



MINISTERUL FINANȚELOR



Planul Național  
de Redresare și Reziliență

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## I. GENERAL FRAMEWORK

### INTRODUCTION

The National Recovery and Resilience Plan (NRRP), through the milestone 202, sets as a target for improving the budgetary programming mechanism the adoption of a multi-annual strategy and a timetable for a systematic spending review by the Government. In order to achieve this target, the Ministry of Finance has prepared the *Spending Review Strategy for the period 2024 - 2030* (hereinafter referred to as the Strategy). The strategy main objective is to carry out a systematic public spending review at central government institutional level.

In accordance with budgetary policy, the Romanian public authorities and institutions shall comply with the principles of economy, effectiveness and efficiency of public spending. Complying with the aforementioned principles leads to adhering to certain constraints established by the European treaties and regulations, in particular those concerning the budget deficit. Public spending shall deliver quality public services to the population. It is necessary to organise and to carry out spending reviews at all levels of public administration in order to avoid improper use of public funds resulting in waste, inefficiency and ineffectiveness, with direct consequences on the quality of the services delivered.



National Recovery  
and Resilience Plan

The reform to improve the budgetary programming mechanism is set out in the **National Recovery and Resilience Plan (NRRP) under Component 8 - Fiscal and Pension Reform<sup>1</sup>**.

It should be noted that this reform provides 3 more milestones with the following targets: the spending reviews in health and education to be completed until June 2023 (**Milestone 201**), the measures and the proposals resulting from the spending review in health and education to be reflected in the 2024 draft budget (**Milestone 203**) and the Fiscal Council to be provided a mandate by law in order to issue an opinion on the outcome of the spending review from 2024 onwards, followed by an annual report (**Milestone 204**).

<sup>1</sup> NRRP, Pillar III, Component C8: O.3 Improve the efficiency of public spending by increasing the transparency of the budgeting process, improving the monitoring and reporting system for budgetary programmes, prioritising the large investment projects, conducting expenditure reviews across all public sectors and strengthening the role of the Fiscal Council, supported by the digitisation of budget procedures, <https://mfe.gov.ro/pnrr/>

## **Definitions:**

A public spending review is defined as the process of systematic evaluation of the manner in which public funds are spent in compliance with the principles of efficiency, effectiveness and economy<sup>2</sup>.

Thus:

- efficiency aims to improve the ratio between the results obtained and the cost of the resources used to achieve them;
- effectiveness refers to the achievement degree of the objectives of the reviewed activity or to the ratio between the planned effect and the outcome of the activity;
- economy refers to minimising the cost of the resources allocated to achieve the expected results of an activity maintaining the appropriate quality of those results.

Throughout the Strategy, the following terms shall have the following meanings:

- (1) *Memorandum approving the spending review framework and theme*: a synthesis document setting out: the sector/actions/activities/programmes to be reviewed, objectives pursued, terms of reference, institutions involved, timetable for the review process;
- (2) *Memorandum approving the spending review Report in the field under review*: a document setting out the measures to be implemented, the implementation plan and the public institutions responsible for the implementation.
- (3) *Public institution involved*: the public authority or institution which is subject of public spending review, or the public authority or institution which has carried out or, at the moment, is carrying out projects related and/or complementary to the objective pursued by the spending review. By way of example, the National Institute of Public Health could be involved in the spending review in health, according to its responsibilities and role in the prevention, surveillance and control of communicable and non-communicable diseases.
- (4) *Diagnosis document*: the analysis presenting the main legislative, financial and social characteristics of the theme established by the Memorandum approving the spending review framework and theme.
- (5) *Measure sheet*: document drawn up for each measure resulting from the spending review containing, where appropriate, the following elements: description of the measure, justification for its application, method of implementation, expected effects, budgetary impact of the measure implementation, indicators for monitoring the implementation, stages and implementation timetable, other relevant information.
- (6) SRU: Spending Review Unit - structure within the Ministry of Finance responsible for conducting public spending review.

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<sup>2</sup> European Commission - "Spending Reviews: Some Insights from Practitioners", 2.2 DEFINITION AND MAIN FEATURES, page 8  
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- (7) Domain: the area of economic and social activity selected for the spending review (e.g. *health, education, transport*, etc.);
- (8) Sector: division/part of a given domain (e.g. for *education* domain, the *higher education* sector may be selected for the spending review or for *transport* domain, the *railways* sector may be selected for the spending review);
- (9) Vertical review: the analysis of the annual expenditure of a public institution and its subordinate institutions, coordinated by or under its authority for carrying out functions, programmes, objectives and tasks according to the purposes set out in laws and other regulations applicable to the institutions concerned. Thus, the amounts allocated to the institution under review will be expressed as a proportion or percentage of the total of the institution. Through the review, the percentages, thus calculated, can be directly compared with the result of the equivalent percentages in recent years of the institution or of other institutions operating in the same field, regardless of their size.
- (10) Horizontal review: the analysis of all or of a part of the annual expenditure of two or more public institutions for carrying out the mutual and/or complementary priority functions, programmes, objectives and tasks according to the purposes set out in laws and other regulations. It is a useful tool for measuring trend and direction over time. In this review, the increasing or decreasing in performance is identified by comparing the value of the same item reflected by financial statements or periodic reports. This review is carried out to determine how the institution has performed over the years or to establish its financial position in comparison with the previous period.
- (11) Qualitative review: a method of collecting and interpreting data that cannot be measured, but which provides the basis for understanding the characteristics and the attributes of the items under review; it is descriptive, non-statistical and exploratory. As a result, measures are set with indicators that measure the quality of products and services compared to pre-established quality standards.
- (12) Quantitative review: statistical method of collecting, classifying and calculating data. This is a conclusive and objective analysis based on measurable elements upon which measures are established with indicators expressed in numerical or percentage terms.

## CONTEXT



Currently, one of the main objective of Romania's foreign policy is to join the **Organisation for Economic Cooperation and Development (OECD)**.

One of the OECD recommendations regarding the scope of the Ministry of Finance addresses organising and conducting systematic spending reviews. The "Council Recommendation on Budgetary Governance"<sup>3</sup>, sets out the implementation of systematic processes for the review of expenditure of existing policies in a regular manner, with the results integrated into the budgetary process and aligned with fiscal targets and national priorities.



The **International Monetary Fund** indicates for Romania<sup>4</sup>, the need for medium-term fiscal consolidation measures. Before the pandemic, current account and fiscal-budget deficits increased. Budgetary expenditures have risen without a corresponding increase in revenue. The additional fiscal pressures, generated by the pandemic and Russia's aggression against Ukraine, even if largely temporary, are leading to further increases in public debt.

### Public spending review international approaches

The spending review<sup>5</sup> in the Member States of the European Union has gone through the following stages:

- **before 2007** - Denmark, the Netherlands (Holland), Sweden, the UK - in particular, following acute fiscal crises, have started to modernise their budgetary programming process;
- **2007-2012** - due to the financial crisis, the reviews became a widespread budgetary tool in the EU area, so that, by 2012, at least 8 countries had already completed a spending review (UK, Netherlands, France, Italy, Ireland, Denmark, Spain, Sweden) - **since 2013** - Croatia, Malta, Slovakia, Slovenia joined.

The European Commission, within the European Semester, encourages Member States to engage in spending review. This is reflected in the Country Specific Recommendations, endorsed by the European Council, exemplified in the table below.

