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Romania
Functional Review

LABOR AND SOCIAL PROTECTION SECTOR

Final Report

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ABBREVIATIONS

ALMP -	Active Labor Market Programs
ARR -	Average Replacement Ratio
CBDA -	Complementary Budget for Disabled Adults
CFA -	Complementary Family Allowance
CHU -	Central Harmonization Unit
CRB -	Child Raising Benefit
ECA -	Europe and Central Asia
EC -	European Commission
EF&C -	Error, Fraud and Corruption
EGD -	Economic General Directorate
EU -	European Union
ESF -	European Social Fund
FA -	Family Allowance
GDP -	Gross Domestic Product
GDSACP -	General Directorates for Social Assistance and Child Protection
GMI -	Guarantee Minimum Income
GOR -	Government of Romania
GSG -	General Secretariat of Government
HR -	Human Resource
HB -	Heating Benefit
ICR -	Indemnity for Child Raising
IDA -	Indemnity of Disabled Adults
IM -	Information Management
IMF -	International Monetary Fund
IPSAS -	International Public Sector Accounting Standards
NIMEWCR -	National Institute of Medical Expertise and Workforce Capacity Recovery
L&SP -	Labor & Social Protection
LI -	Labor Inspection
LMP -	Labor Market Policies
L&SP -	Labor and Social Protection
LTC -	Long Term Care
MoLFSP-	Ministry of Labor, Family and Social Protection
MERYS -	Ministry of Education, Research, Youth and Sports
M&E -	Monitoring and Evaluation
MoPF -	Ministry of Public Finance
NAE -	National Agency for Employment
NAFA -	National Agency for Fiscal Administration
NAR -	National Agency for Roma
NASB -	National Agency for Social Benefits
NHPP -	National House of Public Pensions
NGO -	Non-Governmental Organizations
OECD -	Organization for Economic Co-operation and Development
PA -	Priority Area

PES - Public Employment Services
PWD - Persons/people with disabilities
PIAMGD - Public Institutions Accounting Methodology General Directorate
PMU - Project Management Unit
PSSA - Public Service for Social Assistance
RATC - Regional Adult Training Center
RIB - Regional Intermediate Body
SA - Social Assistance
SAFIR - Integrated Management Information System
SCA - State Child Allowance
SI - Social Inspection
SOP HRD- Sector Operational Program for Human Resources Development
SPA - Single Parent Allowance
TA - Technical Assistance
ToR - Terms of Reference
UNCRPD- United Nations Convention on the Rights of Persons with Disabilities
URB - Unified Registration of Beneficiaries
WB - World Bank

Note: For the purpose of this report, the EU-10 group of counters consists of: Czech Republic, Bulgaria, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia and Romania

Romania: Labor and Social Protection Sector Functional Review (Volume One—Main Report)

I. Overview of the Two-Volume Report

1. **The Government of Romania (GOR), in agreement with the European Commission (EC), requested functional reviews of the Romanian public administration through an independent advisory service with the World Bank.** The reviews are specified in GOR's Memorandum of Understanding with the EC signed on June 23, 2009, and in the Agreement for Advisory Services, dated November 26, 2010. The GOR initiated such reviews to support its goal of modernizing its public administration and improving its ability to fulfill its commitments to the European Union, under the ongoing programmatic documents. The GOR has requested that the World Bank lead the reviews on its behalf under an advisory services contract.

2. **The general objective of this advisory service is to review the current situation of the Labor and Social Protection (L&SP) sector, assess its functioning and develop an action plan** that the GOR can use over the short- to medium-term to strengthen its effectiveness in the public administration, in accordance with the Memorandum of Understanding's terms and conditions, as agreed upon by the GOR and EC.

3. **In meeting this objective, the World Bank examined**: (i) whether the policy goals and objectives of the Ministry of Labor and Social Protection (MoLFSP) and its agencies are clearly defined in measurable and achievable terms; (ii) whether the management systems, policies, staffing, and organizational structure are appropriate for them to meet their objectives; and (iii) whether factors external to the institutions that may impede their ability to meet their objectives.

4. **The review of the L&SP sector comprised the following stages:**

- **The Inception Report was submitted to the General Secretariat of the Government on February 24, 2011,** summarizing the initial discussions with senior officials on the scope of the review, major concerns regarding the strategic framework, and the institutional setting and management systems of the Ministry of Labor and Social Protection (MoLFSP) and related agencies;

- **In-depth evaluation of the sector,** focusing on the status of each business area, policy developments, organizational structures and related responsibilities, identification of financing channels and expenditures for various programs (benefits and services), as well as the identification of the problems hampering the proper functioning of the sector;

- **Formulation of recommendations and preparation of a related action plan** for their implementation for the GOR's consideration over the short and medium term (presented in Volumes 1 and 2 of the present report).

5. **The report is organized into two volumes.** Volume One (this volume) summarizes the main findings and messages, presents priorities for reform, and suggests an action plan to carry out these priority reforms. Volume Two provides chapters with the background diagnostics, assessment and findings in depth, covering:

- CHAPTER I —Main Sector Features and Institutional Mapping
- CHAPTER II—Ministry of Labor Family and Social Protection
- CHAPTER III—Labor Market
- CHAPTER IV—Pensions
- CHAPTER V—Social Assistance (Cash Transfers)
- CHAPTER VI—Social Assistance Services
- CHAPTER VII—Information Management (cross-cutting)

II. Overview of Social Protection and Labor: Concepts, Outcomes, & Main Findings of the Functional Review

6. **Conceptually,[1] social protection and labor are important tools for the social and active inclusion agendas.** Effective, efficient and equitable social protection programs directly reduce *poverty and inequality* and *build resilience* by helping individuals and families smooth their consumption and handle shocks. However, both social protection and labor policies also *promote opportunity, productivity, and growth*, notably through building human capital, assets and access to jobs, and by freeing families to make productive investments because of their greater sense of security. Social protection institutions promoting resilience and opportunity focus on three inter-connected functions:

- ***Prevention*** against declines in well-being due to income and expenditure shocks. In the social protection domain, prevention is usually achieved through social insurance programs, such as unemployment and disability insurance, old age pensions, and scalable public works programs, which lower the impact on individuals and families from shocks and "life course" changes, and enable them to smooth consumption over their lives.
- ***Protection*** from destitution and catastrophic losses of human capital. Social assistance programs (such as cash transfers) help alleviate poverty and protect poor individuals and families from irreversible and catastrophic losses of human capital (e.g., education for children, health care for households), which is essential for both individual well-being and broader economic growth. At the same time, such programs can reduce the socio-economic harm from acute inequality.
- ***Promotion*** of improved opportunities and livelihoods, notably through "connecting to better jobs and opportunities." Institutions that promote opportunity are often integrated with those supporting prevention and protection. Labor market "activation" programs link beneficiaries of social assistance and/or unemployment benefits to incentives and support services that help build their skills, promote "employability," and connect them to jobs. Conditional cash

[1] The World Bank (2010). "Building Resilience and Opportunity: The World Bank's Social Protection and Labor Strategy: 2012–2022." Concept Note.

transfers incentivize investments in human capital by promoting demand for education and health. In addition, public works programs provide cash payments while increasing human and physical capital investments. As important for "promotion" are the indirect impacts of "preventive" and "protective" programs (social insurance and social assistance): by lowering households' vulnerability, they allow them to be more innovative and take productive risks.

7. **In Romania, the Labor and Social Protection (L&SP) sector is large, complex, and highly sensitive, governing labor market, pensions and other forms of social insurance, and social assistance.** Almost 84 percent of the country's population is covered by at least one social protection program (cash benefit, in-kind, or social services). Moreover, the sector accounted for 14.3 percent of GDP in 2010. As such, efficient and effective functioning of its institutions is highly important to the overall public administration and the various groups of beneficiaries.

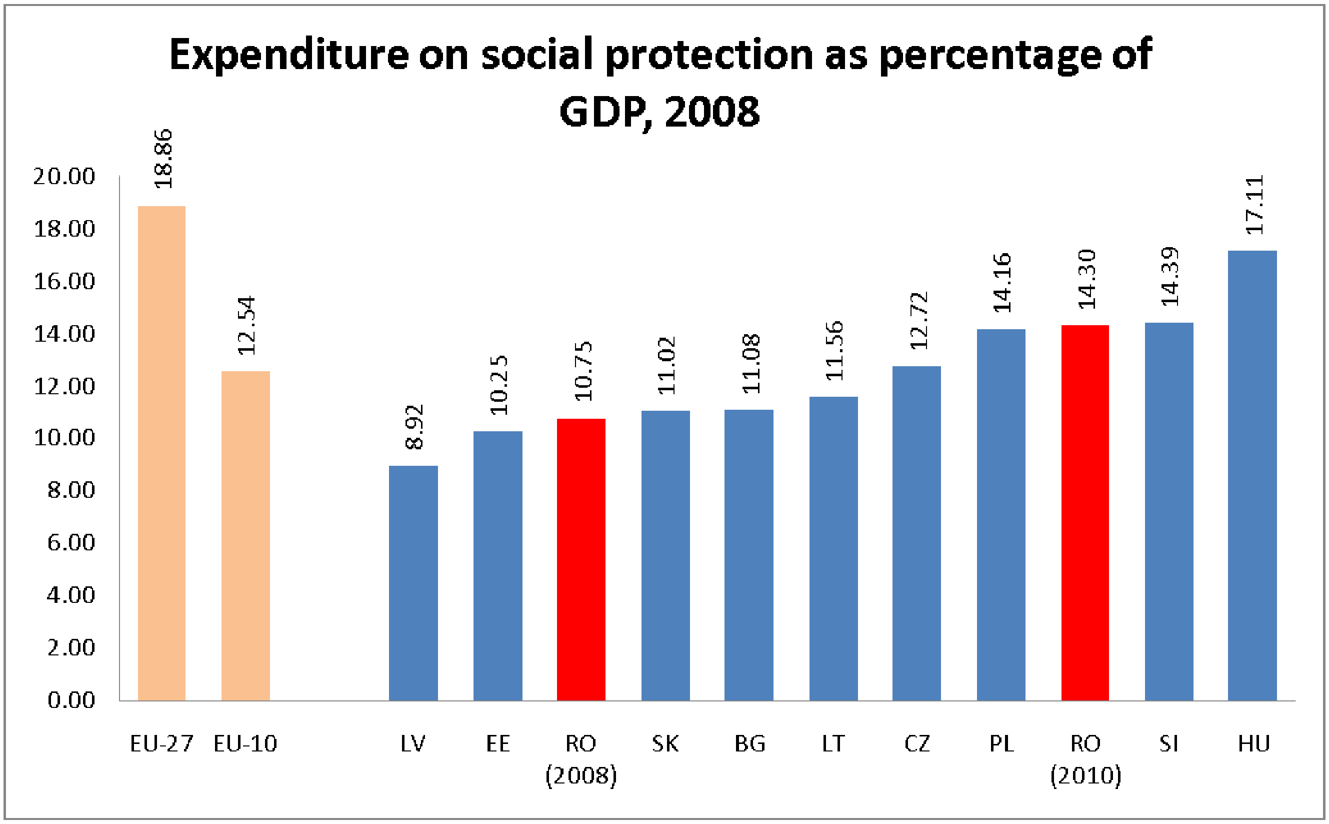
8. **The functions of labor and social protection (assistance and insurance) are coordinated by the Ministry of Labor, Family and Social Protection (MoLFSP)**, which is the GOR's main institutional structure responsible for overseeing labor market policies and relations, social insurance (pensions and unemployment) and social inclusion (social assistance benefits and social assistance services). In relation to the European Union (EU), the MoLFSP is the counterpart for the Social Inclusion Agenda, and is responsible for the administration of EU funds under the Sector Operational Program for Human Resources Development (SOP HRD), 2007–2013. As discussed below, the MoLFSP is the coordinating body for the sector, with four implementing agencies: the National House of Public Pensions (NHPP), the National Agency for Employment (NAE), and the National Agency for Social Benefits (NASB) and Labor Inspection (LI).

