

# ***Strategic changes in public management at the local level of the Romanian Public Administration***

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## **Introduction**

At the beginning, it was compulsory for the government to focus on economic reform problems, but later it became obvious that the implementation of the economic reform is impossible without a **profound reform of the public administration**, which on the other hand, explains the delays or dysfunctions occurred in the application of the economic reform.

The main objective of the changes in the public management of the Romanian administrative system is increasing the level of satisfaction of public interest, mainly of the general and specific needs of the citizens and of the Romanian society, in general.

The Romanian public administration should adopt and implement the administrative values that define the European administrative field: transparency, predictability, responsibility, adaptability and efficiency. These values should be embedded in the institutions and administrative processes at all levels and their application should be monitored by an independent control system.

**The basic principles** of the management of change in the Romanian public administration are:

- Separating political level of the administration of the executive/managerial one;
- Transparency and individual responsibility of all civil servants and of the top administrative management;
- Efficient delegation of attributions, tasks, competences and responsibilities to the inferior levels of the administrative system: the subordinate agencies (subsidiary principle) and in the public institutions and authorities to the medium and inferior levels of management;
- Decisional and financial autonomy in the public policy process;
- Social implication of the citizens and organized participation of private sector actors (the civil society, the business community and the citizens) in the elaboration of the central and local policies and their decentralized implementation.

**Main directions** in the process of change in the public management of the municipalities are:

- ❖ Profound restructuring of the public management;
- ❖ Improving the relations between citizens and public authorities and institutions;
- ❖ Professional ethics of public servants;
- ❖ Decentralized public services and financial and administrative consolidation of local autonomy;
- ❖ Changing the process of implementation of public policies, of the central decisional act and increasing the degree of transparency of this process;
- ❖ Efficiency of public administration;
- ❖ Implementing informatics programs and technical support in the local and central public administration;

**Main priorities** in the implementation of changes in public administration:

- ❖ **A modern and adaptable public administration**, taking into consideration the realities of the Romanian society and the economic system, in order to get closer to the high standards

and operational results of the public sector and of the public administration in the EU countries;

- ❖ **Embedding the modern managerial systems and methods** and the necessary capacity of human resources into the Romanian public sector and public administration, in order for it to be functional, to produce the expected results and to deliver quality services.

According to the requests of the modern public administration and of the EU integration, the following priorities must be taken into consideration:

- ❖ **The public duty reform** will ensure the creation of a professional elite corps of civil servants, politically stable and neutral, by implementing a coherent and unitary legal framework and developing management strategies of human resources and of professional preparation methods, in cooperation with the ministries and government agencies.
- ❖ **Local public administration reform** by continuing the process of decentralization/deconcentration, in order to ensure:
  - improving the management of local public services and increasing their quality;
  - correct sharing of responsibilities, financial resources and legal rights offered by the public services;
- ❖ **Improving the process of public policy implementation** by creating coordinating systems and management capabilities of government structures.

There are a few main priorities regarding **the relations between citizens and local public administration**:

- creating Web sites for every administrative unit, in order to allow public access to official documents;
- creating an info-booth network for the citizens, in order to facilitate their access to information (administrative forms, necessary documentation for obtaining an authorization, the organization chart and local public administration attributions etc.)
- the implementation of a system for the electronic management of documents in order to quickly resolve the complaints of citizens, to reduce the waiting time and to increase the transparency of the administrative act;
- the implementation of a system which electronically collects taxes and local assessments for every administrative unit;
- the creation of portals which allow the easy access of the citizens to local public services;

All this computerization process of the local and central public administration should be developed in order to ensure:

- The interoperability of all informatics systems and the possibility of their integration;
- The standardization of communications methods and formats of data between public administrations;
- The respect of the standards imposed by the European Union regarding the computerization process of the public administration.

In order to respect these conditions, a unitary approach of the instructions in the computerization process of the local public administration is necessary. It is highly recommended the elaboration of some standardized briefing files, according to the major directives: investments in the communications infrastructure, investments in the IT infrastructure, applications.

### *The key-changes in the local public management*

#### **I. Associations of local public authorities in common interest projects**

Association does not affect the functioning of the local authorities as self-governed entities in the case of adopting certain measures to ensure the administrative order and financial constraints. The

main objective of the local authorities regarding the efficiency, local economy and quality services is the cooperation between authorities.