<sup>3</sup> OECD, *Recommendation of the Council on Budgetary Governance*, OECD/LEGAL/0410 - recommendations II/2/e II/8/g

<sup>4</sup> Romania: Staff Concluding Statement of the 2022, article IV, Mission - IMF

<https://www.imf.org/en/News/Articles/2022/06/09/romania-staff-concluding-statement-of-the-2022-article-iv-mission?cid=em-COM-123-44928>

<sup>5</sup> Claude Wendling - "Spending Reviews in the European Union" - IMF blog, 2016

Member State	Country-specific recommendations	Member State	Country-specific recommendations
Netherlands (Netherlands)	2016: Prioritise public expenditure towards supporting more investment in research and development.	Italy	2016: Complete the reform of the budgetary process during 2016 and integrate spending review into the budget preparation process.
Spain	2017: Undertake a comprehensive expenditure review in order to identify possible areas for improving spending efficiency.	Malta	2017: Extend the work on public sector spending review and introduce performance indicators.
Ireland	2017: Prioritise investment in transport, water, services and in particular in support of SMEs.	Latvia	2017: Increase the cost-effectiveness of and access to healthcare, including by reducing out-of-pocket payments and long waiting times.
Slovakia	2018: Implement measures to improve the efficiency of the health system and develop a more effective health workforce.	Poland	2019: Take further steps to improve the efficiency of public spending.
France	2019: Achieve savings and efficiency gains across all government sub-sectors, by fully specifying and monitoring the implementation of the measures needed in the context of "Public Action 2022".	Belgium	2019: Increase the efficiency of public spending, in particular through spending reviews.

Source: European Union, 2020 - Spending Reviews: Some Insights from Practitioners

Similarly, in the Country Reports, the European Commission indicates the usefulness of spending reviews in Member States and assesses the progress in carrying out such reviews.

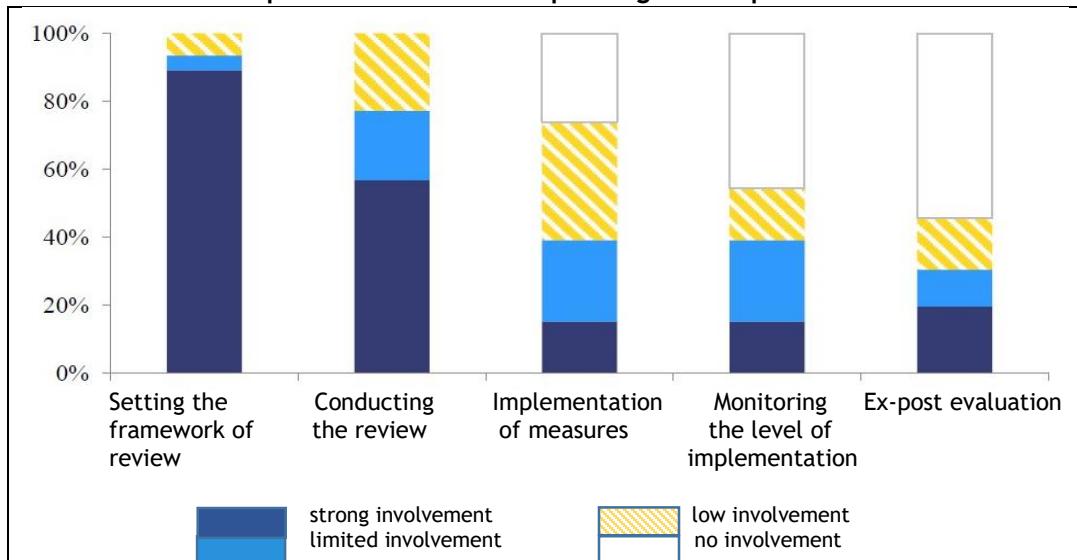
In 2019, the European Commission conducted a survey addressed to Member States to examine the evolution of the spending review process, especially with regard to the objectives of the spending reviews. The survey led to a number of conclusions, including the following<sup>6</sup> :

- In 50% of the reviews, the main goal was the improvement of public service delivery, followed by the reallocation of financial resources to other public policies and by the fiscal consolidation;
- the spending reviews objectives aimed identifying savings, followed by measures to ensure equal opportunities for citizens;
- new and appropriate forms of institutional coordination of the review have led the institutions to greater involvement;
- the alignment of spending review with the budgetary process is still limited;
- the involvement of the political factor is still low, especially in the implementation and monitoring stage, as shown in the graph below:

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<sup>6</sup> Technical note to the Eurogroup - Spending reviews as a key tool to enhance public investment in the Euro Area

### Involvement of the political factor in the spending review process



Source: 2019 European Commission survey on spending reviews: Technical note to the Eurogroup - Spending reviews as a key tool to enhance public investment in the Euro Area

The survey also collected information on the key factors that lead to successful spending review. The following common principles emerged from the survey:

- political engagement throughout the review process;
- carrying out the review on the basis of best practice in the field;
- ensuring transparency (public dissemination and communication) of the review process from the beginning of the review until the implementation of the measures;
- coordinating the spending review process with the budget preparation process.

In Annex 1a "**Survey on the spending review in European countries**", we present centralised data from the *OECD Indicators of Regulatory Policy and Governance* document (data valid on 05.08.2022) regarding the review area, the legal framework within the review is conducted, the review objectives, the Review Report approval and the dissemination of information on spending review.

## **PUBLIC SPENDING REVIEW STRATEGY 2024-2030**

The strategy is drawn up on the basis of the current situation, the data and information currently available on budgetary resources and those that can be attracted and used in the future, the ways to achieve the objectives of the Government, in accordance with its responsibilities, with regard to the application of the principles of fiscal-budgetary governance to promote fiscal responsibility, in particular for:

- improving the efficiency of public spending by increasing transparency and identifying options for reallocating resources;
- limiting the upward trend in deficit levels, i.e. the tendency to spend more than actual revenues;
- reducing the cyclical nature of budgetary policy-making.

The implementation of the objectives proposed in this Strategy aims to organise and conduct the spending review process in a systematic manner, so that, after 2030, the timetables for carrying out the spending review and the budget preparation will be correlated.

### **Spending review strategy objectives:**

#### **General objective 1: Public institutions capacity building to carry out spending reviews**

Specific objective 1.1: Ministry of Finance capacity building to carry out spending reviews

Specific objective 1.2: Staff professional development in the public institutions involved in spending review.

#### **General Objective 2: Strengthening the link between the spending review process and the budget preparation**

Specific objective 2.1: Correlating the timetable for carrying out spending review with the timetable for drawing up the budget.

Specific objective 2.2: Updating the spending review methodology of the Ministry of Finance

#### **General objective 3: Strengthening the spending review role as a tool for the implementation of the Government's fiscal and budgetary policy**

Specific objective 3.1: Strengthening the systematic nature of spending review

Specific objective 3.2: Ensuring the spending review transparency

### **Strategy Purpose**

This Strategy aims to contribute to strengthening the four essential and necessary conditions for the successful conduct of spending

review in Romania at European standards. Each of these is particularly important as they are interdependent and produce results when applied together:

1. Spending reviews systematic organisation and conduct in line with the "Planning of spending reviews for the period 2024-2030";
2. Involvement of the Government as a political factor during the spending review process;
3. Public institutions involvement in the spending review process, through active participation in working groups and data and information provision;
4. Correlating the spending review timetable with the budget elaboration timetable.

### ***Strategy Principles***

This Strategy has been developed in the light of the challenges facing the budgetary construction, in the context of the Romanian Government's role in applying the principles of fiscal-budgetary governance in the management of public resources, in accordance with the principles of transparency, governance, cooperation, coherence and continuity.