9. **Romania's strategy for the L&SP sector should be guided by four key outcomes:** (a) affordability and fiscal sustainability; (b) cost effectiveness and efficiency (allocative and administrative); (c) equity (horizontal and vertical); and (d) productivity and employment.

- **Affordability—fiscal sustainability.** Romania needs to improve fiscal sustainability both by (a) increasing revenues for contributory benefits, such as pensions and unemployment benefits and (b) containing pressures for expanding spending—and recognizing the inevitable trade-offs that will come as the country confronts a demographic transition, with aging leading to increased cost pressures for pensions, disability benefits and services and long-term care, and lower fertility leading to a shrinking workforce.
    - ***Financing*** for the L&SP sector combines several sources: (i) social insurance contributions for pensions—including invalidity, and unemployment; (ii) the state budget for social assistance benefits; (iii) local budgets (from both local revenues and state budget equalization grants) for social services; (iv) the state budget for "Programs of National Importance" (functional expenditures) and investment programs; and (v) other donors. In addition, the state budget covers non-contributory pension benefits for farmers, as well as deficits run by the pensions and unemployment funds due to contributions shortfalls.
    - In terms of ***spending***, Romania's total expenditure on social protection accounts for 14.3 percent of GDP (2010), which is above the average for the EU-10 New Member States (NMS), and below the EU-27 average. This spending level reflects a significant increase since 2008, rising from 10.75 percent of GDP (see Figure 1 below). The

expansion reflects increased needs during the economic crisis and increases in coverage and/or generosity of benefits, as well as an expansion and proliferation of programs in some subsectors. Most of this spending is on pension benefits, which account for 8.3 percent of GDP (2010). The pensions fund has registered large and rising deficits in recent years, rising from 1.23 percent of GDP in 2009 to 2 percent in 2010, and forecasted at 2.53 percent for 2011. Pension deficits are expected to increase further over the long run with the pressures of aging and the shrinking labor force. The sharp increase in registered unemployment during the crisis also triggered a large deficit in the Unemployment Fund (of 0.56 percent of GDP in 2011), such that state budget subsidies have had to supplement the Fund's revenues (equivalent to 69 percent of total spending of the unemployment fund). Social assistance spending has also increased, doubling from 1.4 percent of GDP in 2005 to 2.9 percent in 2010.

Figure 1. Expenditures on social protection as percentage of GDP, Romania + EU Comparisons (2008) and Romania (2010)



- **Efficiency (allocative and administrative).** Romania's social protection and labor interventions also need to be cost-effective and efficient. Systems and programs should use resources effectively to achieve results. This means "allocative efficiency"—prioritizing among interventions to make sure resources are devoted to the most effective programs, which is particularly important given increasing fiscal pressures (currently and over the long run, due to aging and the shrinking labor force, as discussed above). This also requires that programs' performance are clearly defined, monitored, and addressed—both at the individual program level and across programs. It also means "administrative efficiency," so that resources are used to design, deliver and monitor programs in a cost-effective way, making effective use of human resources (staffing), financial resources for operational budgets, and information and communications technology. Much of this Functional Review focuses on identifying opportunities for improved administrative efficiency.

- **Equity.** Equitable distribution of benefits is also core to social protection and labor programs. Equity in this case has at least two meanings: (a) horizontal equity: equal treatment for people of equal conditions (e.g., beneficiary applicants with similar profiles, or recipients of social services); and (b) vertical equity: less generous benefits for those less poor (e.g., for social assistance cash transfers). The first involves governance, transparency and service delivery standards. This Functional Review covers the administrative and functional side of these governance aspects. The second involves prioritizing benefits to those most in need (e.g., the poor, vulnerable, and highly disabled). This implies the need to focus the core benefits more narrowly on the poorest and neediest over the medium term (e.g., through means testing or improved disability certification processes and criteria).

- **Productivity and employment.** With the "promotion" agenda of social protection and labor, a key goal for the L&SP sector is the productivity and employment function. This objective is also closely linked to the EU 2020 agenda more broadly, and the EU Active Inclusion agenda in particular. Social protection policy needs to be increasingly oriented towards this "promotion agenda"—to promote opportunities for employment, improved productivity, and human capital. Functionally speaking (as with the focus of this Functional Review), this means promoting synergies and operational links between the social protection subsectors: labor, social assistance and social insurance. For example, social assistance beneficiaries might be linked to activation incentives and Active Labor Market Programs services to promote their employment opportunities. In Romania, these linkages are made to a limited degree, but the separate agencies and separate information systems do not currently facilitate and mainstream this broader policy objective or operational integrated case management. This Functional Review explores the challenges of functional and operational integration across the structures governing these subsectors.

10. **The functional, institutional and structural aspects of the sector do matter for improving these outcomes.** Many factors contribute to fiscal sustainability, efficiency, equity and productivity in social protection and labor. Some involve legislative and policy reforms. The GOR has made significant advances in that area in recent years (as discussed below). While these policy advances are discussed at various points in this report, the focus of this Functional Review is on the administrative, operational and institutional side. Indeed, effective institutions are key for a country's ability to *design, implement and monitor* policies and programs. These functional aspects matter for the key outcomes discussed above:

- For **fiscal sustainability**: the ability to plan, monitor, manage and forecast financing and expenditures for labor and social protection programs is crucial.

- For **efficiency**: the institutional structures, functional assignment of roles and division of responsibilities, staff capacities (skills, numbers), information systems, and business processes all drive the administrative efficiency of the sector, and its ability to deliver benefits and services in a cost-effective matter.

- For **equity**, in terms of business processes and service delivery models that treat people of similar conditions equally and fairly (governance transparency) and in terms of the design and implementation of programs and services that target the poor and vulnerable, and actively reach out to promote their access to benefits and services and opportunities for employment.

- For **productivity and employment** (promotion agenda): institutional structures and business processes that operate in "silos"—with fragmented and duplicative information systems, front-line and back-office staff and offices—miss opportunities to promote synergies across the pillars of social protection (labor, social assistance, and social insurance). More integrated—or connected—business models, combined with institutional incentives, can facilitate such synergies, such that the disabled and poor beneficiaries of social assistance can be connected with public employment services, for example.

11. **The core of this Functional Review presents a diagnostic of the institutional and operational structure of the sector—with a view to identifying ways to improve these outcomes.** The main findings and recommendations focus on (a) *integrating* the management, coordination and implementation of the L&SP sector in a more effective manner; and (b) *rebalancing* the distribution of resources in the sector, in terms of spending/budget, human resources, information and communications technology, and financial management, oversight and control. Specifically, the report finds that:

- **The Government and L&SP sector have undertaken significant reforms to restructure the sector**, with a focus on improving coordination and reducing costs (especially on the staffing side). This restructuring has resulted in an organizing framework built on the principle of an "umbrella policy body" (the Ministry) to coordinate across the subsectors of social protection (labor, social assistance, social insurance).
- **On the policy side, the Government has made several important advances**. Specifically, the Ministry has successfully designed and secured the approval of key policy reforms in the areas of pensions and the labor market, and launched a new strategy for social assistance (cash benefits).
- **The key focus now should be on strengthening implementation**, in terms of quality of delivery of benefits and services and efficiency of business processes in achieving the desired outcomes discussed above.
- **Several important challenges remain** for this institutional model to become more effective in achieving these outcomes in the L&SP sector in Romania. These challenges largely pertain to weak integration and imbalances in the allocation of resources in the management of the sector. Recommended cross-cutting priority actions include (a) developing a strategy unit in the MoLFSP; (b) developing an overall umbrella management information system (MIS) that connects the subsectoral registries for improved policy-making and operational functioning; (c) consolidating certain benefits (e.g., low-income benefits), eligibility criteria (e.g., for disability pensions and allowances); and payment functions (into a single payments agency); (d) strengthening cooperation between agencies involved in oversight and controls; and (e) developing an optimization plan for human resources and business processes to identify areas for improved efficiency, including possibilities for reassigning and retooling staff to improve the balance of human resources in the sector. These cross-cutting recommendations—as well as specific subsectoral recommendations—are discussed in more detail below.

III. L&SP Sector Institutional Structure and Policy Reforms

INSTITUTIONAL STRUCTURE

12. **As reforms took place in all areas of the L&SP Sector, several institutional restructurings were conducted and the sector has gradually moved to a more streamlined structure.** The restructuring process carried out over the past twelve years can be grouped into two phases:

- **Initial Restructuring Reforms (1999–2008):** In the initial phase, the sector was restructured to orient the MoLFSP towards an "umbrella" coordinating role, and to de-concentrate subsectoral implementation structures. Thus the following agencies were created: the National Agency for Employment (1999), the Labor Inspection (1999), the National Pensions House (2000), the National Agency for Equal Opportunities (2002), the National Agency for Persons with Disabilities (2003), the National Agency for Family Protection (2003), the National Authority for Child Protection (2004), the directorate of Social Inspection (2006), and the National Agency for Social Benefits (2008). With this reorganization, the MoLFSP retained oversight of the sector as well as the policy development, monitoring and evaluation and control functions.

  Three of the above-mentioned agencies: the National Agency for Employment (NAE), the National House of Public Pensions (NHPP) and the National Agency for Social Benefits (NASB) were established within the framework of previous projects financed by the World Bank, with international technical assistance. Their organizational structures were carefully designed and staffing needs properly assessed (in terms of both number and skills) in line with the international best practices. By and large, their current structure is still adequate to the tasks and functions that they have to perform. These agencies operate with performance management contracts with more or less detailed indicators. The National Agency for Employment is an example of excellence in this sense, having an International Organization for Standardization (ISO) accreditation on performance management.