For example, in **Belgium**, the law states the following:

- The association should have its headquarters registered in the area of one of its members, in a location-property of the association or of one its members;
- The public institutions, members of an inter-municipal association have limited individual responsibility;
- Any modification of the contract of association regarding the obligations or additional restrictions for members must be approved by the local councils of each of the members;
- Inter-municipal associations organizes top management meetings, they have a Council of the administration and common auditors;
- The accounting registers of the associations must be kept according to the general accounting rules applied in the corporate sector;
- Inter-municipal associations are exonerated from the payment of taxes and financial obligations to other public institutions.

In **France**, the local authorities can associate as public institutions created for the purpose of common interest projects.

The legal rights and the activities undertaken are very different, taking into consideration the level of implication of the public authority. For the urban communities, the law establishes a number of 11 compulsory activities for these types of associations.

The other associations have the right to decide the responsibility area, which may have unique or multiple objectives.

The objective of an association of rural communities is grouping them into a solidarity formula in order to apply a rural development project. The association has full legal rights of action for and in the name of the rural communities in order to realize an activity in the interest of the communities involved.

The objective of an association of urban communities is grouping them into a solidarity formula, in order to develop activities for the municipality. The association can take action for and in the name of the member communities, in order to develop activities for the represented communities; the association shall exercise such rights and shall establish rules for two important fields:

- Land exploitation: the accomplish of a master plan and of maps of the inter- rural communities, in order to improve the development;
- Economic development activities, the establishment of industrial areas, tourist regions, harbors and airports;

***Common characteristics of the EU legislation concerning inter-municipal associations***

- Voluntary associations;
- They do not need Government's approval;
- They do not beneficiate of special Government financing programs;
- Limited objective of the local authorities: developing collective actions;
- They can not be created to avoid public hearings or other forms of citizen information, established by the laws concerning public authorities;
- They are designed to develop entrepreneurial activities along with the private sector;
- They need the founding of a legal entity with specific responsibilities and capabilities.

**Proposals concerning the legal framework of the associations between local public authorities in Romania**

The Romanian legal framework includes specific requirements regarding the cooperation and the association between local public authorities. The fact that these associations can be designed with the purpose of developing certain local interest works and of providing services, certainly means that the development of the infrastructure represents a main objective of these associations. The law states

that the entity which enters the association has the right to decide in the name and in the interest of the represented community regarding the financial investments and assets in order to create a commercial corporation or a public service of local interest. The specifications also refer to the case of cooperation between local authorities regarding the development of infrastructure projects.

Although it exists in theory (the legal framework specifications regarding the cooperation) it is not clear whether such associations/cooperation will be realized on a large scale in Romania. Inter-municipal cooperation is one of the best strategies for providing services efficiently. In the EU countries, it represents a more predominant form of restructuring the public services than privatization. The collaboration between administrative authorities in providing public services reflects most often in reduced costs, improved quality and promotion of the innovative transfer of know-how and encourages regional alliances. The regional cooperation is important in developing economic strategies and in land exploitation, in order to determine the economic growth and to optimize physical parameters of regional development.

In Romania, the possibility of collaboration between the local authorities (mostly the small and medium sized) can be an efficient way of increasing the absorption capacity of the EU funds. The Romanian Government must play an active role in promoting the associations between local authorities, in order to help to make the most of these opportunities. The Government initiative might focus on attracting the private sector into project making activities, in partnership with the local authorities.

The Romanian Government should take into consideration the option of creating a special program for stimulating the associations, with the purpose of developing the infrastructure at a rural and a regional level. The stimulation for adopting this program is gaining easy access to the EU funds. The result is that the program will not entirely consume the state budget resources; in exchange, it will improve the level of distribution of the EU funds towards the local communities and its citizens.

This program should focus on the idea that small local authorities might gain the capacity of obtaining finances from the private sector in the eventuality of the reduction of the EU funds and of the increasing need of private finance for developing the infrastructure. According to this, the program has a short term and a long term benefit.

The need for such an assistance was obvious during the first stage of SAPARD program implementation because the creation of an association between the rural communities was needed in order to gain the financing. In this case, the association design process was difficult and took a lot of time although the creation of a legal entity – association was not necessary. The local authorities preferred to associate on a contract or a memorandum basis. This created some difficulties in approaching the banks for obtaining the necessary financing for deliver the payments to the contractors; these types of association without legal personality created confusions and conflict situations in determining the payment obligations of commerce discounts and other banking costs.