<b><i>Transparency</i></b>	<b><i>Governance</i></b>	<b><i>Cooperation and coherence</i></b>	<b><i>Continuity</i></b>
<ul style="list-style-type: none"><li>• Publication, throughout the implementation process of the Strategy, of documents on the implementation, reporting and monitoring of its progress, in order to objectively and accurately inform the population.</li></ul>	<ul style="list-style-type: none"><li>• Permanent involvement of the Government in taking political decisions to achieve the objectives of the government programme to meet the economic and social needs of citizens.</li></ul>	<ul style="list-style-type: none"><li>• Increase stakeholder participation during the implementation of the Strategy to strengthen coordination and decision-making mechanisms. Ensure the success of the Strategy through the joint efforts of all institutions involved in achieving the planned objectives in the context of the implementation of programme-based budget.</li></ul>	<ul style="list-style-type: none"><li>• The strategy implementation must ensure the regularity of spending review process, so that it becomes the Government's main tool for assessing the use of public funds, identifying opportunities to improve the efficiency of spending and to reallocate resources.</li></ul>

**The main tasks of the Ministry of Finance in the implementation of this Strategy are as follows:**

- establishing objective criteria for selecting the spending review areas;
- establishing the spending review organisation and conduct timetable;
- establishing the public institutions involved in the spending review;
- ensuring the spending reviews transparency;
- training the staff in public institutions on the importance of being involved in conducting the spending review;

- setting out responsibilities and deadlines through the Strategy's implementation plan.

## II. SPENDING REVIEWS IN ROMANIA

### Spending review history

As an exercise, a spending review in the transport sector, was carried out and finalized with a Preliminary Report which was presented as an Annex to the Memorandum on "*Approval of the amendment of the legal framework for the institutionalization of the spending review process and approval of the establishment of the Spending review and efficiency committee*", approved by the Government in October 2016. The review period was 2011-2015 and the analysis covered the entire transport sector, looking at capital expenditure, subsidies and amounts allocated from the state budget for the maintenance activity of infrastructure managers.

Following the Memorandum on "*Approval of the spending review framework and the areas for which spending reviews will be carried out during 2017*", two exercise spending reviews in education and health were carried out, covering the financial period 2012-2017.

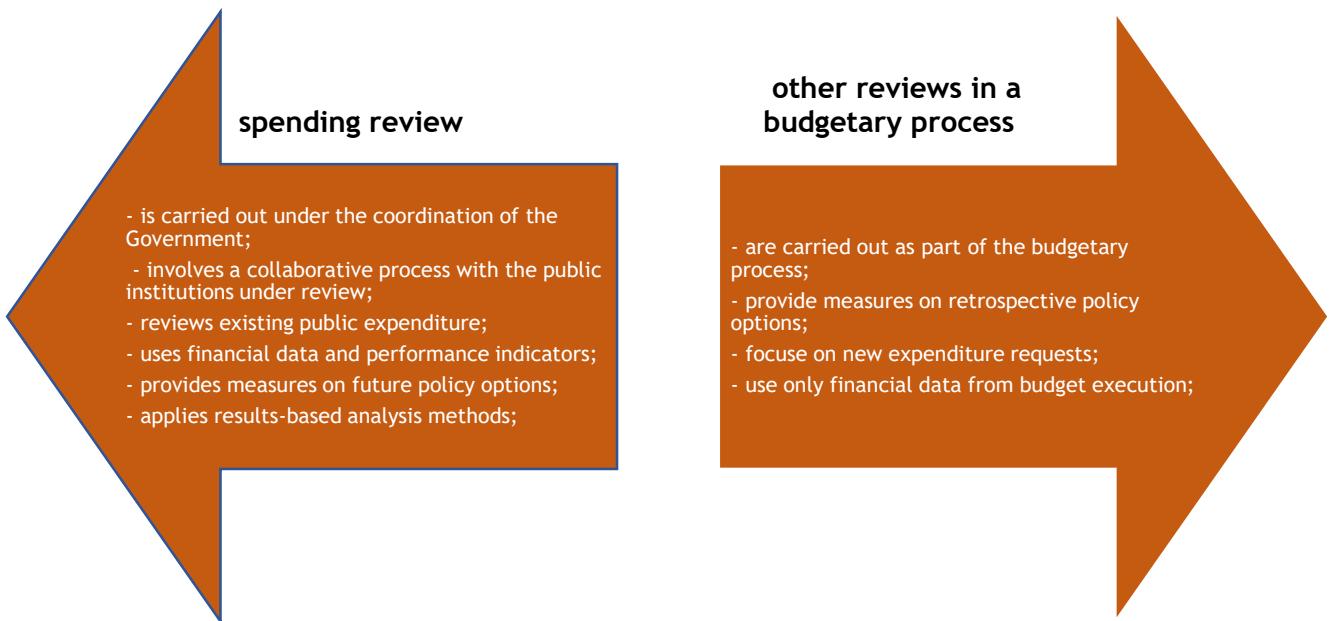
Through these exercise reviews, the spending review unit within the Ministry of Finance has gained experience and identified the weaknesses and strengths of the steps taken. Thus, the experience gained will be used in the preparation of the Guide on the Spending Review Process.

### Spending review legal framework

The spending review process is carried out in accordance with the provisions of Law No 500/2002 on public finances, as amended and supplemented, where the following aspects are covered:

- the role of the Government in carrying out spending reviews, for which it approves, by Memorandum, by 15 July each year, the framework, the theme, the Review Reports and the measures identified as a result of carrying out these reviews;
- the powers and duties of the Ministry of Finance in the conduct of the spending reviews;
- the principal authorising officers' obligations regarding the participation in the spending review process and in the implementation of approved measures process.

## **Elements that differentiate a spending review from other reviews in a budget planning process:**



### ***Spending review PURPOSE***

The spending review purpose is to identify measures that will improve the quality of public services, in the short and medium term, or measures that will lead to a more efficient administration. Measures aimed at increasing the efficiency of public spending can represent solutions to improve the results of public policies and they may involve legislative and organisational changes. The overall aim of the spending review Report is to provide data that inform the Government on how public funds can be used more efficiently and economically.

The spending review does not aim to make arbitrary cuts in public institution funding, but to identify, in collaboration with the institution under review, measures either to protect the essential elements that stimulate growth, such as public investment, or to achieve quality public services that meet citizens' expectations. From this perspective, the spending review aims to achieve selective fiscal consolidation in the areas under review, generally over the medium term.

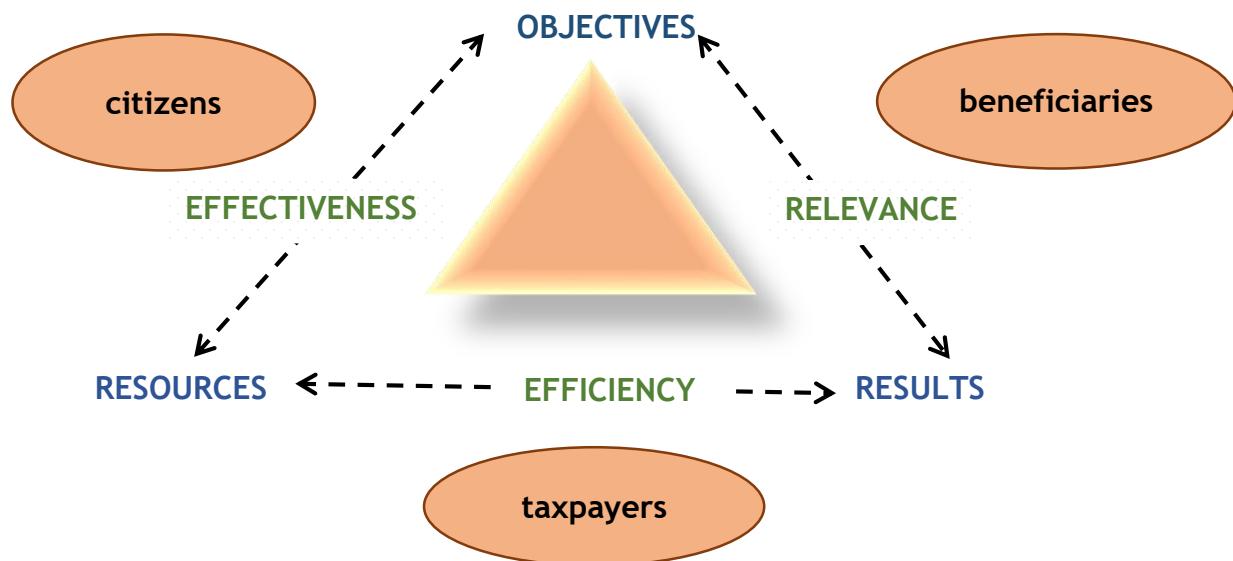
## **Spending review OBJECTIVES**

The spending review is a flexible tool that is designed to meet several objectives, such as:

- Improve the management of the public spending by identifying those actions/programmes/sectors that are not performing as expected or are not being implemented at the time of the review and whose funds could be reallocated to other actions/programmes/sectors with a higher priority;
- Improve the relationship between the quality of services provided and the financial cost;
- Adjustments or changes in applicable mechanisms, practices or legislation that are found to be hindering or even blocking the employees' activity and that are affecting their ability to work, leading to inefficiency and ineffectiveness;
- Fiscal consolidation and/or creating fiscal space to respond to new priorities by identifying potential savings measures.