  When the agencies were created, they gained specialization in the implementation of their functions. However, with the split across the agencies, the coordination of their development revealed weaknesses in some areas. For example, each agency created its own Management Information System (MIS), but the coordination and integration function for information and performance was missing—and thus the Ministry cannot perform those functions.

  This above-mentioned period witnessed an expansion in the number of programs and spending which in the end became fiscally unsustainable.

- **Recent Reorganization and Consolidation (mid-2010).** The sector was recently reorganized and consolidated, driven by the need to (a) reduce public sector expenditures, including the cost of wages; and (b) improve coordination and administrative efficiency.

Much of the sector was consolidated under the MoLFSP, which took over the National Agency for Persons with Disabilities, the National Agency for Family and Child Protection, the National Agency for Equal Opportunities, and Social Inspection. These became general directorates within the central structure of the MoLFSP. However, some other agencies with responsibilities in the area of social inclusion are still functioning outside the MoLFSP umbrella (e.g., the National Agency for Roma and the Romanian Office for Adoptions). These could be brought into MoLFSP's sphere to improve their coordination and link to the EU, as the Ministry is the EU's main counterpart for monitoring social inclusion.

The "big four" agencies (the National House for Public Pensions, the National Employment Agency, Labor Inspection and the National Agency for Social Benefits) also underwent staff cuts to achieve budget targets. The problem was that the cuts were made across the board, rather than being prioritized so that key functions were adequately staffed. This uniform approach was used for "political economy" and administrative feasibility reasons in the short-run (it was easier to make cuts across entire agencies than to prioritize).

These efforts to improve the structure of the sector had several benefits:

- They reinforced the organizing principle of an "umbrella policy body" (the Ministry) coordinating streamlined implementing agencies across subsectors;
- They enabled better policy development coordination in the areas of social assistance services and social inclusion; and
- They contributed to achievement of the Government's objective of reducing public sector spending, which was needed to contain the budget deficit and create conditions for a broader macro-fiscal sustainability.

POLICY REFORMS

13. **Confronted with substantial structural challenges and under the pressure of the global crisis over the past two years, the MoLFSP embarked on an ambitious policy reform program in each of the main subsectors under its jurisdiction.** Specifically, a number of policy measures were undertaken, including the approval of new laws and strategies to:

- **Revise and implement a more flexible labor market relationship framework.** The Labor Code revisions in Law 40/2011, as well as Law 62/2011 on Social Dialogue allow a rapid and coherent response by companies to market changes.

- **Implement a unified, coherent and equitable wage system for the employees in the public sector.** Two laws were approved: (i) Law 284/2010, the framework public wage law; and (ii) and Law 285/2010, which stipulates applicable wage levels for public sector employees for year 2011, within the financial envelope allocated by the budget.

- **Improve the financial sustainability of the public pension system by increasing revenues and reducing spending.** A new pensions law was approved (Law 263/2010) representing a significant reform. This law provides, inter alia, for: (i) the gradual increase of the retirement age for women (from 60 to 63 years), with corresponding increases in the contribution period for receiving the full old-age pension, (ii) the progressive switch of the pension benefits indexation from a wage- to price-increase formula, (iii) higher penalties for early retirement,

(iv) increased control over eligibility for invalidity pensions and (v) the consolidation of various special-sector pension schemes with the overall public pensions scheme.

- **Improve the efficiency and effectiveness of the social assistance system.** A comprehensive reform program was launched through the approval in March 2011 of the Strategy for Social Assistance Reform and its related Action Plan for the period 2011–2013, with a focus on social assistance benefits as the last resort for vulnerable groups hardly hit by the economic crisis. The strategy provides, inter alia, for:

    - Fiscal savings of about 0.78 percent of GDP in 2013 compared to 2010 spending levels, mainly by keeping constant the nominal level of categorical benefits, strengthening eligibility requirements and verification procedures and reducing errors and fraud in the delivery of cash transfers;
    - Improvement in equity, by refocusing programs for low-income households on the poorest quintile of the population;
    - Improvements in administrative efficiency, by reducing the cost to applicants of applying for cash transfers and by reducing the administrative costs of the system through the harmonization and simplification of rules and procedures for obtaining cash transfers and harmonization of the invalidity/disability certification criteria; and
    - Stronger incentives for human capital accumulation, through activation requirements for able-bodied beneficiaries and school conditionality for the school-aged population.

14. **As the above major policy reforms have already become law, the next priority should be supporting their implementation.** In these circumstances, the L&SP sector's institutional structures must be strengthened so that they function properly and are able to support the implementation of these reforms. Stable, functional institutions will also advance policy development for the next generation of reforms.

IV. KEY CHALLENGES IN THE CURRENT L&SP SECTOR STRUCTURE (CROSS-CUTTING): LACK OF INTEGRATION + RESOURCE IMBALANCES

15. **Following past reorganizations, the L&SP sector is governed by a policy-coordinating ministry, plus several implementing agencies with county and local level branches.** This organizational feature is reasonable and the FR does not recommend any major changes. However, it identifies areas where improvement can be made. In order for the Ministry and its implementing agencies to properly function and fulfill their tasks, several prerequisites should be in place, such as:

- The MoLFSP must have access to information it needs across subsectors and levels of government to monitor and reward its agencies' performance;
- Incentives for strong performance must be spelled out and used;
- Adequate information, resources, and rules/procedures for oversight and controls must exist;
- Information systems must be adequately linked to promote cross-program synergies and cross-checks among the subsector MISs; and
- Staffing and resources must be optimized across priority functions.

16. **Important challenges for this institutional model remain (cross-cutting).** These primarily involve lack of integration (or cross-cutting linkages) in the management of the sector, and imbalances in resources across parts of the sector.

- ***Weak integration in the sector.*** The lack of integration manifests and affects the sector in at least three ways: (i) weak integration at the policy level, resulting in untapped synergies across the L&SP subsectors; (ii) segmentation at the operational level; and (iii) weak links across levels of government.

  - ***First*, weak integration at the "big picture" policy level results in untapped synergies across the L&SP subsectors.** Policies, strategies and action plans tend to focus on each SP&L area (pensions, labor market and social assistance), without attention to overall results or cross-cutting issues. This makes it hard to link programs across the sectors. An example is the lack of integration between disability pensions and disability allowances, which can cause duplication and incentive inconsistencies. An example of effective integration would be to link social assistance beneficiaries to activation and ALMP services, to promote their opportunities for employment. This is done to a limited degree, but the separate agencies and separate information systems do not promote this broader policy objective or operational integrated case management. The Ministry is keen to promote program integration and sector coordination at the policy level for greater synergies and effectiveness across subsectors. The lack of higher-level integration and coordination also makes it difficult to jointly monitor subsector performance. MoLFSP's capacity to monitor and assess the overall performance of the sector or of particular subsectors is currently limited, in part due its inability to access separate agencies' MISs, but also because of limitations related to its staff skills, functions and rules. This means those agencies MISs are not facilitating the performance management function. Such performance management is uneven across the subsectors (the public employment agency is ahead of the others in developing performance-monitoring tools). Thus, with the sole exception of the National Employment Agency, performance monitoring is inadequate.

    Recommendation: MoLFSP should consider establishing **a strategic unit** in charge of strategy development and implementation. The unit would set objectives, translate them into indicators and targets, and monitor and evaluate their across the whole sector as well as subsectors. At the policy level, such a structure could include the key policy-makers and high-level managers in MoLFSP. To function efficiently, it should have a strong secretariat, with experts in the areas of planning, forecasting, monitoring and evaluation.

  - ***Second*, the lack of integration across the areas of L&SP results in operational duplications and inefficiencies,** with (a) missed economies of scale in implementation; (b) weak cross-subsector information sharing among agencies; and (c) missed opportunities for stronger oversight and controls (e.g., with cross-checks across information systems).

    - **Missed opportunities for economies of scale for implementation.** Economies of scale for implementation are not being realized. Each agency has its own payment system and own management information system (MIS). Back-office functions are split, and beneficiary interface is not coordinated across programs. MoLFSP has identified a number of areas where such economies of scale could be reaped: (i) in the area of disability policy, by harmonizing the criteria and the institutional framework for disability assessment for pensions and allowances; and (ii) by consolidating all income-tested programs into one program for low-income households, the Minimum Social Insertion Income program. It should also explore other areas where such economies of scales can be achieved, such as (i) consolidating cash payment functions into a single payment agency; and (ii) rationalizing (or at least linking) the agencies and units in charge of oversight and control (as discussed further below).

Recommendation: The MoLFSP should consolidate certain benefits (e.g., low-income benefits); eligibility criteria and institutional arrangements (e.g., for disability pensions and allowances); and payment functions (into a single payments agency).

- **Weak cross-subsector information sharing among agencies.** With separate management information systems (MIS) for each of the big four agencies and the main programs, the ability to monitor performance and link information across the subsectors is missing. Moreover, there is no way to cross-check across the separate MISs (for verification, cross-program synergies via referrals and joint case management, etc.). The timely availability of accurate information is a must for all government institutions, including the MoLFSP, as it is needed to assess the performance of the various sectors of activity, to develop well-informed sectoral policies, and to implement, administer and monitor programs for which the Ministry is responsible. As the ministry does not have a unified information management (IM) platform, part of the information needed for its current activities is accessed from the three MISs that operate independently in each of the three main areas coordinated by the Ministry (labor, pensions and social assistance). The MoLFSP has identified the problem of poor information flows and is working toward a solution, which involves: (i) taking stock of the information managed by different agencies and units; (ii) identifying the information needs of other agencies; (iii) identifying the technical (ICT) and legal solutions for such exchanges; and (iv) establishing data exchange protocols to facilitate the exchange of information. So far, this work has focused on the labor market policy implementation units, the National Employment Agency and the Labor Inspection Agency. Two other policy domains, cash transfers and disability policy, should follow.

  Recommendation: Expand the current review of informational needs from the NEA and Labor Inspection to all subordinate agencies and the MoLFSP (see Chapter VII, Volume 2 of the report).
  Recommendation: Establish a Chief Information Office in the MoLFSP and develop and implement an umbrella MIS platform at the level of the MoLFSP, to more efficiently use the large amount of information collected and stored by its agencies for policy-making, monitoring of performance, and operational functions (efficiency improvements, cross-checks, synergies and economies of scale, etc.). This umbrella MIS platform could be based either on the full integration of the

existing information management systems (pensions, labor market and social assistance), or on a linking of these MISs via a standard interface (see Action Plan and Chapter VII of Volume 2 of the report).
Recommendation: Implement actions to facilitate cross-checking of information to improve program compliance, as per the Social Assistance Strategy (see Chapter V, Volume 2).
Recommendation: Update the functioning of the MISs for pensions and social assistance benefits so that legislative changes are incorporated in a timely manner.