Despite of the fact that EU programs generated the apparition of associations between local authorities, the process was not based on the collaboration for delivering services or for modernizing the infrastructure, they had as a main objective the attraction of these un-reimbursed funds. This situation is in contrast with the model of the EU countries in which the inter-municipal associations have as main goal the delivery of public services or infrastructural modernizations. The fact that main priority of the Romanian associations was obtaining the un-reimbursed funds, made the collaboration with the banks very difficult. According to this, these associations are not sustainable and do not have as main objective the long-term collaboration.

The Government program regarding the encouragement of regional cooperation can only be of a technical nature, in the first stage. The participation stimulant can be the easy access to EU financing. A special program can be implemented through a ministry of the economic field, as a primary technical resource for small local authorities. The Ministry should encourage collaboration between local authorities for creating and implementing a project or in order to deliver services, as a part of the application procedure for an EU financing program.

The functioning methods of EU financings resembles very much to the private sector financing operations. In many countries, small local authorities do not have the capacity of elaboration and financing infrastructural projects and the banks and local investors have little time and few resources for such small projects. The elaboration of a bigger project which includes several small projects became the means for avoiding those barriers and obtaining financing. A specialized agency, usually governmental, offers consulting service by helping small local authorities with the knowledge and experience in project elaboration and financing mechanisms. Once the project is financed and executed, the exploitation of its benefits becomes the responsibility of the local authorities.

Although the infrastructure projects are 100% financed within the EU programs, most of them demand between 30 and 50% co-financing.

It is wise for the Romanian Government to elaborate a program for sustaining the collaborations between local authorities in order to use the EU funds in the near future and in the end to help mobilize long-term private financing. In the absence of a coherent strategy, local authorities shall become dependent of the EU finances and when their level of financing decreases, the local authorities will try to get hold of resources from the state budget, instead of the finances from the private sector.

Even though the model of these inter-municipal associations in the EU countries imply a passive approach from the Government, these countries didn't need to deal with the situation of absorbing EU funds in a relatively short period of time. Moreover, these countries didn't need to pass from un-reimbursable financing to private financing, compared to our country. Romania should learn a great deal from the experience of the EU countries but it should try a more aggressive approach in the design and the implementation of the inter-municipal associations.

## **II. The development of a municipal credit market**

It must happens by a certain bank of municipal bonds which can play a key role in these field ministries. At this stage, the main responsibility of a bank for municipal bonds should be the private sector financing mobilization in order to solve smaller infrastructural projects. It mainly represents an institution of technical analysis, as long as is does not need financial aid from the state in order for it to function properly. The bank for municipal bonds will deliver technical assistance for the capital market by (i) allocation of resources for elaborating the financed project, by fulfilling the standards imposed by the private sector, (ii) monitoring the usage for the amount taken from shares released on the open market, in order to achieve the goals of the financed project, (iii) monitoring the absorption of funds and (iv) monitoring the reimbursement, the interest payment and financial charges. The intervention of such a bank will accelerate the development of the municipal bonds market and it will make local authorities less dependent from the EU and state-budget financing and focus them towards a private sector financing.

The municipal bonds banks can ensure the easy access on the capital market for the communities which do not have the necessary financial resources, the necessary experience, a background in credit operations or the required organizational dimension for accessing these markets on their own. Such institutions ensure the connection between local development projects and capital resources. In addition, they offer technical assistance in order to determine the financing diagram and the elaboration of the project. In this way, the banks for municipal bonds carry out specific tasks that the local authority are not able of fulfilling, even with the help of its employees. These institutions perform activities that the private sector does not wish to undertake in such situations ( a series of costs is not justified).

By grouping a number of small projects in order to obtain financing, the credit associated costs are substantially reduced because the transaction costs are split between several projects. Furthermore, the financing agreement must be standardized, which should significantly reduce the costs.

The standard loan agreement, along with its terms, conditions and specific guarantees shall allow local authorities to determine whether the project can qualify for obtaining the financing,

regarding its characteristics. This is a very different situation from the one in which local authorities begin dealing with the investors without knowing the terms of the financing (they become clear at the end of the negotiations).

The standard loan agreement and its eligibility criteria for these financings represent the necessary basis for an initial analysis of the proposed project, undertaken by the local community. By analyzing these documents, local authorities will know in advance what authorizations they need for obtaining the financing. This is extremely useful for the local authorities that have never worked with the private sector.

The implementation of these changes in the public management of the local communities is a very long and complex process which requires a coherent and integrated approach, along with the direct implication of professional public managers, top civil servants and contractual personnel, local and international consultants, along with a great deal of professional assistance from the elected political representatives.

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