The context of spending review can also be examined through the lens of the **public expenditure performance triangle** (see figure below), which aims at:

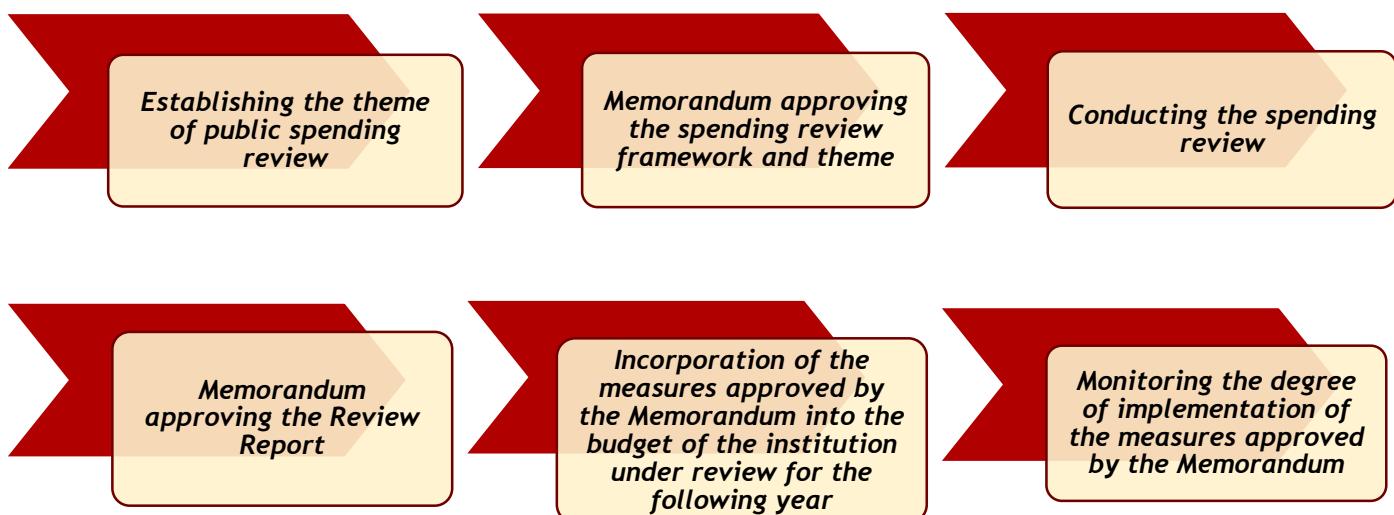
- *efficiency*, from the perspective of *the taxpayer*, who examines, in financial terms, whether the achieved results meet the expectations for which the resources were allocated;
- *effectiveness*, from the perspective of all *citizens* (whether or not they are beneficiaries of the public service in question), who assess whether the measures taken are achieving the objectives originally set;
- *the relevance of the objectives* from the perspective of their *beneficiaries*, which indicates whether and to what extent public services reach the beneficiaries and meet their real needs.



## **Spending review ROLE**

The spending review contributes to improving the use of the state financial resources by helping the government to manage public programmes and policies according to the priorities. The spending review should become a tool in medium-term public expenditure planning, playing an important role in improving the quality of public services as well as in fiscal consolidation by reducing the budget deficit.

## **Spending review process DYNAMICS**



The spending review planning for the period 2024-2030 sets out the areas to be reviewed during this period. For each area to be reviewed, the Ministry of Finance will prepare a draft *Memorandum approving the spending review framework and theme*. This is the mandate document that launches the spending review, which clearly and unambiguously defines the theme, the public institutions to be subject to spending review, the terms of reference, the working groups and the timetable. The terms of reference contain basic information such as objective, scope or sector with main characteristics, context, level (strategy, policy, programme, project), type (investment/infrastructure, institutional reform, social reform).

During the period set out in this Strategy, the Spending Review Plan may be subject to change, depending on the different circumstances that may occur and require new Government policies or priorities.

The spending review is carried out by a *Working Group* that elaborates the *diagnosis document* and the *measures sheets*, documents endorsed by the Ministry of Finance and by the public institutions involved. The spending review is completed by the Ministry of Finance, after preparing the *Spending Review Report* (the Review Report).

Based of this, the Ministry of Finance shall draw up *the Memorandum of Approval of the Review Report* and submit it to the Government for approval. The memorandum summarises the measures identified and contains the *Review Report* as an annex. Thus, political commitment is ensured in order to overcome obstacles encountered during the measures implementation phase.

Monitoring the measure implementation degree by the Ministry of Finance represents the process of regularly collecting information on the fulfilment of the conditions set by the measures approved by the *Memorandum*. This is carried out, on the one hand, by checking compliance with the deadlines set out in the implementation timetable for each measure and, on the other hand, by checking the evolution of the values of the pre-established indicators reflecting the modality and/or the result pursued by the respective measure, on which occasion, any deviations from the implementation plan of the measures are identified.

The principal authorising officers are obliged to implement the measures included in the Review Reports approved by the Government, providing the Ministry of Finance with all the data and information necessary to monitor the measure degree implementation.

Starting with the 2024 budget, the Fiscal Council, as an independent body, will carry out an ex-post evaluation of the public spending review on the basis of which, by the end of June each year, it will draw up and publish an annual report<sup>7</sup>.

## KEY ELEMENTS for a successful spending review in Romania

The following elements are needed for a successful spending review, taking into account the experience gained from the 3 exercise reviews and the conclusions drawn from the European Commission's survey of Member States, conducted in 2019:

- ✓ political commitment must be ensured at all stages of the review process;
- ✓ the scope of the spending review must be contained in a well-defined and detailed mandate;
- ✓ the availability and involvement of representatives of public institutions subject to public spending reviews as well as facilitating access to data and information for working group members;
- ✓ transparency (regular public communication) throughout the spending review process, especially on the progress of the approved measures implementation;
- ✓ correlation between the stages of spending review and the timetable for budget preparation.