- **Missed opportunities for stronger oversight and controls** (e.g., with cross-checks across information systems). A similar issue affects the structures in charge of oversight and controls: Labor Inspection, Social Inspection, the Audit Department and the Control Body of the Minister. These oversight agencies currently operate separately, without the ability to cross-check information or specific cases, or share oversight and controls tools, mechanisms and findings.

  Recommendation: MoLFSP should conduct a specific review focused on increasing the impact of the oversight and control bodies on improving program compliance across all the areas of L&SP sector, as well as on improving business processes and procedures.
  Recommendation: Strengthen cooperation between the structures in charge of oversight and controls: Labor Inspection, Social Inspection, the Audit Department and the Control Body of the Minister.

- ***Third*, integration is also needed because of decentralization, as effective links between the central and local public administrations are currently lacking.** Indeed, coordination and control are limited across various levels of government, due to decentralization and the resulting autonomy of sub-national bodies that carry out certain functions in the L&SP sector. The Ministry does not exercise monitoring, oversight and controls over the sector, includig social protection spending and delivery of benefits and services. Specifically, several functions are carried out by county and local public administrations (General Directorates for Social Assistance and Child Protection and Public Services for Social Assistance), and certain cash benefits are independent of the Ministry. Further, the development and provision of social assistance services for various groups of beneficiaries (persons with disabilities, elderly, children and youth at risk, and victims of domestic violence) is mainly the responsibility of local governments, which do not really coordinate with the MoLFSP in the overall evaluation of needs for such services and the long term planning for their future development.

  Recommendation: A more in-depth review of the cross-government-level functions (on spending, financing, information flows, business processes, reporting, responsibilities, and monitoring) is needed. This would require a coordinated review between the sector Ministry (MoLFSP), the Ministry of Administration and Interior, as well as across the local public administration bodies. The review should seek to identify specific needs and ways for improving collaboration between the MoLFSP and the Ministry of Administration and Interior, plus the local public administration entities.

- ***Inadequate balance of resources.*** In addition, there are imbalances in spending and human resource allocations (e.g., skills mix, critical mass in certain areas lacking) in the sector and across the subsectors.

  First, with respect to *public spending* in the sector, the critical issue is to contain discretionary increases and maintain fiscal sustainability. In recent years, social protection spending has increased substantially; from 10.75 percent of GDP in 2008 to 14.3 percent in 2010 (see Figure 1). This increase of almost 4 percentage points of GDP is much higher than the increases in other social sectors such as health and education. This very large increase in spending raises two issues: (a) of fiscal sustainability, that is, whether or not Romania can afford this level of spending now or over the medium term; and (b) of the effectiveness and efficiency of public spending (both allocative and administrative efficiency).

  Given the large increase in social protection spending in the recent years, the critical question is whether the current level is fiscally sustainable. While overall social protection spending increased during the crisis, most of this increase was due to increases in benefits *prior to* the crisis. The single largest increase, in pension expenditures, was due to the sharp increases in pension benefits in 2007. The second largest increase, in social assistance benefits, also occurred *before* the crisis, when the generosity of family policy programs, disability and social pensions programs was substantially enlarged. Due to the political economy of entitlements, it is very difficult to scale back these programs. The third and only public spending area that increased *because of the crisis* was the unemployment benefit program. This increase was both expected and normal, since the unemployment program acts as an economic stabilizer—spending rises during economic downturns, and falls during good times. From a macroeconomic perspective, this is welcome, because the program sustains the incomes of those affected by crisis, a group with high marginal propensity to consume, hence a large fiscal multiplier of public spending. From a microeconomic perspective, this policy has merits from the standpoint of equity (the unemployed would be poor in the absence of the policy) and efficiency (the standard of living of the unemployed is maintained during the job search period).

  One way to indirectly answer the question of affordability is by benchmarking Romania's SP spending with other countries with similar economic and social conditions. For this reason, we have compared Romania with the New EU (former transition) countries[2]. It is important to note that, among the new EU countries, Romania and Bulgaria have the lowest GDP per capita. This benchmarking exercise is illustrated in Figure 1 (above). However, Romania is among the higher spenders, third after Poland and Hungary. This comparison suggests that the current of level of SP spending in Romania is already on the high side.

Comparison with the older EU members would not be relevant or useful. It would be counterproductive (for the convergence objective) for Romania to copy the budgetary spending pattern of the "old EU" at a time when there is a strong debate in the West of Europe about the sustainability of that model. The EU 2020 strategy, with emphasis on a higher employment (and lower dependency) rate, is a direct response to the pressures faced by older EU members with costly welfare states. There is enough consensus in Western Europe that the level of social spending needs to be contained or reduced, to maintain competitiveness. As these countries need to bring their SP spending down, we do not compare Romania with them.

With lower budget revenues, Romania cannot maintain the same level of spending as comparable nations with higher GDPs. When assessing the fiscal sustainability of Romania's SP spending, we should also take into account Romania's fiscal stance vis-a-vis the EU-10 countries. To maintain its level of indebtedness, Romania can only spend the amount of money it collects in revenues. This level was and remains relatively low, substantially lower than in other EU-10 countries. Over the last 15 years, the overall revenues of the consolidated government have been a flat 32–33 percent of GDP; the Medium-Term Fiscal Strategy of the Government projects revenues at the same level for 2011–2014 (see Table 1). The revenues of the consolidated budget are substantially higher in the EU-10 countries (and much higher in the older EU member states) (see Figure 2). The eight EU countries that joined in 2005 collect about 39 percent of GDP in revenue on average, roughly 7 percentage points higher than Romania. Bulgaria, the only new EU country with a similar level of GDP per capita, collects 37 percent of GDP, 4–5 percentage points more than Romania.

Table 1. Consolidated Budget Revenues and Expenditures, Romania, 1997–2012

	Revenues	Expenditures	Deficit
1997	30.5	34.9	4.4
1998	32.0	35.2	3.2
1999	34.8	39.2	4.4
2000	33.8	38.5	4.7
2001	32.5	36.0	3.5
2002	33.0	35.0	2.0
2003	32.0	33.5	1.5
2004	29.9	33.3	3.4
2005	31.4	32.1	0.7
2006	32.3	33.7	1.4
2007	32.3	35.4	3.1
2008	32.2	37.0	4.8
2009	31.8	39.2	7.4
2010	32.3	39.1	6.8
2011	32.4	36.8	4.4
2012	32.8	35.8	3.0

Figure 2: Consolidated Government Revenues in Romania vs. Bulgaria, EU-8 and EU-15

17. **However, social protection spending will increase over time due to the pressures of an aging population** (pensions, disability)—so other efficiencies will need to be found.

18. **The current efforts to contain spending are hence justified, and should continue**. Romania's spending is on the high side of the upper-middle income countries that joined the EU in 2005–07. Unless government revenues increase, additional increases in social protection spending will trigger higher indebtedness and jeopardize the country's achievement of the Maastricht criteria (the 3 percent of GDP deficit ceiling) and the adoption of the euro.

19. **There are areas where spending could be decreased and become more efficient:**

- Social assistance spending ballooned from 1 to 1.5 percent of GDP in 2005 to 2.9 percent in 2010. The reforms outlined in the Social Assistance Reform Strategy (March 2011) to consolidate and strengthen social assistance sector will help spending to fall to 2.1 percent of GDP by 2013.
- The contribution of social protection to increasing productivity could be promoted (currently insufficiently exploited). Second-generation reforms in social assistance are also needed to link beneficiaries to employment and human capital (including early childhood development) and to reduce the need for social assistance benefits among potential workers (the poor, disabled who are able to work if they had the right incentives and support services to reduce obstacles to work).
- Pension spending will continue face pressures to grow due to the aging population and the shrinking labor force. Recent reforms have helped to improve long-run deficit forecasts, but in the short term, pension-fund deficits are likely to remain at significantly high levels. Once overall pension system reforms take effect following the implementation of the first steps of the recently approved reforms, the government should update its long-term fiscal projections. The Bank could continue to provide support in this sense and help with the update of the projections made in 2010 using the PROST model. However, the reforms

approved last year provide for a very slow pace of implementation until their completion (sometime in 2030).

- Aging will also put pressure on spending for disability and long-term care as well as other social services. Keeping costs down will require improvements in the design, implementation and efficiency of these programs (as discussed in Volume 2).
- The predictable need for future savings in the social protection budget raises the question of what other programs to improve, reduce or even drop. To identify the savings needed to accommodate the fiscal pressures of aging, further performance analysis is needed. Throughout the report we recommend that MoLFSP invest in impact/program evaluations, efficiency studies, and other analysis (see Volume 2).

20. **Second, *staffing allocations* in the sector need to be optimized**. The uniform staff cuts in 2010 succeeded in cutting the government's wage costs, but did not prioritize functions. Staffing should be rebalanced for skills, critical mass, scale, and efficiency, taking into account relative sector priorities. The review identified areas where core skills and critical mass of staff are lacking. Specifically:

- At Ministry headquarters, additional staff and skills are needed in the General Directorate for Social Assistance and the General Directorate for Social Inspection (including the counties) to perform the tasks necessary to implement the Government's Social Assistance Strategy (supported by the World Bank-financed program SASMP). In addition to an increase in numbers, particular skills are needed to improve the Ministry's policymaking capacity, performance monitoring and evaluation, long-term planning and forecasting, and ability to simulate budgetary implications of policy changes. The need for expanded staffing in these areas links to the recommendation above for establishing a strategic coordination unit in the Ministry. Additional staff and skills in the area of Information Management and Information Technology will also be needed to support the development of an information management platform and to integrate the existing MISs from NAE, NHPP and NASB (as recommended above).
- In the National House of Public Pensions and its local branches, more staff are temporarily needed to assist in recalculating pension benefits for pensioners from special sectors (defense, police) and in completing the contribution records for current contributors. The recertification of all existing invalidity pensioners as well as the envisaged harmonization of invalidity/disability determination criteria will require additional staff in the National Institute for Medical Expertise and Workforce Recovery (currently functioning under the umbrella of the NHPP). Some very specialized skills, such as actuarial assessments in pensions, for long-term planning and forecasting will also be needed.
- The National Agency for Social Benefits (and its local branches) will temporarily need an increase in staff as they take over the administration of new cash benefits programs. Following the envisaged consolidation of some of these programs, the workload will eventually be reduced and staffing re-dimensioned. NASB will also need more IT/MIS staff, as their MIS will be upgraded and expanded.

