration of policy and financial planning. The following recommendations are aimed at these implementation issues:

38. The GoR to establish no later than October 31, 2010, an Integrated Planning Working Group to design an integrated planning and budgeting system for implementation in 2011 for the 2012-14 Fiscal Strategy and annual budget. The group would be chaired by an Advisor to the Prime Minister and comprise senior officials and key technical

staff from GSG, MoPF, DEA, DPR and select line ministries. The Director PPD and an equivalent official from MoPF would serve as joint Secretaries to the working group and would coordinate the production of technical papers. The GSG Legal Department would support the development of any required laws or regulations.

Note that additional steps in the financial planning process have been recommended by the IMF. In addition, related recommendations are contained in the public finance functional review. These recommendations should be considered together by the Working Group.

39. Secure technical assistance to support the working group and public policy reform implementation.

40. Convene a special meeting of the Government no later than December 15, 2010 to review and approve the initial recommendations of the Working Group on the 2011 policy and financial planning process (for 2012-14).[30] At this point, the working group's mandate should be reviewed with respect to overseeing implementation and the further development of the GoR's public policy and public finance reforms.

41. GSG to prepare revisions to the Rules of Procedure by March 31, 2011 to reflect proposals on strategic planning and annual work planning, and by December 31, 2011 on full implementation of public policy documents, an enhanced role for substantiation notes and an expanded fiscal impact assessment.

42. Establish a ministry senior management group, chaired by the Minister, to oversee the policy and financial planning process in line ministries, including the development of strategic plans, MTEF and budget documents, ministry operational plans, the public policy documents and related laws required to implement the plans, and progress reports on ministry policy and financial performance.

43. Design and deliver training programs on the policy and planning system for senior line ministry management, emphasizing their roles and responsibilities.

44. GSG, MoPF and DEA to conduct workshops on the new system for line ministry PPUs, economic (budget) departments, European Affairs coordination units, and appropriate legal department officials.

82. Finally, the sustainability of public policy reform requires that the supporting processes and institutions be able to survive changes of government. Accordingly, the final recommendation of this report speaks to the importance of building a national consensus on the need for and shape of public policy reform in Romania.

45. Reach all-party agreement on the strategic directions of public policy reform.

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[30] Depending on the decision-making approach adopted with respect to the overall project's recommendations, this meeting may include additional issues from other functional reviews.

4. IMPLEMENTATION CHALLENGES AND RISKS

83.   Public policy reforms are invariably high-risk, high-reward. The following challenges are particularly relevant to Romania.

4.1 Political Buy-In

84.   At this time, there is no significant demand from the political level for public policy reform, and previous reforms have never registered at the political level. In the majority of OECD countries, the importance of "getting the policy right" is considered the primary political decision. To date, this argument has not convinced Romania's decision makers. Part of the reason may be that policy decisions have not yet been effectively linked to financial decisions. If the money does not follow, public policy documents lose their relevance. Another reason may be the quality, length, and/or political relevance of the documents produced. If the quality of support provided to the political level is not adequate, it will not be valued. Whatever the cause of past failures, the case will need to be presented persuasively to decision makers.

4.2 Decision-Making Dynamics

85.   At the political level, the Prime Minister and Minister of Public Finance are normally the guardians of the government's fiscal and policy commitments. Although line ministers have collective responsibilities as members of the government, their primary concern is understandably the performance of their ministry.   If the decision-making system continuously places the Prime Minister in the role of mediating disagreements between line ministers and the Minister of Public Finance, it will be difficult to retain fiscal discipline. Instead, a forum is required where the Prime Minister and Minister of Public Finance can create a common front and examine all major spending proposals together and in more depth rather than as a series of one-off decisions. This shifts the dynamic from one requiring a series of "yes-no" decisions to one where policy priorities must compete and trade-offs be made.

4.3 GSG and MoPF Collaboration

86.   The level of technical cooperation between GSG and MoPF is quite low. With the approval of the FRL and rising pressures throughout Europe to ensure the policy agenda does not undermine the fiscal agenda, working in isolation is no longer sustainable. Threats to the Fiscal Strategy can arise from poor budgetary practices (e.g., inadequately costing public investments) or poor policy practices (e.g., approving draft laws without budgeting the multi-year cost). It is not feasible or desirable to expect MoPF to be the exclusive guardian of the Fiscal Strategy, which is equally a policy strategy. Concerted, coordinated interventions by MoPF, GSG and the political advisors to the Prime Minister and Minister of Public Finance are required. The more effective the collaboration, the greater will be the chances of making coherent policy and fiscal choices.

4.4 Line Ministry Resistance

87.   Line ministries exercise significant autonomy in Romania. Correspondingly, the center has not traditionally played an extensive role in coordinating its work. In such an environment, it will be particularly important that ministers and senior management in line ministries perceive the benefits of public policy reform. If such reforms are viewed as an imposition from the center, to be delegated to the technical level, policy quality will suffer severely.

4.5 Implementation Overload

88.   The pace, volume and scope of change arising from public policy and financial reforms can be overwhelming. Decision makers, whose time must also be safeguarded for other decision making and political duties, can resist the commitment required to implement fully such reforms. To avoid this, it is important to phase in the reforms in a way that does not overload the system and can demonstrate the benefits of the approach.

4.6 Reform Fatigue

89.   This common problem confronts most major administrative reforms. Typically, the reform begins well; laws are drafted, procedures changed, new job descriptions approved, and training provided. Over time, however, the scope of the reform becomes evident and line ministries revert to old habits and seek short cuts. If the reform does not continue to be driven aggressively by the responsible central institution and line ministries do not see any benefits (incentives for good performance should be considered) to the reform, it will be difficult to sustain.

4.7 Insufficient Policy Capacity

90.   Although this common risk is often over-rated, it can still present a challenge. Policy capacity is not a common skill and policy analysis within government requires "learning by doing." The skills required for a good policy analyst are often transferable to other positions, so attracting and retaining candidates can be challenging.

4.8 Change of Government

91.   Every public policy reform faces the risk that a change in government may slow progress or reverse gains. Consideration could be given to briefing members of opposition parties on the broader benefits to Romania of public policy reform and the broader strategic and functional review project. The President's Office, which can also be a source of continuity, is being updated on the project's progress.

4.9 Failure to Secure Technical Assistance

92.   The scope of the proposed public policy and public finance reforms is far-reaching. Although considerable capacity exists within the Romanian public administration to design

and implement public policy and finance reforms, technical assistance will be required to support these efforts in the near to medium term.