THE PERFORMANCE MANAGEMENT AND THE PRIMARY DIRECTIONS OF MODERNIZATION WITHIN THE TAX ADMINISTRATION IN ROMANIA

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Abstract

Nowadays it is increasingly felt the acute need for performance in the public sector and it is also needed the revitalization of the Tax Administration, the reform of the public finance and of the public sector.

To implement a method of management that targets the performance, the National Tax Administration chose to switch from the analysis of the activity based on reporting the achievements to an analysis that evaluates the performance, namely of the way of fulfilling the planned objectives.

The performance is evaluated considering the improvement of the existing situation and the increasing of efficiency in this public institution. The study aims to highlight the main results of the modernization program and the reorganization of the National Tax Administration, undertaken by the Romanian authorities according to the demands of the international authorities and the measures taken into account to create a modern Tax Administration, one efficient, computerized, adapted to a continually changing world.

The analysis, based on the performance reports of the National Administration for Finance Administration, is intended to measure the achievement of the main objectives and strategy directions set and expected by the Romanian government in development strategies. Indicators of achievements at National Administration for Finance Administration reveals a better collection of estimated taxes and a more efficient activity, but the problem of cashing and collecting of the incomes remains a sensitive issue and a topical one in the context of the need of ensuring the budget incomes, necessary for the financing of the public expenses.

KEYWORDS: performance management, modern tax administration, indicators of achievements.

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1. Theoretical considerations regarding the concepts used

From the very beginning, the definitions given to the concept of "performance" in the Explanatory Dictionary of the Romanian Language start from the prerequisite of granting a positive and efficient note to an action or to a system: "outstanding achievement in a field of activity; The best result obtained by a technical system, equipment or device; which is susceptible of high capability". Oxford Advanced Learner's Dictionary offers a different approach and refers to how well or bad an activity is performed or a thing works: "how well or badly you do something; how well or badly something works".

The final result of an action or of the whole process belongs to the performance management, a key function of management, studying the entirety of management structures, processes and relationships at organisational level or its subsystems', and also the way of application of those methods, techniques, strategies and procedures meant to achieve and consolidate performance.

The performance management became a compulsory concept within the present economic context and approaches performance as the central object of organisational management. The application, evolution and foundation of performance management is a central concern to any organisation, for the operational, organisational and individual efficiency, and, in this context, performance assessment is a key element for performance management.

The specialised literature highlighted the evolution of the concept of performance in time, from the use of many criteria of performance assessment (among which, we mention: capability, flexibility, adaptability, capacity, environment control, turnover, production costs etc.) to defining it according to the level of achievement of objectives, then defining it according to efficiency and effectiveness of the economic entity, reaching at present to defining it according to the creation of worthiness.
Many a definition reshaped this discipline, among which we can mention the opinion of some researchers and consultants in the field:

A journey should be carried out between idea, action and results. And perhaps the most used term in real life in order to show the progress of this journey and its result is ”performance” (Brudan, 2010).

Measuring organisational performance plays an important part in rendering corporate strategy into results, and there is the need to develop a paradigm to lay out the strategy with the process of measuring organisational performance (Pun & White, 2005).

By strategic management process, they define the strategy of the organisation, the managers should choose the strategy that will allow them to get the best results of the performance indicators established. The activity of performance management was featured as risky for public service managers (Cuganesan et al., 2014).

2. The purpose of performance systems and the strategic objectives of the tax administration in Romania

The purpose of the performance management systems is to direct the contribution of the institution and of its employees to achieving or exceeding the planned strategic objectives.

All activities performed by the National Administration for Finance Administration, a specialised body of the central public administration, a public institution with legal status, subordinated to the Ministry of Public Finance, aims at collecting, as completely and efficient as possible, the duties, taxes and social contributions, representing most of the income to the consolidated general budget.

An effective performance management system intends that the employees of an organisation should carry out their activity efficiently and effectively, so that the organisation could reach its objectives. The strategic objectives should correspond to the national strategy in Romania in order to ensure the fiscal incomes necessary to public expenses.