Recommendation: The Ministry needs to develop a human resources & business processes optimization plan, to identify ways to improve administrative efficiency and allocate staff and skills more strategically. This would involve an agency-by-agency and cross-agency examination of business processes, staffing, skills and functions to identify opportunities where economies of scale and improved business processes could help reduce the need for staff by eliminating duplicative work. A follow-up in-depth study of business processes and staffing (agency-by-agency and across the agencies) could help identify these opportunities for improved efficiency. Such a study should also examine the possibility of retraining the staff who do work that will no longer be needed, so that they can be reallocated to areas where critical staff/skills are lacking. Some agencies, such as National Agency for Employment conducted such an exercise with the support of international TA under the EU's "Phare programs," but the results need to be implemented.

V. KEY CHALLENGES IN L&SP SUBSECTORS: LABOR, PENSIONS, SOCIAL ASSISTANCE, SOCIAL SERVICES

21. While the above section focused on "cross-cutting" challenges for the sector, this section focuses on specific challenges and recommendations for improving the functioning of the specific subsectors, namely: labor, pensions, social assistance and social services. Across these, the main findings and recommendations include:

Labor Market

22. The recent global economic downturn has severely affected most of the labor markets in Europe. In some countries, what began as a crisis in financial markets has become a serious jobs crisis. Romania's labor market has been hit as well. At its peak in March 2010, the registered unemployment level was double that of the pre-crisis period (see Figures. 3.2 and 3.3 in the Volume II of the report). However, as the recovery of the Romanian economy has unfolded, unemployment has fallen to 6.58 percent.

23. The sharp increase in unemployment put significant fiscal pressure on the government, which had to finance the payment of additional unemployment benefits. Thus, expenditures of the unemployment fund increased from 0.3 percent of GDP in 2008 to 0.8 percent of GDP in 2011. In previous years, the unemployment fund had recorded surpluses, but these were exhausted as a result of increased payouts. Moreover, in 2011 the MoPF had to provide subsidies from the state budget (amounting to 0.56 percent of GDP) to cover a forecasted deficit in the fund.

24. Labor market administrators in Romania at the MoLFSP and the National Agency for Employment (NAE) will continue to face short- and medium-term challenges. In the short term, NAE will have to continue in a "business as usual mode" under severe financial constraints. Over the medium term, the Government must promote all the measures needed to achieve its EU 2020 Strategy target employment rate of 70 percent.

25. **The fiscal sustainability of labor market interventions is at risk, as indicated by the figures mentioned above.** The financing of labor market activities is insurance-based, with an aggregate contribution of 1.0 percent of total wages equally shared between the employers and employees. Over the last decade, the contribution rate has declined steadily from an aggregate of 6.0

percent of wages, due to the decline in unemployment and the need to reduce the fiscal burden on employers. As a result, revenues in the employment fund administered by NAE declined and became insufficient to support the implementation of labor market policies. Given that the state budget had to subsidize 68.8 percent of the unemployment fund in 2011, **the unemployment budget can hardly be considered insurance- based.**

- **Recommendation:** Ensure a sustainable, predictable and transparent budgeting process for the National Employment Agency. Various alternatives can be explored such as: Split financing between (a) employee/employer contributions, to cover contributory benefits and (b) the state budget, to cover non-contributory benefits (such as Active Labor Market Programs—ALMPs) and severance-type benefits; switch entirely to state budget financing; or increase the employee/employer contribution rate (a technique already in use by some countries). As international practice varies, the report does not recommend a particular option but suggests the principles that should guide the decision-making process (see Volume 2).

26. **The allocation of unemployment fund financial resources has become unbalanced.** The share of expenditures for active measures from the total unemployment fund decreased from 21.1 percent in 2007 to 5.08 percent in 2010, with most of the fund redirected to payment of unemployment benefits. This shift was normal given the crisis, but active labor market programs should continue. It is true that these programs do not create jobs per se; however, they help people become more employable and help them access available jobs. As the economic recovery progresses and more jobs become available, the need for active labor market programs will increase.

- **Recommendation:** The National Agency for Employment should allocate more funds for active measures, diversify and expand the cost-effective programs such as job and vacancy fairs, job clubs, job search training programs or group-based counseling and information sessions and better adapt supply to rapidly changing labor market needs (see Volume 2 for more details).

27. **The staffing of public employment services is inadequate for their effective administration.** The sharp increase in unemployment put pressure on the NAE's county and local offices, especially on front-line staff dealing with clients who work in different specialized areas. The staff cuts of last year, combined with increased workload, hampered the provision of services and created discomfort for claimants and beneficiaries.

- **Recommendation:** Provide adequate human resources to local offices of the NAE, either by temporarily increasing the staff or through job rotation or part-time jobs.

Pensions

28. **Romania's pension reforms have been extremely uneven in the past twenty years.** The first ten years of the fund (1990–1999) were marked by ad-hoc reforms that consisted mainly of continuous increases in contributions, restitution of various pension rights canceled before 1990, and changes in pension benefit formulas. Law 19/2000 brought the first set of real parametric reforms, gradually increasing retirement ages for men and women, introducing a new, point-based benefit formula, and establishing a better relationship between contributions and benefits. Since then, additional parametric

adjustments have alternated with backward steps (for obvious political reasons), which, combined with an aging population and shrinking employment, have resulted in a fiscally unsustainable pension system.

29. **The Government faces huge fiscal pressures from pensions, due to the dual trends of an aging population and the shrinking labor force.** Following the sharp increase in the pension benefits beginning with 2008, the total expenditures on pensions increased from 6.6 percent of GDP to 8.8 percent of GDP in 2011. Subsequently, the pension budget deficit increased from 0.4 percent of GDP in 2008 to 2.5 percent of GDP in 2011. Taking into account the rapid aging of the population, without reforms, the Romanian pensions system was on a fiscally highly unsustainable course for the medium and long term (Chapter 4 of Volume II presents in detail the current features of Romania's public pensions as well as its perspectives).

30. **Policy reforms will help lower deficits over the long-run, but short-run imbalances remain.** Beginning in 2010, Romania introduced comprehensive pension reforms that will bring significant fiscal savings over the long term. However in the short term, fiscal pressure will continue since the main parametric reforms are being implemented gradually over a long period (until 2030). Hence, the Romanian public pension fund will continue to face high deficits in the coming years (Figure 4.3 in Volume II presents long term fiscal projections for the public pensions fund, with and without the reforms introduced beginning with 2011). **Going forward, the focus of the MoLFSP and NHPP should be on implementation of the new legislation.**

- **Recommendation:** The recently approved reforms should be **fully implemented** and the government should resist any back-tracking, as happened in the past.

31. **Even as the public pension system continues to face high deficits, accurate forecasting and budgeting functions are lacking.** Forecasting roles are fragmented: the NHPP bears responsibility for estimating pension expenditures for budgeting purposes, while revenue projections are undertaken by the MOPF, and revenue collection is ensured by the National Agency for Fiscal Administration (NAFA). In general, pension expenditures are fairly predictable under the current laws, with a low margin of error because the NHPP has a good understanding of the profile of current contributors and has historic trends to rely on. Despite this predictability, the NHPP's budget is typically inadequate, because the MOPF usually overestimates revenues in order to conform its projections with the consolidated state budget deficit. As a result, the pension fund consistently runs higher-than-anticipated deficits that must be covered by additional subsidies from the state budget. Moreover, some information is fragmented between NAFA and NHPP. For example, one of the NHPP's tasks is to keep the contribution records of the current contributors. NAFA collects the contributions and transfers them to the NHPP, but not the information needed by the NHPP to keep the individual contribution records. Hence, the NHPP is no longer able to provide contributors with their contribution history.

- **Recommendation:** Undertake realistic budgeting for the Public Pensions Fund, based on improved collaboration and information sharing between MoLFSP, MOPF and NAFA.
- **Recommendation:** Develop and implement a reconciliation mechanism regarding the collected contributions and the contributors between the NHPP and NAFA.

32. **There is room to improve administrative efficiency and bring some short-term gains as a result of economies of scale.** The public pensions system has a large and increasing number of invalidity pensioners, and there are also a large, growing number of persons with disabilities, receiving disability allowances and other benefits and services. Frequently, the same people are drawing both invalidity and disability benefits, often obtaining eligibility by fraudulent practices, as investigations by Social Inspection found in 2010. The determination of invalidity/disability is undertaken by the territorial (county-level) Commissions for Medical Expertise, which are also the de facto entry gates into the system for Persons With Disabilities (PWDs). Romania has **three disability assessment schemes** covering different target groups of beneficiaries and overlapping in many instances: children, contributory adults (for invalidity pensions) and non-contributory adults (for disability allowances). For each group, assessment is conducted by a different institutional entity and based on different sets of medical criteria. The determination criteria appear to be both somewhat arbitrary and also restrictive, leaving room for many inclusion/exclusion errors.

- **Recommendation:** Harmonize the medical eligibility criteria for invalidity and disability determination as well as the related institutional framework. This can be done under the umbrella of the National Institute provided the necessary resources are secured.

33. **As approved pensions reforms are implemented and early results available, current forecasting approaches will become out of date.** To update them, both the MoLFSP and NHPP will need to develop and maintain proper long-term policy development capacity and to allocate adequate resources for monitoring and evaluation. If updated forecasts do not predict a rapid improvement in the overall performance of the pension system and a reduction in the short-term deficit, **the Government may have to consider accelerating the pace of reform (e.g., faster increases in the retirement age for women and faster shifts in the indexation formula from wage to price indexation).**

Social Assistance (Cash Transfer programs)

34. After a period of sharp increases in social assistance spending (2005–2010), the government adopted a Social Assistance Reform Strategy in March 2011 that aims to: (a) contain and reduce the overall level of L&SP spending from 2.9 percent of GDP in 2010 to 2.1 percent in 2013; (b) improve targeting performance; (c) reduce the administrative and private costs of social assistance; (d) reduce the level of error and fraud in the system; and (e) improve incentives to work, and invest in the education of the poorest and most vulnerable children (see Chapter V, section 3 in Volume 2).

Strategic Recommendations:

- During 2011–2013, MoLFSP should focus, as a first priority, on implementing the recently adopted Social Assistance Strategy. Adequate resources and capacity are necessary to achieve this goal, as described in Chapter V (Volume 2). Implementation will contribute fiscal sustainability, improved equity and increased efficiency (administrative and allocative).
- MoLFSP's second priority is to prepare second-generation social assistance reforms that will: (a) help able-bodied social assistance beneficiaries enter the workforce (essential to achieve the Europe 2020 target); (b) protect and increase human capital accumulation among the poor and vulnerable, for example by conditioning benefits on their children's' and youths' school attendance (critical given the sharp demographic decline and imbalances in the pension

system), and (c) identify a less costly, more effective model to influence fertility than the current costly family policy programs. Improving social assistance policies in these areas will contribute to the objectives of increased productivity and human capital for the poor and vulnerable.