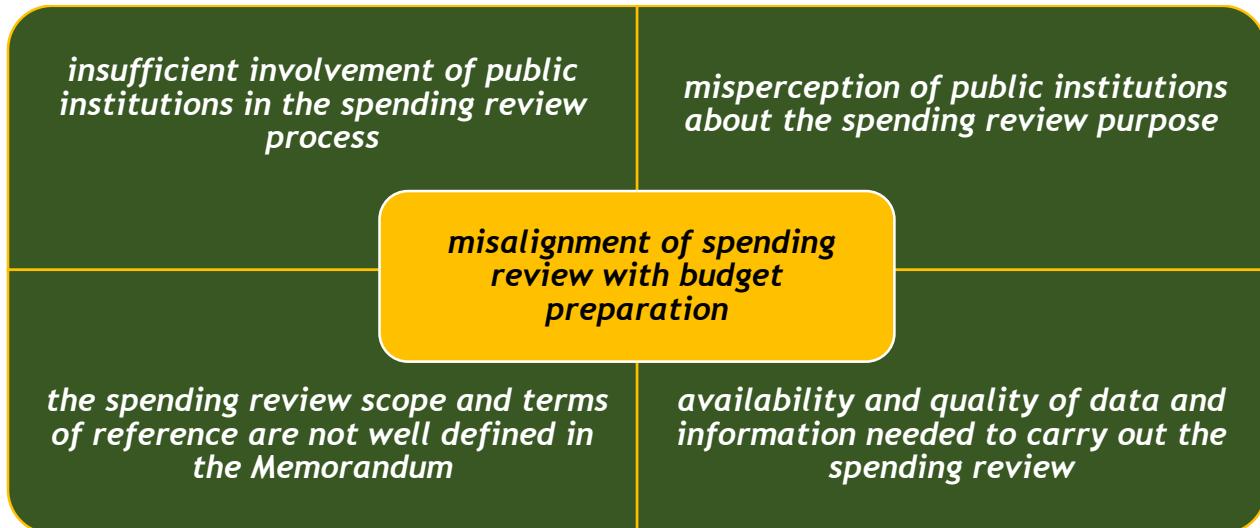
In order to ensure that the efficiency measures resulting from the spending review can be integrated into the draft budget, it is necessary to take actions in order to avoid or correct

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<sup>7</sup> According to the provisions of Article 53, paragraph (2), letter i) of the Law on fiscal-budgetary responsibility no.69/2010, republished, with subsequent amendments and additions

urgently the shortcomings which can become risk factors leading to delays in the review process.

Risk factors leading to delays in the review process:



### **III. SPENDING REVIEWS PLANNING FOR THE PERIOD 2024 - 2030**

The spending reviews planning for the period 2024 - 2030 is set out in "*Annex 1b Spending reviews planning for the period 2024 - 2030*", which contains the spending review programming for areas where value can be added in order to increase efficiency, effectiveness and economy in the use of public spending.

To begin with, one review will be carried out each year and, as the Ministry of Finance and public institutions capacity develops, more or highly complex reviews will gradually be carried out throughout a year. It is envisaged that an area will not be subject to a new spending review earlier than three years after the last review.

According to the *State Budget Law for 2023, no.368/2022*, 57 principal authorizing officers are financed from the State Budget, the budget of the Unique National Health Insurance Fund, external loans, non-reimbursable external funds. They have been grouped into 10 areas that will be included in the *Spending Reviews Planning*, respectively:

<b>Areas</b>
<b>EDUCATION</b>
<b>HEALTH</b>
<b>CULTURE, RECREATION AND RELIGION</b>
<b>PUBLIC SERVICES AND DEVELOPMENT, HOUSING, ENVIRONMENT AND WATER</b>
<b>TRANSPORT</b>
<b>RESEARCH</b>
<b>AGRICULTURE, FORESTRY, FISHING AND HUNTING</b>
<b>INSURANCE AND SOCIAL SECURITY</b>
<b>PUBLIC ORDER AND NATIONAL SECURITY</b>
<b>DEFENCE</b>

The first area to be reviewed in the period 2023-2024 will be PUBLIC SERVICES AND DEVELOPMENT, HOUSING, ENVIRONMENT AND WATER. We take into account the fact that the Romanian authorities have failed to comply with EU regulations in several sectors in this area.

Out of the 46 cases of non-compliance with European legislation (infringements) pending on 30.05.2023, Romania registers more than a third (37%) in the following environmental sectors: air quality, water, nature protection and waste:<sup>8</sup>

- Air quality - monitoring network (notifications from 2017)
- Air quality - PM10 particle levels in the Bucharest area (notifications since 2009, case reached the CJEU in 2018)
- Air quality - industrial emissions - permits (notifications from 2018)
- Air quality - industrial emissions - legislation (notifications from 2020)
- Air quality - NO<sub>2</sub> levels (notifications from 2020)
- Air quality - national emission reduction commitments (notifications from 2022)
- Water - micro-hydropower plants (notification from 2015)
- Water - waste water treatment in large urban areas (notification from 2022)
- Water - flood risk management (notification from 2021)
- Nature protection - Natura 2000 network (notification from 2019)
- Nature protection - deforestation (notification from 2020)
- Nature protection - designation of protected areas (2020 notification)
- Nature protection - conservation of natural habitats and wild fauna and flora (notification from 2020)
- Nature protection - invasive species (notification from 2022)
- Waste - landfill closure and tracking procedures (notification from 2012)
- Waste - illegal landfills (notification from 2020)
- Waste - lack of adequate treatment of waste prior to landfill (2020 notification)

At the same time, given that in 2024 a new legislative term will begin and a new Government Programme will be adopted with a series of general and specific reform objectives, we consider it appropriate to carry out an analysis of the *environmental* situation.

In addition to the reviews set out in the *Spending Review Planning*, the Government may also require spending reviews to be carried out in an area, sector or activity that are subject of a strategy or priority, such as those that:

- support policy development and strategic planning in specific sectors;
- have a high social benefit defined in terms of economic development, poverty reduction and increased social equity or target disadvantaged groups.

Methodologically, for each area planned for spending review, as set out in the *Spending Review Planning*, the framework, the theme and the terms of reference, the institutions involved, the working group and the timetable will be established by memorandum approved by the Government. The public institutions subject to the spending review must nominate representatives (management and executive staff) to form the working groups, ensure access to data and information for the working group members, ensure their participation throughout the review process, ensure that the review process is carried out within the approved

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<sup>8</sup> [https://ec.europa.eu/atwork/applying-eu-law/infringements-proceedings/infringement\\_decisions/screen/home?lang\\_code=ro](https://ec.europa.eu/atwork/applying-eu-law/infringements-proceedings/infringement_decisions/screen/home?lang_code=ro)  
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timetable and, subsequently, implement the measures contained in the Review Reports approved by the Government.

*The Spending Review Planning* approved by this Strategy may be amended or supplemented by Memorandum by the Government when:

- The Government is at the beginning of its term of office and wants to know the extent to which some of the objectives for which funding is being provided have been achieved and to determine:
  - the possibility to identify whether, in a particular area of interest to the new Government, there are significant risks that the objectives of the Government Programme cannot be achieved;
  - the possibility of verifying whether existing public expenditure targets at different stages of financing can be correlated with those in the Government Programme;
  - the opportunity to ensure that the budgets of the public services taken over are spent as efficiently as possible;
  - whether the objectives respond to market crises and therefore target an activity that the private sector is unwilling or unable to provide to citizens at an affordable cost.
- The government decides, on an ad hoc basis, to carry out spending reviews for specific areas/sectors/activities in order to identify budgetary savings.

## **IV. STRATEGY OBJECTIVES AND ACTIONS**

### **GENERAL OBJECTIVE 1**

#### **Public institutions capacity building to carry out spending reviews**

The spending reviews are currently carried out at the level of central government institutions, both at the level of these institutions and at the level of the Ministry of Finance, during the preparation of annual budget laws and rectifications, as well as in the context of the promoting measures/legislative acts that may affect the budget balance.

The spending review, according to the requirements of the new approach, is not yet done systematically, as it emerged from the three exercise reviews.

The spending review institutionalization within the Ministry of Finance has been achieved since 2016, when the structure responsible for the review and efficiency of public expenditure was established under the direct coordination of the Minister of Finance.

The unit in charge of reviewing and increasing the efficiency of public expenditure within the Ministry of Finance has benefited from two technical assistance grants provided by the European Commission through the Directorate-General for Structural Reforms. These aimed at operationalising and strengthening the capacity to carry out spending reviews through the following components:

- ❖ Revisioning of the legal framework for the public spending reviews institutionalisation.
- ❖ Strengthening the capacity of the unit responsible for reviewing and increasing the efficiency of public expenditure in order to complete the institutionalisation of the spending review process;
- ❖ Support for pilot reviews in health and education;
- ❖ Developing the necessary tools to elaborate the methodology for monitoring the measures implementation set out in a spending review;
- ❖ Strengthening the institutional and administrative capacity;
- ❖ Performance and evaluation - approach: performance and evaluation strategy.