The main element within a perfect performance alignment is to have a clear image regarding the organisational strategy, also regarding its mission, objectives and indicators, that can therefore lead to establishing the individual
objectives (according to Image 1. Alignment of and relationship between objectives).

Image 1 Alignment of and relationship between objectives
The main categories of objectives of the National Administration for Finance Administration is based on four main directions:

- **financial**: the objectives within this field can aim at increasing income collection or decreasing costs related to internal procedures. These are decentralised objectives at structure level;

- **operational**: the objectives within this field reflect the main priorities for the following year. They refer to the way in which the assessed person will contribute to the results of the structure and of the institution;

- **improving the relations with taxpayers**: the objectives within this field can consider increasing the taxpayers' satisfaction or improving the communication with them.

- **Consolidating the internal culture of high performance**: the objectives within this field can aim at developing the personnel's skills by taking
part in training programmes or by encouraging innovation, but they can also include objectives belonging to personnel development, by initiatives related to the internal culture or the work environment.

2.1. Priority axes of the national Administration for Finance Administration

The activity of the National Administration for Finance Administration, pursuant to medium-term Strategy, 2012-2016, is oriented on three main action channels aiming at creating actual levers that should finally lead to increasing the collection of budgetary incomes:
- fight tax evasion, as well as any other form of avoiding declaration and payment of tax obligations;
- increase efficiency and dynamics of collection, at the same time with reducing the cost of a collected RON;
- stimulate the voluntary compliance with fulfilling tax obligations in order to prevent tax evasion.

Performance is assessed by improving the existing situation and increasing the efficiency of the activity of the public institution. The need for change of the tax administration, the reform of the public finance and of the public sector was also present in Romania after the financial crisis in 2008 which affected the global economy.

Thus, the Project of Modernization of the Tax Administration in Romania (RAMP) was born, initiated together with the World Bank on 26 April 2013. the value of the loan is EUR 70 million for a five-year implementation period starting with the fourth quarter of 2013).

RAMP is structured on four components:

Component 1 - Institutional Development: The component will support the development of a modern management organisation and structure, will consolidate the analytical capacity of the National Administration for Finance Administration, will consolidate the functions of internal control and internal public audit, will introduce a modern management of human resources, will establish an enhanced process of litigations, will ensure the redesign of the processes of activity.
Component 2 - Increase of operational efficiency and effectiveness: This component will ensure the development of a modern tax administration by implementing modern technological processes and systems. The component will also contribute to the consolidation of the efficiency of the functions of tax inspection, anti-fraud, tax information, forced execution and income processing, at the same time with the development of an integrated system of income management and with the improvement of the information technology and communication infrastructure within the National Administration for Finance Administration.

Component 3 - Services granted to taxpayers and Institutional communication: This component will develop a client-oriented modern organisation, will implement new programmes and initiatives regarding the services granted to taxpayers according to their needs and will develop mechanisms of transparency and responsibility, at the same time with improving the plan of internal and external communication of the institution.

Component 4 - Project coordination and management: The Unit of Project Management will coordinate the project implementation, and the Unit of Change Management will be responsible of the change management introduced by the project.

2.2. The main amendments brought to the organisational structure up to present established that:

1. create at regional level in order to decrease the number of references towards NAFA office, to improve planning and control, to decrease the cost of collection and of creation of more balanced units from the point of view of economic weight and of the weight in income collection. The territorial competence of the future regional general directions of public finance complies with the development areas that are to be implemented by the Government for the national development and attraction of European funds.

2. create the anti-fraud structure by reorganisation of the operational control within its own apparatus of the National Administration for Finance Administration.