35. **To improve the equity of social assistance transfers, MoLFSP should implement the remaining parametric reforms and continue to harmonize and simply cash transfer administration:**

- For the period 2011–2013, the government has committed to two significant parametric reforms: (i) the consolidation of all means-tested programs into the Minimum Insertion Income program; and (ii) the merger of two cash transfer programs for disabled adults (IDA and CDB) into a single cash benefit. These reforms would help reduce the number of social assistance programs from 21 at the beginning of 2010 to 14 by 2013, reduce administrative costs and the private costs of beneficiaries, and lessen errors and the risk of fraud.
- The administration of cash transfer programs can be substantially simplified. MoLFSP is preparing a unified application form for family policy programs, programs for low-income households, and programs for persons with disability. The form will reduce exclusion error and improve access to social assistance programs. In addition, all programs for low-income households will use a single set of means-testing rules, to simplify the administration of the program, reduce administrative and private costs, and limit the possibilities for error and fraud.

36. **To improve the administrative efficiency of the social assistance sector, MoLFSP should continue implementing reforms of information management and payment arrangements, as outlined in the SA strategy.** The administration of cash transfer programs is still scattered among different administrative levels and agencies, the central one being the National Agency for Social Benefits (NASB). An objective of the Social Assistance Strategy is to expand NASB's mandate to payments for all social assistance programs. Furthermore, the operational management information system for disability programs (allowances and pensions) is to be provided by a new, unified disability agency, and those payments will also be processed by NASB. The consolidation of the eligibility processes for disability allowances and pensions will reduce duplications of administrative functions. The separation of the eligibility (local government) from the payment function will reduce the risk of fraud and error.

37. **To improve the allocative efficiency of social assistance sector, MoLFSP should develop its monitoring and evaluation capacity.** Starting in 2008 with the establishment of the NASB, MoLFSP has developed a modern electronic registry of beneficiaries and payments. The system accumulates a large amount of information, but only a fraction of this information is or could be used for policymaking or operational management, given current administrative and operational constraints. The Functional Review team recommends that MoLFSP:

- Develop a performance monitoring system and use the information for both operational and strategic decision-making. The set of information produced by the monitoring system, currently limited to input and output indicators (spending and nr of beneficiaries) should be complemented by performance indicators of productivity, service standards and intermediate and final outcomes. The information for operational and policy-level management will increase in volume, relevance, and timeliness. Over 2011–2013, policy and management decisions will be increasingly grounded in real-time information. Better information for the public and various stakeholders will enhance MoLFSP's accountability to them.

- Increase the use of program evaluations to fine-tune the design and implementation of key social assistance programs.[3] To achieve this target, MoLFSP should ensure adequate resources (high-level support, staff and budget) in order to establish a dedicated monitoring and evaluation unit.

38. **To improve allocative <u>efficiency and to control the overall fiscal cost of the system</u>, MoLFSP should continue to strengthen mechanisms to reduce the losses from error, fraud and corruption (EF&C),** as outlined in the Social Assistance Strategy. During 2010–11, the MoLFSP strategically deployed the Social Inspection unit to check compliance with program rules in a number of programs that have a relatively high risk of error or fraud: the Guaranteed Minimum Income (GMI), Heating Benefits (HBs), Child Raising Benefits (CRBs), Disability Allowances and Family Allowances. These inspections have found, and remedied, a relatively large number of irregularities. This has prompted MoLFSP to develop a clear policy for combating error and fraud in social assistance programs as an integral part of the Social Assistance strategy. The key measures recommended by the FR team include:

- Strengthen the referral system for cases in which EF&C is suspected (referrals might come from staff, the public, or through data matching).
- Develop a unified sanction policy and expand the investigative power of social inspectors.
- Conduct a communication campaign to inform the public about the results of the campaign to combat error and fraud.

39. The result of such cost-effective detection activities will be to reduce the drain on social assistance funds caused by EF&C.

40. **To contribute to <u>improvements in productivity and employment</u>, MoLFSP should invest in the design of second generation reforms of the social assistance system**. As detailed above, the Social Assistance strategy rightly focuses on strengthening the existing system. The second-generation reforms of the social assistance sector recommended above will also have the effect of improving productivity and employment. These policies are critical for achieving the social inclusion targets of the 2020 Strategy. The Functional Review team recommends that MoLFSP invest in a number of studies, pilots and evaluations in the following three areas:

- Reduce disincentives to work in social assistance programs. (i) Inventory existing programs and policies and analyze their work disincentive potential, using tax-benefit models; (ii) Improve program parameters and design to reduce the work disincentive effects; and (iii) Ensure stronger links between NASB and the Public Employment Office.
- Provide incentives for human capital accumulation by social assistance beneficiaries. (i) Evaluate the impact of the newly introduced school conditionality; (ii) Use the results to improve the programs' parameters; and (iii) Undertake a literature review of other support services used to increase human capital accumulation for low-income households. These

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[3] Internationally, it is considered good practice to use a set of program evaluations to assess whether the key/ largest programs operate well and deliver the expected results. This set of program evaluations include: simulations, to select program alternatives; process evaluations, to solve or fine-tune implementation issues; targeting assessments, to check whether programs for low-income households reach their target group; and impact evaluations, to measure whether the programs deliver the results sought by the legislator.

measures will result in improved school attendance through fine-tuned school conditionality for pupils of the beneficiary households of Family Allowance program; and an improved menu of support services or human capital accumulation conditionality.

- Evaluate the effects of the Child Raising Benefit policy to see whether the existing policies to stimulate fertility have the desired impact;

Social Assistance Services/Social Inclusion

41. The MoLFSP is also responsible for interventions targeting various groups of beneficiaries with special needs (children and youth at risk, persons with disabilities—PWDs, old age persons, and victims of domestic violence) and for the related methodological guidance. The **local governments,** through the specialized bodies GDSACP and PSAS, are responsible for financing and providing these services and complying with approved standards. Social assistance services are being delivered by residential Long Term Care (LTC) institutions, non-residential (day-care) centers and home care providers.

42. Policy developments and the provision of social assistance services has been uneven over the past twenty years of transition, driven mainly driven by international pressure brought to bear by various institutional stakeholders. In some areas such as child protection, Romania became one of the best-performing countries in the region, and was acknowledged by the international community as a best-practice example in the development of policies and provision of services. At the other end of the scale, little attention was paid to the development of services and programs for the elderly. The provision of Social Services for persons with disabilities can be placed in the middle of these groups, tending to rely on institutionalized LTC rather than non-residential and alternative community-based services. A few key challenges facing this subsector are outlined below. More details are presented in Chapter VI, Volume 2.

43. **A medium and long-term strategic vision for the protection and social inclusion of various vulnerable groups is lacking.** Although Romania had such strategies, they are outdated. In the context of the EU 2020 agenda, member countries are invited to develop strategic documents and then to ensure their implementation so that the social inclusion targets for 2020 can be met.

44. Recommendation: Develop and approve national strategies for the protection and social inclusion of persons with disabilities (in line with the UN Convention that Romania ratified), the elderly and Roma. Besides the normal public consultations in Romania, these strategies should be prepared in close consultation with the EC.

45. **Employment opportunities for persons with less severe disabilities are still inadequate,** despite the incentives granted to employers and the specialized career and counseling services and communication equipment made available to Persons With Disabilities (PWDs) by the network of public employment services. The employment rate among the people with disabilities in Romania is far below the best EU performing countries (Germany, Austria and Belgium). It is only half the level of the lowest EU performers Finland and Poland (20 percent). Some of the reasons for such a low employment rate may be: (i) poor outreach by the government to PWDs; (ii) lack of specialized adult training programs; (iii) poor accessibility in potential workplaces; (iii) attitudinal barriers such as

stigma; (iv) generous benefits (especially attractive when disability benefits are combined with invalidity pensions, and (v) failure to provide enough incentive for employers to hire PWDs.

46. **Recommendations**:

- Improve PWDs' access to work by strengthening collaboration among the MoLFSP, the local agencies of the National Agency for Employment and the specialized services under the authority of the local governments.
- Revise the current legal framework that provides incentives to employers to hire PWDs.

47. **The rapid aging of the Romanian population will result in significant demand for LTC services in the near future.** Even now, the demand for such services is much higher than the supply, and local governments, which finance the services, attach different priorities to them. Some counties in Romania have no LTC facility at all for the elderly. As a result, long waiting lists exist, and very few people on the lists are ever admitted to a facility. Romania should prepare now for the future, as many other EU countries have, by launching various types of saving instruments to secure sustainable provision of LTC services and benefits for future generations of elderly.

48. **Recommendations:**

- Improve the coordination between the MoLFSP, the Ministry of Administration and Interior, and local government in the planning of the development and provision of the social services.
- Analyze possible options for the development of saving instruments for old age care (insurance based, mandatory of voluntary, public or private.
- Improve the Public Private Partnership (PPP) legal framework to attract additional financial resources for the development of LTC infrastructure for elderly.

VI. Recommendations for an Action Plan

49. Besides the main recommendations presented in Sections IV and V of Volume 1, recommendations that are more detailed are contained in Volume 2.

Recommendations for an Action Plan

Labor and Social Protection Sector

Legend: (*** high priority; ** medium priority; * low priority)

Objective	Measure	Implementation Period	Responsibility	Output Indicator	General outcome
1. INSTITUTIONAL STRUCTURES					
1.1. Enlarge organizational structure to match the increased responsibilities of MoLFSP and its subordinate agencies .	1.1.1. Transfer under the authority of MoLFSP institutions with social inclusion-related responsibility such as the National Agency for Roma and the Romanian Office for Adoptions.	6 months (**)	GOR/ MoLFSP	New draft law to provide subordinations of NAR and ROA	Improved coherence of the policy developments from various areas of social inclusion.
	1.1.2. Establish a new position of Secretary of State to take over some of the departments subordinate to the Minister. Reorganize departments subordinate to the ministry so that each MoLFSP dignitary is responsible for approx. 20% of staff. (approx. 135 employees).	6 months (**)	GOR/ MoLFSP	Revision of the GOR Decision on MoLFSP structure	Balanced responsibilities and workload for the Minister and secon layer of senior decision makers. Provide overall management and activities coordination. Better coordination among the main areas o responsibility (pensions, labor marke social assistance benefits and service
	1.1.3. Establish a **Chief Information Office** (CIO) type unit to help with the development and implementation of the future MIS of the MoLFSP. Such structure would be either reporting to the Minister or to the General Secretary.	6 months (***)	GOR/ MoLFSP	Revision of the GOR Decision on MoLFSP structure	Adequate capacity in place to overse the future developments in the area o Information Management
	1.1.4. Discourage the abuse of the current practice (widely used in other Ministries too) of appointing mgmt staff on temporary basis. Open-ended appointments should be the rule.	Permanent	MoLFSP		Mgmt staff will be better motivated, its job-security will be improved and the politicization of the management positions will be prevented
	1.1.5. Review staffing and structures of MoLFSP compartments (general directions, directions, services) so that the variations in staffing among them be reduced to no more than 20–25%.	3 months (**)	MoLFSP	Revision of the GOR Decision on MoLFSP structure	Better division of responsibilities an more balanced workload at the third level of decision and technical levels