The other central government institutions do not have structures or trained staff for such spending reviews.

For the period 2024-2030 as part of this Strategy, the Ministry of Finance aims to promote and develop an organisational culture and mind-set by improving the professional and behavioural skills required to conduct spending reviews, both of its own staff and of the staff of the public institutions under review.

### ***1.1 Actions and timeframe for completion:***

- The Ministry of Finance will appropriately organise the spending review unit within the Ministry. The action will be completed by amending the rules governing the organisation and functioning of the Ministry of Finance, depending on the optimal solution identified.
  - ✓ *Deadline: March 2024*

### **Specific objective 1.1 Ministry of Finance capacity building**

This Strategy sets out, on the one hand, the Ministry of Finance mandate for the systematic conduct of spending review and, on the other hand, the strategic objectives for the optimal conduct of spending review.

Thus, the optimal performance of spending review requires that the Ministry of Finance, as the institution responsible for carrying out spending review, must have its own structure in its functional organisation with an adequate number of staff. This structure will ensure that the spending review is carried out throughout the entire process, from the inception of the review process to the monitoring of the measures implementation degree.

The spending review must be carried out in compliance with the requirements of professional standards and operational procedures, with the Ministry of Finance being involved in a permanent dialogue with all stakeholders in this activity. From this point of view, it is necessary to determine the optimal level of functioning of the structure in order to achieve the objectives set by this Strategy.

Initially, in line with international best practice, the structure that carries out the spending review was created under the direct coordination of the Minister of Finance and organised at directorate level. The close collaboration with the management of the institution, with a reduced decision-making-information circuit, proved to be effective.

## **Specific objective 1.2 Professional development of staff in the public institutions involved in spending reviews.**

Recommendation III/3 of the legal instrument OECD/LEGAL/0478<sup>9</sup> refers to the need to develop institutional skills and capacities to conduct and use the reviews effectively and in a credible manner. This requires developing the analytical skills of public sector staff through regular training sessions.

Public spending review is a novelty in the public sector and it is different from other reviews carried out so far in terms of: procedure, scope, purpose and use of results.

Therefore, in order to develop and strengthen the institutional capacity, it is necessary that the staff of the public institutions involved receive, in training sessions, relevant, structured and coherent information on the organisation and conduct of a spending review such as applicable legislation, way of working and good practices in the field of spending review.

As a result of these training sessions, participating staff will develop and strengthen their competencies by acquiring information, knowledge and skills needed in the review process, and will gain a real insight into what spending review means in the context of modern budgeting.

The specialized unit of the Ministry of Finance, with the logistical support of the *School of Public Finance and Customs*, will organize and hold training sessions. During the training sessions the participants will become familiar with the theoretical concepts of review and acquire practical skills to be used in the spending review process.

Following the training sessions, the participants designated by the public institutions under review will remain in contact (as a contact point) with the structure responsible for the spending review process within the Ministry of Finance and will be able to participate, whenever necessary, in the exchange of internal and international information in the field of spending review.

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<sup>9</sup> OECD, *Recommendation of the Council on Public Policy Evaluation*, OECD/LEGAL/0478

## **1.2 Actions and timeframe for completion:**

- Organisation and implementation of training sessions by the staff of the specialised unit, with the logistical support of the School of Public Finance and Customs, for the staff of public institutions that will be involved in the spending review. The aim of the sessions is to familiarise the staff of the public institutions with the process and the objective of a spending review. As a result of this activity, it will be possible to identify the theme of the review for the area under review and the institutions will be able to identify the competent persons to be nominated to the working group.
  - ✓ *Deadline: permanent (at least one session per year)*
- The Ministry of Finance, through the spending review unit structure, coordinates the set-up of an administrative network specialising in public spending review, consisting of one representative from each institution that has participated in a training session. This network will exchange information and documents on spending review in Romania and other European countries.
  - ✓ *Deadline: permanent*

## **GENERAL OBJECTIVE 2**

### **Strengthening the link between the public spending review process and the budget preparation**

The international context for fiscal-budgetary governance emphasises the strengthening of the link between spending review and budgeting. OECD<sup>10</sup> recommends that its members and aspiring members align their budgets with the government's medium-term strategic priorities and consider introducing regular spending review processes to help budget provisions to be in line with the government programme.

At the same time, it is recommended that the evaluation of expenditure performance should be an integral part of the budget preparation process and should help both Parliament in the budget adoption process and the citizens in understanding which of the public services are actually delivered, at which quality standards and efficiency level. Spending reviews should be carried out in a systematic way, in order to allocate financial resources to each ministry according to priorities.

#### **Specific objective 2.1 Correlate the timetable for carrying out spending review with the timetable for drawing up the budget.**

In Romania, Law no.500/2002<sup>11</sup> , establishes the budgetary calendar, in Chapter III, Section 2, which sets out the stages of budget preparation, from the elaboration of forecasts of macroeconomic indicators to the approval of the budget by Parliament.

International best practices and recommendations communicated during the negotiations for Romania's accession to the OECD refer to the conduct of evaluations of public expenditure or policies, including spending reviews, in order to establish mechanisms whereby the results of spending reviews can be taken into account in decision-making processes, both at the level of authorising officers and at the level of Government<sup>12</sup> .

At the same time, it is underlined that for the effectiveness of the review, it is necessary to develop and implement the fiscal governance framework, whereby OECD member and aspirant member states should ensure that the spending review is an integral part of the budgetary process, in particular by regularly mapping expenditure and reassessing its consistency with fiscal objectives and national priorities<sup>13</sup> .

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<sup>10</sup> OECD, *Recommendation of the Council on Budgetary Governance*, OECD/LEGAL/0410

<sup>11</sup> Law on Public Finance No 500/2002, as amended and supplemented

<sup>12</sup> OECD, *Recommendation of the Council on Public Policy Evaluation*, OECD/LEGAL/0478

<sup>13</sup> OECD, *Recommendation of the Council on Budgetary Governance*, OECD/LEGAL/0410 - Recommendation No II/8/g

**In accordance with the law, the spending review, should take into account the following stages of the budgeting process:**

By 31 July of each year, the Ministry of Finance submits to the Government the expenditure ceilings for the following budget year and the estimates for the next 3 years, drawn up by principal authorising officers<sup>14</sup>. By 1 August of each year, the Minister of Finance sends to the principal authorising officers the framework letter setting out the macroeconomic context on the basis of which the draft budgets are prepared, the methodologies for their preparation, as well as the expenditure ceilings approved by the Government<sup>15</sup>. By 1 September each year, the principal authorising officers shall submit to the Ministry of Finance the proposals for the draft budget for the following year, with the expenditure ceilings and estimates for the next 3 years<sup>16</sup>.

**Timetable for a public spending review:**

By the end of October each year, the Ministry of Finance together with the selected public institutions according to the *Spending Review Planning for the period 2024-2030* determine the spending review theme.

By the end of November each year, the Ministry of Finance prepares *the Memorandum approving the spending review framework and theme* for submission to the Government for approval. Once approved, working groups are set up with representatives from the Ministry of Finance and the public institutions to be reviewed.

Between December and June each year, the Ministry of Finance together with the public institutions under reviewed, draw up *the diagnostic document, the measure sheets and the Spending Review and Efficiency Report*.

By 15 July each year, the Ministry of Finance prepares the Memorandum of Approval of the *Spending Review and Efficiency Report* and submits it to the Government for approval.

By 1 August each year, the measures, resulting from the Spending Review Report will be approved by Memorandum in order to be presented in a sub-chapter of the Report on the macroeconomic situation for the budget year for which the draft budget is prepared and its projection for the next 3 years, prepared on the basis of Article 35 paragraph (2) of Law no.500/2002 on public finances, as amended.