3. ensure the autonomy of the General Directorate of Customs within NAFA, in the exercise of the customs-specific functions: secure the
external border of the European Union, perform the customs clearance operations, fight the drug trafficking and counterfeit merchandise trafficking, etc.;

4. **grant legal status to the Directorate General of Administration of Management of Large Taxpayers (DGAMC) operating at the same level as the regional general directorates, having more autonomy and a reinforced capacity to manage the resources necessary to a good operation of the activity.**

5. **implement a new human resource strategy and simplify the decision-making process.**

The project wants to bring on the investments necessary to reach the Government's main objectives, including the corresponding organisational development and reorganisation, the management and infrastructure changes necessary to a better implementation of an integrated automated system. The project will include financial and technical support for the income collection methodologies and procedures, for the information technology and other technological infrastructures; training and technical assistance to support the management decisions of the National Administration for Finance Administration regarding the structure and management of the organisation, also refining/improvement of the operational systems necessary to make sure that the economy should obtain maximum benefits from this investment.

The purpose intended by the application of the envisaged changes is the improvement of the operational performance of the National Administration for Finance Administration, including the Customs National Authority, and the decrease of collection costs, as there will be 8 structures instead of the existing 42, at territorial level, taking into account the size and importance of each of them, considering the economic weight, the number of taxpayers etc., allowing a better management, and also savings in the tax administration process.

At the same time, the organisational structure should evolve taking into account the vision on the processes of activity and the introduction of some new informatics working instruments.
General Directorate of Public Finance Ploiești: counties of Argeș, Călărași, Dâmbovița, Giurgiu, Ialomița, Prahova, Teleorman

General Directorate of Public Finance Timișoara: counties of Arad, Caraș-Severin, Hunedoara, Timiș

General Directorate of Public Finance Cluj-Napoca: counties of Bihor, Cluj, Sălaj, Bistrița-Năsăud, Maramureș, Satu Mare

General Directorate of Public Finance Craiova: counties of Olt, Dolj, Gorj, Vâlcea, Mehedinți

General Directorate of Public Finance Iași: counties of Bacău, Botoșani, Iași, Neamț, Suceava, Vaslui

General Directorate of Public Finance Brașov: counties of Alba, Brașov, Covasna, Harghita, Mureș, Sibiu

General Directorate of Public Finance Galați: counties of Brăila, Buzău, Constanța, Galați, Tulcea, Vrancea
Performance management is a continuous assessment process of performance at the level of organisation, of the team and individually, according to the pre-established performance indicators and the use of the assessment outcomes in order to constantly reach the proposed objectives.

The assessment process of the activity in which the organisation is involved, should be continuous, each strategy should be re-assessed and the objectives remedied in order to meet the present and future needs of the organisation as effectively as possible.

3. **Performance assessment within the tax administration**

3.1. **The individual performance assessment** is necessary to:

- make management decisions (on promotion, transfer, professional development);
- make the employees aware of the way in which their strengths and weaknesses are assessed;
- establish the individual and group contribution to achieving the objectives of the public authority;
- find out the training needs for each employee;
- ensure a periodical feedback.

The steps of establishing the objectives, performance indicators and assessment criteria are the following:

- analyse of relevant documents;
- lay down the individual objectives, in a SMART manner, starting from the objectives of the structure;
- define the performance indicators, aligned with the performance indicators of the structure;
- include the assessment criteria governed by law;
- fill in the assessment report.

The basic principles of individual performance assessment are:

- fair-dealing: the persons involved in the assessment process are aware of the potential errors in assessment and bear this aspect in mind in the assessment process and in making decisions.
- bidirectional communication: actions and decisions are made impartially, the assessment outcomes reflecting the professional performance of the assessed person.
- respect: the assessment is made within an environment of respect and mutual trust.

The performance indicators laid down to measure the degree of achievement of individual objectives can be both quality and quantity related. In the process to establish the performance indicators, it is necessary that the assessor should consider the following:

- Each performance indicator is associated to one objective and measures the expected outcomes;
- They are quantifiable, therefore the outcomes can be monitored and reported;
- They are realistic, therefore the outcomes can be achieved within the established terms and with the resources assigned;
- They have established deadlines.
3.2. The need to assess the performance of the institution:

Performance management at operational level refers to operation management, because it is focused on achieving the objectives and the targets of the public institution. The main mission of the National Administration for Finance Administration is to ensure the budgetary incomes necessary to finance the public expenses.

In order to implement a method of management targeting performance, the National Agency for Finance Administration chose to go from the activity analysis based on analysis reporting to a performance assessment analysis, analysis of the way of achieving the planned objectives.