Objective	Measure	Implementation Period	Responsibility	Output Indicator	General outcome
	1.1.6. Review staff workload in administrative and technical departments, to achieve a reasonable ratio of 20% to 80% between them.	3 months (**)	MoLFSP	Revision of the GOR Decision on MoLFSP structure	Clear job description of all staff fron administrative and technical departments of MoLFSP according t the existing business functions.
	1.1.7. Increase the staff in social assistance related areas currently severely understaffed: General Directorate for Social Assistance, Social Inspection and the NASB. Alternatively, reallocation of staff among various structures can be considered.	2012 (**)	GOR/ MoLFSP	GOR Decision on MoLFSP structure and staffing.	MoLFSP will thus have the needed human resources to properly implement the SASMP currently negotiated and submitted to the WB Board.
	1.1.8. Temporarily increase technical staffing of the structures of the NHPP, Special Pension Houses (Defense / Police) and territorial HPPs to properly implement parametric reforms deriving the new Pensions Law.	6 months (**)	GOR/ MoLFSP MoDefense MoAI	GOR Decision on NHPP structure and Government Decision on Special Pension Houses	The mentioned institutions will be able to timely provide the services required by the new law the areas of (i) pensions recalculation for the pensioners from special sectors, (ii) implementation of the new benefit indexation formulas; (iii) analysis an transmission to the contributors of their contribution history (iv) work-booklets scanning, transfer of contributions to the private pension funds (Pillar II), etc.
	1.1.9. Enlarge the organizational structure of NIMEWCR by establishing 5 new regional offices and providing adequate staffing and financial resources.	24 months (*)	GOR/ MoLFSP	GOR Decision on NIMEWCR structure and revised budget for MoLFSP and NHPP	NIMEWCR will thus be able to complete the recertification of all existing beneficiaries of invalidity pensions, and to achieve the recommended harmonization of various disability determination criteria and institutional frameworks
1.2.Strengthen the MoLFSP's relationships with other institutional structures and the civil society	1.2.1. Design and implement a communication system to provide multi-level communication both within the Ministry (between its departments and subordinated agencies) and among the Ministry and other line ministries (finance, education or health).	12 months (*)	GOR/ MoLFSP	Minister's orders, and Common Inter-ministerial Orders	Improves the operating rules of MoLFSP by introducing detailed procedures, issues, documents and data necessary for communication between departments, subordinate institutions, line ministries and other institutions.

Objective	Measure	Implementation Period	Responsibility	Output Indicator	General outcome
	1.2.2. Design procedures for communication and methodological coordination by MoLFSP of social assistance departments and other institutions with responsibilities in the area of social assistance under public local administration **(GDSACPs and PSASs)**	6 months (**)	GOR/ MoLFSP and MoAI	GOR/MoLFSP MoAI Memorandum	Establish communication methods, reporting responsibilities, frequency and methodological coordination,
	1.2.3. Strengthen the collaboration between the MoLFSP and its subordinated agencies with responsibilities in the social inclusion areas, and the private and NGO sectors.	6 months (*)	GOR MoLFSP	GO/MoLFSP Memorandum,	Improved legal framework, incentivizing the development of PP especially in the areas of social assistance services.
1.3. Strengthen the professional capacity of the MOLFSP staff	1.3.1. Develop and implement a system of "mentorship policy" for newcomers or those moved to other departments, to facilitate adaptation to work, depending on job requirements.	12 months (*)	MoLFSP	A manual and a checklist of initial requirements	Process and tools in place to speed u the induction of the new staff.
	1.3.2. Design and implement a strategy for the development of human resources for MoLFSP. The previous MoLFSP proposal for a related project to be supported out of the EU Structural Funds should be reiterated.	24 months (**)	MoLFSP	16 training modules, virtual library with thematic sections	Through this project will be provide 16 training modules for employees and MoLFSP subordination structure Under this project will be developed virtual library where will be created MoLFSP thematic sections and specialty materials will be published
	1.3.3. Develop and maintain **actuarial capacity** in the structures of the MoLFSP, NHPP and MoPF. In addition, the capacity of the informatics departments in the NHPP and County PPHs should be developed and maintained.	12 months (**)	MoLFSP	Financing specialized training in actuarial science and database management.	Adequate actuarial capacity wou support in the process of long ter planning in the pensions area.
	1.3.4. Provide specialized training to the MoLFSP staff in charge with the communication (to the public and media) of the reform measures and their likely impact on the population.	9 months (**)	MoLFSP	Program for staff training and improvement in communication procedures	Analysis of the necessary number communicators at the central and loc level, and of staff serving labor a social protection system beneficiarie
1.4 Strengthen Financial Management controls	1.4.1. Increase the Economic General Directorate staff capacity—especially of the financial—accounting and budget departments	6 months (**)	MoLFSP	Appoint additional staff in the financial/ accounting and budget depart.	Increased staff capacity of the economic general directorate.
	1.4.2. Finalizing and approve all written internal control procedures by the Economic General Directorate	6 months (**)	MoLFSP	Finalization of internal control procedures and Minister approval.	Improved control effectiveness. Facilitate learning for new staff. Increased transparency.

Objective	Measure	Implementation Period	Responsibility	Output Indicator	General outcome
	1.4.3. Increasing MoLFSP internal audit capacity (staff and equipment)	6 months (**)	MoLFSP	Reorganize as a directorate. Hire additional staff and allocate more funds to internal audit	Improved internal audit capacity. Increased management awareness or internal audit role and findings.
	1.4.4 Updating the MoLFSP financial management software system	18 months (*)	MoLFSP	Update financial management software system	Improved effectiveness of planning, budgeting, accounting, reporting and strategic decision making.
	1.4.5 Strengthen the hardware capacity of the financial management system.	18 months (*)	MoLFSP	New hardware equipment (servers and work stations)	Improved effectiveness of planning, budgeting, accounting, reporting and strategic decision making.
	1.4.6 Eliminate the system of monthly credit openings, limiting it to quarterly openings.	6 months (**)	MoPF	Modify public finance legislation and implement it	Increased responsibility and accountability for MoLFSP Minister as per new Fiscal Responsibility Lav
	1.4.7. Eliminate ex-ante delegated controllers by Dec 31, 2012.	18 months (*)	MoPF	Modify public finance legislation and implement it	Increased responsibility and accountability for MoLFSP as per new Fiscal Responsibility Law
	LABOR MARKET SECTOR				
2.1. Strengthen the NAE's technical performance	2.1.1. Expand local offices, and/or place more PES staff on the front line dealing with clients, working in different specialized areas, for example, through job rotation.	6 months (**)	GOR MoLFSP NAE	GOR Decision to revise the NAE and local branches organization	Adequate staffing for the front line offices that deal directly with beneficiaries.
	2.1.2. Diversify ALMPs menu of activities, introducing or expanding cost-effective programs such as job and vacancy fairs, job clubs, job search training programs, group-based job counseling and information sessions, etc. in order to activate job seekers themselves in their job-search efforts.	9 months (**)	GOR MoLFSP NAE	GOR Decision	Engages job seekers in their jo search efforts.
2.2. Strengthen mechanisms to improve NAE's financial performance and management	2.2.1. Ensure transparent and predictable financing of NAE by splitting the financing sources between: (i) employees/employers contributions to cover the contributory benefits (UB); and (ii) state budget to cover the non-contributory benefits (ALMPs and severance types of payments).	9 months (**)	GOR/MoPF MoLFSP	Legal Framework for NAE financing amended.	New NAE financing rules in place.

Objective	Measure	Implementation Period	Responsibility	Output Indicator	General outcome
control	2.2.2. Enhance the performance of management system by introducing new indicators such as client (job seekers and employers) and staff satisfaction, and reducing the number of other indicators such as participation in programs, and differentiating even more the indicators depending on local labor market situation, or institutional capacity locally to enforce the programs.	9 months (*)	MoLFSP NAE	Amend the Performance Management Contract	Processes for monitoring of performances at national and county level could be improved.
	2.2.3. Develop a nationwide PES vacancy register that can be easily accessed also online over the internet. Given low internet penetration rates in many counties, the workstations can be set up in other public premises (i.e., shopping centers, libraries, and schools).	12 months (*)	MoLFSP NAE	NAE through its MIS develop The database.	One of the ways to combat hum resource and budget constraints is al to move away from costly face-to-fa interactions and towards the extensi of self-service facilities for jobseeke and employers.
	PENSIONS SECTOR				
3.1. Strengthen pension institutions capacity for long term pension policies	3.1.1. Improve the capacity for long-term policy planning in the Government institutions, by providing adequate staffing in terms of both number and skills in their public policy units.	3 months (**)	GOR/ MoLFSP NHPP MoPF	GOR approval for interagency collaboration mechanism	The affected institutions have adequate pensions policy planning capacity and formal mechanisms for interagency collaboration in place.
	3.1.2. Elaborate and implement detailed norms for integration of special categories of active public sector workers (military, police) into the national public scheme and subsequently to second pillar.	3 months (***)	GOR/ MoLFSP MoDefense MIA	Interagency technical collaboration protocols	Strengthen the special sectors pensio houses expertise in new provisions o the public pension law based on strong cooperation with the NHPP
3.2. Improve invalidity pension criteria and supervision	3.2.1. Harmonize the medical criteria for invalidity and disability determination and the related institutional framework.	12 months (**)	GOR/ MoLFSP	GOR decision framework	Unified institutional framework a disability determination criteria place.
3.3. Improve the NHPP's financial management	3.3.1. Undertake realistic budgeting for the Public Pensions Fund., based on an improved collaboration between MoLFSP, MOPF and NAFA and a reconciliation mechanism regarding the collected contributions and the contributors.	Permanent	GOR/ MoLFSP MOPF NAFA	Interagency collaboration	Budget building process based on realistic evaluation of both revenues and expenditures of the NHPP
3.4. Ensure full functionality of the of the MIS from the NHPP	3.4.1. Upgrade the software of the MIS of the NHPP in order to cover all the changes in the pensions legislation, recently approved.	12 months (**)	MoLFSP NHPP	Hite need TA for the software upgrade.	Updated MIS in place, adequately covering all the areas impacted by th legislative changes.