For efficiency reasons, the spending review and the incorporation of its results into the draft budget should be carried out systematically and in a way that is linked to the timetable of the budget preparation, thus eliminating the risk that the review is not completed in time or that the measures cannot be taken into account in the budget preparation. This means that the spending review should start in October of each year and be completed by the end of May of the following year.

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<sup>14</sup> Article 32 of the Law on Public Finance No 500/2002, as amended and supplemented

<sup>15</sup> Article 33 of the Law on Public Finance No 500/2002, as amended and supplemented

<sup>16</sup> Article 34 of the Law on Public Finance No 500/2002, as amended and supplemented

In order to achieve this target, in July of each year, by Memorandum, the Government must approve the measures resulting from the review started in October of the previous year, so that the measures can be taken into account when setting expenditure ceilings for the preparation of the draft budget for the following year, according to Law no.500/2002.

In order to give a clear picture of the activities within the two processes, the spending review and the preparation of the budget, which must be linked, we present the following graph:

		October	November	December - June	15 July	01 August	01 September
Timetable of the spending review	Establishing the spending review theme						
	Preparation of the Memorandum approving the spending review framework and theme						
	Preparation of the diagnosis, measures sheets and review report						
	Approval by the Government of the Memorandum approving the Review Report and the measures						
	The measures resulting from the Review Report, approved by the Memorandum, will be integrated into the draft budgets of the public institutions reviewed						
Timetable of budget preparation	MF submits spending ceilings to the Government						
	MF sends framework letter to the principal authorising officers						
	Principal authorising officers submit proposals for next year's draft budget to MF						

## **2.1 Actions and timeframe for completion:**

- The Ministry of Finance together with the selected public institutions according to the Spending Reviews Planning for the period 2024-2030 establish the spending review framework and theme for the next budget year.
  - ✓ Deadline: 31 October, annually
- The Government approves by memorandum: the spending review framework and theme, the public institutions, the terms of reference and the review timetable as well as the composition of the working group for the next budget year.
  - ✓ Deadline: 30 November, annually
- The Ministry of Finance prepares, in agreement with the public institutions, the diagnostic document, the measures sheets and the Spending Review Report.
  - ✓ Deadline: June, annually
- The Government approves by memorandum the measures contained in the Spending Review Report to be taken into account in the preparation of the draft budget for the following year.
  - ✓ Deadline: 15 July, annually

## **Specific objective 2.2 Updating the spending review methodology of the Ministry of Finance**

The spending review, in the current international concept, is a new activity for Romania. The spending review activity required the development of a legal and institutional framework and the strengthening of the administrative capacity.

Thus, the existence of clear regulations is imperative for the success of the spending review, and, in this context, in 2021, the Ministry of Finance created the necessary procedural framework, through the development of the operational procedure PO-10.11 "Development of spending review in public areas/sectors/programmes/actions/institutions", approved by the Order of the Minister of Finance no.1303/2021. It presents the review activities by stages, the responsibilities, the persons involved, the forms and the process diagram, from the moment the review begins until the Government approves, by memorandum, the Spending Review Report.

For the monitoring phase of the implementation of spending review measures, the existing procedural framework is to be completed by developing a new operational procedure.

In order to provide stakeholders with detailed information on the spending review process, it has been identified that, in addition to the operational procedure, a practical guide should be developed in the form of a *Manual on the spending review process*, presenting the spending review activity in a comprehensive manner. International experience shows the importance of quality standards and mechanisms for conducting spending review that must be respected by all public institutions involved in both spending review and in the confident use of the results of the reviews<sup>17</sup>.

## ***2.2 Actions and timeframe for completion:***

- The Ministry of Finance draws up an operational procedure for monitoring the implementation of the measures resulting from the spending review.
  - ✓ Deadline: June 2024
- The Ministry of Finance prepares a guide - Manual on spending review, which will be approved by order of the Minister of Finance.
  - ✓ Deadline: September 2024
- The Ministry of Finance develops an IT application to monitor the measures implementation.
  - ✓ *Deadline: December 2027*

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<sup>17</sup> OECD, *Recommendation of the Council on Public Policy Evaluation*, OECD/LEGAL/0478 - Recommendation No. II/2  
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## **GENERAL OBJECTIVE 3**

### **Strengthening the spending review role as a tool for implementation of the Government's fiscal and budgetary policy**

Good practice and the international context underline the importance of institutionalising the spending review. Recommendation II/1 contained in the legal instrument OECD/LEGAL/0478<sup>18</sup> refers to the conduct of public policy reviews at the level of the Government of the acceding country, which should ensure *that these are carried out systematically and that the results are used in the budgetary policy-making*. The Government should:

- a) set up structures to coordinate the spending review and advise on best practices to promote quality and use of public funds;
- b) assign institutional responsibilities for conducting public policy evaluations.

#### **Specific objective 3.1**

##### **Strengthening the systematic nature of spending review**

*The " Spending Review Planning for the period 2024 - 2030"* (hereinafter referred to as *the Review Planning*) will ensure the systematic nature of the spending review process. Conducting the spending reviews in an organised way, based on a strategy, provides the reviews outcomes predictability and confidence.

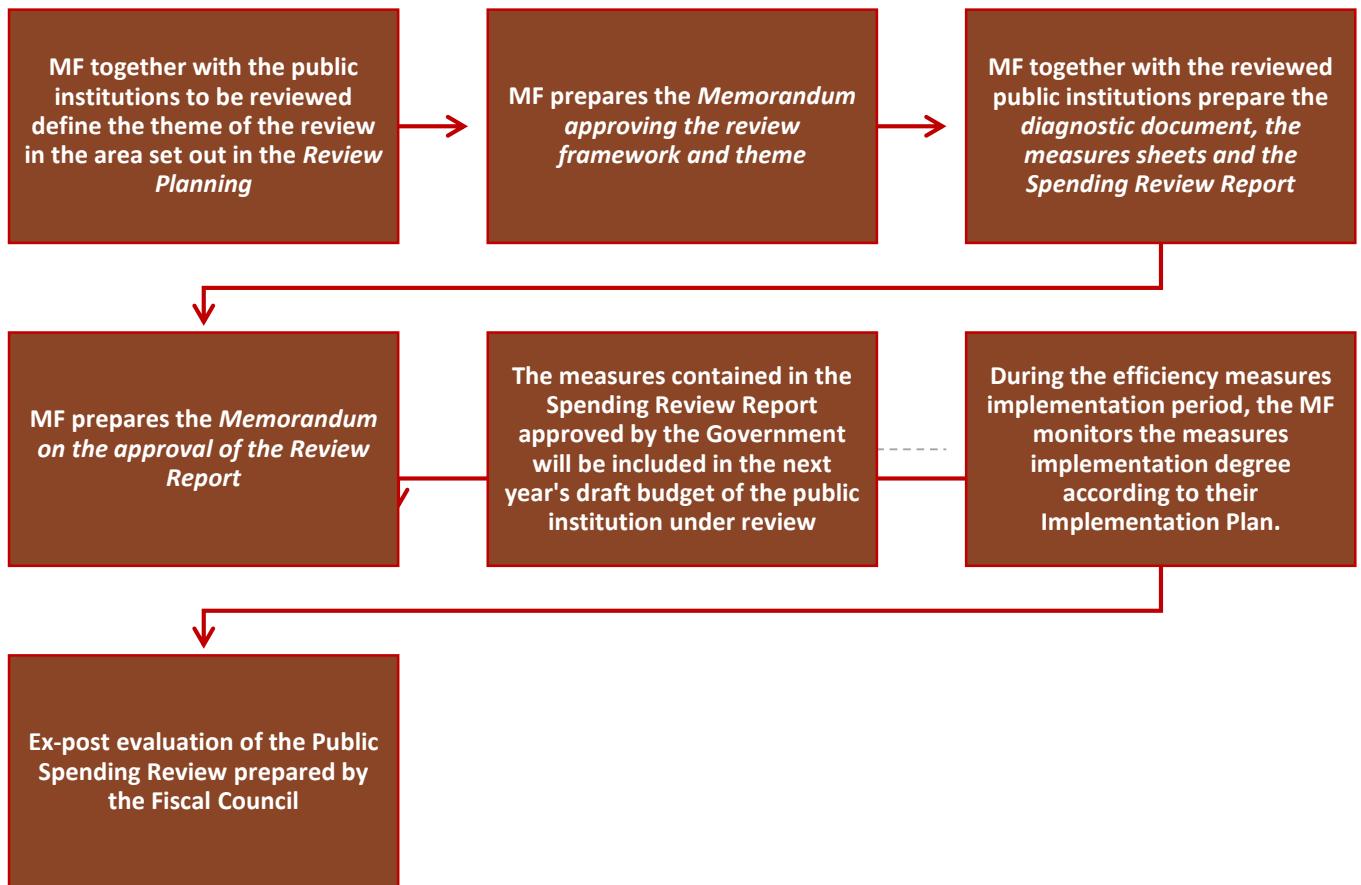
Recommendation III/1 of the legal instrument OECD/LEGAL/0478<sup>19</sup> refers to the necessity of promoting public evaluations, including spending reviews, and, therefore, Member States or aspiring OECD members should actively plan and manage reviews so that the reviews should be elaborated in time, respect the objectives, take into account the beneficiaries needs and ensure that stakeholders have confidence in the results. In particular, Member States should:

- a) plan the reviews in advance;
- b) develop and implement the reviews results adapted to the field and to the beneficiaries needs;
- c) involve stakeholders and relevant parties in the review process from the beginning so that they undertake the responsibility of change and gain confidence in the review results.

<sup>18</sup> OECD, *Recommendation of the Council on Public Policy Evaluation*, OECD/LEGAL/0478

<sup>19</sup> OECD, *Recommendation of the Council on Public Policy Evaluation*, OECD/LEGAL/0478

## **SPENDING REVIEW Stages**



### **3.1 Actions and timeframe for completion:**

- The Ministry of Finance coordinates the systematic carrying out of public spending review according to the " Spending Review Planning for the period 2024 - 2030".
  - ✓ Deadline: permanent

## Specific objective 3.2 Ensuring the spending review transparency

In order for spending reviews to have an optimal impact on the efficient public spending, since 2016, the European Commission proposed in its set of principles that monitoring progress and communicating the results of public spending reviews to the public should be a regular and transparent process<sup>20</sup>.

OECD<sup>21</sup> recommends that key documents produced in the spending review process to be made public, together with the measures proposed on the basis of the review conclusions. At the same time, Recommendation IV/2 of the legal instrument OECD/LEGAL/0478<sup>22</sup> emphasises the importance of providing easy access to the results of spending review, both for decision-makers and the general public, by developing a communication plan that sets out how the results of spending review will be presented and communicated to potential users, identifying the communication channels, the timing of communication, the format and the mode of address depending on the audience (users, beneficiaries, general public).

The reviews success also depends on the visibility given to the whole spending review process, i.e. the way in which external communication is carried out, from the stage of launching the spending review, through the promotion of the *Memorandum approving the review framework and theme*, until the measures implementation stage finishes, when the obtained results can be ascertained. It is important to present the spending review results in a manner easily understood both by the users who implement the measures resulting from the reviews and by the beneficiaries of the measures.

Therefore, communication and dissemination should ideally be based on a plan that differentiates between audiences and prepares targeted communication for each audience. Communication products should be used differently for different audiences. For experts, the full Spending Review Report and its annexes should be published, while for policy makers and journalists a shorter report, e.g. 10 pages, containing key findings, enhanced with colour graphics, could be published or even a 2-page press release containing only the key messages is recommended.

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<sup>20</sup> [https://www.consilium.europa.eu/media/23582/eg-15-june-2017\\_note-on-spending-reviews.pdf](https://www.consilium.europa.eu/media/23582/eg-15-june-2017_note-on-spending-reviews.pdf) (Annex1, p.13)

<sup>21</sup> Tryggvadottir, Á. (2022), "OECD Best Practices for Spending Reviews", *OECD Journal on Budgeting*, vol.22/1, <https://doi.org/10.1787/90f9002c-en> ([https://www.oecd-ilibrary.org/governance/oecd-best-practices-for-spending-reviews\\_90f9002c-en](https://www.oecd-ilibrary.org/governance/oecd-best-practices-for-spending-reviews_90f9002c-en))

<sup>22</sup> OECD, *Recommendation of the Council on Public Policy Evaluation*, OECD/LEGAL/0478

### ***3.2 Actions and timeframe for completion***

- The Ministry of Finance develops a communication plan for each review, covering the spending review process from the initiation stage to the monitoring stage of the measures implementation, specifying how, when and where the information will be disseminated;
  - ✓ Deadline: permanent, from 2027
- The Ministry of Finance creates a dedicated area (a section) on its website for spending reviews, where relevant documents in the spending reviews process are displayed/presented.
  - ✓ Deadline: 30 September 2024

## V. PLAN FOR IMPLEMENTING THE STRATEGY

Objective	Deadline for implementation	Responsible	Performance indicators
<b>1. General objective</b> <b>Public institutions capacity building to carry out spending reviews</b>			
1.1 Specific objective: Ministry of Finance capacity building to carry out spending reviews	March 2024	MF	modification of the relevant regulatory framework
1.2 Specific objective: Professional development of staff in the public institutions involved in spending review	Permanent	MF	There will be one session per year
<b>2. General objective</b> <b>Strengthening the link between the spending review process and the budget preparation</b>			
2.1 Specific objective: Correlating the timetable for carrying out spending review with the timetable for drawing up the budget.	Permanent	MF public institutions reviewed	It will be carried out for each spending review
2.2 Specific objective: Updating the spending review methodology of the Ministry of Finance.	June 2024 September 2024 December 2027	MF	Two documents will be produced: a guide -Manual and operational procedure; An IT application will be developed.
<b>3. General objective</b> <b>Strengthening the spending review role as a tool for the implementation of the Government's fiscal and budgetary policy</b>			
3.1 Specific objective: Strengthening the systematic nature of spending review	-permanent	MF	Two Government-approved Memoranda will be produced for each spending review
3.2 Specific objective: Ensuring the spending review transparency	- from 2027 - permanent; - from Sept. 2024 - section on the MF website.	MF	A communication plan will be drawn up; A section will be created on the MF website.

## VI. STRATEGY MONITORING AND REPORTING OF IMPLEMENTATION

The objectives proposed in this Strategy are a response to the financial and budgetary challenges that Romania is currently facing. All the actors of the public administration are involved for the Strategy implementation.

The implementation of the Strategy is carried out under the authority of the Government and under the coordination of the Ministry of Finance.

### Monitoring the Strategy implementation

Through the monitoring process, the progress in the Strategy implementation is monitored, information is collected, problems encountered during its implementation and related solutions are identified and, if necessary, measures are formulated to update the Strategy Plan.

### Reporting on the Strategy implementation

Throughout the duration of the Strategy, the Ministry of Finance prepares an *Interim Report* on the status of its implementation and submits it to the Government in December 2027.

The purpose of the *Interim Report* is to inform the Government on the achievement of the general and specific objectives and also, if necessary, to propose amendments to the *Spending Review Planning* or to the Plan or to the activities of Strategy, depending on the results achieved by that time.

In June 2030, the Ministry of Finance, in cooperation with the public institutions involved in spending review, shall prepare and draft the *Final Report* on the implementation of the Strategy and submit it to the Government in order to assess the results achieved, compare them with the planned ones and identify the problems to be solved within the public administration after the implementation of the *Spending Review Strategy for the period 2024 - 2030*.