Based on the performance reports of the National Agency for Finance Administration, of all incomes made by the public institution during 2013-2016, we made an analysis of the incomes of the state consolidated budget, as follows:
The tendency of increasing the incomes made by NAFA during 2013-2016 shows a better collection of taxes and duties, an effectiveness of the activity, and they can be regarded as effects of the measures carried out by the tax administration following its reorganisation and modernization.

Source: Data processed by the author based on NAFA performance reports
We can see the tendency of increasing the collections made by NAFA regarding the main incomes representing the state budget, except for the value added tax quota (VAT) which suffered amendments, as follows:

- application of the VAT reduced quota of 9% starting with 1st June 2015 for food, including drinks, except for alcoholic drinks, meant for human and animal consumption, live animals and poultry from domestic species, fertilizers, seeds, plants and ingredients used to prepare food, products used to complement or replace food.
- decrease the VAT standard quota from 24% to 20% from 1st January 2016 which "was transmitted 70% in prices, but the percentage is lower than the decrease of VAT quota for bread and bakery products, when the transmission rate was 93%, or the decrease of VAT in general, which was reflected 80% in prices"
starting with 1\textsuperscript{st} January 2017, the VAT standard quota is 19\%, with two VAT reduced quotas of 5\% and 9\%, respectively.

The evolution of increasing the budgetary incomes collected by NAFA during 2013-2016 is based on a series of actions specifically initiated and developed by the institution, the most important being:

- operationalization of the fiscal anti-fraud activity, at maximum capacity, starting with 2013, after the dissolution of the Financial Guard;
- starting with 1\textsuperscript{st} February 2015, they applied a new procedure of registration for VAT purposes of the taxpayers, according to which they use risk criteria in order to assess their intent and capacity to

Source: Data processed by the author based on NAFA performance reports
perform economic activities involving VAT operations. Also, the procedure includes the monitor of the taxpayers registered for VAT purposes;

• decrease the average number of resolution of VAT deduction with reimbursement option.

For a better collection of the budgetary incomes, the National Administration for Finance Administration enhanced the actions leading to the increase of the degree of voluntary compliance upon declaration and payment, by:

– extending the support services by telephone, internet, or electronic mail, to better inform the taxpayers regarding their rights and obligations contributing to increase the tax compliance and to improve their relation with the tax administration;
– improving the administration procedures;
– increasing the level of automation by providing monitoring instruments for the management process of tax declarations and payments (submit the tax declarations by electronic means, and make payments by means of payment electronic instruments).

**Conclusions:**

All activities carried out by the tax administration during 2013-2016 targeted a more complete and efficient collection of taxes, duties and social contributions representing most of the incomes of the consolidated general budget.

The favourable evolution of tax collections was due to the improvement of the voluntary compliance with tax declaration and payment, and also to the favourable trend of collections from arrears and of the additional amounts resulted from the actions carried out by the structures of the National Administration for Finance Administration regarding the fight against fraud and tax evasion.

The whole reorganisation process aims at transforming the National Administration for Finance Administration into a modern, flexible and efficient tax administration, the focus being also on the creation of a relation of partnership with the taxpayers, by developing the informatics system
leading to the improvement of the mechanisms of tax declarations and payments.

The National Administration for Finance Administration continues to manage a solid and sustainable activity, pursuant to the expectations of the Romanian Government, through the medium and long term development strategies in its field of activity, and to the international bodies, within an economic environment still affected by the economic crisis.

For the development of a more efficient and automated tax administration, at European standards, the National Administration for Finance Administration adopts a manner of objective management based on accountability, defining priorities and subsequent control of task achievement, but also a participative management based on the implementation of a reform requiring an efficient change management at the level of its organisation and of its way of operation. The challenges that should be faced in the following years make the reform of management strategy be based on involving all the organisational structures at central and territorial level and on assuming a commitment to changes of all the employees of the public institution.

Approaching performance should remain the main concern of any economic entity, public or private, and the performance assessment process should be continuous, being a key element of the performance management.

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