Objective	Measure	Implementation Period	Responsibility	Output Indicator	General outcome
3.4. Private Pensions	3.4.1. Preserve the development of private pensions (Pillar 2).	Permanent	GOR/ MoLFSP MOPF	Legal framework governing the 2nd Pillar maintained.	Private Pensions Funds (Pillar 2) continue to operate.
	SOCIAL ASSISTANCE SECTOR				
4.1. Social Assistance Parametric Reforms	4.1.1. Consolidate all means-tested programs into the Minimum Insertion Income program; merge the two cash transfer programs for disabled adults (IDA and CDB) into a single cash benefit; by 2013.	24 months (**)	GOR/ MoLFSP	GOR/MoLFSP	A reduction in the number of social assistance programs from 21 at the beginning of 2010, to 14 by 2013. A reduction in administrative costs and in the private costs of beneficiaries. Less errors and lowered risk of frau
	4.1.2. Harmonize the rules and procedures for the evaluation of household means for all income- or means-tested programs; Introduce a unified application form for family policy programs, programs for low-income households, and programs for persons with disability.	24 months (**)	GOR MoLFSP	GOR/MoLFSP.	A single set of means-testing rules will simplify the administration of th program, reduce admin and private costs, and scope for error and fraud. Unified Application Form in place based on a single-point-of-service approach. The form will reduce exclusion error; improve access to social assistance programs.
4.2. Improve Monitoring and Evaluation Capacity	4.2.1. Develop a performance monitoring system, and use this information for both operational and strategic decision-making. The set of information produced by the monitoring systems, currently limited to input and output indicators (spending and nr of beneficiaries) will be complemented with performance indicators (of productivity; service standards; intermediate and final outcomes)	(***) 9 months	MoLFSP		The information for operational and policy-level management will increase in volume, relevance, and timeliness. Policy and management decisions w be grounded in real-time informatio Better information for the public and various stakeholders will enhance th accountability of the MoLFSP towar the public and stakeholders
	4.2.2. Increase the use of program evaluations to fine-tune the design and implementation of key social assistance programs. Use targeting assessments to check whether programs for low-income households reach their target group. Use impact evaluations to measure whether the programs deliver the results sought by the legislator.	24 month (*)	MoLFSP		MoLFSP uses a menu of evaluation to improve the impact of the social assistance programs on desired outcomes. The MoLFSP has a dedicated M&E unit, with adequate staff and budget.

Objective	Measure	Implementation Period	Responsibility	Output Indicator	General outcome
	4.2.3 Strengthen the accuracy of budget planning by improving access to information; use of modern forecasting techniques; by contracting specialized consulting services; train or hire staff with relevant skills; ensure stricter adherence to the rules for preparation of legislative proposals re: estimation of the budgetary impact of the proposal	12 months (**)	MoLFSP		Reduce the deviation between planned and executed budget Stronger accountability
4.3. Strengthen mechanisms to detect and deter error, fraud and corruption (EF&C).	4.3.1. Strengthen the referral system on cases that are suspect of error or fraud (from staff, the public, and through data matching).	24 months (*)	MoLFSP	GOR Decision	Reduce the amount of social assistance funds lost to error, fraud c corruption, through cost-effective detection activities.
	4.3.2 Develop a unified sanction policy and improve the investigation power of the social inspectors	24 months (**)	MoLFSP	GOR Decision	Same result
	4.3.3 Carry out annual thematic inspections for all cash transfer programs that pose a high risk of fraud or error; move gradually from random to risk-based inspections.	Permanent (***)	MoLFSP SI	Ministerial Order	Same result
	4.3.4. Conduct communication campaign to inform the public about the results in combating error and fraud.	24 months (**)	MoLFSP	Ministerial Order	Same result
4.4. Reduce disincentives to work in social assistance programs	4.4.1 Take inventory of existing programs and policies and their work disincentive potential, using tax-benefit models; Modify program parameters and design to reduce the work disincentive effects; Ensure stronger links between NASB and the Public Employment Office	24 months (**)	MoLFSP	Ministerial Order	Reduction of dependence of soci assistance transfer; Reduce poverty; achieve sustainab poverty reduction
4.5. Provide incentives for human capital accumulation by social assistance beneficiaries	4.5.1. Evaluate the impact of the newly introduced school conditionality. Use the results to improve the programs' parameters Undertake a literature review of other support services used to increase human capital accumulation for low-income households	24 months (*)	MoLFSP MERYS	Ministerial Order	Improved school attendance throu fine-tuned school conditionality f pupils of the beneficiary househol of Family Allowance program. Improved menu of support services Human Capital accumulatic conditionalities.
4.6. Evaluate the effects of the Child Raising Benefit policy	4.6.1. Evaluate whether existing policies to stimulate fertility have the desired impact; Review the evidence on the effectiveness of such policies in other countries, to inform the Romanian public and	24 months (*)	MoLFSP MOH	Revised legislation	Improve the cost-effectiveness family policies; budgetary savings

Objective	Measure	Implementation Period	Responsibility	Output Indicator	General outcome
	policies; Undertake a public information campaign				
	SOCIAL ASSISTANCE SERVICES/SOCIAL INCLUSION				
5.1. Improve social protection for Persons with Disabilities.	5.1.1. Develop and approve a new National Strategy for the Protection, Integration and Social Inclusion of the Persons with Disabilities in line with the EU Convention and in consultation with EC, and an Action Plan. For its implementation for 2012–2020	6 months (***)	GOR MoLFSP	GOR Decision	Programmatic document in place, aligned to the internationally agreed recommendations
	5.1.2. Improve access to labor market of the PWDs, by strengthening the collaboration with the National Agency for Employment	6 months (**)	MoLFSP NAE	Collaboration protocol MoLFSP/NAE	Institutional mechanisms in place outreach the potentially employab PWD.
	5.1.3. Revise the current legal framework that provides incentives to the employers to hire PWDs	9 months (**)	MoLFSP NAE	MoFP MoLFSP NAE	Incentives for the employers to hi PWDs available.
	5.1.4. Develop and maintain a National Registry (Database) for all PWDs.	6 months (***)	MoLFSP GDSACP	Inter-Agency collaboration agreements concluded	Countrywide database for PWDs place.
5.2. Improve the social protection for the elderly.	5.2.2. Analyze possible options for the development of saving instruments for old age care (insurance based, mandatory of voluntary, public or private)	9 months (**)	MoLFSP MoH	Inter-Agency technical working group established	Alternative options identified and presented to the GOR
	5.2.3. Improve the PPP legal framework to attract additional financial resources for the development of LTC infrastructure for elderly.	9 months (*)	GOR MoLFSP	GOR to approve draft legislation	Revised legal framework in place.
	5.1.1. Develop and approve a new National Strategy for the Social Protection of Old Age Persons, in consultation with EC, and an Action Plan. For its implementation for 2012–2020	6 months (**)	GOR MoLFSP	GOR Decision	Programmatic document in place
5.3. Enhance social inclusion for Roma	5.3.1. Develop and approve a new National Strategy for the Social Inclusion of Roma Protection 2012–2020 and detailed Action Plan for its implementation, in consultation with the EC.	3 months (***)	GOR MoLFSP NAR	GOR Decision	Programmatic document in place.

INFORMATION MANAGEMENT

Objective	Measure	Implementation Period	Responsibility	Output Indicator	General outcome
7.1. Information Flow and Data Management	7.1.1. Elaborate and implement a Business Workflow Management System.	9 months (**)	MoLFSP CIO office	Establish a team to design and implement MoLFSP Business Work Flow Mgmt System	Consider the evaluation, selection ar procurement of a workflow or business process management tool tc automate workflows. Combined witl electronic signatures, could alleviate overhead and processing costs.
	7.1.2. Development of standard interfaces between systems (e.g. Social Assistance-SAFIR and Pensions) and operational business procedures simplification.	12 months (**)	MoLFSP CIO office	Ministerial order to establish a Steering Committee (under CIO) to detail work on interfaces between systems.	Development of standard interfaces between systems (e.g. Social Assistance-SAFIR and Pensions) anc Operational Business procedures simplification will help automate some validation processes (e.g. eligibility) which are currently done manually or on "one time event" bas and will simplify the operational activities.
7.2. Security and Identity Access Management	7.2.1. Develop a centralized registry of all staff core information for MoLFSP and its agencies.	3 months (*)	MoLFSP and subordinates	HR official register	Development of a centralized registr of all staff core information in MoLFSP and its agencies to support identity access management and improve HR data.
	7.2.2. Roll out digital signatures for all MoLFSP capabilities.	3 months (*)	MoLFSP and subordinates	Ministerial order	Access to systems is restricted almos exclusively to specialized staff (for each process), who are responsible fo processing information and generate reports for decision makers.
7.3. Integration and Transformation	7.3.1. Develop a strategy for improved data sharing across MoLFSP's units and applications as well as externally.	3 months (***)	MoLFSP CIO	Ministerial order	Production systems exist to support major business processes. The curre IT systems are a combination of legacy systems supported by older technologies (e.g. Microsoft Visual FoxPro based), and newly developec web-based applications available on the Intranet and Extranet (e.g., Oracl 10g).

Objective	Measure	Implementation Period	Responsibility	Output Indicator	General outcome
	7.3.2. Define and implement a Data Service Layer.	9 months (**)	MoLFSP CIO	Ministerial order	The MoLFSP would be well served t work on an integrated architecture that would share information across departments and eventually beyond organizational units into other ministries. This would include a set c common data services designed to enable information sharing across existing NLFS applications and externally. This integration architecture would be the beginning of a broader Service-Oriented Architecture that would integrate business processes with automation.
7.4. Technology Platforms and Interoperability	7.4.1. Evaluate, select and implement all technology changes in close coordination with the necessary changes in human resources and business procedure.	6 months (*)	MoLFSP CIO	Ministerial order	Ensure necessary resources for technology maintenance and update for the entire life cycle of the system
	7.4.2. Establish an interoperability reference model, accepted at the least by all Ministry-level stakeholders.	3 months (***)	MoLFSP CIO	Ministerial order	There are sound examples in EU anc US, where models were adopted based on Enterprise Architecture Methodology, establishing working and data exchange procedures. If necessary, the Ministry should consider hiring a consultancy to support them in this critical effort.
	7.4.3. Formalize a coherent Interoperability Architecture and Action Plan.	9 months (**)	MoLFSP CIO	Ministerial order	A new architecture based on a interoperability reference model and an action plan must be established

Objective	Measure	Implementation Period	Responsibility	Output Indicator	General outcome
	7.4.5. Implement an Integrated MIS System for the Labor and Social Protection sector, as a gateway to state social assistance benefits.	18 months (**)	MoLFSP	Ministerial order to conclude terms of references and plan of actions for an integrated MIS System for Labor and Social Protection	An integrated system of social information would include at least four components: Unified Registry o Beneficiaries (URB), System for Single Payment of Benefits, Social Information Reporting and Monitoring and Evaluation. To achieve such a solution it is recommended to use a Service Oriented Architecture (SOA) platfor and to create services that allow interoperability with the systems and with other agencies.